NWB BANK

Annual report

2020

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Chapters 1, 2, the Corporate governance section in chapter 3, and the Risk management section in chapter 4, insofar as these relate to NWB Bank's risk management, form the management report as referred to in Section 2:391 of the Dutch Civil Code.

AT A GLANCE

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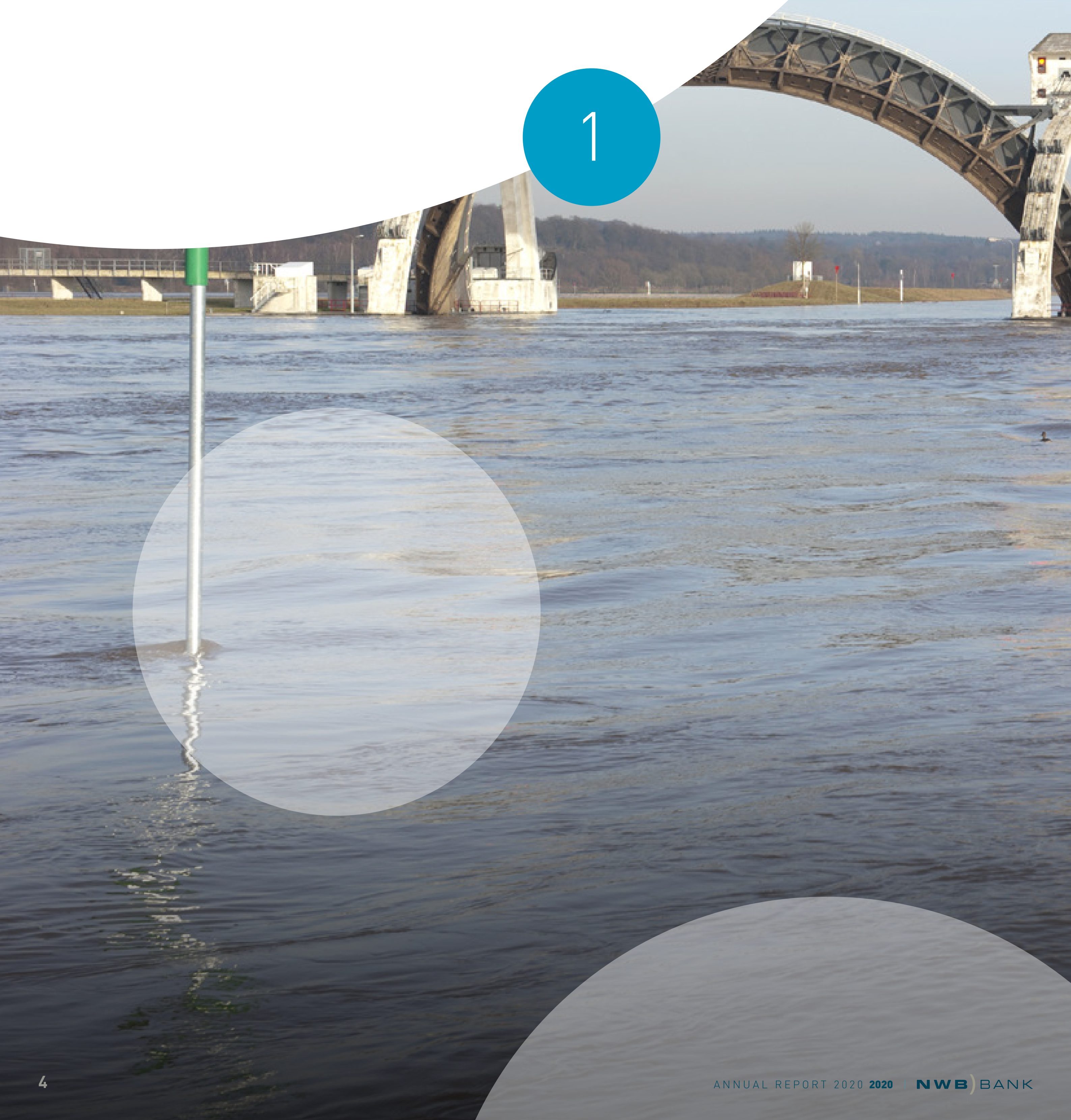


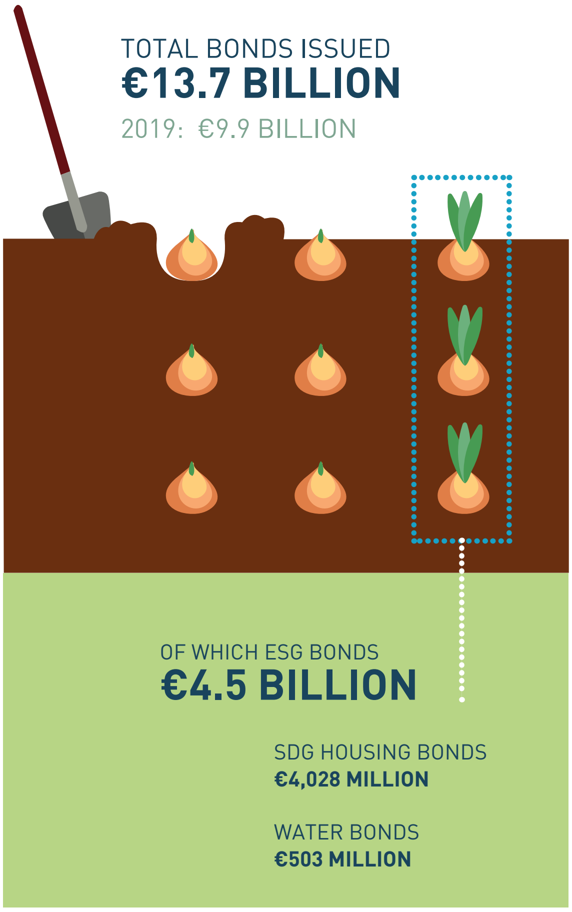
NWB BANK 2020 **FACTS AND FIGURES**

NET PROFIT

€81 MILLION
2019: €95 MILLION

22.2% COST/INCOME RATIO
2019: 15.5%

FUNDING



TOTAL BONDS ISSUED
€13.7 BILLION
2019: €9.9 BILLION

OF WHICH ESG BONDS
€4.5 BILLION

SDG HOUSING BONDS
€4,028 MILLION

WATER BONDS
€503 MILLION

LENDING

€10.3 BILLION
TO THE DUTCH PUBLIC SECTOR
2019: €10.2 BILLION

SOCIAL HOUSING	55%
WATER AUTHORITIES	12%
MUNICIPALITIES	11%
GREEN PASS-THROUGH NHG RMBS	7%
RENEWABLE ENERGY	6%
GOVERNMENT-GUARANTEED LOANS	3%
DRINKING WATER COMPANIES	2%
HEALTHCARE	1%
OTHER	3%

CAPITAL RATIO

46% CET1 RATIO

2019: 52.8%

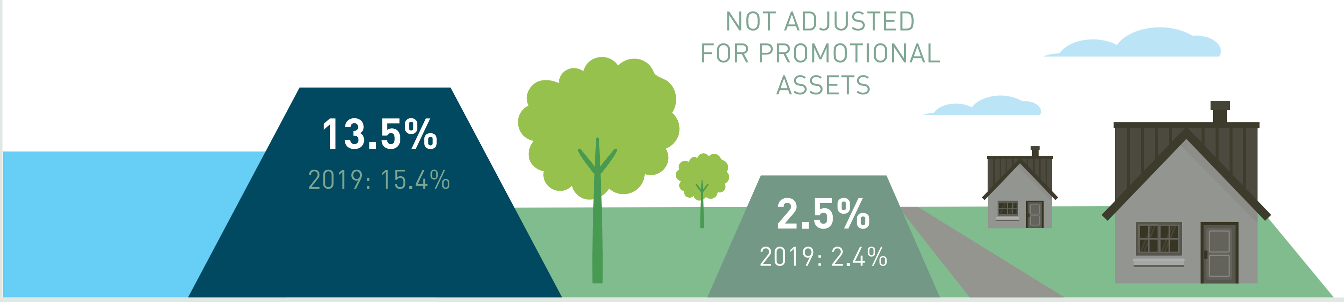
12.75% MINIMUM REQUIREMENT

TOTAL ASSETS

€107 BILLION

2019: €96 BILLION

LEVERAGE RATIO



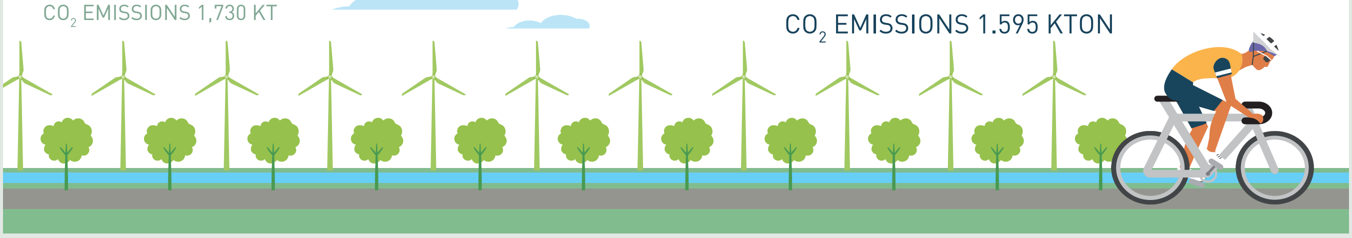
CHARTERING CO_2 EMISSIONS

2019: 95.1%

CO_2 EMISSIONS 1,730 KT

94.5% LOAN PORTFOLIO

CO_2 EMISSIONS 1.595 KTON



KEY FINANCIALS

(in millions of euros)	**2020**[1]	2019	2018	2017	2016
Balance sheet					
Long-term loans and advances (nominal value)[2]	49,844	49,436	47,644	47,840	48,669
Equity[3]	1,782	1,741	1,706	1,628	1,507
Tier 1 capital[3]	2,085	2,050	2,018	1,942	1,824
Total assets	106,882	96,205	83,715	87,123	94,414
Risk-weighted assets	3,833	3,277	2,627	2,680	2,979
Results					
Net interest income	244	213	234	276	219
Results from financial transactions	-55	-39	-48	-58	-25
Operating income	189	174	186	218	193
Operating expenses	42	27	22	20	19
Bank tax and resolution levy	12[4]	22	27	28	25
Expected Credit Loss	-	-	-	-	-
Extraordinary income	-	11[5]	-	-	-
Income tax	54	41	37	47	42
Net profit	81	95	100	123	107
Dividend					
Dividend distribution	45.0	55.0	20.0	-	-
Dividend (in euros per share)	762.9	932.4	339.0	-	-

1) an explanation of the calculation of the quantities shown in the key figures is included in the 'Glossary'.
2) loans including interest-bearing securities, provided to regional authorities
3) including profit for the financial year less dividend
4) including a restitution of € 15 million for the years 2016 to 2018
5) extraordinary income as a result of a change in the pension scheme

(in millions of euros)	**2020**[1]	2019	2018	2017	2016
Ratios (in %)					
Tier 1 ratio[2]	54.4[3]	62.6[3]	76.8	72.5	61.2
CET 1 ratio[2]	46.0[4]	52.8[4]	64.6	60.5	50.5
Cost/income ratio[5]	22.2	15.5	11.8	9.2	9.7
Dividend pay-out ratio	55.9	58.2	20.1	-	-
Leverage ratio[6]	13.5	15.4	-	-	-
Leverage ratio (not adjusted for promotional assets)[7]	2.5[8]	2.4	2.6	2.5	2.3
Liquidity Coverage Ratio	150	204	222	179	146
Net Stable Funding Ratio	122	118	129	126	123
CSR					
Volume of sustainable bond issuance	4,531	2,538	2,744	3,480	1,110
CO_2 emissions equivalents from operating activities p.p. (in tonnes)	1.5	2.8	3.7	3.9	4.1
CO_2 emissions equivalents PCAF portfolio coverage (in %)	94.5[9]	95.1[9]	-	-	-
CO_2 emissions equivalents loan portfolio (in kton)	1,595[9]	1,730.0[9]	-	-	-

1) an explanation of the calculation of the quantities shown in the key figures is included in the 'Glossary'.
2) including profit for the financial year less dividend
3) 53.5 excluding profit for the year (2019: 61.4)
4) 45.1 excluding profit for the year (2019: 51.6)
5) 'cost' concerns the operating expenses and 'income' the operating income
6) including profit for the financial year less dividend, taking into account the calculation for promotional banks according to CRR II as of 27 June 2019
7) including profit for the financial year less dividend, not taking into account the calculation for promotional banks
8) 2.4 not taken into account Decision (EU) 2020/1306 of 16 September 2020 on the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic (ECB/2020/44))
9) based on 94.5% of the loan portfolio (2019: 95.1%); The 2019 figure is recalculated to the most actual methodology

NWB BANK'S PROFILE

Nederlandse Waterschapsbank N.V. (hereinafter referred to as NWB Bank) is a bank of and for the public sector with a special focus on water and sustainability. We are a national promotional bank. Through our activities, we help public entities achieve their policy goals.

On 1 February 1953, the Netherlands was struck by the North Sea flood. This disaster took 1,836 human lives and killed tens of thousands of animals. Approximately 100,000 people lost their homes and possessions. The material damage amounted to more than 5% of the national income. The Nederlandse Waterschapsbank was founded on 5 May 1954 to help the water authorities raise the substantial investment needed to protect our country against water.

However, the bank was not founded as an immediate result of the disaster; plans were already being drawn up to set up a bank for the water authorities in 1939. The board of the Association of Dutch Water Authorities took the final decision to launch the bank in December 1952. The disaster in February 1953 was a catalyst to accelerate the establishment of the bank rather than the reason for it.

Initially, the bank aimed to secure loans at the best possible terms for the water authorities. But the founders also stressed that the bank was open to doing business with other public and semi-public organisations. Indeed, soon after the bank was launched, it began to finance drinking water companies and municipalities. Later, housing associations and healthcare institutions were added to the list. That is how NWB Bank became a key financier in the public domain over the years. For several years now, we have also been financing public-private partnerships and export credit, and in 2019 we started to finance renewable energy projects to contribute to efforts to enhance sustainability.

As a bank of and for the public sector, our interests and values differ from strictly commercial banks. We do not pursue profit maximisation. In addition to ensuring a strong financial position and efficient business operations, we expressly focus on creating long-term social value. We are dedicated to a stable, sustainable financial sector, which in turn contributes to an economy that serves mankind while causing the least possible harm to the environment. We provide appropriate financing to our clients on the most favourable terms possible. This enables us to keep the burden on citizens as low as possible and work towards implementing affordable sustainable practices in the Netherlands.

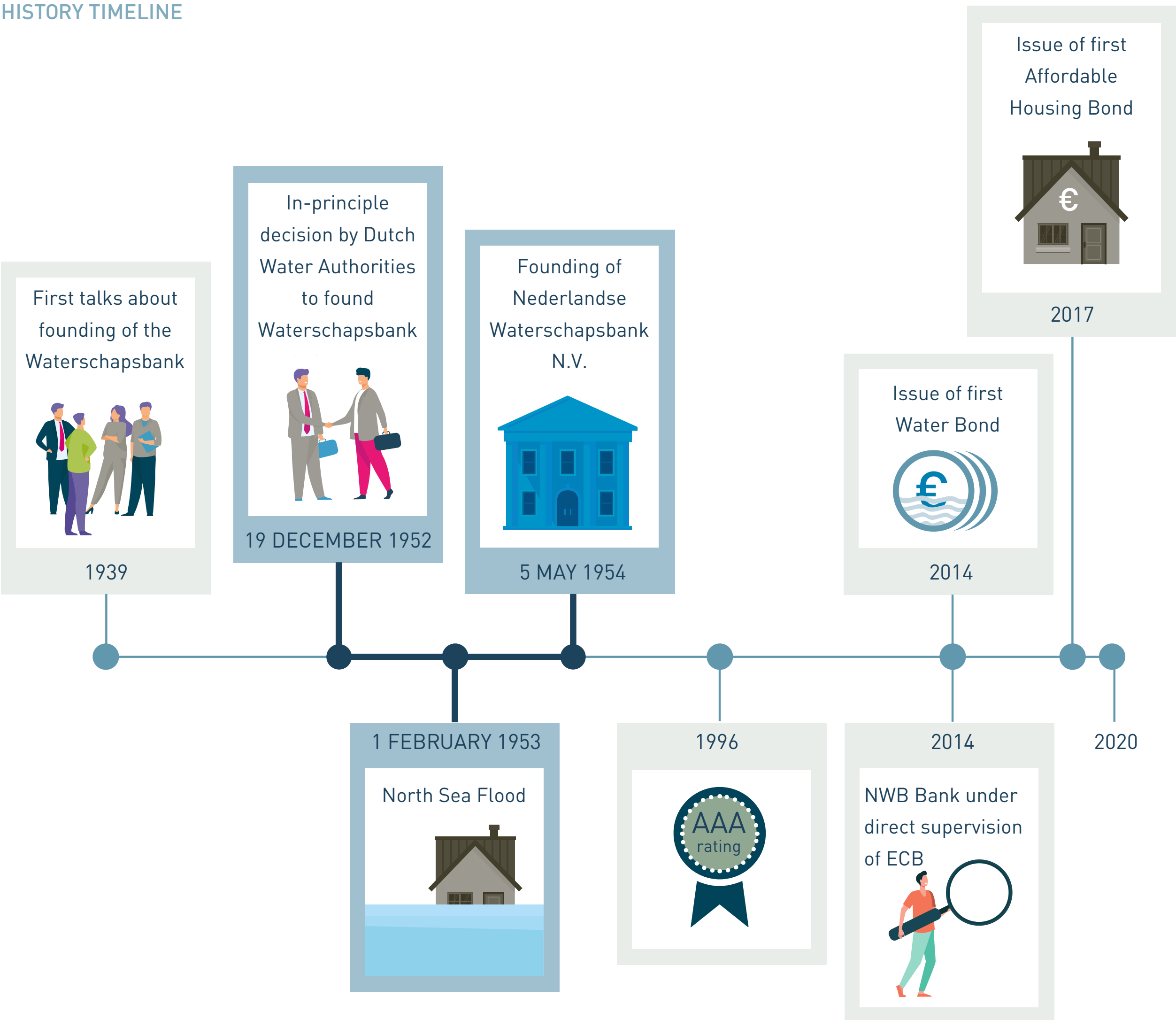
The need to enhance sustainability and the energy transition are key challenges for society and our clients. As a national promotional bank, we feel bound to contribute to these goals. The transition to a climate-neutral and circular economy will require major investments in the decades ahead, both worldwide and in the Netherlands. Renewable energy projects generally involve substantial financing needs and a long period during which the investment must be recouped. We are perfectly equipped to provide this type of long-term financing as a result of our significant balance sheet, efficient business model and excellent creditworthiness.

The bulk of the bank's loan portfolio comprises loans to local authorities or institutions guaranteed by local or regional governments. This is one of the reasons the bank has the highest credit ratings: AAA/Aaa. NWB Bank ranks fifth on the list of the world's safest banks. Its high credit ratings, financial expertise and efficient operations mean NWB Bank can always respond actively to the Dutch public sector's financing needs, even in difficult times.

The funds we lend to our clients are raised on the international money and capital markets. To the greatest extent possible, we try to raise funds by issuing sustainable bonds. For instance, we finance the water authorities' activities with so-called Water Bonds (Green Bonds). To finance social housing, we issue SDG (Sustainable Development Goals) Housing Bonds and, in the past, Affordable Housing Bonds. The experience and expertise we acquired from these activities in recent years, combined with the large volume, means our bank is a prominent player in the international field of ESG (Environmental, Social and Governance) bonds. In the Netherlands, NWB Bank is the largest issuer of sustainable bonds.

As a significant bank, we are supervised directly by the European Central Bank. Despite the intensity and high requirements of that supervision, which are no different for a promotional bank such as NWB Bank than for a strictly commercial bank, we have maintained our compact and efficient organisational model. The flat organisation and open culture make NWB Bank an agile and efficient bank at which transparency and integrity are of paramount importance.

HISTORY TIMELINE



REPORT OF THE MANAGING BOARD

2


Asgard
Mara
Lemmer

INTERVIEW WITH LIDWIN VAN VELDEN, CHAIR OF THE MANAGING BOARD

"THIS PAST YEAR, WE DEMONSTRATED THAT WE ARE AN EFFICIENT AND RESILIENT ORGANISATION"

Despite the difficult conditions caused by the global outbreak of the COVID-19 pandemic, we managed to be there for our customers, keep the bank's operations going and more than live up to our strategic goals. I am incredibly proud of that.

Last year was extraordinary in many ways, not in the least because of COVID-19. How did this affect the bank, its employees and you?

"In February, the news of the pandemic caught us, like the rest of the world, off guard. We saw footage of the situation in Italy and it soon became clear that the virus would reach the Netherlands as well. As Executive Committee we took instant measures to safeguard the service to our customers and the health of our employees. Internally, we immediately took the necessary (hygiene) measures and observed the guidelines of the National Institute for Public Health and the Environment. Our IT organisation also responded rapidly to the new situation. We had just switched to a new automated workstation, so the rollout of Microsoft Teams went quickly and smoothly. Even though communicating digitally is different from a face-to-face conversation, you get used to it and it's good to be able to interact through video calls.

The pandemic does not seem to have had an impact on our lending. Our clients' financing needs remained stable and even increased in some cases. We have been able to continue funding ourselves sufficiently this past year, despite some volatility on capital and money markets in the early days of the pandemic. That has made it possible for us to be there for our clients, in much the same way as during the 2008 financial crisis. That is vital and a huge achievement. It is comforting to know that, as an organisation, we can switch gears immediately, our employees can respond to a new reality smoothly and efficiently, and our customers always know how to find us.

Personally speaking, it made perfect sense to start working from home and provide the opportunity for my colleagues to work at the office. It was strange in the beginning to be sitting at the kitchen table opposite my daughter, who was in her final year of exams. My husband had always worked from home, so he also had to adapt to the new situation. I live in rural Amsterdam-Noord, so I had nothing to complain about, especially during the beautiful spring we had. My colleagues and I consulted every day when the pandemic began to spread in the Netherlands, including on weekends. Well-coordinated communication was essential to safeguard the continuity of the organisation. Once we were confident we had the organisation and operations of the bank well on track to adapt to this new situation, we reduced the number of meetings.

It goes without saying that the Executive Committee also stayed in close contact with the Supervisory Board. The Supervisory Board was and is extremely committed to the bank, particularly in these extraordinary times. Initially I liaised with Age Bakker (chairman of the Supervisory Board until 16 April 2020) and then his successor, Joanne Kellermann. It was an unusual time for her to take over, so I was glad we could consult every other week. We were also in frequent contact with the chairs of the Audit Committee and Risk Committee and the rest of the Supervisory Board, because during this period it is essential to keep everyone well informed and be able to talk to them about developments, the steps we were taking and their views on them. The same applies to our interaction with our supervisory authority."

Recently you discovered a fraud incident. What impact did that have on the bank, its employees and on you personally?

"Indeed, in early 2021 we discovered that we had paid out a €12 million loan in 2020 to a person or organisation who pretended to be a municipality. This discovery came as a great shock to everyone. We had never suffered a credit loss in our more-than-65-year history and then to lose so much money in such a way is all the more unpleasant. Apparently our processes and systems were not up to this sophisticated kind of fraud. Immediately after the discovery, we took measures to ensure this could not happen again. Naturally, we also immediately reported the matter to the Public Prosecution Service and informed our Supervisory Board.

My colleagues and I were all dumbstruck that this could happen to us. The incident cast a huge shadow over our successful response to the pandemic last year. I genuinely lost sleep over this. However, we had no choice but to move forward and immediately get to the bottom of this. We first got together with as small a group of employees as possible to examine the details and initiate the necessary (internal) investigations. We needed to rule out the possibility that more fraudulent loans had been issued. Fortunately, this was not the case, so we can safely say that this was a one-off incident.

Strangely enough, it was a bit of a relief when the news was released because that meant now everyone in the bank knew what we were working on. But we would have preferred to choose the moment to break the news ourselves. We had prepared a press release and a communication plan but had to go public more quickly than expected. So, we were unable to inform our shareholders in an appropriate manner in advance, for example. That is regrettable.

€12 million is a huge sum of money, even for a bank like ours with a balance sheet of over €100 billion. Indeed, it is almost 15% of our annual profit. I do want to emphasise that the incident has not and will not in any way affect the services we provide to our clients or our activities in the money and capital markets. I think that is the main priority, and I am convinced we will learn our lessons from this incident and come out of it stronger."

NWB Bank has experienced significant organisational growth in recent years. How did you manage to keep (the growing number of) employees connected and engaged this past year?

"The main focus of our 2020 strategy cycle was supposed to be the internal organisation. But this process was accelerated during the year due to the 'turn of events'. We think it is important to involve everyone in the organisation in the strategy of 'the sustainable water bank' that was launched in 2019 and make sure they know what is going on. This is more difficult when most of your employees are working from home. That is why we created the 'Durgerdam email' at the beginning of the first wave, an email I sent about every two weeks outlining what my life was like, but also what was keeping us, as the Executive Committee, busy. For example, we shared important internal steps in the IT organisation, activities that contribute to our sustainability strategy and special transactions, and at the same time, I tried to give our employees a shot in the arm with the emails.

To see how employees were doing and whether they needed support, our HR department sent out surveys. Partly as a result of these surveys, each employee received a budget for setting up a good home workplace. Departmental managers *regularly inquired about the well-being of employees, and this was a key topic during the annual and mid-year appraisals. Many of the home-based teams started each day by meeting online to discuss what needs to be done but also just to have a pleasant chat, which is something many people miss. We also went ahead with the scheduled workshops on subjects such as diversity and integrity, but did so digitally. These are great moments to meet and talk to each other in addition to the daily work.*

Despite the pandemic, we hired many new, mainly young, employees this past year. We organised an outdoor lunch last summer, especially for our younger colleagues. This enabled employees to meet under safe conditions and gave the Executive Committee the opportunity to get to know them and talk to them about their ideas for internal communication. Of course, it is strange to start working with a new employer during times like these, so it was great to be able to meet each other in person."

Despite it being 'business as usual' to the greatest possible extent, last year's shareholders' meeting was also held digitally. And there were important matters on the agenda such as appointing a new chair of the Supervisory Board and deciding on the dividend payment. How did that work out?

"Indeed, we were not able to hold a physical meeting, so in accordance with our bylaws, we had to find another legitimate way. We hired a company to set up a streaming service through which the chair of the Supervisory Board, Age Bakker, our secretary of the Supervisory Board, Andrea Groenewegen, and myself were on location and could see our shareholders on a big screen in front of us. That worked extremely well. The new Supervisory Board chair, Joanne Kellermann, was then able to introduce herself to all the shareholders.

At the shareholders' meeting, we declared the dividend. However, at the urgent request of the European Central Bank (ECB), we were unable to pay it out as we normally would. This ECB recommendation was based on the COVID-19 pandemic and the uncertainties it has created for banks and the economy. Although aware of NWB Bank's special character as a national promotional bank, and a dividend payment to public shareholders would help counter the economic consequences of COVID-19, we decided to follow the recommendation in the interest of the system. Our shareholders understood our decision but asked us to draw attention to the special position of public sector banks at the ECB and the Dutch Central Bank (De Nederlandsche Bank; DNB). We took the matter to the highest level at the ECB and DNB, but unfortunately this has not yet resulted in an adjustment of the recommendation."

How did the bank build on its strategy last year?

"As in 2019, we provided over €10 billion in lending in 2020. We thus reaffirmed our added value as a national promotional bank. We managed to consolidate our position in the financing of the broad public sector and significantly expanded our portfolio of renewable energy projects to about €900 million.

As 'the sustainable water bank', we want to contribute to making the Netherlands more sustainable at an affordable price. A good example of the implementation of our strategy is the Zeewolde Wind Farm. It is a unique partnership of more than 200 local farmers, residents and entrepreneurs on the outskirts of Zeewolde and will provide power to approximately 250,000 local households. Rabobank provided the financing for the wind farm while NWB Bank fully took over these loans of €470 million, the risks of which are shared with other parties (Rabobank and EKF) in the new set-up. The wind farm benefits from our favourable financing rates and we can make a major contribution to an affordable energy transition in the Netherlands. This transaction is also an example of how we are implementing the Climate Agreement, to which we, together with almost the entire financial sector, committed ourselves in 2019.

We were again able to maintain our market share in the public water sector and expand it in the drinking water sector. We are and will remain the bank of and for the public water sector. Last year, we set up a Water Innovation Fund especially for the water authorities. We have been sponsoring the Water Innovation Prize with the Association of

Dutch Water Authorities for many years. They come up with fantastic ideas but many of these ultimately do not make it. Sometimes, innovations hit a dead end because the financing never materialises. In 2019, we started to explore what role we could play as a bank for the water authorities in this area. We spoke with many parties about the underlying reason for the failure of innovations in the water sector and how our bank could help to improve the situation. Last year, this led to the creation of the NWB Water Innovation Fund, which is independent of the bank. We like the fact that we can also contribute in this way to the work of our shareholders, and we have had some great reactions to this."

Were any other milestones achieved last year in terms of strategy?

"As mentioned, we committed to the Climate Agreement in 2019. An important part of this commitment is to chart the climate impact of our financing. We published the first measurement of our carbon footprint in the 2019 annual report. At that point, we had already charted the impact of 93% of our loan portfolio, and last year we almost reached 95%. The next step is to draw up an action plan to reduce our carbon footprint. We see this as a clear example of our aim to achieve a social and financial return. To encourage our clients to contribute to the reduction of carbon emissions, we are investigating whether we can build incentives into our loan contracts to reward them, as it were, for achieving predetermined reduction targets.

Biodiversity is also playing an increasingly important role in our bank's positioning and profile. There is a growing awareness in the financial sector that, as with climate change, swift action must be taken to prevent the loss of biodiversity. As a bank of and for the water authorities, we want to set a good example in this regard. That is why we took up the leading role in the Biodiversity Working Group, which is part of the DNB's Sustainable Finance Platform. Last year, we joined the Delta Plan for Biodiversity Recovery and became a partner of the citizen science project 'Vang de Watermonsters' ('Catching Water Samples'). In this project, citizen scientists use a kit to measure the quality of ditches, ponds, lakes and fens. Many of our bank's employees participated, and I took a sample from the ditch behind our house. This project has enabled us to create awareness of the importance of water quality in our environment.

We also signed the Finance for Biodiversity Pledge, committing ourselves to measuring the impact of our activities on biodiversity. We hope to make real progress in this area in the coming years. Biodiversity is still a much more complex phenomenon to chart than climate. Fortunately, we are already somewhat familiar with it, because since we started issuing our Water Bonds, we have not only reported on the water authorities' climate adaptation and mitigation measures but also on their activities in the field of biodiversity. The water authorities are responsible for treating wastewater and surface water, which is essential for biodiversity. They also try to take biodiversity into account in their other activities. The water authorities' 'Flower Power' dykes are an excellent example. They are giving nature a helping hand by allowing as many wild flowers as possible to bloom on the dykes they manage.

Finally, in the context of a socially engaged bank, I was asked to participate in the Think Tank on the Future of the Housing Market, because of our bank's role as a financier of housing associations. The think tank consisted of people associated with the housing market, and we tried to discover which values are important in the housing market, what the future of the housing market should look like and how to meet the sustainable housing needs of the future. We recently presented our report to the Minister."

The internal organisation was an agenda priority for 2020 as well. What results have been achieved in that respect?

"The 'sustainable water bank' strategy is on track, but the foundation for this strategy is the internal organisation. Last year, we devoted extra attention to this in the strategy cycle. Our organisation is still growing and it is important to engage everyone in the strategy. We can only be truly successful if we optimise this internal engagement. During our strategy session with the management team, the focus was mainly on how we can further strengthen the internal organisation in line with our strategic ambitions. We set four priorities for the internal organisation and immediately started working on

them – internal communication being one of them. The others are digitisation, change management and governance."

Last year, NWB Bank issued another record number of sustainable bonds. Has that developed further in the past year?

We are still the largest issuer of sustainable bonds in the Netherlands. These include our Water Bonds and SDG Housing Bonds. Last year, we raised almost one-third of our funding with sustainable bonds and even issued our largest ever sustainable bond. We aim to raise at least 25% of our annual funding via the issuance of sustainable bonds, and once again we managed to achieve that target. We aim to remain an international frontrunner in this field and are therefore closely following all developments, such as the establishment of a green taxonomy at the European level."

The bank is currently about halfway through the course set in 2018. Can you indicate where the bank is now and what the focus is for the coming period?

"We are well on track. We have achieved almost all of our strategic objectives. When it comes to financing renewable energy projects, we are well above our own target and have revised it upwards. Now is the time to increase our intended impact even more. In 2021, we are going to do a mid-term review of our strategy and look back at the past two-and-a-half years. On the basis of this review, we will examine whether we need or want to set a more rigorous course. We will also re-evaluate where we stand regarding our focus areas for the internal organisation. Change management and further digitisation are important priorities. Last year, we drew up a digitisation calendar and a revised ICT strategy, which we will build on in 2021.

Of course, we need to keep a close eye on how the COVID-19 pandemic develops. Last year, we showed that we were always there for our clients, despite the challenging circumstances, and delivered on our strategic ambitions. So I am confident we can continue down the same path in the coming years."

MACRO-ECONOMIC DEVELOPMENTS IN 2020

The past year was almost entirely dominated by the COVID-19 pandemic, with a first wave in the spring and second wave starting in the autumn. In the Netherlands alone, social distancing measures implemented to fight the pandemic led to a dramatic drop in economic activity. In the first three quarters of 2020, the Netherlands' gross domestic product (GDP) contracted by 4.1% compared with the first three quarters of 2019.[1] One of the reasons the Dutch economy is being so severely affected is that it relies heavily on global trade, which came to a standstill as a result of the coronavirus spreading to all corners of the globe. The result is a severe, essentially global, economic recession. Therefore, at the national and international levels, governments and supranational institutions have taken the lead to limit the impact of the crisis to the greatest extent possible.

In mid-March, the ECB announced a new asset purchase programme in reaction to the economic downturn. This Pandemic Emergency Purchase Programme (PEPP) initially amounted to €750 billion but was later increased in two stages to €1,850 billion. The programme will run until at least mid-2022, and the ECB will reinvest the redemptions until at least late 2023. The ECB is also using a liquidity-providing instrument, the targeted longer-term refinancing operation (TLTRO), to increase liquidity and support the euro area economy. Banks can use this TLTRO to borrow money cheaply from the ECB for a three-year period to pass this benefit to their customers. The other stimulus programmes, including the ECB's 'regular' asset purchase programme of €120 billion, remained unchanged in 2020, as has the policy interest rate, which is still at -0.5%.

The Dutch State, meanwhile, has rolled out an extensive support package to support the economy. Companies and self-employed professionals who find themselves in financial difficulty due to the COVID-19 crisis are eligible for temporary financial schemes aimed at adapting the Netherlands to a changed society and economy. The schemes were presented in three emergency packages on 17 March, 20 May and 28 August 2020, respectively, and the third package was expanded on 18 December. The government has made almost €38 billion available for (financial) schemes for companies and self-employed professionals. As a result, according to estimates, the deficit in the national budget this year will amount to 6% of GDP.[2]

The public sector has made every effort to mitigate the social and economic impact of the coronavirus. Most services and processes continued to run during the 'intelligent' lockdown in the spring and the second lockdown that began in mid-December, as many employees in the public and semi-public sectors started working from home. Local and regional authorities, however, are facing a loss of income as tax revenues, in particular, are significantly below budget. Municipalities, in particular, seem to have suffered from this. To ensure the services provided by local and regional authorities are maintained, municipalities, provinces and water authorities have made agreements with the national government about state financial support to absorb the financial fallout of the COVID-19 pandemic. In May, the government pledged an initial support package of €566 million, followed by a second support package of €777 million in late September. The support packages are meant to uphold services to citizens and businesses. Housing associations are continuing to carry out their work to the best of their ability, despite a gradual increase in rent arrears.

Despite the crisis, housing associations are still emphasising sustainability when building new homes and transforming old ones. Housing associations have agreed that, on average, their housing stock must achieve B label status by 2021, and they are on schedule to achieve this, based on the extrapolation of past measurements. Water authorities are still front runners in restricting their energy consumption, self-generating sustainable

1) Statistics Netherlands (CBS)
2) Government of the Netherlands

energy and recovering raw materials from wastewater. In addition to their investments in sustainable energy, the water authorities are increasingly allowing third parties to generate sustainable energy on their sites, for example with solar panels and wind turbines. The government has made €5 billion available for projects that focus on the production of renewable energy through the Stimulation of Sustainable Energy Production (SDE++) subsidy. The scope of this scheme was broadened in 2020. Projects that help to reduce CO_2 emissions are now eligible for this financial support as well. This expansion has also led to aquathermal energy, among other things, being eligible for SDE++.

Despite the crisis, the financial sector did not lose sight of the importance of sustainability. For example, the ECB and DNB have called for an even greater focus on identifying the risks of climate change for financial institutions. At the European level, the European Commission's Sustainable Finance Action Plan aims to stimulate the financing of sustainable growth. To meet the European targets derived from the Paris Climate Agreement – a 40% reduction of greenhouse gas emissions by 2030 – the Commission believes an additional €180 billion must be invested annually. Last year, the EU announced a further tightening of the climate targets and, as part of its action plan, developed and presented, among other things, a taxonomy to identify and stimulate sustainable investments. The financial sector needs to get to work on this. Meeting European sustainable growth targets is not just about reducing carbon emissions. The preservation of biodiversity is also an important part of the EU Green Deal. There is also a growing awareness in the financial sector that, as with climate change, swift action must be taken to prevent the loss of biodiversity.

FINANCIAL RESULTS IN 2020

LENDING

In 2020, we provided €10.3 billion in new long-term lending to our clients in the Dutch public sector. This includes interest rate resets for existing loans (€3.9 billion) and the financing of the Green pass-through NHG RMBS (Residential Mortgage-Backed Securities). As a result, lending was slightly higher than in 2019, which was a record year for us with total lending of €10.2 billion. The COVID-19 pandemic and associated measures, therefore, do not appear to have an impact on our lending. In some cases, the pandemic seems to have increased our clients' financing needs last year. We have demonstrated, once again, that our clients can count on us, even in these difficult times. Incidentally, this applies beyond long-term financing; we have always been able to provide our clients with their liquidity needs.

Last year, we maintained our market share in the financing of the Dutch public sector. We were again able to strengthen our position in the public water sector, once more by providing more financing to drinking water companies. Most growth took place in the market for financing renewable energy projects. Last year, we provided €596 million in financing to renewable energy projects, compared with €295 million in 2019, the year we entered this market. Both developments are the direct consequence of the roll-out of the 'sustainable water bank' strategy adopted in 2018. In terms of financing volume, housing associations were our largest client group last year, with total lending of €5.7 billion. This sector also has the largest financing requirement in the Dutch public sector in terms of size.

The illustration below shows a breakdown of lending volume in 2020 by sector in percentages relative to the total volume of lending:

BREAKDOWN OF LENDING VOLUME IN 2020

SOCIAL HOUSING	55%
WATER AUTHORITIES	12%
MUNICIPALITIES	11%
GREEN PASS-THROUGH NHG RMBS	7%
RENEWABLE ENERGY	6%
GOVERNMENT-GUARANTEED LOANS	3%
DRINKING WATER COMPANIES	2%
HEALTHCARE	1%
OTHER	3%

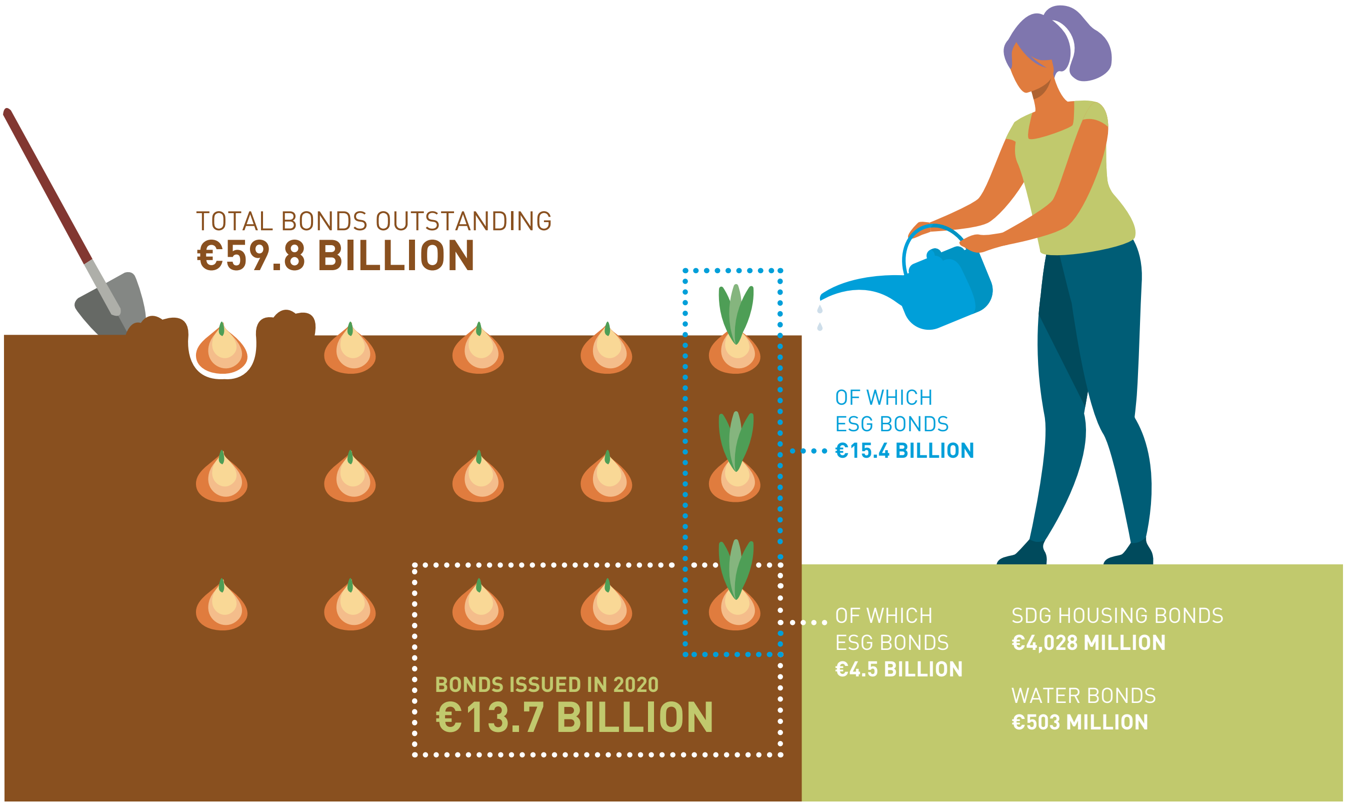
FUNDING

Capital market financing

Despite the fact that the outbreak of the COVID-19 pandemic caused turmoil on the international capital market, especially in March and April, we managed to fund ourselves well thanks to our high-quality risk profile. We also managed to raise a relatively large amount of funding in the first two months of the year as a result of the favourable conditions. In 2020, we raised more funds on the international capital market than in 2019: €13.8 billion compared with €9.9 billion. We use this long-term funding to finance new loans and refinance maturing loans. The average term of the funding raised last year was 5.7 years (2019: 7.6 years).

A significant portion of our need for long-term funding was again raised through the issuance of sustainable bonds. In 2020, we raised more than €4.5 billion in funding with ESG bonds (Environmental, Social and Governance): slightly more than €500 million with Water Bonds (Green Bonds) and more than €4 billion with SDG Housing Bonds (Sustainable Bonds). This is 33% of our total funding, which is well above our internal target of 25%. In total, the bank has raised more than €16 billion with its sustainable bonds. The amount of sustainable bonds as a percentage of the total amount of bonds on the bank's balance sheet was slightly more than 25% at the end of 2020. Internationally, we are and remain, as planned, a leading ESG bond issuer within the SSA group (Sovereigns, Supranationals and Agencies), and in the Netherlands, we are still the largest party in this area.

As a bank, we can fund ourselves on very favourable terms because of our AAA/Aaa ratings, which are similar to those of the Dutch State. The fact that the ECB buys our bank's bonds for its Quantitative Easing (QE) asset purchase programme helps. Last year, in addition to the Public Sector Purchasing Programme (PSPP), the ECB launched the Pandemic Emergency Purchase Programme (PEPP). Our bonds are eligible for both purchase programmes. In addition, our bonds qualify as High-Quality Liquid Assets (HQLA) and can therefore be used by other banks to meet Liquidity Coverage Ratio (LCR) obligations. Partly due to these factors, funding in euros and US dollars was



attractively priced – and these currencies made up the bulk of our funding, with a combined share of 95%.

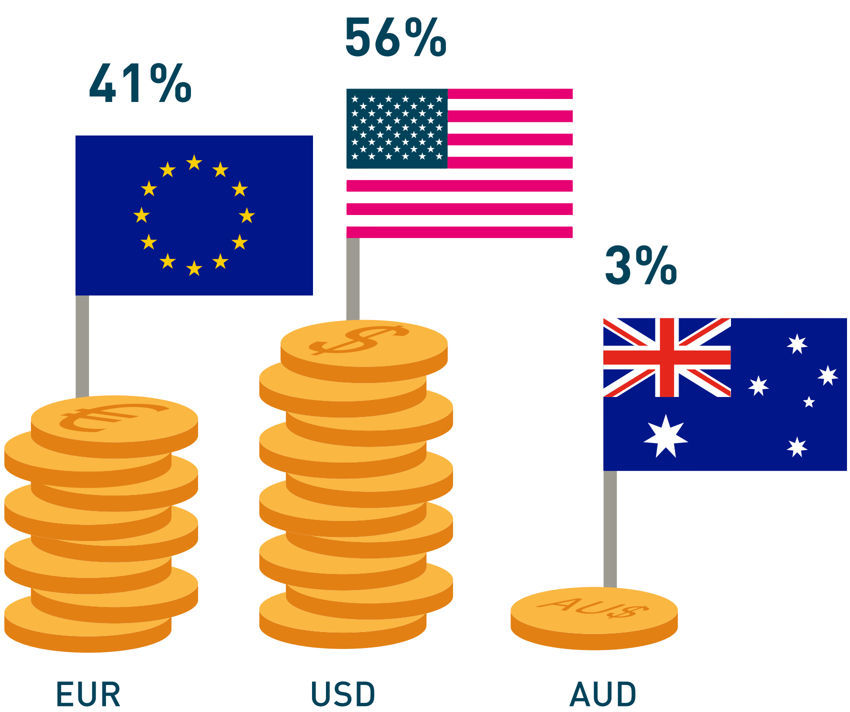
As a result of low interest rate levels, last year investors were again interested in longer maturities to avoid, where possible, negative interest rates on their investments. As a result, we were again able to issue euro-denominated long-term bonds at low spreads and tap some outstanding long-term bonds. For us, this fitted well with the long maturities of our lending.

TLTRO

Last year, for the first time in our existence, we used a credit facility from the ECB. The rates and conditions of the TLTRO (targeted longer-term refinancing operation), which the ECB adjusted to deal with the economic consequences of the coronavirus crisis, were so attractive that it was in the interests of our clients to use this cheap funding. The retroactive interest rate, depending on whether the conditions have been met, is -1% or -0.5% on the amount drawn, or lower if the ECB were to further lower the deposit interest rate. The bank expects to meet the conditions as at the reporting date, thereby achieving an interest rate of at least -1%. We pass this benefit on to our clients in new loans.

We participated twice in the TLTRO in 2020, raising a total of €10 billion in funding with a three-year maturity and the possibility of early redemption. In December, the ECB extended the attractive conditions, which apply in particular to the first year of the facility, by another year.

FUNDING RAISED BY CURRENCY



Money market

Just after the outbreak of the global COVID-19 pandemic, access to the money market for short-term funding and, in particular, Commercial Paper (CP) was briefly limited. Nevertheless, we were always able to attract sufficient liquidity last year. To raise short-term funding, we primarily use CPs. We have two programmes for this: a US Commercial Paper (USCP) programme and a Euro Commercial Paper (ECP) programme. Last year, we raised almost 80% of our CP under our USCP programme: €113.6 billion in USCP (2019: €73.7 billion) compared with €30.9 billion (2019: €52.7 billion) in ECP. The figures stated are cumulative, as maturing CP was refinanced during the year. The outstanding CP amount at year-end 2020 was €6.2 billion (2019: €15.7 billion). The average maturity of the USCP was 1.2 months (2019: 2.9 months) and that of the ECP was 3.5 months (2019: 1.5 months).

We use money market funding raised through our CP programmes for short-term lending to our clients, a higher liquidity buffer and to meet collateral obligations arising from our derivative positions that we use to hedge our interest rate and foreign exchange risks. In addition to the market for CPs, which are marketable debt instruments with maturities of up to one year, we issued short-term USD bonds with maturities of up to two years. Those bonds, issued under our Medium-Term Note programme, replaced the issuance of CPs to some extent. This made it possible to maintain the favourable rates for a longer period. All money market funding, after conversion into euros, took place last year at negative effective interest rates.

FINANCIAL RESULTS

Net profit

Our net profit in 2020 was €80.5 million (2019: €94.5 million). As a result of the attractive rate, the participation in the TLTRO contributed to the level of profit. It should be noted that the TLTRO's favourable rate is valid for the initial two years but that the lending to our clients that it is used for, and to which the favourable rate is passed on, has longer maturities. Therefore, it leads to a shift in interest income over time.

Thanks in part to the high volume of funding and higher net interest income, profit remained at a good level. The fact that the net profit of €80.5 million was lower than the €94.5 million in 2019 was mainly due to the introduction in the Netherlands of the minimum capital rule for banks, which resulted in an additional tax burden of over €16 million, combined with a more negative result on financial transactions. Furthermore, the fraud incident identified earlier this year, in which a payment of €12 million was made based on forged documents, has been recognised as an operating loss in the 2020 financial statements. We also had higher costs related to the COVID-19 pandemic for the continuity of our operations. These special items were offset by a windfall on the resolution levy. With retroactive effect, we received a total of €15.4 million from the Single Resolution Fund (SRF) from past contributions in the period 2015-2018. This refund was the result of an adjusted calculation method for the bank's contribution to the SRF.

Net interest income

Net interest income totalled €244 million, which is an increase of €31 million (2019: €213 million). This is partly due to the growth in the loan portfolio and lower funding costs.

Results from financial transactions

The result from financial transactions in 2020 was a loss of €56 million (2019: €38.7 million loss). This anticipated negative result is partly due to an earlier restructuring of the swap portfolio. The bank implemented this restructuring several years ago to bring the interest rate position more in line with the benchmark return on equity. In addition, the market value on derivatives to which no hedge accounting is applied, as well as the part not covered by collateral, developed negatively due to the interest rate fluctuations.

Expected Credit Loss

Starting this financial year, we adopted IFRS 9 for loan provisioning. The quality of the loan portfolio remained high last year, and there were no significant changes as a result of an increased credit risk. The change in the Expected Credit Loss provision was only changed by updating the macro-economic parameters as a result of the COVID-19 pandemic. The scope of the Expected Credit Loss is limited because the majority of the credit portfolio is guaranteed by the government.

Operating costs

In 2020, our operating costs increased by approximately €15 million to €42 million (2019: €27 million). The fraud incident of €12 million is part of this, seeing as we have included this as an operating loss in the financial statements. Adjusted for this fraud incident, operating costs were €30 million in 2020. The increase in costs is partly the result of measures we took in the context of the COVID-19 pandemic. For example, we had to rent extra office space at our fall-back location so employees working on our vital processes could be spread over two locations. Additional facilities have been set up for the other employees, who have been working from home since March. We are also incurring additional costs because we are providing more customised solutions to achieve our strategic ambitions regarding sustainability and because of regulatory requirements. Regulatory costs amounted to €3.6 million last year, compared with €3.3 million in 2019.

Bank tax and resolution levy

The bank tax amounted to €20.3 million (2019: €17.1 million). For the calculation of the 2020 bank tax, the balance sheet total at the end of 2019 was used as a benchmark. The resolution levy, as a separate category, was €6.8 million for 2020, compared with €5.3 million last year. As a promotional bank, we can make a proportional calculation of our contribution to the SRF. In short, we are allowed to exclude our lending to the public sector and associated derivatives when determining the amount on which the resolution levy is charged. We were allowed to do so with retroactive effect and, therefore, received a total restitution of €15.4 million from past contributions to the SRF in 2020 in the period 2016-2018.

A minimum capital rule for banks and insurance companies will apply in the Netherlands from the financial year 2020 onwards. This minimum capital rule, also referred to as the thin cap rule, limits the interest deduction for corporate income tax if a bank's leverage ratio is lower than 8%. Since the European Capital Requirement Regulation II (CRR II) entered into force on 28 June 2019, there has been an adjusted leverage ratio definition for our bank and other Public Development Credit Institutions in Europe. Our loans to the public sector, so-called promotional loans, are not included in the leverage ratio exposure, and consequently, our bank's leverage ratio is above 8%. Nevertheless, our assessment is that the thin cap rule will temporarily create an additional tax burden for our bank in 2020 and 2021. This is because of a transitional period included in the CRR II that applies to the maintenance of the leverage ratio obligation. The leverage ratio obligation will only become binding as of mid-2021. As a result, the total tax charge for 2020 amounted to €53.7 million and our total effective tax rate came in at 40%.

Balance sheet total

On 31 December 2020, the bank's balance sheet total was €106.9 billion, compared with €96.2 billion at the end of 2019. At a total of €49.7 billion (nominal), the long-term lending portfolio makes up more than one-half of total assets. The remainder of the balance sheet consists of the liquidity buffer, liquidity portfolio and fair values in the bank's loan and derivatives portfolio. The increase in the balance sheet size is largely due to the further decline in capital market interest rates. As a result, the market values of the loan portfolio and the derivatives used by the bank to hedge interest rate and currency risks have risen.

Equity

At the end of 2020, the bank's equity totalled €1,782 million (including 2020 profit, excluding proposed dividend for financial year 2020) compared with €1,741 million at the end of 2019 (including 2019 profit, excluding declared dividend for financial year 2019). The bank agreed on a benchmark target return on equity of 3.7% for 2019 with its shareholders. This benchmark target is based on the ten-year moving average of the interest rate on a ten-year Netherlands Government Bond plus a spread appropriate to NWB Bank's risk profile. The Ministry of Finance is evaluating the methodology and, pending that evaluation, has decided to keep the benchmark return for 2020 the same as for 2019, namely 3.7%. The return on equity for 2020 was 4.4%, which means NWB Bank met the benchmark return on equity (2019: a return on equity of 5.4% compared with a benchmark target return of 3.7%).

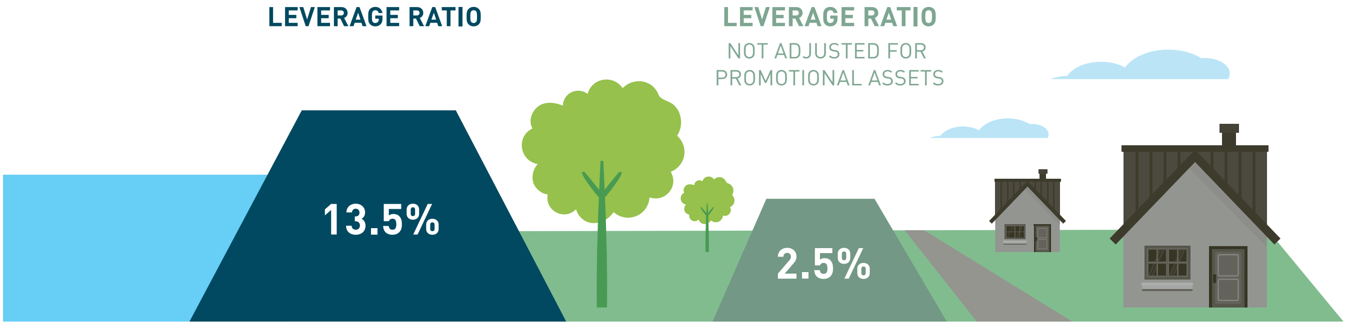
The outstanding amount of hybrid capital (Additional Tier 1, AT1) remained the same in 2020 at €320 million. The bank issued several tranches of AT1 in 2015 and 2016 in view of the future leverage ratio requirement of 3%. At that time, there was no prospect of an adjusted definition of the leverage ratio for promotional banks. Following the announcement of the above-mentioned proposal for proportional application of the leverage ratio requirement for public development credit institutions in 2016, the bank decided not to further issue AT1.

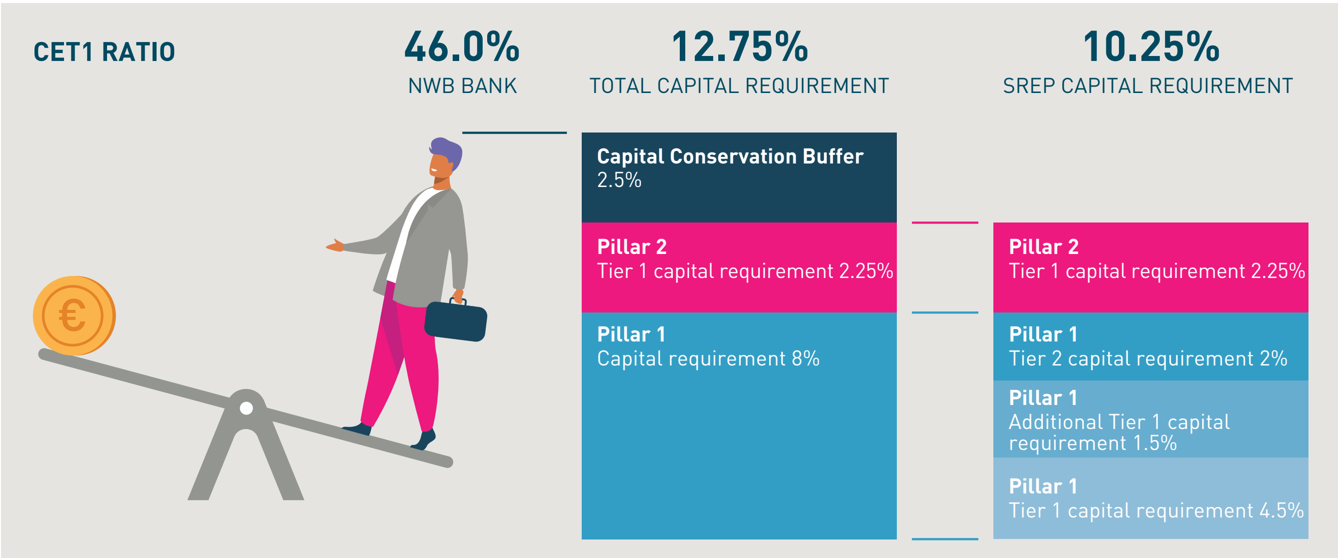
Capital ratios

Tier 1 equity of our bank, including hybrid capital, stood at €2,130 million at year-end 2020 (including profit for 2020). The bank's total risk-weighted assets amounted to €3,833 million, compared with €3,275 million at the end of 2019. This increase is partly a direct consequence of the bank's strategy. Indeed, the financing of renewable energy projects and the increased lending to drinking water companies and regional network companies contributed to an increase in risk-weighted assets. Due to the increase in risk-weighted assets, the Tier 1 ratio fell from 62.6% at year-end 2019 to 54.4% at year-end 2020. The Tier 1 core capital ratio (CET1 ratio) decreased from 52.8% at year-end 2019 to 46.0% at year-end 2020. Both ratios include profit for the year.

The capital ratios are well above the minimum requirement. This underlines our high creditworthiness and low risk profile. As part of the annual Supervisory Review and Evaluation Process (SREP), the ECB normally reassesses the bank's capital requirement every year. As a result of the COVID-19 pandemic, however, the ECB took a pragmatic approach last year and decided not to issue a new decision. The requirement for the bank-specific Pillar 2 capital requirement, therefore, remained unchanged at 2.25%. The total SREP capital requirement is, therefore, still 10.25%. This is the sum of the total Pillar 1 capital requirement of 8% and the Pillar 2 capital requirement of 2.25%. Together with the required capital conservation buffer of 2.5%, this brings the bank's total capital requirement to 12.75%.

Unlike the Tier 1 ratio, the leverage ratio is a risk-unweighted ratio and stems from the capital requirements under Basel III. It means no account of the risk profile (expressed as risk weighting) of the bank's assets is taken into the calculation. As a result of the renewed European capital regulation CRR II, we, like other promotional banks, can exclude lending to the public sector from the calculation of the leverage ratio. In addition, as part of the temporary measures taken by the ECB in the context of the COVID-19 pandemic, banks may disregard their balances with the central bank for the calculation of the leverage ratio. Our leverage ratio as at 31 December was





13.5%[1]. This is lower than the ratio of 15.4% published at year-end 2019, but still comfortably above the minimum requirement of 3% applicable as of 28 June 2021. The decrease is mainly attributable to the fact that the liquidity buffer has increased while the equity (including AT1) increased to a relatively limited extent. If we were to exclude our lending to the public sector when calculating the leverage ratio, the leverage ratio would be 2.5%[2] (2019: 2.4%).

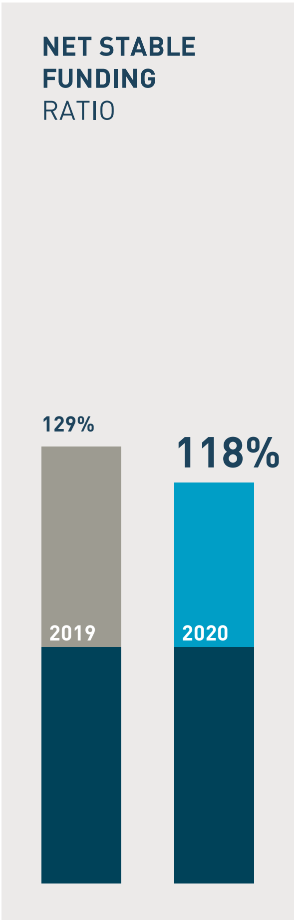
Liquidity ratios

In 2015, the Liquidity Coverage Ratio (LCR) was introduced as part of CRR/CRD IV. The LCR is designed to ensure institutions hold sufficient liquid assets to meet their estimated net cash outflows over a 30-day period of significant stress. At year-end 2020, the LCR stood at 150% (2019: 204%), well above the regulatory minimum of 100%.

With the introduction of CRR II/CRD V on 27 June 2019, the Net Stable Funding Ratio (NSFR) also entered into effect and, like the leverage ratio, its enforcement will begin in two years. For the bank, this NSFR was 122% at year-end 2020 (2019: 118%), also comfortably above the future minimum requirement of 100%. The NSFR is also a liquidity ratio and relates to the availability of liquid assets in the longer term. The internal liquidity requirements are

1) Including the net profit for 2020 less dividend; excluding net profit, this percentage is 13.2%
2) Including the net profit for 2020 less dividend; excluding net profit, this percentage is 2.4%

in part determined using the Internal Liquidity Adequacy Assessment Process (ILAAP).



At no point during the COVID-19 pandemic last year did we find ourselves in the danger zone in terms of liquidity standards.

Dividend

In light of the expected impact of the COVID-19 pandemic, in late March the ECB recommended all institutions under its supervision to postpone dividend payouts until at least 1 October. Based on a proposal from the Managing Board and supported by the Supervisory Board, our shareholders agreed to follow the recommendation at the Annual General Meeting of Shareholders (AGM) on 16 April. The dividend for the financial year 2019 was set at €55 million, and the shareholders decided that this amount will be paid out as soon as possible after 1 October unless there are unforeseen developments that would make the payout unlawful or irresponsible for the bank. It was also agreed that the Managing Board would draw the ECB's attention to the bank's particular business model and emphasise that a dividend payment to its public shareholders helps counter the economic consequences of COVID-19 without affecting the bank's lending ability. To this effect a letter was sent to the ECB in June.

On 27 July 2020, the ECB issued a recommendation to all banks under its supervision to extend the deferment of dividend payments until 1 January 2021. We also followed this recommendation, after consulting the Supervisory Board and our shareholders, in the hope that the €55 million in dividends that had already been set and reserved could still be paid in early 2021. On 15 December, however, the ECB again announced that banks are essentially still asked to refrain from paying a dividend until 30 September 2021. At the same time, the ECB has given some leeway and advised banks that are considering paying dividends to limit the payment to a maximum of 15% of the combined 2019 and 2020 profits or, if lower, not to pay more than the amount corresponding to a drop of 20 basis points of the Tier 1 core capital ratio. Despite the fact that we and other national promotional banks in Europe drew the ECB's attention again to our special position and the importance of dividends for our public shareholders, we again felt there was no choice but to follow the ECB's urgent recommendation. Accordingly, we did pay out over €8.1 million in dividends for financial year 2019 to our shareholders in early 2021. The previously determined dividend of €55 million for 2019 less the €8.1 million remains in reserve and has been charged to other reserves in 2020.

ORGANISATIONAL DEVELOPMENT

GENERAL MEETING OF SHAREHOLDERS

Our Annual General Meeting (AGM) took place on 16 April 2020. In addition to the declaration of the dividend for the 2019 financial year, the appointment of Joanne Kellermann as chair of the NWB Bank Supervisory Board was on the agenda. Joanne was unanimously appointed by the shareholders for four years. She succeeds Age Bakker, who stepped down after reaching the maximum term of eight years. In addition, Manfred Schepers was reappointed by the shareholders as a member of the Supervisory Board.

The AGM also agreed to broaden the objectives stated in our Articles of Association. Increasingly, our clients are entering into partnerships with other parties, including parties outside the public sector, among others in the context of sustainability. These include government-sponsored investment funds, partial government guarantees, minority shareholdings by water authorities, municipalities, provinces or the State of the Netherlands, and co-financing with Invest-NL. To make it possible to finance such initiatives, an amendment of our Articles of Association was necessary.

Finally, we announced during the AGM that we are establishing an independent NWB Water Innovation Fund.This way we aim to contribute to the joint innovation capacity of the water authorities. The fund was established on 15 December 2020. The NWB Water Innovation Fund is a separate entity, independent of the bank and has its own governing body.

INTERNAL OPERATIONS

As an organisation, we have done everything in our power over the past year to be available and accessible to our clients, despite the coronavirus pandemic and the related restrictive measures. As soon as the coronavirus reached the Netherlands, we took preventive measures to safeguard the continuity of our core processes and the health of our employees. As of February 2021, we spread our employees working on critical operational and commercial processes across our office building in The Hague and our fall-back location in Woerden. The remainder of the employees started working from home as of 16 March. Our Business Continuity Team (BCT) was in charge of advising on potential measures and coordinating their implementation. Various departments are represented in this team, as well as two members of the Executive Committee.

Working at two locations and working from home became ‘business as usual’ last year. The recruitment and selection of new employees also went ahead ‘as usual’ and our organisation expanded in 2020. This is a direct result of our sustainability ambitions, the further diversification of lending and investments in a professional and effective organisation. Nevertheless, we succeeded in maintaining our compact and efficient organisational model. In late 2020, the bank’s headcount was 80 (year-end 2019: 75).

Some of the priorities in internal operations in 2020 included developing the supplier management policy and the affiliated system NWB Hub, further developing the credit risk management (client scorecards), reinforcing the systematic integrity risk analysis (SIRA) and transitioning to a new automated workplace. The latter process was sped up by the increased need for appropriate software solutions due to the urgent call to work from home due to COVID-19.

Last year, we also paid particular attention to the sustainability risks related to financing our clients. Since October, NWB Bank has officially adopted the Equator Principles. This is a risk management framework used by financial institutions to determine, assess and manage environmental and social risks in project financing. The framework primarily provides a minimum standard for due diligence and monitoring to support responsible risk decisions. Specifically, we will not finance a project or provide project-related business loans if the client is unwilling or unable to comply with the Equator Principles. Our supervisory authority is also focusing increasingly on sustainability risks. Last year, for instance, the ECB published a guide on climate and environmental risks for banks. We are conducting a gap analysis on these guidelines and, based on the outcome, we will examine how these risks can be further integrated into all aspects of our risk management.

Every year, we go through our strategy cycle in which the Executive Committee discusses with employees, the management team (MT) and the Supervisory Board whether the bank is still on course or whether there are developments that require the strategy to be adjusted. An important part of the strategy cycle last year was dedicated to the internal organisation. Four priorities were set for the internal organisation: 1) digitisation, 2) change management, 3) governance and 4) internal communication. The MT then elaborated on these themes and set clear objectives, timelines and deliverables for each priority.

Part of our strategy as a sustainable water bank is to take our social commitment to the next level. We are not only attempting to make financial gains but also aiming to achieve social returns. In this context, in 2019, we began to examine the climate impact of our financing. To date, we have charted the impact of 94.5% of our loan portfolio. Our impact calculations are based on the previous year's loan portfolio. This year, we are reporting on the climate impact of the loan portfolio as at year-end 2019. Total emissions were 1,594,836 tonnes of CO_2 equivalent. This is 135,284 tonnes less than the total emissions for the previous year. This is an excellent development because there has been a decrease in emissions while our total loan portfolio has grown in the intervening year. To clearly depict the relationship with the scope of financing, we use the emissions intensity (tonnes of CO_2-eq / millions of EUR). In 2020, this dropped from 38.2 to 34.1 tonnes per million euros, according to the latest reporting.

To calculate our climate impact, we use the methodology of the Partnership for Carbon Accounting Financials (PCAF), which we joined in 2019. Last year, we also joined the Delta Plan for Biodiversity Recovery and endorsed the Finance for Biodiversity Pledge. As a bank, we promise to fully chart our impact on biodiversity by 2024, set related targets and report publicly on them. Our chairmanship of the Biodiversity Working Group, which is part of the DNB's Sustainable Funding Platform, has enabled us to raise more awareness of the importance of biodiversity for the financial sector and how, as a financial institution, we can try to prevent the loss of biodiversity.

STRATEGY AND VALUE CREATION

MISSION

As a robust and sustainable bank for the public sector, it is our mission to help our clients create added value for society. The social and sustainable investment agenda of the Dutch public sector is the key element of NWB Bank's mission, vision and strategy. To a large extent, this is attributable to the origins of our bank. Sustainability is in the bank's DNA.

Climate adaptation, climate mitigation and improving biodiversity are among the core tasks of water authorities, which play an important role in the energy transition. Another important group of clients, namely housing associations, is also expected to play a leading role in making the Netherlands more sustainable. About 30% of the housing stock in the Netherlands is social housing, and in the coming years, housing associations plan to invest heavily in climate-neutral new builds, making homes more energy-efficient and keeping rents low.

VISION

As an efficient and socially committed bank, we respond to the changing needs of our clients. By offering them appropriate financing on the most favourable terms possible, we help to alleviate the financial burden on citizens and minimise the costs for enhancing sustainability in the Netherlands. Ever since we were founded in 1954, we have focused primarily on catering efficiently to the combined financing needs of our clients in the public sector. As a cost-conscious organisation, we use our AAA/Aaa ratings to raise funds in an inexpensive and sustainable way.

STRATEGY

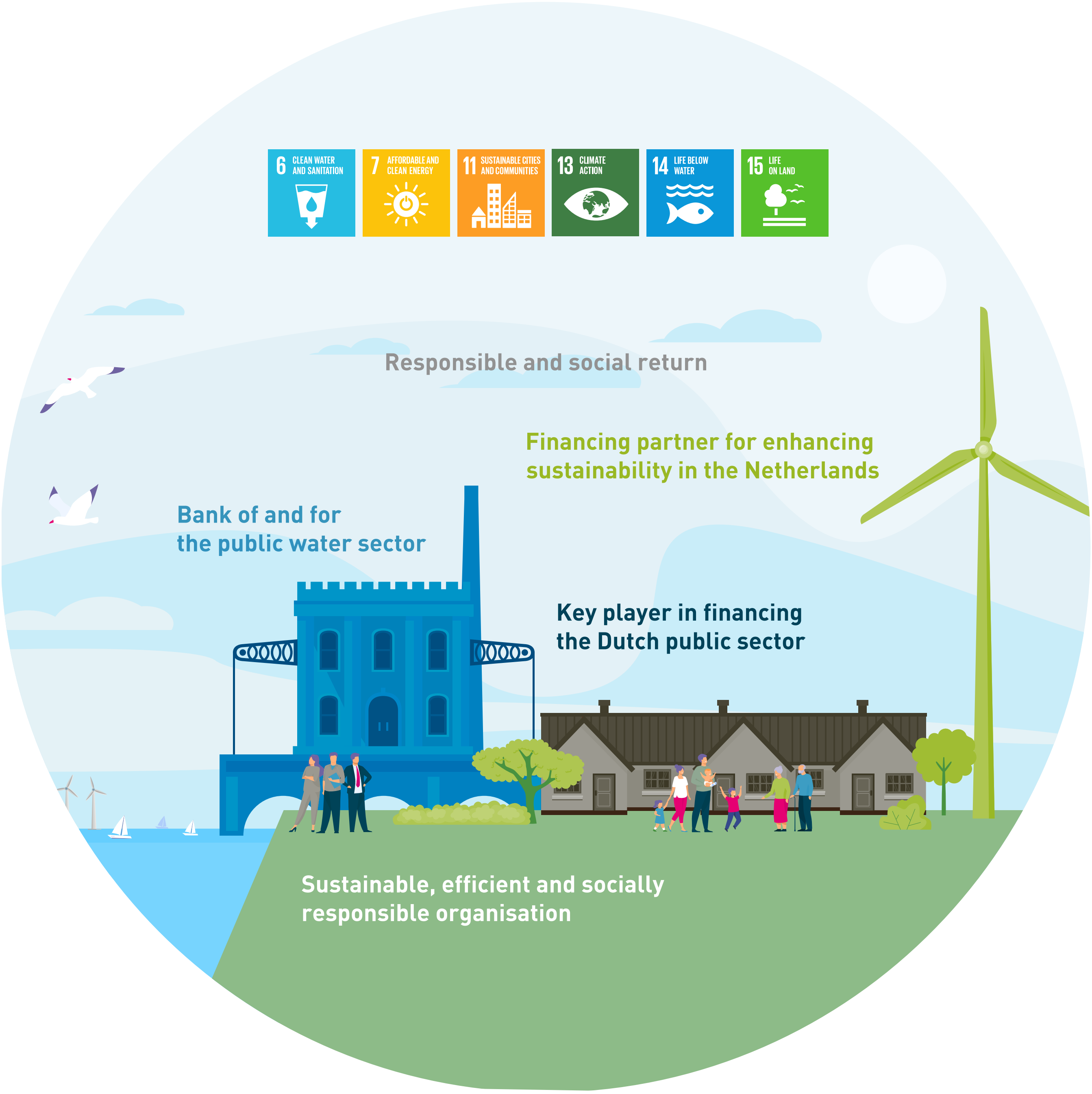
Long term

At the end of 2017, we laid down a reworked strategic framework for the long term. The Managing Board and the Supervisory Board jointly set out several framework conditions within which the bank must operate to provide added value for clients, shareholders and other stakeholders. Key requirements include the need to retain our high credit ratings and our status as a promotional bank. The latter means that, under European regulations, at least 90% of our total lending must qualify as what is defined as promotional lending. Together with the high credit ratings, this is vital to the bank's business model. We have a low risk appetite with statutory anchoring, which expresses itself in the fact that our activities are clearly linked to the public sector and identifiable as such by shareholders, rating agencies and investors. In practice, this implies the bulk of the loan portfolio comprises loans to Dutch (local and regional) authorities or loans guaranteed by these government bodies. Finally, the requirement for our organisation to be equipped to handle existing and new tasks, on a commercial and risk management level, is part of this strategic framework.

Medium term

In 2018, the newly formed Executive Committee (existing of the statutory Managing Board and the non-statutory CRO) reassessed the strategy for the medium term within the strategic framework in liaison with the Supervisory Board and stakeholders of the bank. The process led to the formulation of specific targets for 2019-2023. We also embraced the Sustainable Development Goals (SDGs). In consultation with our stakeholders, we have selected the six SDGs that are most relevant to our bank. Logically, these are also the goals on which we, as a bank, can have the most impact.

NWB Bank's strategy consists of five themes: three pillars, a foundation and a keystone. The SDGs are clearly represented herein:



1. We are the bank of and for the public water sector

NWB Bank is the principal bank for the water authorities and, in providing financing to these shareholders, we aim for the largest possible market share in this sector. Drinking water companies are also an important and long-standing client group, which perfectly reflects our profile as 'the sustainable water bank'. The key task of the drinking water companies is to provide consumers and companies with high-quality and sufficient volumes of drinking water. We want to further expand our market share in this sector, where possible.

The SDG that connects perfectly with our role as the bank of and for the public water sector is SDG 6: Ensure availability and sustainable management of water and sanitation for all. In addition, SDGs 13, 14 and 15 are also relevant to this pillar.

SDG 13 is about taking urgent action to combat climate change and its impacts. Climate change adaptation is one of the water authorities' key focus areas. The water authorities are responsible for flood protection, water management and water quality. We have been issuing Water Bonds since 2014, and the proceeds of these Green Bonds are expressly used for loans to the Dutch water authorities. For example, the proceeds finance the water authorities' activities in the area of biodiversity, among other things. SDGs 14 and 15 connect well with this.

SDG 14 is about conserving and sustainably using the oceans, seas and marine resources. The water authorities focus on achieving clean and ecologically healthy surface water. They are aiming to obtain not only optimum water quality for water users (such as the agricultural sector, drinking water companies and the recreation sector) but also healthy biological and chemical conditions for the flora and fauna living in the water. Maintaining and improving biodiversity is a key focus area in this endeavour.

The water authorities' activities affect biodiversity not only in the water but also on land. That is what SDG 15 is about: Protect, restore and promote the sustainable use of ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. Managing and maintaining the water system means dealing with nature legislation, which is largely laid down in the Nature Conservation Act. The 'species protection' section of this Act monitors the sustainable conservation of animal and plant species in the Netherlands. The water authorities have agreed that they will make a strong commitment to strengthen biodiversity in the Netherlands in the coming years.

2. We are a key player in financing the Dutch public sector

Our bank finances municipalities and provinces, as well as institutions guaranteed by local and regional governments, such as housing associations and healthcare institutions. We are constantly seeking to extend our role as a financier of the Dutch public sector. Indeed, over the years, we have broadened our lending policy and product range. For instance, we have been financing Public-Private Partnerships since 2014 and we have been providing government-backed export financing for several years. We also invest in NHG RMBS bonds (based on securitised mortgages that benefit from a National Mortgage Guarantee).

In the past ten years, we have provided almost €70 billion in long-term funding. We are aiming for a substantial market share, and with total assets of almost €100 billion, we are a significant player in the Dutch banking landscape. Particularly in the public sector, our bank contributes to a financially healthy, social and innovative playing field in which public funds are handled efficiently and effectively.

The SDGs that dovetail with this strategic pillar are SDGs 11 and 13. SDG 11 is about making cities and human settlements inclusive, safe, resilient and sustainable. Housing associations own approximately 30% of the total housing stock in the Netherlands and we finance about one-third of the associations' financing needs. To increase its impact in the sector, we have been issuing an Affordable Housing Bond at least once a year since 2017. The proceeds of these Social Bonds finance social housing in the Netherlands. These loans help housing associations develop, maintain and improve their housing stock.

In 2019, we modified and expanded the framework of the Affordable Housing Bonds into the SDG Housing Bond Framework. The proceeds of these bonds can now be used to make social housing more sustainable, in addition to maintaining affordable rent levels. This is one reason SDG 13, which deals with taking climate action, also ties in with this strategic pillar. In addition, municipalities and provinces play a crucial role in increasing resilience and adapting to climate risks. They are responsible for climate-robust spatial planning and taking measures to prevent flooding, drought and heat stress, among other things.

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

This is the most recent pillar of our strategy. Since 2019, we have been providing direct financing for renewable energy projects and infrastructure that is crucial for renewable energy, such as district heating networks. Government institutions and companies that have received a Stimulation of Sustainable Energy Production (SDE+) grant can turn to us for project financing. Examples include solar and wind energy, but also aquathermal energy. Our bank contributes to the transition to a climate-neutral and circular economy by providing appropriate financing at a low cost, and this dovetails with SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all. These activities are also closely linked to SDG 13: Take urgent action to combat climate change and its impacts.

By providing appropriate financing at the lowest possible cost, we also help to improve access to affordable renewable energy through the water authorities, housing associations, regional network companies and renewable energy projects. Ten years ago, the water authorities made a commitment to produce 40% of their own energy demand by 2020. The water authorities' Climate Monitor for the 2019 reporting year shows that they have already achieved that target. The water authorities are committed to achieving energy neutrality by 2025 through the use of assets such as sewage treatment plants, their own sites and surface water. Therefore, they are also contributing to the National Climate Agreement's goal of reducing carbon emissions by at least 49% by 2030. The housing associations, meanwhile, are increasingly investing in initiatives to make their social housing more sustainable. Last year, many tenants received solar panels, a high-efficiency boiler or heat pump, and more houses were better insulated. The housing association sector is therefore close to reaching its target: achieving, on average, label B status in its housing stock by 2021.

Sustainable, efficient and socially committed organisation

The foundation of NWB Bank's strategy is the fact that it is a sustainable, efficient and socially committed organisation. We are highly cost-efficient and one of the best capitalised banks (on a risk-weighted basis) supervised by the ECB. This means not only a low cost/income ratio but also a degree of flexibility. On the one hand, the diversification of lending and the increasing demands being placed on banks will require further investments in knowledge, personnel and systems. On the other hand, with about 80 employees, we remain highly cost-efficient. The bank is keen to set a good example in terms of sustainability. For example, since 2019, we only purchase zero-emissions cars for our fleet. Moreover, we have taken steps to obtain energy label A for our office in the coming years. In our modest way, we also contribute to SDG 13: Take urgent action to combat climate change and its impacts.

A responsible and social return

A responsible and social return can be seen as the final piece in our strategic puzzle. As a promotional bank, we refrain from pursuing profit maximisation. Making a reasonable profit is necessary, of course, to achieve the bank's ambitions and distribute an appropriate dividend. A benchmark target return on equity has been agreed with the shareholders. The bank also focuses strongly on the social return of its lending. This includes, for example, the impact our financing has on the climate and our aim to reduce the climate impact to the greatest extent possible. We are developing action plans for that purpose and will link reduction targets to the climate impact of our lending. Another good example of social return is our choice to also provide loans to clients in the public sector with relatively limited financing requirements. Think, for example, of loan requests from amateur sports clubs (with a municipal guarantee) or vocational schools. Because these loans involve relatively small amounts, it is not always cost-efficient to serve these clients. The amount of time involved in analysing the sector and the individual clients is often disproportionate to the size of the loan. If we allocated all the costs incurred for a sound analysis to the credit spread, it would lead to higher costs.

However, we decided against this due to our social role and continue to provide these small client groups with the most attractive financing possible.

CORE VALUES

We can effectively fulfil our societal duties only if our clients as well as society are confident about our organisation and the integrity of our dealings. To this end, 'conscious, committed and credible' are and will remain our core values. We expect our employees to promote these core values as they perform their duties. Moreover, we depend almost entirely on the international money and capital markets for our funding requirements. In addition to high credit ratings, which are reflected by AAA/Aaa ratings equal to those of the Dutch State, integrity and the transparent provision of information are also essential in that respect, not only to investors but also to all of our bank's other stakeholders.

VALUE CREATION

The value we add to society can be illustrated using a value creation model. We use the model to show how we harness all available resources (input) to create value for our clients, shareholders and other stakeholders (output). We use the capital at our disposal as efficiently and effectively as possible. Ultimately, everything comes down to the short- and long-term impact our bank and activities have on society. We make our greatest impact by providing appropriate funding and transferring knowledge and information.

VALUE CREATION MODEL

INPUT

WITH ITS SPECIFIC QUALITIES, NWB BANK,

Financial capital
We are well-capitalised and raise low-cost funding based on our high degree of creditworthiness and our significant size

Social and relationship capital
We serve the broader Dutch public sector and act as a national promotional bank in all relevant networks

Human capital
Our employees are committed, well-educated and motivated to use their talent for our clients and for our stakeholders

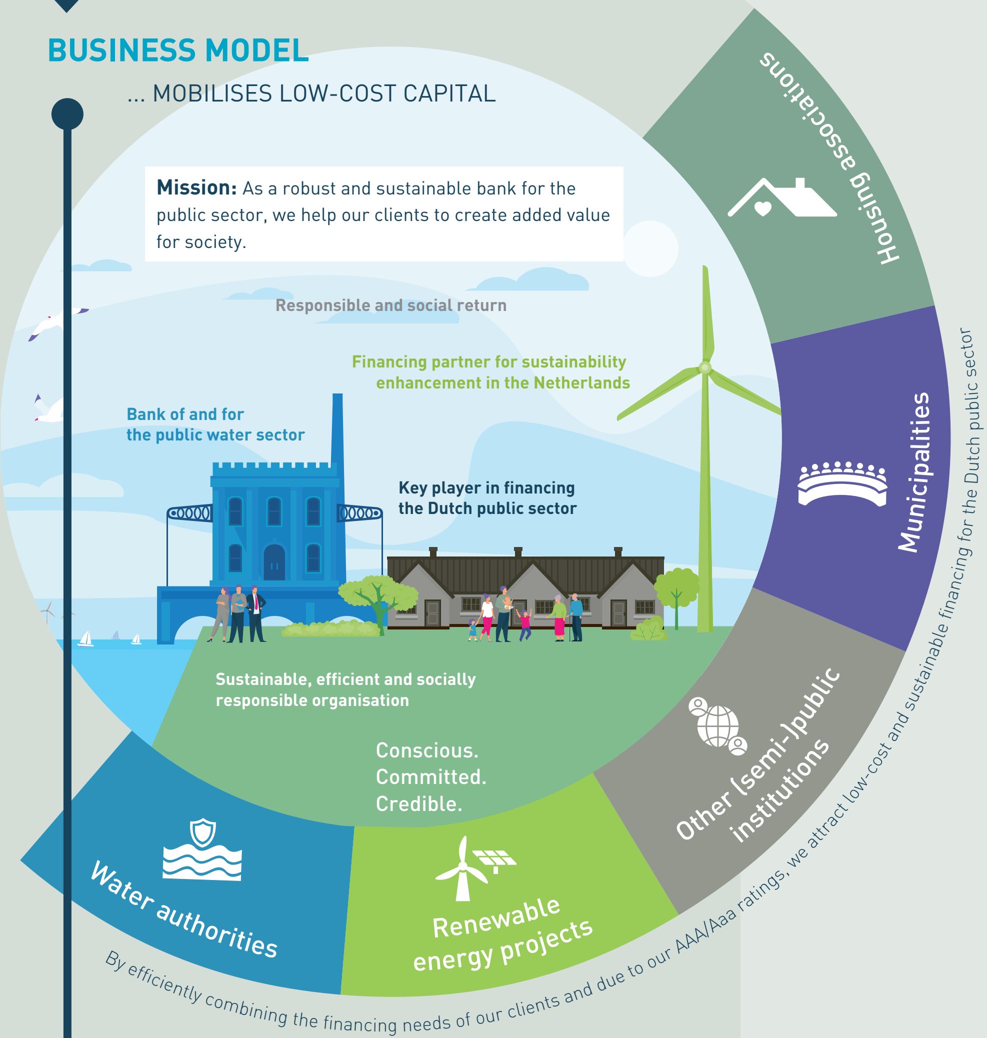
Intellectual capital
We are a frontrunner in the area of SRI Bonds and we consider the financing of innovative water energy projects a key priority

Organisational capital
We are a professional and cost-conscious organisation with a solid governance structure and we highly value transparency and integrity

Natural capital
We take measures to minimise the impact of our business operations on the climate and environment and compensate for it where necessary

BUSINESS MODEL

... MOBILISES LOW-COST CAPITAL



OUTPUT & OUTCOMES

... TO FINANCE THE DUTCH PUBLIC SECTOR

Financial capital
Significant market share in the financing of the Dutch public sector and a sustainable shareholder return

Social and relationship capital
Low financing costs for our clients thanks to retention of our AAA/Aaa credit ratings and high ESG ratings compared to our peer group

Human capital
Professional and personal support for clients and high employee satisfaction

Intellectual capital
Frontrunner in the issuance of ESG bonds and a promotor of innovation in the public water sector

Organisational capital
A transparent, open and efficient organisation that contributes to a diverse and innovative banking sector

Natural capital
A loan portfolio with the lowest possible and diminishing impact on climate and biodiversity

IMPACT

... AND EASE THE FINANCIAL BURDEN ON CITIZENS WHILE MAKING SUSTAINABILITY MORE AFFORDABLE

6 CLEAN WATER AND SANITATION — Ensure access to water and sanitation for all

7 AFFORDABLE AND CLEAN ENERGY — Ensure access to affordable, reliable, sustainable and modern energy for all

11 SUSTAINABLE CITIES AND COMMUNITIES — Make cities and human settlements inclusive, safe, resilient and sustainable

13 CLIMATE ACTION — Take urgent action to combat climate change and its impacts

14 LIFE BELOW WATER — Conserve and sustainably use the oceans, seas and marine resources for sustainable development

15 LIFE ON LAND — Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

MANAGEMENT APPROACH

We have translated our medium-term strategy into concrete goals and converted these, at the tactical and operational level, into annual plans and a bank-wide change agenda. Specific sustainability objectives are a key part of this. The strategic goals, annual plans and change agenda are laid out by the Executive Committee in liaison with the management team and the Supervisory Board. They are then translated into the objectives and the budgets of the relevant departments and staff members. Our business change manager plays a coordinating role in the implementation of the change agenda, while the Executive Committee monitor the status of the strategic goals and reports on this to the Supervisory Board.

Our bank has a Corporate Social Responsibility (CSR) Committee, whose task is to draw up, check and amend plans and policy changes directly related to sustainability. The CSR Committee is also responsible for drawing up the bank's CSR policy, which is published on the bank's website and was updated in 2020. Finally, the CSR Committee makes an inventory and analyses topics that are material to the bank. Employees from various departments and a member of the Executive Committee are represented on the CSR Committee. The CSR Committee reports to the Executive Committee, which is ultimately responsible for policymaking, managing and controlling material topics, and evaluating all our organisation's sustainability aspects.

It should be emphasised that the CSR policy is not reserved for the CSR Committee alone. For instance, it regularly features in Credit Committee meetings as an assessment criterion when decisions are made on whether to grant a loan. We have a sustainability officer to further professionalise the internal organisation in terms of sustainability and improve the way the bank communicates its sustainability strategy to the outside world. This person's tasks include, among others, monitoring and calling attention to developments that are relevant to the bank in the area of sustainability, stakeholder management and reporting.

The sustainability officer works closely with the sustainable finance legal counsel, who was recruited last year. Thanks to this additional capacity, risk management's increased focus on ESG (Environmental, Social and Governance) risks and close cooperation with the front office, sustainability is even more prominent in our market approach.

We have tailored our management approach regarding sustainability and our choice of performance indicators to our relatively compact office organisation and to our role as a financial services provider for the public sector.

OUR STAKEHOLDERS

Our bank counts among its stakeholders all individuals and organisations that work with us and attach importance to our social role. The bank also sees its shareholders, clients, investors, employees, supervisory authorities and the government as stakeholders. We communicate with our stakeholders regularly to find out what is going on in their domain. Last year, this kind of communication mainly took place digitally. Maintaining and stepping up contact with those stakeholders as well as expanding the network of stakeholders is a continuous task, performed mainly by the Executive Committee. Moreover, the various departments are constantly in contact with stakeholders about the matters for which they are responsible.

Shareholders

The composition of our bank's shareholders is fixed and relatively limited in number. Consequently, there is personal contact with all shareholders. At a formal level, an Annual General Meeting of Shareholders (AGM) is held once a year. During this meeting, the statutory Managing Board reports on the financial results and the policy pursued in the past financial year and explains the bank's strategy. In addition, interim consultations are held with the shareholder water authorities at least once a year, and the Managing Board has a meeting with the Ministry of Finance every quarter. During those meetings, trends in society that could affect the bank or its shareholders are discussed in addition to recent developments at the bank itself. Regular topics include corporate governance and laws and regulations, as well as the bank's role in

OUR STAKEHOLDERS

enhancing sustainability in the Netherlands, for example. The bank also has regular, less formal discussions with its shareholders.

Clients

We have about 1,000 clients and we seek to establish a long-term relationship with them all that, whenever possible, goes beyond lending. All the bank's clients are part of or operate in the Dutch public sector and have a great sense of social responsibility, often in the field of sustainability. Our sustainable character is derived from that, but it works both ways, because as a bank we do not shy away from asking our clients to devote extra attention to their sustainability policy. Incidentally, many of our client groups (municipalities, water authorities and provinces) are continuously held accountable via the democratic process for the policies they pursue, and the importance of sustainability is often also emphasized during this process.

We regularly organise events for client groups. On those occasions, we provide more in-depth and broader insights into financial market developments, products and working methods of third parties that may be of interest to clients. The agenda for client events is drawn up partly based on client input. Last year, we did not organise an event for clients as a result of the restrictive measures. However, we did actively participate, albeit mainly digitally, in client network meetings, regional consultations, symposia and thematic meetings with clients.

In addition to our clients, we are in regular contact with sector organisations, guarantee funds and the relevant supervisory and/or policymaking ministries.

Clients can lodge any complaints under our General Terms and Conditions and complaints procedure. As in previous years, we received no complaints in 2020 about our services.

Investors

The bank largely funds itself on the international money and capital markets via the issuance of bonds and Commercial Paper. In doing so, we focus our efforts on attracting and retaining investors who include not only financial and economic considerations in their decision-making, but also sustainability aspects. For this reason, we have been issuing ESG Bonds in the form of Water Bonds and Affordable and SDG Housing Bonds since 2014.

The members of our Managing Board and Executive Committee and treasury department consult regularly with investors and potential investors in the bank's bonds; for example, during road shows that are organised to explain what the bank is all about and find out what investors consider important. Since we started issuing ESG Bonds, it is increasingly common for us to invite investors to come to the Netherlands to visit sustainable and social projects that are financed with the proceeds from the ESG Bonds.

We actively seek dialogue with investors on sustainability, and vice versa. For their part, investors keep us on our toes, deploying research and ESG rating agencies to assess the sustainability policy and transparency of our activities and organisation. We facilitate these research agencies in their assessment; for instance, by completing questionnaires and providing additional information. We use the feedback from our investors and these agencies to improve our CSR policy.

Employees

The Executive Committee promotes open dialogue among employees as well as between employees and the Executive Committee. Our bank highly values its informal and open culture. All door's are always open, literally and figuratively. The Works Council is the official consultative body between the Managing Board and employees. The Executive Committee consulted the Works Council three times in the past year, and the subjects discussed included the outcome of the employee satisfaction survey, strategic developments and the implementation of in-employment screening. Twice a year, members of the Supervisory Board also attend the Works Council's meetings.

The informal knowledge-sharing sessions, known as 'brown bag sessions', are a good example of this culture. During a lunch break, staff members are invited to tell their colleagues more about a subject that interests them, with or without someone from outside the bank. Only one of these sessions took place in 2020 due to COVID-19 and this session was about Sustainability and Carbon Accounting. The 'brown bag sessions' are the initiative of NWB Young Professionals. The Executive Committee has lunch with this group at least once a year to get an idea of the issues that concern them.

To enable employees to report any suspicions of general, operational or financial irregularities within our bank without endangering their legal position, we have a whistle-blower scheme. Employees may choose to report a matter to their direct line manager or to another line manager at the bank who holds a position similar to or more senior than the employee in question. Employees may also take their reports to the compliance officer. Once again, no one used the whistle-blower scheme in 2020.

Supervisory authorities and sector organisations

Our bank's Executive Committee as well as employees consult the supervisory authorities regularly. The bank is subject to the supervision of the ECB/DNB and the Netherlands Authority for the Financial Markets (AFM). The supervisory authorities require financial institutions to devote more attention to sustainability and are emphasising the climate-related financial risks these institutions face. We engage in these consultations independently as well as jointly through the Dutch Banking Association's Sustainability Platform and the European Association of Public Banks.

Government

We are a bank of and for the public sector, which is why we enjoy good relationships with local authorities and the central government. We regularly participate in meetings with relevant Dutch government ministries, contributing our expertise on policy issues. For instance, we hold regular consultations with the Ministry of the Interior and Kingdom Relations as well as with the Social Housing Guarantee Fund (WSW) on the social housing market. At the invitation of the State Secretary of Infrastructure and Water Management, we also participated in a roundtable about financing the circular economy.

As an institution with a banking licence, we are subject to specific laws and regulations such as prudential rules regarding capital, remuneration policy and taxation. For this reason, we regularly hold consultations at the national and European levels with various institutions. If desired, this will be done in cooperation with other banks, including through the Dutch Banking Association (Nederlandse Vereniging van Banken) and the European Association of Public Banks.

MATERIALITY ANALYSIS

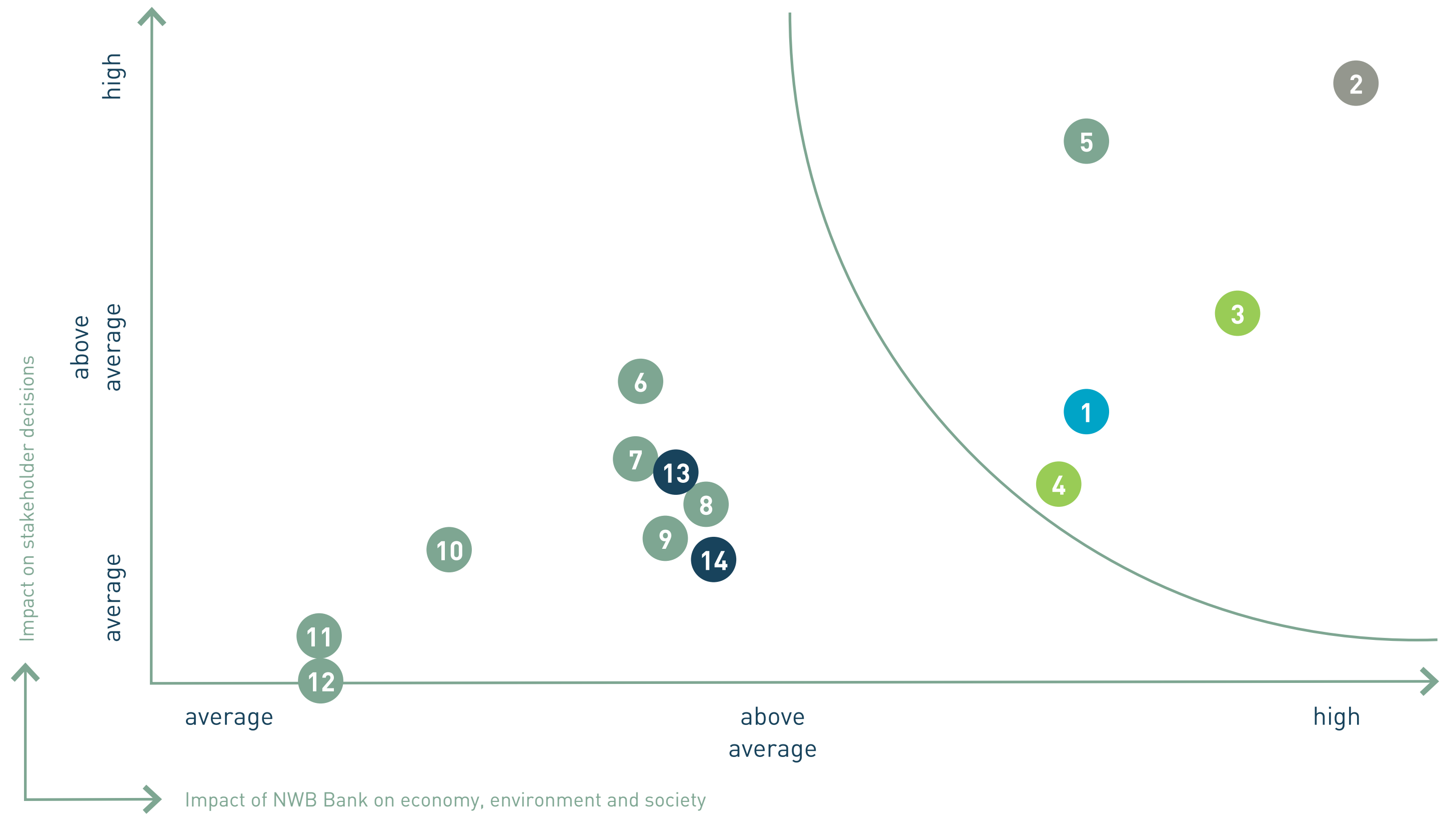
Each year, we determine which material topics we will report on in our annual report. Identifying these topics and the overarching (strategic) themes form the basis of the content of this report. To determine whether a topic is relevant and material enough to report on, we take the perspectives of the stakeholders and the bank into account.

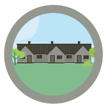
Last year, we made an entirely new inventory and analysis of material topics. We called in the support of an adviser to carry out and document the materiality analysis in line with the Global Reporting Initiative (GRI) standards. With the adviser, we first critically examined the current list of material topics. We recalibrated this list based on material topics of comparable organisations, our own strategy and a media analysis. In the end, we reduced the list from 22 topics to 14 by consolidating and honing the focus on several topics. We then linked each of these topics to our bank's five strategic themes.

We presented our shortlist of material topics to our stakeholders via an online survey. We asked them to select the five topics they consider most relevant and significant to our bank from their perspective as a stakeholder. We also asked them to select the five topics they considered least relevant. Then, internally, we asked the management team to indicate on which topics we, as a bank, believe to have the most impact on the economy, the environment and society. We also asked them to select the five most and five least impactful topics.

Based on the input of stakeholders and the management team, we developed a new materiality matrix. The stakeholders' scores served as input for the y-axis of the matrix and the management team's scores were the input for the x-axis. The results were then validated by our CSR Committee. It was found that the results largely corresponded to last year's expectations and materiality matrix. However, the CSR Committee did make changes in terms of the bank's impact on the economy, environment and society through three topics because it believes this will make the relative position of the topics more balanced. 'Digitisation of services and operations' has been given average importance as a topic, while 'privacy and data security' and 'financial returns for shareholders' have been given above-average importance. The Executive Committee has approved the materiality matrix, also called Material Topics Plot (MTP).

MATERIAL TOPICS PLOT



MATERIAL TOPICS		STRATEGIC THEMES
1 Facilitating safe, clean and sustainable surface and drinking water		Bank of and for the public water sector
2 Availability and affordability of appropriate financing		Key player in financing the Dutch public sector
3 Contributing to climate mitigation, climate adaptation and biodiversity recovery 4 Attract funding through ESG bonds		Financing partner for sustainability enhancement in the Netherlands
5 Safe, stable and efficient bank 6 Integrity and transparent business operations 7 Social involvement 8 Privacy and data protection 9 Social impact of business operations 10 Digitisation of services and business operations 11 Responsible remuneration policy 12 Environmental impact of business operations		Sustainable, efficient and socially committed organisation
13 Climate impact of lending 14 Shareholder return		Responsible and social return

THE SUSTAINABLE WATER BANK: RESULTS AND ACTIVITIES IN 2020

Sustainable business practices are in NWB Bank's DNA. Since all our clients and shareholders are public sector entities, NWB Bank as a bank of and for the Dutch public sector inherently has different values from strictly commercial banks. These values are reflected in our strategy and how we have designed our internal organisation. This chapter uses the five strategic themes to explain our activities and results in 2020 and how they have contributed to sustainable long-term value creation.

FIVE STRATEGIC THEMES

The strategy of 'the sustainable water bank' can be summarised in five themes: three pillars, a foundation and a keystone.

The pillars of the strategy are 'Bank of and for the public water sector', 'Key player in financing the Dutch public sector', and 'Financing partner to enhance sustainability in the Netherlands'. These are all related to the bank's lending activities.

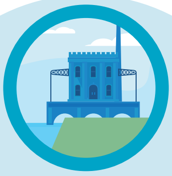
We make the greatest impact through loans to our clients. That is only feasible if we, as an organisation, are well equipped to do so and if we, like our clients, set the right example when it comes to sustainable entrepreneurship. That is the foundation of our strategy, which we refer to as the 'sustainable, efficient and socially committed organisation'.

The keystone rests on our aim to generate 'responsible and social returns'. Everything we give back to our shareholders as a national promotional bank and contribute to society converges here.

The five strategic themes are also on the list of topics we and our stakeholders identified as being material. Reporting on these themes and the related material topics forms the basis of the content of this section. For each material topic, we indicate how we sustainably implemented our strategy and policy and what results have been achieved. At least one Key Performance Indicator (KPI) was used for each material subject. To the greatest extent possible, these KPIs are quantitative to ensure the results are measurable, transparent and easily comparable.

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

CONNECTIVITY TABLE

MATERIAL TOPICS	RANKING	STRATEGIC THEMES	KEY PERFORMANCE INDICATOR	RESULT 2020	IMPACT ON SDG
1 Facilitating safe, clean and sustainable surface water and drinking water	4	 Bank of and for the public water sector	Volume of new lending to water authorities	€1.2 billion	6 Clean water and sanitation; 13 Climate action; 14 Life below water; 15 Life on land
			Volume of new lending to drinking water companies	€231 million	
2 Availability and affordability of appropriate financing	1	 Key player in financing the Dutch public sector	Total volume of new lending	€10.3 billion	11 Sustainable cities and communities; 13 Climate action; 15 Life on land
			Credit spread on Netherlands 10Y Government Bonds	15 - 20 basis points	
3 Contributing to climate mitigation, climate adaptation and restoration of biodiversity	3	 Financing partner for sustainability enhancement in the Netherlands	Volume of new lending to renewable energy projects	€596 million	7 Affordable and clean energy; 13 Climate action; 14 Life below water; 15 Life on land
4 Attract funding through ESG bonds	5		Volume of sustainable funding as % of new funding	33%	
			Volume of sustainable funding as % of outstanding funding	25%	

	MATERIAL TOPICS	RANKING	STRATEGIC THEMES	KEY PERFORMANCE INDICATOR	RESULT 2020	IMPACT ON SDG
5	Safe, stable and efficient bank	2	 Sustainable, efficient and socially committed organisation	Financial ratios	Tier 1 ratio: 54.4% CET1 ratio: 46% Leverage ratio: 13.5% LCR: 150% NSFR: 122%	13 Climate action
				Credit ratings	S&P: AAA Moody's: Aaa	
				ESG ratings	Imug: BB MSCI: BBB Sustainalytics: 8.7 ISS ESG: B- Vigeo Eiris: 57	
6	Integrity and transparent business operations	6		Number of complaints	0	
				Number of reports of bribery and corruption	0	
				% of employees that followed a market abuse training	81%	
7	Social involvement	8		Internships filled	4	
				Sponsor budget	€125,000.-	
8	Privacy and data safety	9		Number of data leaks	0	
9	Social impact of business operations	10		% of vacancies filled internally	5%	
				% of training budget spent	117%	
				% of sickness absence	1.9%	
				Male-female ratio	61% male 39% female	
				% of employees that followed a diversity training	93%	
10	Digitisation of services and business operations	12		% of clients on client portal	64%	
11	Responsible remuneration policy	13		Remuneration ratio of Chair of Managing Board versus median of employees	4.1	
12	Environmental impact of business operations	14		CO_2 eq emissions generated by business operations	1.5 tonnes	
13	Climate impact of lending	7	 Responsible and social return	% of loan portfolio, of which the climate impact has been charted	94.5%	6 Clean water and sanitation 7 Affordable and clean energy 13 Climate action 14 Life below water 15 Life on land
14	Shareholder return	11		Return on equity	4.4%	
				Dividend payout ratio	56%	

BANK OF AND FOR THE PUBLIC WATER SECTOR

FACILITATING SAFE, CLEAN AND SUSTAINABLE SURFACE AND DRINKING WATER

Water authorities

As a bank of and for the water authorities, our objective is to meet the vast majority of the water authorities' financing needs. In 2020, we granted a total of €1.2 billion in loans to the water authorities (2019: €817 million). This represents a market share of more than 90%. The increase in lending to the water authorities is the consequence of the water authorities' major investment challenges. They notice the consequences of a changing climate every day and therefore invest heavily to limit climate change, adapt their infrastructure to the changing conditions and continue to provide sufficient and high-quality surface water. We help them achieve this by providing appropriate financing at the most favourable rates.

We have now charted the climate impact of all of our loans to the water authorities. We calculated this impact based on outstanding loans at year-end 2019. At the time, we had €6.5 billion in financing outstanding with the water authorities and the climate impact of this was 327 kilotons of CO_2 equivalent. That is an emissions intensity of 50.2 tonnes of CO_2 equivalent per million euros. When we first examined our climate impact last year, the emissions intensity of the loans we granted to the water authorities was 58.8 tonnes of CO_2 equivalent per million euros.

Water Bonds

To ensure the water authorities have sufficient resources and to be able to provide them with long-term lending in a sustainable manner, we have been issuing Water Bonds since 2014. Last year, we issued a three-year Water Bond worth SEK 500 million (€47.4 million) and in May we issued one worth USD 500 million (€456.2 million). So far, we have raised atotal of more than €5 billion in sustainable funding with Water Bonds.

Water Bonds are a type of Green Bond. That means the proceeds can only be used for specified projects that make a positive contribution to the climate. In the case of the Water Bonds, it concerns projects by the water authorities that contribute to climate mitigation, climate adaptation and biodiversity recovery.

Climate adaptation: flood protection and modification of the water system

The rapidly changing climate is the water authorities' top priority. The heavy rainfall that, until recently, was not expected to be seen before 2050, is a regular occurrence. Rainfall, drought and temperature records are being broken repeatedly, and 2020 was no exception. Climate change increases the likelihood of flooding or excess water in extreme peak downpours, long periods of drought as well as heat stress in towns and cities. The water authorities are adapting their infrastructure to the new climatic conditions. They call it 'climate adaptation'.

Ensuring an adequate water supply is one of the water authorities' core tasks. An adequate quantity of water is vital for the agricultural and recreation sectors, nature, the collection of drinking water, industry, and the shipping and fishing industries. This means flooding *and* water shortages must be limited to the greatest extent possible. That is becoming an increasingly difficult challenge with the ongoing climate change process.

The guideline for this target is the Delta Plan on Spatial Adaptation, which aims to ensure the country is water-robust and climate-proof by 2050. Alongside the central government, the municipalities, provinces, private parties and companies, the water authorities are investigating which measures are most effective in reducing the effects of changing circumstances. As a consequence of this investigation, water authorities will step up measures to better prepare the Netherlands for extreme weather: for instance, they will establish new water storage areas, increase the capacity of existing water systems and expand the number of pumping stations.

Climate mitigation: new approach to energy and raw materials

The water authorities unanimously back the National Climate Agreement. They absorb the consequences of climate change to the best of their ability to keep the Netherlands safe and habitable in the future. This will only be effective if carbon emissions are also drastically reduced. The water authorities support the National Climate Agreement, stating that "if the cause of climate change is not tackled actively and energetically, the water problems in our low-lying country will eventually become increasingly serious, if not unsustainable".

The water authorities reduce CO_2 emissions by generating biogas and building wind turbines and solar farms, for example. The water authorities produce about 120 million cubic metres of biogas from sewage sludge. In 2025, they aim to be 100% energy-neutral. This goal is within reach, according to the Climate Monitor Water Authorities, which we commission with the Association of Water Authorities. According to the 2019 Climate Monitor, the water authorities have met their energy and climate target of meeting 40% of their energy needs by 2020.

A technique increasing in popularity and use is aquathermal energy. Aquathermal energy is a process that extracts heat and cold from water. This heat and cold is extremely suitable for heating and cooling buildings, especially in urban areas, making it a good, sustainable alternative to natural gas in residential areas. Where possible, the water authorities want to make their wastewater and surface water available to heat residential areas as an alternative to natural gas. Together with the Association of Water Authorities we are signatories of the Aquathermal Energy Green Deal.

Biodiversity: wastewater purification and other measures

The water authorities are also working to ensure surface water is clean and ecologically healthy. They are aiming to obtain not only optimum water quality for water users (such as the agricultural sector, drinking water companies and the recreation sector) but also healthy biological and chemical conditions for the flora and fauna living in the water. The water authorities are doing so using two methods:

- purifying the wastewater produced by the 7.9 million households and 1.8 million businesses in the Netherlands; and
- introducing measures for surface water to improve living conditions in and around the water as well as to prevent spills and dumping of contaminated substances in the surface water.

The water authorities use their 327 wastewater purification plants to ensure wastewater is sufficiently clean to be drained into the surface water without any adverse effects on water quality. The extent to which the substances that are most harmful to surface water are removed from the wastewater gives a good indication of the quality of the water authorities' wastewater purification processes. Those substances include phosphate and nitrate compounds, as well as oxygen-binding substances. Under European legislation, 75% of the phosphates and the nitrates must be removed from wastewater. In the Netherlands, 90% of oxygen-binding substances must be removed.

Innovation in the water sector

The water authorities are always looking for new ways to make water management better, cheaper and more sustainable. A driving force behind this is innovation. Scaling up innovative projects often requires venture capital, but the provision of venture capital is not compatible with our risk appetite. To investigate whether there is a possible role for us, in 2019 we spoke to many parties from and associated with the pulblic water sector. In 2020, we developed the idea of a water innovation fund, which finally led to the establishment of the NWB Water Innovation Fund in December.

The NWB Water Innovation Fund is independent of the bank and focuses on financing the water authorities' innovative and sustainable projects. These include innovations in climate adaptation, climate mitigation, the circular economy, biodiversity, water quality, water safety and the energy transition. Scaling up many of these projects is challenging because obtaining risk-bearing capital is difficult. The NWB Water Innovation Fund was set up to help these projects after their pilot phase. The fund provides subordinated capital. It always involves co-financing: the fund contributes a maximum of 50% of the total risk-bearing capital required, while at least one-third of the total risk-bearing capital required is contributed by one or more of the water authorities.

To provide innovative projects and techniques in the water sector, we award the Water Innovation Prize together with the Association of Dutch Water Authorities. Eligible projects are those in keeping with the water authorities' tasks and responsibilities. Regular categories include 'Flood protection', 'Water quantity' and 'Water quality'. In 2019, a new category was introduced: 'Dreamcatcher'. As of 2020, the Water Innovation Prize will be awarded every other year instead of every year, so contributors have more time to prepare their submissions. The next award ceremony is scheduled for November 2021.

Drinking water companies

In the Netherlands, the most important task of drinking water companies is to provide consumers and companies with sufficient volumes of high-quality drinking water. To continue to fulfil this task effectively, ongoing investments are needed in the drinking water infrastructure (e.g. pumping stations, wastewater treatment plants and the pipeline network). Drinking water companies are long-standing clients and we assist them by providing appropriate financing on favourable terms.

Drinking water companies cooperate closely in various areas with the water authorities and municipalities. This cooperation is laid down in the Administrative Agreement on Water 2011 (Bestuursakkoord Water 2011). At the same time, The Drinking Water Act (Drinkwaterwet) precludes the privatisation of drinking water companies, making them part of the public sector. In addition, the Act protects drinking water activities and regulates the tariffs and associated capital costs. As a result, drinking water companies are a clients group that is perfectly suited to our bank.

Last year, we provided €231 million in long-term financing to drinking water companies (2019: €304 million). As such, we have managed to further increase our market share in this sector again. The financing of drinking water companies is in keeping with our strategy of being the bank of and for the public water sector.

Last year, for the first time, we charted the climate impact of our loan portfolio to drinking water companies. Based on the outstanding financing at the end of 2019 (€582 million), the total climate impact was 4.799 tonnes of CO_2 equivalent. This amounts to an emissions intensity of 8.2 tonnes of CO_2 equivalent per million euros.

NWB FUND

NWB Bank established the NWB Fund in 2006. The fund is independent of the bank and co-finances international partnership projects run by the water authorities, known jointly as the Association of Dutch Water Authorities. It helps them meet the demand for their expertise in solving global water-related issues. With projects in countries such as Colombia, Burkina Faso, Ethiopia, Romania, Indonesia and Vietnam, Dutch water authorities play an active part in virtually every continent.

The fund's initial capital in 2007 was €4 million. The amount was increased in 2008 and subsequent years to eventually reach €20.5 million. Using the interest income on this capital, the NWB Fund makes €800,000 available each year to finance and support the water authorities' international partnership activities.

In 2020, the Fund spoke extensively with people from several projects about the impact of the water authorities' international work, including Rens Huisman (from the Zuiderzeeland Water Authority), who supervised a project in Ethiopia.

“No impact without continuity”

Rens Huisman is a veteran when it comes to the water authorities' international work. As coordinator of international cooperation at the Zuiderzeeland Water Authority, he led a project in the Ethiopian Awash Basin to streamline and improve water management in that area. Looking back, he says: “Impact requires continuity.”

The Awash River Basin is the most heavily used river basin in Ethiopia. Agriculture, industry and about 20 million inhabitants depend on water from the Awash Basin, which is three times larger than the Netherlands. The Water Governance Implementation Program (WGIP), which ran for six years and was set up under the auspices of the Zuiderzeeland Water Authority and financed by the NWB Fund, aimed to improve water management in the area.

Organisation, cooperation and end users

Improving water management is a broadly formulated goal for an international mission. According to Huisman, it becomes more concrete by dividing this goal into three components. “In this case, it was about improving the organisation of the River Basin Authority (RBA). It was also important to strengthen cooperation with the relevant parties, especially other government institutions. And third, of course, the water users always have to notice a difference. The latter is a long-term result of the first two elements. And in terms of organisation and cooperation, we were able to take measurable steps.”

“The project was started at the request of an Ethiopian minister,” Huisman recalls. The RBA and regional water agencies are responsible for water management in the area. “But the problem was that the RBA's thinking focused on operations instead of coordination and was locally driven and not focused on the basin level. Moreover, responsibilities between the different authorities involved were not clearly divided. As a result,

the RBA could not develop a comprehensive water policy for the entire area."

As a result, integrated water management was not feasible, according to Huisman. "Due to a lack of cooperation, the limited resources were not used efficiently. Bottlenecks that directly affected the population, such as flooding, water shortages and poor water quality, could not be adequately addressed."

Lack of visibility

According to Huisman, every start-up project abroad is characterised by a lack of context. "In the six years this project has been running, I repeatedly discovered that you run into problems you never would have thought existed. It is only while you work on the problem that you begin to really understand it and help solve it. That is why the added value of this type of project lies in a long-term commitment."

From the outset, it was clear the RBA was suffering from a lack of visibility. "But we only noticed how deep the problem was over time. Stakeholders, especially at the federal level and in other sectors such as agriculture or industry, simply did not know of the RBA's existence or, more often, what exactly its responsibilities were."

To improve cooperation between the RBA and other Ethiopian authorities and stakeholders, and thus increase awareness, the WGIP introduced a 'Water Agreement'. This cooperation was also needed to implement the river basin management plan that was set up within the project.

Water Agreement and river basin management plan

The Water Agreement replicates the Dutch model, but it is tailored to local needs. "A delegation from the RBA visited the Netherlands and we showed them what a water agreement can achieve. The experience of the water authorities and the willingness to support projects and allow others to get a glimpse behind the scenes have made a difference here. The same is certainly true of the river basin management plan that was drawn up to coordinate the tasks in the river basin."

In addition to the Water Agreement and the river basin management plan, concrete results were also achieved in the field of regulation. The first steps were taken with registration and issuing permits. "The RBA's self-confidence and self-awareness grew as a result of these steps. This may seem difficult to quantify, but this increased self-confidence gave an enormous boost to the quality of their work and enhanced their power of persuasion towards their partner organisations. Their approach was later held up as an example to other RBAs, and for good reason."

Know your place

"The result is not bad, and we were a small part of it," Huisman concludes modestly. To be successful in international work, he says, you have to know your place and that means listening, supporting and trying to let your partner 'shine'. "Projects have a chance of succeeding if their main focus is a concern in the area itself. Continuity is also extremely important. If you want to make a lasting impact, you will have to be present in an area for a longer period."

The contribution of the Dutch water authorities was to introduce a new approach. Huisman calls it the Dutch water authority experience. By that, he means they not only approach problems operationally or technically, but also holistically. "So we also look at institutions and potential cooperation partners and the importance of management & maintenance. In this project, for example, we felt it was important to have agreements with other authorities so we could share information and exchange monitoring data. This is now happening. Pooling resources makes it possible to take a big step forward in the area of water quality without making extra investments. This brings us that much closer to the moment when water users notice the benefits of the project."

The impact on the water authority

"International water projects can mean the difference between life and death," Huisman says from experience. "Conflicts over scarce water are becoming more and more frequent, and crop failure due to drought and floods is creating real risks." That is why he believes it is useful for the water authorities to operate around the world and, through Blue Deals, for example, try to provide millions of people with sufficient, clean water. "These kinds of projects show that the water authorities take social responsibility."

Huisman is convinced that "projects such as Awash strengthen your water authority organisation". During work visits, his colleagues work closely together with people from other water authorities and with local water managers. "That really broadens your outlook. People often perceive these as holiday trips. But you will never hear a colleague who has made the trip say that again. It is hard work, very hard work. You also learn a lot that is useful for your work in the Netherlands."

More flexible

Anyone wanting to succeed abroad is forced to open up to other people. "You become more flexible," Huisman says. "You become more aware that things which may seem obvious are not necessarily obvious to others. These are also important takeaways for people working for the Dutch water authorities. For example, I was always cautious and wanted to have all the details of every project arranged before I started. In Ethiopia, I learnt that this is not always possible and not always necessary to achieve good results."

KEY PLAYER IN FINANCING THE DUTCH PUBLIC SECTOR

NWB Bank is a financier of and for the Dutch public sector. At the time of its establishment, the water authorities explicitly also opened up our bank to other public and semi-public organisations. The bank has been financing municipalities and housing associations for some time, for example. Over the years, we have become an essential financier in the public domain. We contribute to a discerning, diverse and innovative playing field in which public funds are handled efficiently and effectively. In the past 10 years, we have granted loans totalling almost €70 billion and, with a balance sheet total of over €100 billion, we are the fifth-largest bank in the Dutch banking landscape.

AVAILABILITY AND AFFORDABILITY OF APPROPRIATE FINANCING

By catering efficiently to our clients' financing needs and by virtue of our high creditworthiness and financial expertise, we can raise more than sufficient funds on the international money and capital markets. Even in difficult times such as last year. Indeed, we again demonstrated that, as a promotional bank, we are always available to our clients. When our regular clients ask for financing, we provide them with quotes for cash and long-term loans. In addition, new customers from the Dutch public sector are essentially always welcome. In this way, we aim to achieve a substantial market share in the financing of the Dutch public sector.

We make sure that our financing is affordable. We do not strive for profit maximisation and always look for the cheapest way to fund ourselves. That is also why we decided to use the ECB's TLTRO facility. The rates and conditions were so attractive in the light of the COVID-19 crisis that it was in our clients' interest to use this cheap funding and pass on the benefits to them through new lending.

Another good example is the issuance of sustainable bonds, which has become an indispensable and distinctive part of our business. In many cases, the issuance of sustainable bonds is even more favourable than the issuance of traditional bonds, and that benefit is also passed on to the bank's clients.

We believe it is important for financing to be not only available and affordable, but also appropriate. Therefore, we always tailor our products and services to the client's needs and knowledge. We do so in accordance with the nature of the sector and the vision of the relevant supervisory authority. Financial products are subject to an internal approval process before being offered to clients. This includes an assessment of the suitability of a product for a specific client group. The internal product approval process is part of the **Dutch Banking Code** **(see page 112)** and is explained as a category in more detail in the GRI table. This process plays a central role in our product responsibility and involves all of our bank's relevant departments. Products and services that have been approved are reviewed annually by the bank's Asset & Liability Committee (ALCO).

Before a loan is granted, each new client is subject to the Customer Due Diligence (CDD) policy, i.e. the client validation process. Existing clients are reviewed periodically. Sustainability criteria are also taken into account when a loan is due to be granted. These criteria, which are an integral part of the bank's sustainability policy, pertain to the bank's loan and liquidity portfolios.

Once clients have been validated and a loan has been taken out, we give them all the attention they need, regardless of size or volume of lending. For instance, we essentially always respond to requests for face-to-face meetings (digital if need be) and, if requested, are prepared at all times to consider bespoke arrangements. Requests for specific repayment schedules and early repayments are a good example of this.

We are proactive in helping clients find ways to optimise their loan portfolios. We have also granted maturity extensions in this context, with loans being replaced with longer-term loans at the prevailing low interest rate. In addition, in line with interest rate developments on the capital markets, we have again granted loans with negative interest rates, sometimes for terms of up to 10 years, whereby clients receive interest on their financing instead of paying it.

Housing associations

Last year, the majority of financing was to housing associations again. Our lending volume to housing associations in 2020 amounted to €5.7 billion (2019: €5.8 billion). This volume relates to the primary demand for loans and advances and the review of loan charges for existing loans.

Our bank finances only what is known as DAEB activities (Services of General Economic Interest) of housing associations, which are guaranteed by the Social Housing Guarantee Fund (WSW). This way, we can be certain that all our lending to housing associations contributes to the creation of added social value. Housing associations provide good and affordable housing for people who need it. In many cases, these are households with a modest income. Moreover, housing associations pay special attention to people who, for social, medical or psychological reasons, are unable to find housing themselves, and to permit holders. In addition, housing associations work on creating healthy and safe living environments.

All in all, housing associations manage approximately 2.3 million rental homes in which 4 million people live. These houses account for approximately 29% of the Dutch housing stock.[3)] The total amount of loans guaranteed by WSW amounted to €80.0 billion at year-end 2019.[4)]Nearly 40% of this debt (€30.4 billion at year-end 2020 and €30.8 billion year-end 2019) comes from financing we have provided to housing associations.

In the past year, we again conducted transactions involving the takeover of derivatives with housing associations. Housing associations can exchange their derivatives and underlying loans with us for a new long-term loan with a fixed interest rate. We are thus helping to phase out derivative positions in the sector. In 2020, our bank was involved in converting derivatives for an amount of €111 million (2019: €228 million). It should be noted that, as a bank, we do not offer our clients derivatives. This dovetails with our aim to provide appropriate financing. We also try to actively contribute to housing associations experiencing difficulties. A well-known example is Vestia. Last year, we adopted a constructive attitude and cooperated in the takeover of loans to Vestia by other housing associations.

Due to the scale of their housing stock, as well as the social role they fulfil, housing associations are expected to play a leading role in the field of sustainability. Together, the housing associations have agreed to take substantial additional steps. They are investing in energy savings and a sustainable housing stock, among other things, thus contributing to a better environment and lower housing costs for their tenants. Tenants with sustainable housing are 'better off': they live more comfortably and their energy costs can be considerably lower. In the Aedes agenda for 2020-2023, the housing associations agreed that they will achieve an energy label B on average in their sector by 2021. This stems from arrangements made in the 2013 Energy Agreement. The arrangements in the Climate Agreement complement these.

We have charted 99.9% of the climate impact of our loans to housing associations. This totalled 753 kilotons of CO_2 equivalent based on the loan portfolio of €30.8 billion at the end of 2019. That meant an emission intensity of 24.5 tonnes of CO_2 equivalent per million euros. In last year's calculation, the emissions intensity of the loans we granted to housing associations was 27.9 tonnes of CO_2 equivalent per million euros.

3) Statistics Netherlands (CBS)
4) Social Housing Guarantee Fund (WSW)

SDG Housing Bonds

Since 2017, we have been financing the activities of housing associations with special bonds. Initially, these were Affordable Housing Bonds. The proceeds of these Social Bonds were specifically intended to finance the construction of social housing. In 2019, the bank extended and modified the framework for the Affordable Housing Bonds into the Sustainable Development Goals (SDG) Housing Bond framework. Proceeds from these bonds can now also be used for making social housing more sustainable. This sustainable bond is also specifically linked to several selected United Nations SDGs.

Last year, we issued five SDG Housing Bonds. The first was in April and concerned a three-year bond for €2 billion. This was our largest sustainable bond to date, and despite difficult market conditions, we managed to draw a significantly oversubscribed order book, allowing us to revise the credit spread down. This was followed in September by a €1 billion, 15-year SDG Housing Bond. We ended the year with our first SDG Housing Bond in US dollars, with a five-year USD 1 billion issue. In total, we have raised almost €11 billion in funding with SDG Housing Bonds and Affordable Housing Bonds since 2017.

Every year, we publish a Social Bond Newsletter on our website so investors can see how the proceeds of the bonds have been used. This detailed report also describes how these bonds contribute to achieving the SDGs.

Municipalities

In 2020, we provided municipalities with more than €1.1 billion in loans (2019: €1.5 billion) and granted €153 million to finance joint schemes (2019: €226 million). Local authorities are collaborating with each other in a growing number of areas, usually concerning tasks they can perform more effectively or efficiently together. Partnerships are sometimes prescribed by law, such as in the case of security regions, but cooperation is usually voluntary.

We have measured the climate impact of all our financing to municipalities. This amounted to 415 kilotons of CO_2 equivalent. On a total portfolio of just over €7 billion at the end of 2019, this gave an emission intensity of 58.7 tonnes of CO_2 equivalent per million euros. Last year, the emissions intensity of the loans we granted to municipalities was 63.4 tonnes of CO_2 equivalent per million euros.

Healthcare

As a key player in the financing of the Dutch public sector, we also finance healthcare institutions. We provide loans secured by the Healthcare Sector Guarantee Fund (WFZ) and loans to academic hospitals. Guarantees by WFZ contribute to affordable and accessible healthcare. The market volume secured by WFZ has been declining for several years, and as a result the volume of lending by our bank to this sector has also been declining, despite the major challenges faced by the healthcare sector in 2020 as a result of COVID-19. We provided a total of €131 million in loans to healthcare institutions in 2020 (2019: €184 million).

For the healthcare sector, we charted the climate impact of 72.6% of our financing last year based on the loan portfolio. This amounted to a total of 85 kilotons of CO_2 equivalent. On a total portfolio of approximately €1.5 billion at the end of 2019, this means an emissions intensity of 57.2 tonnes of CO_2 equivalent per million euros. This is an improvement on last year's calculation, when the emissions intensity was 58.2 tonnes per million euros.

Export financing

Last year, for the first time, we provided financing to export financiers at a fixed interest rate. The government opened a new desk for this purpose in late 2018. In this particular case, it involved financing a new mega-cutter suction dredger for dredging company Boskalis. Together with BNG Bank, we refinanced the €121 million loan provided by ING and Rabobank under a Commercial Interest Reference Rate (CIRR) facility. This facility is backed by Atradius Dutch State Business. In other years, we have provided financing with a variable interest rate under a government guarantee (Export Credit Guarantee, EKG).

Government-backed loans

Foundations, associations and other legal entities backed by local authorities or the government can also turn to the bank for financing. In addition to large players, we regularly deal with clients with relatively limited financing requirements. Think, for example, of amateur sports clubs or schools that want to make their facilities more sustainable and/or renovate them. We consider the financing of these clients part of our social obligation, even though it is not always cost-efficient to provide these kinds of relatively small loans. In 2020, we provided government-backed financing totalling €258 million (2019: €531 million).

Public-Private Partnerships

In 2020, no new Public-Private Partnerships (PPPs) came to the market. We looked at the possibility of refinancing current projects, but this did not take place in 2020. In early March, Rijkswaterstaat and the market presented an action plan called 'Towards a vital infrastructure'. The plan envisions a sustainable, innovative and financially healthy sector that manages risks effectively. In the plan, the parties endorse the need for a broad transition in the infrastructure sector. This can be achieved by gaining experience with new forms of cooperation in new projects. This will pave the way to make clearer agreements about allocating risks based on close and open cooperation.

NHG RMBS

As a promotional bank, we also contribute indirectly to the financing and affordability of private residential mortgages. Specifically, we financed a portfolio of pass-through NHG RMBS bonds (Residential Mortgage-Backed Securities based on mortgages covered by a National Mortgage Guarantee). Last year, we invested in the senior tranche of a securitised portfolio of NHG mortgages provided by another bank. The underlying loans have long maturities and thus contribute to the need in the market. In addition, there is a favourable rate for the part of the mortgage used to make the home more sustainable. At the end of the year, the underlying portfolio amounted to approximately €700 million. In the coming years, we want to continue to contribute in this way to the affordability of owner-occupied houses for, among others, first-time buyers and lower-income households.

FINANCING PARTNER FOR ENHANCING SUSTAINABILITY IN THE NETHERLANDS

The coming decades will require major investments to enhance sustainability in the Netherlands. We are making an important contribution to an affordable energy transition in the Netherlands and giving substance to our commitment to the Climate Agreement. Last year, we also started a study into sustainability-linked loans. We want to use these loans to reward clients for specific sustainability achievements. By offering them a more favourable interest rate, we provide an extra incentive to contribute to sustainability.

CONTRIBUTING TO CLIMATE MITIGATION, CLIMATE ADAPTATION AND BIODIVERSITY RECOVERY

Climate mitigation

Climate mitigation refers to measures designed to limit the extent or speed of global warming. Generally speaking, climate mitigation means reducing man-made greenhouse gas emissions. The generation of renewable energy is a good example of this. Since 2019, our bank has been a player in the market for financing renewable energy projects. Projects related to renewable energy and the circular economy are generally characterised by a large financing requirement and a lengthy period during which the investment must be recouped. Providing this type of long-term project financing at a relatively low cost suits our bank perfectly.

Last year, we provided a total of €596 million in financing for renewable energy projects. This is considerably more than the €294 million in 2019. Among other things, we provided financing for the Zeewolde, Kroningswind and SwifterwinT wind farms. In total, these wind farms will soon be able to provide 585,000 households with renewable energy.

We also financed a renewable heat network in the Westland region. Heat networks are crucial for the large-scale roll-out of renewable heat sources, especially in a region known for its energy-intensive greenhouses.

Since 2019, projects and organisations that have received a Stimulation of Sustainable Energy Production (SDE+) grant can turn to us for project financing. With the SDE+, the government is stimulating the development of a sustainable energy supply in the Netherlands. Examples of this are solar and wind energy. Last year, the SDE+ scheme was expanded into SDE++. What is new here is that, in addition to categories for the production of renewable energy, CO_2-reducing options other than renewable energy will also be eligible for grants. This will ensure that the regulations and methodology, and therefore the principles for SDE+, are extended to cover a broader range of CO_2-reducing categories including aquathermal energy.

Aquathermal energy is an innovative way of extracting heat and cold from three different water sources: thermal energy from surface water, wastewater and drinking water. This clean energy can be used to sustainably heat houses and other buildings. Research shows that thermal energy from surface water can provide 40% of the heat demand in urban areas and that sources such as wastewater and drinking water can supply 15% and 1.5%, respectively. Aquathermal energy can help achieve the transition to gas-free heating and thus accelerate the necessary energy transition.

In 2019, we signed the Aquathermal Energy Green Deal. We are collaborating with parties from the government, water management, research and industry to explore possibilities for heating and cooling buildings with aquathermal energy, and we are ensuring all stakeholders are aware of its potential. We are also working together to develop and share knowledge about aquathermal energy and assess its value in practice. This way, aquathermal energy can eventually be used as an alternative heating system in the built environment. A concerted effort is underway with some of the government's other climate programmes, such as the Regional Energy Strategy (RES) and the Gas-Free Neighbourhoods Programme (PAW).

Within the Green Deal, we are giving serious thought to ways of financing aquathermal projects. We are doing this together with Invest-NL, for example, and we are keen to accelerate this process. In September, we organised a webinar about potential forms of bank financing for an aquathermal project. We discussed the differences and common ground between balance sheet financing and project financing. We also discussed the requirements financiers can set before considering financing requests and how to deal with risks. Finally, during the Springtij Forum sustainability festival on Terschelling in late September, we co-organised a session about the opportunities and possibilities presented by aquathermal energy.

Climate adaptation

It is important that the Netherlands prepares itself for the changing climate. Adapting the environment and preparing for the consequences of the changing climate is called climate adaptation. This is how we prevent floods, for example.

Our summers are getting drier, while during the rest of the year it rains longer, harder and more frequently. 2020 was another year of records in terms of drought and heat, but there was also flooding, storms and a few cooler spells. These climate changes are increasing the risk of flooding and water shortages. This goes beyond being inconvenient: it can pose risks to our economy, health and safety.

The Delta Plan on Spatial Adaptation is a national plan devised by municipalities, water authorities, provinces and the State containing measures to better prepare the Netherlands for more extreme weather. These plans aim to ensure the Netherlands is more water-robust and climate-proof by 2050, and that its citizens are more water-aware. The plan will accelerate and intensify the process of spatial adaptation.

Housing associations are also fully committed to climate adaptation. Climate change affects the way we design our cities and build our houses. What climate adaptation means for housing associations depends on the situation. Examples include the smart construction of (interior) gardens so they are not immediately flooded after a heavy rainfall, and limiting the overheating of surrounding buildings.

Biodiversity recovery

There is a growing awareness in the financial sector that, as with climate change, action needs to be taken quickly to counteract biodiversity loss. To address the importance of biodiversity for financial institutions, a working group was established in 2019 under the Sustainable Finance Platform of the Dutch Central Bank (DNB). This working group is led by the chair of our Managing Board, Lidwin van Velden, and consists of representatives from insurers, asset managers, pension administrators and other banks.

Last year, the working group delivered two papers. In June, the working group published a general paper on the relationship between biodiversity and the financial sector. The paper, 'Biodiversity: Opportunities & Risks for the Financial Sector', covers two issues: how financial institutions can be affected by risks resulting from the loss of biodiversity and how they can have a positive impact on the conservation and recovery of biodiversity. The members of the working group also provided examples of how they deal with this issue in practice to inspire other financial institutions. This paper was followed in October by a handbook providing an overview of available services and tools that financial institutions can use to map, analyse and combat deforestation related to their financial activities. Indeed, the worldwide destruction of forests worldwide is a key indicator of biodiversity loss.

As *the* sustainable water bank and sponsor of the Biodiversity Working Group under the DNB's Sustainable Finance Platform, NWB Bank naturally wants to set a good example. That is why, following from our chairmanship of the Biodiversity Working Group, we joined 25 other financial institutions in signing the Finance for Biodiversity Pledge in September. The pledge was launched during the Nature for Life Hub that took place on the sidelines of the United Nations General Assembly. Our bank promises to chart our impact on biodiversity by 2024, set targets based on this impact and report on them publicly. Last year, we also joined the Dutch Association of Water Authorities in the Delta Plan for Biodiversity Recovery to contribute specifically to the recovery of biodiversity in the Netherlands.

RAISING FUNDS THROUGH SUSTAINABLE BONDS

As a sustainable bank for the public sector, the issuance of ESG bonds has become an indispensable part of our business operations. In addition to traditional investment considerations such as investment security and risk-adjusted returns, these bonds have been purchased by investors because of their interest in supporting climate-friendly and social projects within their investment mandate. By issuing these bonds, we continue to attract new investors and increase the market reach for sustainable bonds. The issuance of these bonds underlines our role as a robust and sustainable financial partner for the Dutch public sector.

Last year, we raised more than €4.5 billion in funding with ESG bonds out of a total of €13.7 billion. That is 33% of our long-term funding, so we have more than met our own target of raising at least 25% of our long-term funding each year by issuing sustainable bonds. In total, we have issued more than €16 billion in sustainable bonds since 2014. At the end of 2020, just over 25% of the total amount of bonds on our bank's balance sheet consisted of sustainable bonds. Internationally, we are a leading ESG bond issuer with the SSA group (Sovereigns, Supranationals and Agencies). In the Netherlands, we are the largest Dutch issuer of ESG bonds.

SUSTAINABLE, EFFICIENT AND SOCIALLY COMMITTED ORGANISATION

We can only fulfil our role in financing the Dutch public sector if we are well equipped to do so as an organisation. This is the foundation of our strategy. We are one of the most cost-efficient and best-capitalised banks (on a risk-weighted basis) supervised by the ECB. We also lead by example in terms of sustainability and social engagement, and our compact and flat organisational structure is a key strength.

SAFE, STABLE AND EFFICIENT BANK

In 2020, we were again in the top-10 of the world's safest banks, ranked fifth to be precise. That is one place higher in the rankings than in 2019. Our bank's stability is more specifically reflected in its capital and liquidity ratios, which were discussed earlier in the report and in the credit and ESG ratings.

Credit ratings

Retaining our bank's high-quality risk profile, as reflected in our credit ratings, is a priority of our long-term strategy. To be able to optimally serve our clients, our credit ratings must remain in line with those of the Dutch government. For years, we have enjoyed the highest possible credit ratings from Standard & Poor's and Moody's: AAA/Aaa. The situation did not change last year.

ESG ratings

We also aspire to a high-quality risk profile in the area of sustainability. Our bank's specific CSR policy and its application are assessed by special ESG rating agencies. In general, we have strong sustainability ratings and plans to improve them where possible. We have ESG ratings from imug | rating from Hannover (Germany), ISS ESG from Munich (Germany), MSCI ESG Research from the United States, Sustainalytics from Amsterdam (the Netherlands) and Vigeo Eiris from London (United Kingdom).

The ESG rating agencies issue ratings or scores based on their own ESG assessment framework. Further information about their assessment frameworks can be found on the websites of the agencies concerned. At most of the rating agencies mentioned, our ESG rating is at the top of its peer group.

ENVIRONMENTAL IMPACT OF BUSINESS PRACTICES

We seek to use our internal organisation to set a good example in the area of sustainability. Although our relatively compact office organisation limits our impact on the environment, it is not preventing us from implementing measures aimed at reducing our carbon footprint. Examples include switching to electric cars in our fleet and improving the sustainability of our office premises. For instance, since 2019, we only purchase cars with zero carbon emissions for our employees and Executive Committee. By year-end 2020, about half of our car fleet was emissions-free. We are also working to improve our office's energy label, which is legally required to be brought to label C by 2023. We are working with an external party to examine our current label and explore ways of achieving an A energy label.

Last year, average carbon emissions at the company amounted to 1.5 tonnes per person. This is a significant improvement compared with 2.8 tonnes per person in 2019. It should be noted, however, that there were a limited number of trips and lower office occupancy last year due to the COVID-19 restrictions. Nevertheless, we hope to maintain this improvement by limiting travel in the future through the continued use of digital alternatives and working from home. We compensate for the remaining emissions through Trees for All, which plants trees in the Netherlands and abroad to offset carbon emissions. By opting for this form of carbon offsetting, we also contribute to the achievement of the SDGs, making us climate-neutral on balance in our business operations.

SOCIAL IMPACT OF BUSINESS PRACTICES

For us, the social impact of our business practices is primarily about being a good employer. Attracting and retaining professional and committed employees determines the contribution our bank can make to society. Among other things, we rolled out a Strategic Personnel Planning (SPP) for this purpose in 2019, which we focused on again last year.

Sustainable employability

Sustainable employability is one of the spearheads of our HR policy. Our employees are actively engaged in the HR cycle and encouraged to think about their personal development. Their ideas are then discussed during the objective, evaluation and assessment interviews employees have with their line managers. Before the interviews, employees are asked to provide more input on their performance and development. Employees are also assisted in obtaining feedback from other colleagues.

We strongly encourage internal advancement. Every vacancy is first opened to internal employees. In 2020, this approach resulted in 5% of our employees advancing to another position or department.

Training and development

We attach great value to training and encourage our employees to continue developing their knowledge and skills. Thanks to a generous training budget of €250,000, there is ample opportunity for employees to expand their professional skills, acquire new knowledge and develop leadership qualities. Last year, the bank spent an average of €4,105 on each employee. As a result, the target of €3,500 per employee was easily met. Note that the costs for learning on the job and coaching (by external parties, whenever necessary) are not included in these figures. However, this way of learning is an important feature within our organisation. One example is an initiative in which new employees are partnered with a colleague who works in a different department within the bank during the onboarding process and supervises the new employee.

As well as individual training sessions, we regularly provide in-company training sessions. Last year, our employees completed in-company training sessions on subjects such as diversity, market manipulation, credit risk management and CDD.

Health and work environment

A healthy work environment is essential to ensure sustainable employability. A focus on physical and mental health is in keeping with our bank's culture and policy of prioritising its employees. Last year was challenging for many employees because they often had to work from home.

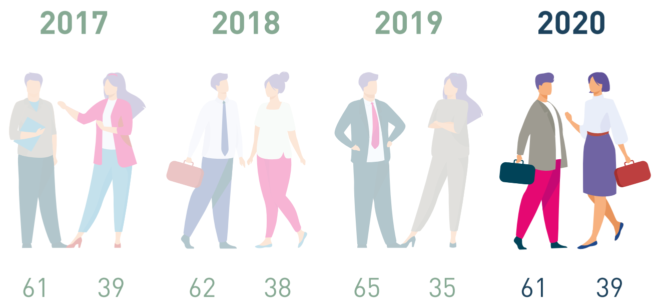
Our HR department has regularly emphasised the need to set up the best possible work station at home and has made additional facilities available for this purpose. HR also conducted a survey among employees to learn about their experiences of working during these extraordinary times. We have used the results to introduce further improvements.

Absenteeism last year was the same as in 2019: 1.9%. That is within our internal target of keeping absenteeism below 2%.

Diversity

We want our workforce to reflect society as much as possible. When recruiting new employees, we are open to everyone regardless of gender, age, religious persuasion, cultural background, disability or sexual orientation. We are strongly committed to hiring a mix of employees with talent, development potential and improvisational skills, and we consciously choose professionals who complement our team. In case of equal suitability, we give preference to candidates who contribute to diversity.

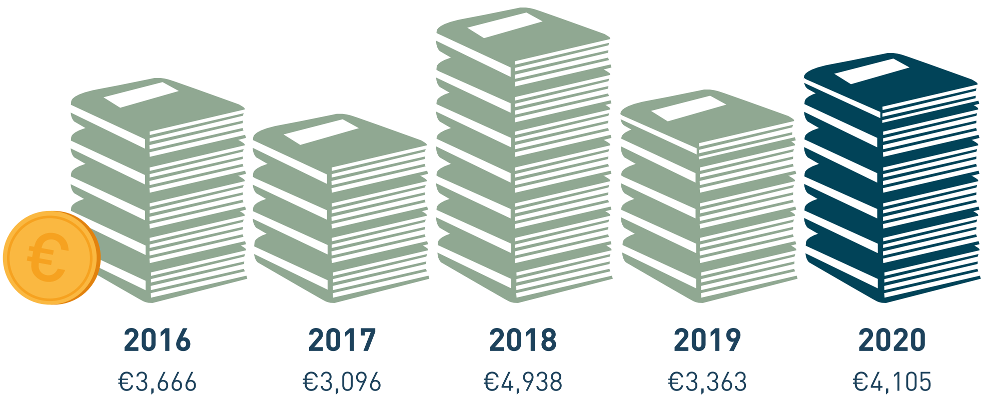
GENDER SPLIT (IN %)



To raise awareness of the complexity of this issue, all staff participated in a bank-wide training on diversity and inclusiveness last year.

Our compact organisation makes it difficult to report on diversity in detail for privacy reasons. Due to our relatively limited staff, reported results can easily be traced back to individuals, which we want to avoid at all times to safeguard the privacy of our employees.

TRAINING BUDGET SPENT PER EMPLOYEE



SOCIAL COMMITMENT

Our bank and employees are socially involved. Both during and outside working hours, employees are encouraged to take part in activities and projects that contribute to society. Examples include the 'Bank voor de Klas' project, in which employees and members of the bank's Executive Committee act as guest teachers in primary schools. Employees also participated in World Cleanup Day last year and helped out at the food bank.

One of the ways we demonstrate our social commitment is through sponsorship. Projects and/or activities related to water are eligible for a financial contribution from the bank. A good example of this is the citizen science project 'Vang de Watermonsters' ('Catching Water Samples'), which we sponsored last year. In this project, citizen scientists use a kit to measure the quality of ditches, ponds, lakes and fens. It appears that measuring water quality is not standard procedure in many places in the Netherlands, which is unfortunate because that information is important to make the water cleaner. 'Vang de Watermonsters' is an initiative of Natuur & Milieu. The environmental organisation received support from us, ASN Bank, seven water authorities and the Dutch Association of Water Authorities. Our employees also participated in this project. Our bank also sponsors the Water Innovation Prize, the KNW Waternetwerk Thesis Awards and the Springtij Forum, among other activities. The annual budget for sponsoring is €125,000.

DIGITISATION OF SERVICES AND BUSINESS OPERATIONS

As a bank, we are fully committed to digitisation. This is necessary to give our clients optimal service, but it is also important because it enables us to improve, strengthen and accelerate our own processes. Digitisation contributes to our agility and efficiency and is one of the strategic priorities in our internal organisation. An important project last year was workplace automation, which gave us access to a good video calling system, which is essential for maintaining good communication, especially when working from home.

To improve the services we provide to our clients while reducing the amount of paper and postal correspondence, we launched a digital client portal in 2019. This NWB Portal is available to all the bank's clients via the internet, free of charge. Because we have provided our clients with a free tool with advanced reporting and analytical functionalities, they no longer need to develop or purchase a system of their own. Clients can view and analyse the details of their loans at our bank. They can also add details of loans from other lenders. This allows users to analyse their entire loan portfolio. Finally, NWB Portal provides access to indicative rates for new loans and current market data. By the end of 2020, 64% of our approximately 1,000 clients were connected to NWB Portal.

SOUND AND TRANSPARENT BUSINESS PRACTICES

'Conscious, committed and credible' are our core values, and these are firmly anchored in our corporate culture and code of conduct. Integrity and transparency are of paramount importance. Integrity is part of the operational risk management framework. Each year, a systematic integrity risk analysis (SIRA) is performed by assessing the operational risks, including integrity risks, and control measures. Last year, partly at the request of the supervisory authority, we strengthened this analysis with the help of an external consultant.

We have a zero-tolerance policy when it comes to bribery and corruption, regardless of the identity or job title of the person who offers or receives the bribe or is otherwise engaged in fraudulent activity. The Executive Committee expects all its employees to comply with the standards of ethical conduct and integrity at all times. This includes taking measures to prevent, discourage and detect bribery and corruption. Engaging in behaviour or activities that contravene the bank's core values or other relevant laws and regulations is a breach of the bank's Code of Conduct.

Our bank will never offer inappropriate commission, or anything that could be interpreted as such, to anyone or for any purpose. Internal reports of corruption or bribery must be submitted to the compliance officer. The compliance officer reports directly to the chair of the Managing Board and has a direct line of communication to the chair of the Supervisory Board.

Before joining our bank, all recruits are subject to pre-employment screening, regardless of their position. In addition, all employees in commercial roles must be listed in one of the Dutch Securities Institute (DSI) registers. All new employees are required to sign several documents on the subject, including the banker's oath, NWB Bank's Code of Conduct, a declaration of confidentiality, the insider regulations and the information security protocol. New employees are also familiarised with the privacy policy.

RESPONSIBLE REMUNERATION

We want our remuneration policy to reflect the role we fulfil in society, as a bank of and for the public sector. We have opted for a moderate and sustainable remuneration policy that is in keeping with our strategy, low risk profile and risk appetite. The remuneration policy thus helps to achieve our long-term objectives, which aim to create long-term value. The policy is unambiguous, transparent and in line with national and international rules and regulations. In addition, our policy is aimed at recruiting and retaining qualified and knowledgeable employees.

An important indicator of manageability is the remuneration ratio between the chair of the Managing Board and the median of our other employees. In 2020, this amounted to 4.1 (2019: 3.8). This is lower than many other organisations in the banking sector in the Netherlands and lower than most companies in which the Dutch State is a shareholder. Last year's increase was related to the rejuvenation of our workforce.

PRIVACY AND DATA PROTECTION

Our clients, employees and suppliers must be able to rely on their data being kept safe at the bank. Last year, many control measures were again put in place to ensure the bank's digital infrastructure functions properly at all times. To that end, the bank complies with the General Data Protection Regulation (GDPR), which entered into force in 2018. There were no data leaks in 2020.

RESPONSIBLE AND SOCIAL RETURN

As a bank of and for the public sector, we refrain from pursuing profit maximisation, and instead concentrate primarily on the social return we can achieve. Everything the bank does focuses on creating added value for society. Examples include reducing clients' carbon emissions as well as affordable and sustainable social housing and healthcare. We also emphatically embrace the United Nations SDGs.

FINANCIAL RETURN FOR SHAREHOLDERS

Despite our aim to primarily achieve social return, making a profit is necessary to guarantee the continuity of our bank. In 2020, we again made a healthy profit of €80.5 million. This is less than in 2019, which saw a profit of €94.5 million. The decrease in net profit was the result, among others, of the introduction of the minimum capital rule for banks, the fraud incident identified early 2021 and higher operating expenses due to provisions made in connection with the COVID-19 pandemic.

We have agreed a benchmark target return on equity with our shareholders. The benchmark for 2020 was 3.7%, the same as in 2019. With a return on equity of 4.4%, we therefore met this target.

Determining the amount available for dividend payment is an annual discretionary power of the Managing Board with the required approval of the Supervisory Board, taking into account the interests of the continuity of the bank, as well as the interests of shareholders and other stakeholders. For the 2020 financial year, the Management Board and Supervisory Board set the profit available for distribution of dividend at €45 million.

Normally, we would have distributed the dividend to our shareholders as quickly as possible. However, the ECB urgently requested us and other banks to refrain from paying dividends due to the uncertainty caused by COVID-19. In its recommendation of 15 December, the ECB gave some leeway for paying dividends. That is why we were only able to start paying part of the dividend for financial year 2019 in early 2021. It concerned €8.1 million, even though the dividend for fiscal year 2019 had been declared at €55 million. In its 15 December 2020 recommendations, the ECB requested dividends remain below 15% of profits for 2019 and 2020 and not higher than 20 basis points of the Tier 1 core capital ratio. In our case, the latter criterion came out lowest.

The ECB's most recent recommendation on the payment of dividends has a cut-off date of 30 September 2021. We hope to be able to pay our shareholders the remainder of the dividend declared for the 2019 financial year at that point, as well as the recommended dividend for the 2020 financial year of €45 million. With a proposed distribution of €45 million for the 2020 financial year, the payout ratio amounts to 56% of profit (2019: 58%). This is at the upper end of the range of 40% to 60% as stated in the dividend policy adopted in 2019.

IMPACT OF LENDING ON CLIMATE

We have now charted the climate impact of 94.5% of our credit portfolio. To calculate the climate impact, we use the portfolio from the preceding year. That is to say, the 2020 annual report is reporting on the climate impact of the credit portfolio as it stood at year-end 2019.

IMPACT OF LENDING ON CLIMATE

		LOANS		EMISSIONS	
		COVERAGE RATE (%)[1]	LOAN PORTFOLIO (million EUR)[2]	EMISSION INTENSITY (tonnes CO_2 eq /million EUR)	ATTRIBUTED EMISSIONS (tonnes CO_2 eq)
	2020	**94.5%**	**49,436**	**34.1**	**1,594,836**[3]
	2019	95.1%	47,644	38.2	1,730,120
	+/-			-4.1	
HOUSING ASSOCIATIONS	**2020**	**99.9%**	**30,813**	**24.5**	
	2019	99.8%	30,265	27.9	
	+/-	+0.1	+548	-3.4	
MUNICIPALITIES	**2020**	**100%**	**7,071**	**58.7**	
	2019	100%	6,583	63.4	
	+/-		+488	-4.7	
WATER AUTHORITIES	**2020**	**100%**	**6,501**	**50.2**	
	2019	100%	6,327	58.8	
	+/-		+174	-8.6	
HEALTHCARE	**2020**	**72.6%**	**2,053**	**57.2**	
	2019	70.5%	2,119	58.2	
	+/-	+2.1	-66	-1.0	
DRINKING WATER COMPANIES	**2020**	**87.3%**	**666**	**8.2**	
	2019	85.5%	477	6.7	
	+/-	+1.8	+189	+1.5	
REGIONAL GOVERNMENTS	**2020**	**100%**	**225**	**32.8**	
	2019	100%	247	30.2	
	+/-		+548	+2.6	
EDUCATIONAL INSTITUTIONS	**2020**	**91.4%**	**70**	**41.8**	
	2019	91.6%	73	36.8	
	+/-	-0.2	-3	+5.0	

1) In the 2019 PCAF report, the coverage rate was 93%. In the current report, the coverage rate is higher due to developments in the methodology in comparison to the 2019 PCAF report.

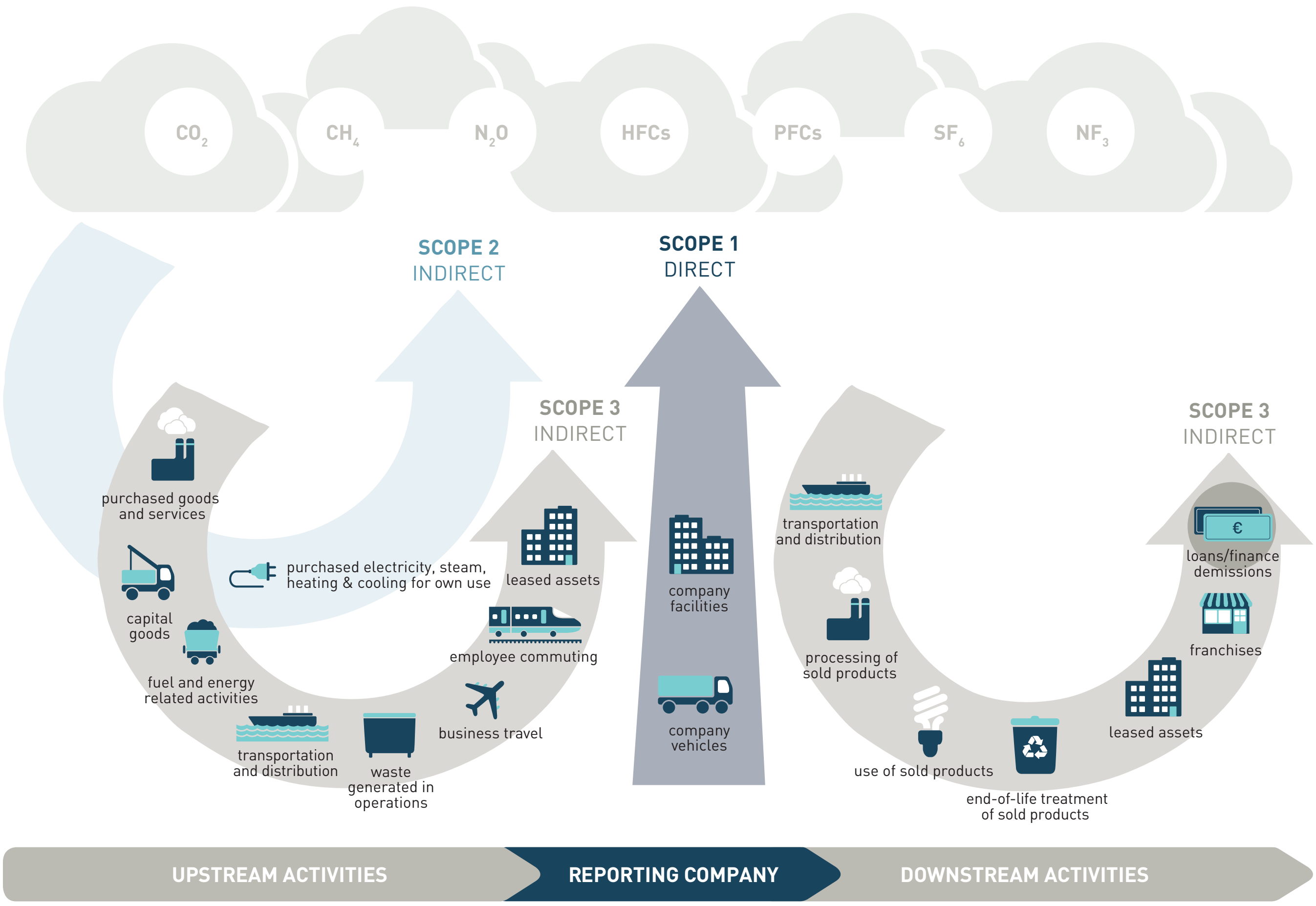
2) Loan portfolio at year-end 2019 for reporting year 2020.

3) For reporting year 2020, the loan portfolio at year-end 2109 was used, and the most recent data was used for the GHG emission calculations.

Our loan portfolio had total emissions of 1,594,836 tonnes of CO_2 equivalent at year-end 2019. This is 135,284 tonnes less than the total at year-end 2018. This is an excellent development, because the total loan portfolio on which the calculation was made increased by €1.4 billion in the reporting period in question. The emissions intensity (tonnes of CO_2 eq / million EUR) decreased from 38.2 to 34.1 tonnes per million euros. The water authorities, local authorities and housing associations were responsible for the largest decrease in emissions intensity. Among other things, the water authorities invested in renewable energy projects in the Netherlands, while the housing associations improved the energy labels of their rental properties.

To chart the climate impact of our lending, we use the methodology of the Partnership for Carbon Accounting Financials (PCAF). PCAF offers a framework and harmonised methodology that increases the transparency and awareness of carbon emissions and reporting. In January 2019, we officially joined this partnership. Later that year, we committed to the Cabinet's climate targets, along with virtually the entire financial sector. Part of this agreement is a commitment to report on the climate impact of our financing from 2020 onwards. The research institute Telos/Het PON, which is affiliated with Tilburg University, has helped us chart the climate impact and apply the PCAF methodology. The full report (including the associated methodology) can be found on **our website**.

GREENHOUSE GAS PROTOCOL



To calculate the climate impact of the various client groups, we mostly used publicly available sources. We have also made grateful use of the Climate Monitor Water Authorities. This annual study, conducted by Arcadis, shows how much the water authorities have contributed to national targets to reduce CO_2 emissions and to renewable energy production. Together with the Association of Water Authorities we have been the engine behind the Water Authorities' Climate Monitor since 2018. If no CO_2 emissions information was available from a client or client group, we made an approximation of the emissions based on impact information and appropriate emissions factors. The impact data includes direct (Scope 1) and indirect emissions (Scope 2 and, depending on the sector, also Scope 3). The calculation for clients has been made based on the ratio of the outstanding loan portfolio per client to the total balance sheet of the respective client. This results in an overall calculation of the greenhouse gas emissions for our loans. Any assumptions and uncertainties in this calculation are explained in a special methodology document that is available on **our website**.

Charting your climate impact is one thing, but reducing it is another. Part of our commitment to the Climate Agreement is to have action plans in place by 2022 that help reduce carbon emissions. Last year, we started setting targets that are in line with or even more ambitious than those of the Climate Agreement. We use the Science-Based Targets methodology for this purpose. Emissions reduction will ultimately have to be achieved by our clients. To encourage them, we are looking into the option of offering sustainability-linked loans. For example, by offering clients interest rate discounts on their loans or other benefits, we would be giving them an incentive to achieve sustainable key performance indicators (KPIs). We are also looking into green loans, whereby we allocate our capital to specific, pre-identified green projects that may qualify for favourable financing.

DILEMMAS IN 2020

The bank regularly encounters dilemmas when carrying out its activities and reporting. This section contains several issues that have caused the bank to decide whether to take action based on its CSR policy.

Generic financing

In most cases, we provide our clients with so-called balance sheet financing, whereby it is not a specific investment nor a project that is financed but the client itself. As a result, the systematic application of sustainability exclusion criteria is often impossible or irrelevant. All our clients are part of the Dutch public sector and claim to be inherently sustainable. Nevertheless, we will not fail to question them on this subject and ask them to consider sustainable investments.

Sustainability-linked loans

To encourage our customers to become more sustainable more quickly, we are exploring options of providing sustainability-linked loans and green loans. With these loans, we agree on specific sustainability targets with the client in advance. Clients that achieve these targets receive a pre-agreed discount on the interest rate. However, our margins are slim, so our scope for offering interest rate discounts is restricted, and that may limit the incentive. So, what is the value to us of making the Netherlands more sustainable? That is a dilemma.

New products

When addressing specific client needs, situations may arise in which the pros and cons of launching a new product must be weighed. Our Product Approval and Review Process (PARP) involves weighing the risks involved from both the client's and the bank's perspective. As a result, the client may not always receive the product requested, because in our opinion there are undesirable risks associated with the product for this client or for us as a bank. This presents us with a dilemma, as we seek to assist our clients at all times while also adhering to our carefully defined and formulated policy.

Client groups with limited financing needs

The public domain also includes client groups with relatively limited financing needs. Examples include sports clubs with a municipal guarantee and vocational schools. Because of our relatively compact office organisation, it is difficult to provide these clients with efficient service. The amount of time involved in analysing the sector and the individual clients is often disproportionate to the size of the loan. If we allocated all the costs incurred for a sound analysis to the credit spread, it would lead to higher costs. However, due to our social role, we decided against this and continue to assist these small client groups as well.

Rebound clause for municipalities

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

Non-guaranteed financing

Our Articles of Association stipulate that we can only finance housing associations and healthcare institutions guaranteed by the Social Housing Guarantee Fund (WSW) and the Healthcare Sector Guarantee Fund (WFZ), respectively, academic hospitals being the exception. In the current market, in which there is a high demand for mid-rent housing, for example, it may be that these clients find it hard to obtain appropriate financing if we reject their request. Although we understand the sector's wishes in this regard, we do not consider such non-guaranteed financing to dovetail with our risk profile and risk appetite.

Holders of sustainable bonds

We offer investors the opportunity to invest in sustainable bonds. In addition to our traditional investment considerations, such as investment safety and the risk-return trade-off, many of our bonds are purchased by specific investors who want to support sustainable and/or social projects with their investment. Since our bank issues 'bearer bonds', the precise identity of the holders of those bonds is not known. Although order books are scrutinised and the sustainable character of the initial investors screened at the time of issuance, the bonds are tradable without recourse to our bank. It is, therefore, possible that the bank's bonds are held by entities that do not apply sustainable business practices themselves.

Diversity versus privacy

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

RISK MANAGEMENT

Risk management has a central role in our organisation. Risk awareness is an important element of our business culture and is embedded in our long-term strategy aimed at solidity, efficiency and sustainability. The organisation is designed to identify and analyse risks at an early stage, set sensible limits and monitor those limits (see also 'Other notes to the financial statements'). Risk management is characterised by effectively responding to changing circumstances and providing proper parameters for our operations. This helps us maintain our strong financial position and low cost structure.

We are constantly working to reinforce our risk management. Last year was the first time the new Expected Credit Loss (ECL) model was used in combination with the credit scorecards. This, and the newly introduced credit quality classification, has strengthened our credit risk management. In addition, several validations were carried out, the findings of which will be followed up in the coming period.

RISK MANAGEMENT FRAMEWORK

Our risk management is organised on the basis of the risk management framework depicted below. This framework comprises the following elements, the most prominent ones of which are explained.

Risk appetite

Achieving our strategic objectives exposes our bank to certain risks. Every year, we evaluate these risks and categorise them in a risk taxonomy. In 2020, we further refined this taxonomy to gain better insight into how we may be exposed to these risks. We have laid down our risk appetite in the Risk Appetite Statement (RAS) and expressed it in the degree and area of risk we are prepared to accept. The RAS is part of the Risk Appetite Framework (RAF) and has been aligned with and approved by the Supervisory Board.

Risk assessments

Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process (ICAAP) is used to determine the minimum capital requirements. In this way, the bank's internal capital adequacy is assessed by type of risk on a quarterly basis. As such, the ICAAP is a key activity within our bank's capital management. One component of the ICAAP involves conducting stress tests to test the robustness of capitalisation.

In 2021, we will participate in the EU stress test of the European Banking Authority (EBA).

Internal Liquidity Adequacy Assessment Process

The Internal Liquidity Adequacy Assessment Process (ILAAP) concerns the internal assessment of the adequacy of the liquidity position and the liquidity risk management. The ILAAP is used to determine internal liquidity requirements.

Recovery Plan

Just as in previous years, in late 2020 we updated our Recovery Plan and submitted it to the ECB/DNB. The Recovery Plan outlines the measures a bank can take in situations of severe stress and how it can recover afterwards. An important part of the Recovery Plan is the series of triggers that prompt our bank to take action. These recovery triggers, which are defined in the Recovery Plan, are aligned with our risk appetite.

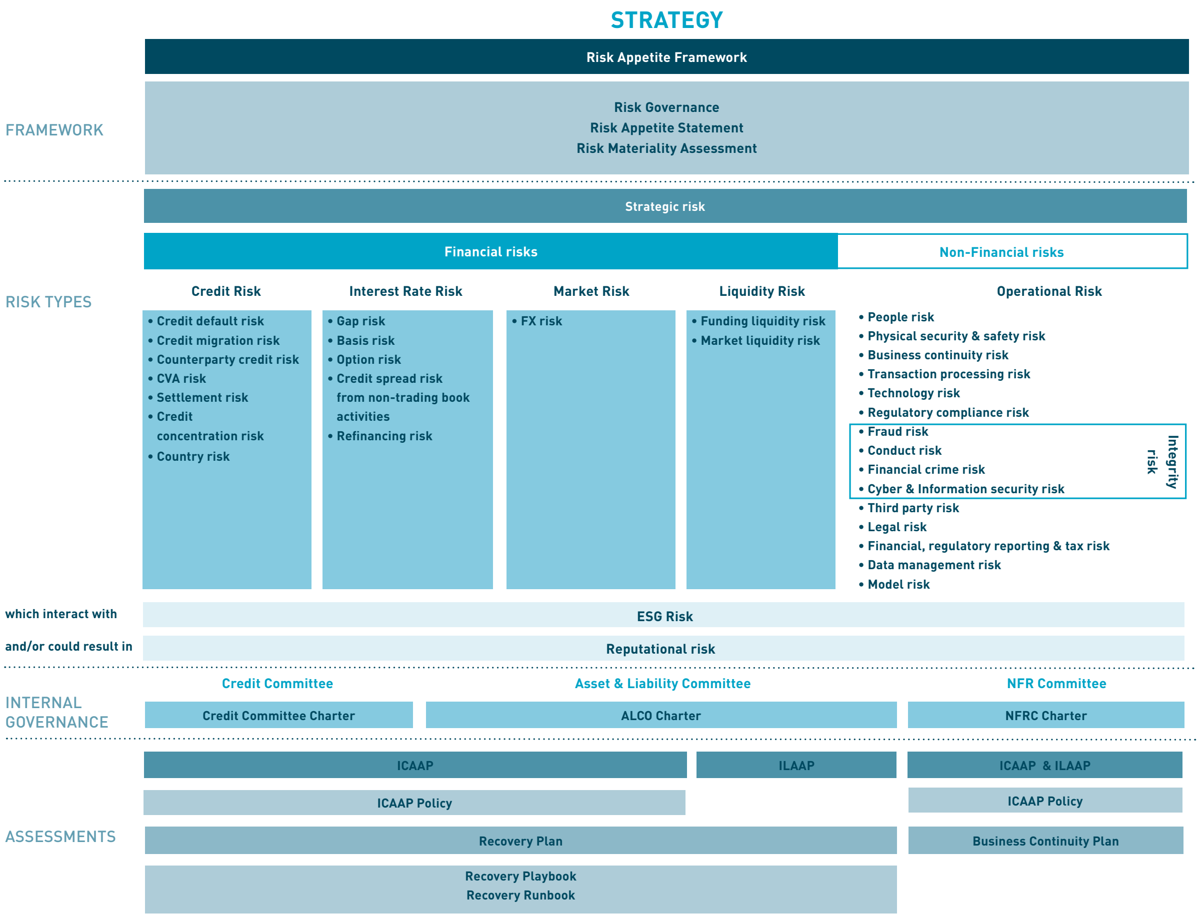
COVID-19 pandemic

The COVID-19 pandemic has affected all the assessments mentioned. The results of the ICAAP and ILAAP are used as input for the annual Supervisory Review and Evaluation Process (SREP). As a result of the pandemic, the SREP was carried out differently in 2020. The so-called pragmatic SREP mainly focused on how our bank dealt with the operational and financial consequences of the pandemic. The supervisory authority did not adjust the capital requirements for the banks, nor did it impose additional liquidity requirements.

As indicated above, the pandemic has affected the bank's operations. The Business Continuity Team (BCT) was activated immediately, and the meetings of the BCT and the Managing Board/Executive Committee were held more frequently and, when necessary, appropriate measures were taken. For example, the critical operational functions were divided over two locations and other employees started working from home.

The pandemic does not seem to have had an impact on our lending. Our clients' financing needs even increased in some cases. This is partly attributable to the fact that some client groups, such as municipalities, have less tax revenue as a result of the crisis. We are monitoring these consequences, but they have not led to payment arrears so far. There was one isolated case in which a guarantee had to be invoked.

More information about the impact of the pandemic on our bank can be found in the **'Risk management' section in the 'Financial Statements' (see page 170)**.



ESG risks

Last year, the ECB published its 'Guide on how banks should manage climate-related and environmental risks'. In early 2021, we will perform a gap analysis on the guidelines included in this guide to determine where we stand as a bank. Based on the outcome of the analysis, we will examine how we can further integrate Environmental, Social and Governance (ESG) risks into all aspects of our risk management. In addition, to improve our risk reporting, we will take into account the recommendations of the Task Force on Climate-Related Disclosures, also published last year, and the European Non-Financial Reporting Directive.

Risk governance

Our chosen strategy places strict requirements on risk management as well as on the organisation and enforcement of adequate internal controls. We have adopted an organisation-wide approach to risk management and its control. The Executive Committee sets the risk management parameters, and within these parameters, the Asset & Liability Committee, the Credit Committee and the Non-Financial Risk Committee take decisions on the bank's risks. The Supervisory Board, and in particular the Supervisory Board's Risk Committee, evaluates the management of the risks associated with banking operations. This is an important part of its supervisory responsibility.

OUTLOOK 2021

There is great uncertainty about how the COVID-19 pandemic will evolve and how quickly the economy can recover. Much will depend on the availability of vaccines and the development and spread of more infectious mutations of the coronavirus. These factors will determine how quickly social distancing measures can be phased out. In any case, the government has announced that the third support package for entrepreneurs will run until 30 June 2021. What happens after that depends not only on how the pandemic evolves but also on the new Cabinet that will take office after the parliamentary elections on 17 March 2021.

The recovery of the economy could be accelerated by bringing forward public investments whenever possible, for example in housing and the energy transition.
In any event, on 'Prinsjesdag', the state opening of parliament, the Cabinet announced investments to make the Netherlands stronger, more resilient and more sustainable by 2021. For example, the government will invest in additional housing and there will be extra money to reduce nitrogen and carbon emissions. Until 2030, the government will make €100 million available annually to remove obstacles caused by nitrogen so housing construction can continue.

As a bank, we expect to continue lending in 2021 in a similar way to last year and aim to consolidate our position in the financing market for renewable energy projects. Net profit is expected to be higher in 2021 than in 2020. However, given the uncertainties surrounding the COVID-19 crisis, we are cautious about the development of financing rates in the international money and capital markets, the market value of the liquidity portfolio and any impact caused by the benchmark reform. In 2021, we intend to continue to meet at least 25% of our funding requirements by issuing sustainable bonds. In addition, we will develop action plans in accordance with our commitment to the Climate Agreement and, for the first time, set reduction targets (science-based targets) for the climate impact of our financing.

STAKEHOLDER DIALOGUE

Socially committed

Centrum voor Dierenhulp-verlening

Safeguarding the social housing sector

Vestia

Promoting water safety

Rivierenland Water Authority

Affordable energy transition

Zeewolde Wind Farm

KEY PLAYER IN FINANCING THE DUTCH PUBLIC SECTOR

Michel van Baardewijk
Treasurer Vestia

Leon Knoester
NWB Bank
Head of Public Finance

Vestia's properties
71,000 units, 60,000 of which are homes and 3,000 care units

67% social housing
10% below rent liberalisation threshold

Focus area
South-west Netherlands

Remaining debt end of 2020
€3.9 billion

HELPING VESTIA TO FOCUS ON CORE MUNICIPALITIES

Housing association Vestia ran into financial difficulties in 2012 due to major setbacks on derivatives – complex financial products intended to hedge interest rate risks. Despite help from the sector and fellow housing associations, Vestia is still weighed down by billions in debt and high interest expenses. By focusing on core municipalities, Vestia will be able to reduce its debt and carry out its public housing remit. As part of its role as a socially committed bank, NWB Bank is assisting in this complex process.

In 2012, Vestia faced serious financial problems due to major setbacks on derivatives intended to hedge interest rate risks. Other housing associations had to intervene to keep the Netherlands' largest social housing association afloat, and NWB Bank, in its role as a socially committed

Safeguarding the social housing sector

Taking responsibility

bank, took over a part of the derivatives portfolio Vestia had with commercial banks and converted this in loans. Vestia is still weighed down by billions of euros of debt in the wake of the derivatives affair. As a result, more money is needed to help Vestia back on its feet. Michel van Baardewijk, treasurer at Vestia, is playing a key role in this process.

Insufficient operational cash flow

'Vestia has a sizeable debt, which is for a large part being financed by NWB Bank,' Michel says. 'In recent years, we have significantly reduced our debt, but the interest expenses are still too high because they are linked to the original derivatives. Vestia's solvency and liquidity, on the other hand, are in order. This is partly due to legal settlements with international banks that sold us the derivatives, rent increases, substantial cost reductions, the sale of parts of the housing stock and extra loan repayments. Vestia's high debt and interest expenses mean that, in the long term, it will not have the resources to maintain the housing stock in all the municipalities where it currently operates, including all the necessary restructuring projects, sustainability requirements and regular maintenance and renovation.'

Dispose of property in other municipalities

'Part of the solution lies in focusing clearly on our core municipalities and disposing of our assets in other municipalities to other housing associations,' says Michel. 'Vestia will also be split up into three new housing associations operating locally, and we're appealing to our fellow housing associations to help reduce our high interest expenses through loan exchanges. Umbrella organizationThe national interest organisation for housing associations, Aedes, has again played an important role in this. In 2020, the first tranche of home sales in Pijnacker-Nootdorp, Barendrecht and Westland was completed. Here, the real estate was not sold for cash, but loans with an equal value were transferred to the purchasing housing associations. To do this properly, we worked closely with sector banks NWB Bank and Bank Nederlandse Gemeenten as well as with fellow housing associations and the relevant municipalities. NWB Bank once again fulfilled its social role by facilitating the transfer of loans to other housing associations. It was an exciting operation with numerous potential legal, financial and accounting insurance pitfalls, all of which had to be resolved before the transfer date while ensuring no legal or financial vacuum was created. The transactions in Barendrecht and Westland were particularly intensive due to their size, complexity and short turnaround time. It really was a mega-operation. The fact that it ultimately succeeded is important for the entire social housing sector in the Netherlands. Part of Vestia's housing stock and the associated debts have been successfully transferred at market value to several fellow housing associations. As a result, our debt has been substantially reduced, the houses will remain in the social sector and residents can simply stay in their homes.'

No other way out

'Vestia is struggling to manage things in the long run on its own, and its debt is putting other housing associations at risk too,' Michel says. 'That's because all housing associations depend on the *Waarborgfonds Sociale Woningen*, the guarantee fund for social housing in the Netherlands. Because that fund acts as a guarantor, housing associations can borrow money at low interest rates. But if Vestia collapses under its debt burden, the continued existence of that guarantee fund will also be in danger. I think it's great to see that NWB Bank has again taken its responsibility by providing valuable input such as simplifying complex structures when possible and finding a workable solution.'

FINANCING PARTNER FOR ENHANCING SUSTAINABILITY IN THE NETHERLANDS

Sjoerd Sieburgh Sjoerdsma
Managing director project organisation
Zeewolde Wind Farm

Leonieke Blaauwgeers
NWB Bank
Public Finance

Number of wind turbines
83

Energy for
an equivalent of 280,000 households a year

CO2 emissions equivalents prevented
533,760 tonnes of CO_2 per year*

Total investment
± €500 million

UNIQUE REGIONAL INITIATIVE BECOMES LARGEST ONSHORE WIND FARM IN EUROPE

Zeewolde is the youngest municipality in the Netherlands and is primarily an agricultural area. In the late 1970s, the first pioneering farmers started their businesses here. They're still pioneers today, because thanks to a unique collaboration of more than 200 farmers, residents and entrepreneurs, Windpark Zeewolde, the largest onshore wind farm in Europe, is now under construction. With a capacity of approximately 320 MW, the wind farm will make a substantial contribution to the generation of clean, sustainable electricity in the Netherlands.

Since the 1990s, farmers in Zeewolde have erected more than 220 wind turbines on their land, often placed randomly on their own land instead of in symmetry with other turbines in the landscape. These old wind turbines are now being decommissioned, often in a circular

* Gross (excluding decommissioning of old turbines and production and installation of new turbines).

Affordable energy transition

Favourable financing

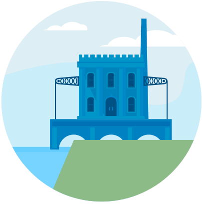
process. In an area of more than 200 square kilometres, 83 new, state-of-the-art wind turbines are being built, most of which are owned by the largest farmers' and citizens' wind collective in Europe. In addition, all residents of Almere and Zeewolde will have the opportunity to participate financially. The work began in October 2019 and power will be delivered for the first time in the summer of 2021. All the turbines will be operational by the summer of 2022.

Fewer wind turbines, more energy

Sjoerd Sieburgh Sjoerdsma, managing director of the project organisation since 2018: 'Two old wind turbines are making way for one new turbine. As a result, we are generating more energy with fewer turbines, and the visual impact on the landscape is calmer because they are positioned in six tight rows of nine to twenty turbines in symmetry. The new wind turbines will generate 2.5 times more green electricity, up to a total of 850,000 MWh a year. Danish turbine manufacturer Vestas is providing customised solutions with several turbine variants and a 20-year Active Output Management maintenance contract. This not only maximises the amount of energy produced each year but also ensures compliance with local regulations. In July 2020, NWB Bank joined forces with EKF, the Danish export credit insurer, and Rabobank as co-financiers of the wind farm. The wind farm thus stands to benefit optimally from NWB Bank's favourable financing rates. In the new structure, risks are shared by NWB Bank, EKF and Rabobank. The members of the wind association are also investing, and a subsidy is available through the Sustainable Energy Production (SDE+) scheme.

Costs and benefits fairly distributed

According to Sjoerd, this is a unique regional initiative. 'It's a completely local initiative. There are no energy companies or corporations involved. The province provided the framework and a large group of farmers soon joined in, laying the social foundation for the wind farm,' he says. 'First, a wind farm association was established (Windvereniging Zeewolde), then a development association (Ontwikkelvereniging Zeewolde) and later a formal limited company (Windpark Zeewolde BV). By becoming a member, the initiators agreed early on with the terms for the development of the new wind farm. The basic principle of these terms is that everyone in the area can participate and that there is a fair distribution of the costs and benefits. This includes different types of compensation, for example for redevelopment, the use of land and loss of revenue. This was a micro-puzzle that was ultimately received well with the members. These agreements are unique because they were made before the exact locations of the turbines were known. Everyone in the development area can participate, including people who live in the region but don't own a wind turbine. The members are therefore shareholders, and this is the first time a Dutch wind farm been developed with so many shareholders from the immediate vicinity. That's why there is a board, staff members and specific working groups. In short, this is an unprecedented regional initiative!'



BANK OF AND FOR
THE PUBLIC WATER SECTOR

Goos den Hartog
Executive Board Member at the Rivierenland Water Authority

Wikash Gokoel
NWB Bank
Public Finance

FINANCING FOR MAJOR SOCIAL RESPONSIBILITY

The Rivierenland Water Authority has an extensive operating area between the rivers Lek and Nederrijn in the north and the Maas in the south. The area extends from the edge of the Biesbosch in the west to the German border in the east. In this wetland area, the Rivierenland Water Authority has a major social responsibility.

1 million inhabitants
in operating area

1,000 kilometres
of river embankments and dikes

Extensive
dyke reinforcement projects Flood Protection Programme (HWBP)

Debt position
approx. 270% of tax revenues

Goos den Hartog is an executive board member with the Rivierenland Water Authority. 'My position is comparable to that of an alderman,' he says. 'My portfolio includes finance, ICT, land, education, facilities and HR. Financially, our budget is quite challenging. On the one hand, our basic premise for the coming years is not to raise the water duties for the approximately one million residents in our area by more than three per cent, including

Promoting water safety

Energy transition, climate adaption

inflation. On the other hand, we have to make substantial investments in the coming decades. These include guaranteeing water safety, contributing to the energy transition and helping to solve the climate impact caused by a combination of increased drought and precipitation.'

Guaranteeing water safety

'In the government's Flood Protection Programme (HWBP),' Goos says, 'all water authorities and Rijkswaterstaat are working together on the largest dyke reinforcement operation since the Delta Works. Hundreds of kilometres of dykes will be reinforced in the coming years. The rivers play an important role in our area, which is why we're responsible for about one-third of this operation. Our combined efforts are all in the service of enhancing water safety in the Netherlands. It will require an investment of approximately €1.8 billion until 2030, more than 10 per cent of which will be our responsibility.'

Contributing to the energy transition

'Another important social responsibility is the energy transition. Our water authority was created in 2005 after a merger between several polder districts and various water authorities. There are now 33 wastewater treatment plants as a result of this merger. These will be reduced to between 20 and 22 new and modern installations, most of which will be energy-neutral. This will enable us to comply with the strict European regulations in this area. This is significant from a technical point of view because treatment plants have a high energy demand. That's why we're installing fermentation plants that convert biogas into electricity and thousands of solar panels. Sometimes we generate so much energy that we can also supply power to nearby industries. Needless to say, this operation also involves a considerable investment.'

Climate adaptation: pumping in instead of out

'Finally, climate change is also causing a drought problem,' Goos continues. 'In the summers of 2019 and 2020, everyone in the Netherlands was aware that the country was being plagued by severe drought. This had a negative impact, particularly on agriculture and nature, but also on the inhabitants of our area. Instead of holding back the water and pumping it out, we now need to hold back the water and pump it in. After all, if peatlands dry out, the consequences would be dire. We must prevent this from happening. In Hardinxveld-Giessendam, we're working on the first new pumping station and several more will follow. We need to set money aside for that as well.'

Benefiting from low interest rates

'To finance our social responsibilities properly and consolidate the water authority's solid financial position, it made sense to take out a sizeable multi-year loan of several hundred million euros now and benefit from the low interest rates. This will save us several million euros every year. Although we also explored options with the European Investment Bank, we opted for NWB Bank, which not only offered better conditions but was also able to provide this loan relatively quickly. We won't even have to pay interest or redemptions on the loan in the first few years, so we can fully use this leverage to fulfil our extensive social task,' says Goos. He adds that despite this loan, the water authority's financial position remains solid. 'The democratically elected General Board of our water authority participates in the decision-making process, and this loan has helped us get several projects on track. The objective is to keep the debt position below the limit of 300% of tax revenue; at 270% as of 2020, we're well on track,' he concludes.

RESPONSIBLE AND SOCIAL RETURN

Carin Gaemers
Board member of Stichting Centrum voor Dierenhulp-verlening

Sander Bosman
NWB Bank
Public Finance

Size
60 volunteers (trained in-house)

Cases of assistance per year
6,500

Number of animal ambulances
2

70% of cases
Involve animals in the wild, especially birds

ANIMAL CARE CENTRE IN GOUDA CAN CONTINUE SAVING ANIMALS

Based in Gouda, animal care centre Stichting Centrum voor Dierenhulpverlening assists sick and needy animals in the municipalities of Gouda, Krimpenerwaard, Waddinxveen and Zuidplas. In 2020, the foundation found itself in such dire financial straits that it feared for its survival. However, the Gouda municipality and NWB Bank helped find a quick solution to the foundation's problems.

Carin Gaemers is a board member of the foundation. 'We're an accredited member of the Federation of Animal Ambulances in the Netherlands (FDN) and meet all legal requirements. With our well-trained volunteers, we can be reached 24 hours a day to provide first aid to injured, suffering and sick animals in our area. We care for wild animals, especially birds of prey, but also ducks, geese, hares, hedgehogs and polecats that are injured or dead.

Socially committed

Small loans

We also take care of pets such as dogs, cats, rabbits, guinea pigs or other animals found unattended in public spaces. Increasingly, we're also finding exotic animals such as reptiles. But our main preoccupation is with birds,' says Carin. 'They're treated and cared for in our own bird shelter until they've recovered enough to be returned to the wild. That's always a great moment, when we give life back to nature!'

Financial trouble

'In mid-2020, the board sounded the alarm. Income and expenditure were no longer in balance and there was a deficit of €225,000. We drew up a new business plan with the municipality of Gouda with the aim of restoring the foundation's financial health,' says Carin.

With the help of Harry de Jong, treasurer at the municipality of Gouda, a loan was arranged to cover the debt position. 'The municipality of Gouda is triple-A,' Harry says, 'so we were able to provide a guarantee. Our good relationship with NWB Bank also enabled us to act quickly. The bank, but also the alderman and municipal civil servants, were very cooperative. Within a short space of time, we obtained a loan with a low interest rate and a 20-year term, of which the first three were redemption-free. With a cash flow based on a healthy business plan, the animal care centre can, fortunately, continue to operate. Some of the risks related to the guarantee were shared by other municipalities in the foundation's area of operations. In short, everyone has made a huge effort to help the foundation. That also includes NWB Bank, for whom this is a relatively small loan, of course. You can really see that they have a strong social commitment and are able and willing to act quickly. This is actually a unique case. The agreement was signed and the loan paid out within a few weeks.'

Extremely happy and relieved

Carin is extremely happy and relieved. 'It's exceptional that everyone involved from the four municipalities in our area and the bank made such an effort to help the foundation,' she says. 'We would never have received a loan in this time frame and on such favourable terms from a commercial bank. We have been around for 20 years and provide a crucial service to all the animals in our area. Everyone deserves a round of applause, and we're confident about the future now and are glad we can continue to help thousands of animals in need.'

GOVERNANCE

3

MANAGING BOARD/EXECUTIVE COMMITTEE

Name	**Lidwin van Velden** (1964)
Year of first appointment	2010
Term of office ends in	2022
Principal position	Chief Executive Officer
Portfolio	Strategy, communication, legal & corporate affairs, compliance, internal audit, human resource management
Relevant other positions	Member of the Supervisory Board of Centraal Beheer Pension Fund Member of the Supervisory Board of Stichting PharmAccess Group Foundation

Name	**Melchior de Bruijne** (1974)
Year of first appointment	2018
Term of office ends in	2022
Principal position	Chief Financial Officer
Portfolio	Finance & control, back office, ICT, fiscal affairs, business continuity management
Relevant other positions	None

Name	**Frenk van der Vliet** (1967)
Year of first appointment	2012
Term of office ends in	2024
Principal position	Chief Commercial Officer
Portfolio	Public finance, funding & investor relations, asset & liability management and corporate social responsibility
Relevant other positions	None

Name	**Ard van Eijl** (1973)
Year of first appointment	2018
Term of office ends in	2022
Principal position	Chief Risk Officer (non-statutory)
Portfolio	Risk management (financial and non-financial) and security management
Relevant other positions	None

SUPERVISORY BOARD

Name	**Joanne Kellermann** (1960), chair
Committees	Member of the Audit Committee, and Remuneration and Appointment Committee
Year of first appointment	2020
Term of office ends in	2024
Principal position	Chair of Pension Fund Zorg en Welzijn
Relevant other positions	Chair of Supervisory Board of Utrecht University, member of the Identification Committee of Transparency International, member of the European Integration Committee of the Advisory Council on International Affairs (advice to the Minister of Foreign Affairs), member of the Supervisory Board of the Feather Foundation, member of the Supervisory Board of Aflatoun International, board member of PRIME Finance, director-owner of KellerCo BV

Name	**Maurice Oostendorp** (1956), deputy chair
Committees	Chair of the Audit Committee, member of the Risk Committee
Year of first appointment	2012 (EGM)
Term of office ends in	2021
Principal position	Chief Executive Officer of the Volksbank N.V. (until 15 August 2020)
Relevant other positions	Chair of the Advisory Board of Women in Financial Services (WIFS), treasurer of the Managing Board of NVB (Dutch Banking Association – until 15 August 2020)

Name	**Petra van Hoeken** (1961)
Committees	Chair of the Risk Committee, member of the Audit Committee
Year of first appointment	2015
Term of office ends in	2023
Principal position	Member of the Executive Committee / Chief Risk Officer Intertrust Group (until November 2020)
Relevant other positions	Member of the Board and Audit Committee of Oranje Fonds, non-executive director and member of the Board, member of the Audit Committee Board and member of the Risk Committee Board of Nordea Bank group, member of Donations Review Committee of Leiden University, chair of the Advisory Committee Credit Committee of the Ministry of Economic Affairs and Climate Policy (as of March 2021)

Name	**Toon van der Klugt** (1956)
Committees	Chair of the Remuneration and Appointment Committee
Year of first appointment	2017 (EGM)
Term of office ends in	2022
Principal position	Chair of Schieland and de Krimpenerwaard Water Authority
Relevant other positions	Deputy chair and Secretary of Stichting Administratiekantoor Vreugdenhil-Klugt, chair of GR De Regionale Belastinggroep Chair of Vereniging van Zuid-Hollandse Waterschappen (as of 9 October 2020)

Name	**Frida van den Maagdenberg** (1961)
Committees	Member of the Risk Committee
Year of first appointment	2017
Term of office ends in	2021
Principal position	Member of the Board of Directors of Academisch Medisch Centrum (AMC) Member of the Board of Directors of VU Medisch Centrum (VUMC)
Relevant other positions	Member of the Supervisory Board, chair of the Audit Committee of Nederlandse Loterij Member of Centrale Plancommissie CPB Member of the Supervisory Board (deputy chair as of January 2021) of Nederlands Instituut voor Onderzoek van de Gezondheidszorg (NIVEL)

Name	**Annette Ottolini** (1958)
Committees	Member of the Remuneration and Appointment Committee
Year of first appointment	2019
Term of office ends in	2023
Principal position	General Manager/Director of Evides Waterbedrijf
Relevant other positions	Member of the Supervisory Board of Delfluent B.V Member of the Supervisory Board of Spaarnelanden N.V (until 9 April 2020) Member of the Board of Water for Life Member of the Board of Deltalinqs Member of the Board of VEI

Name	**Manfred Schepers** (1960)
Committees	Member of the Audit Committee, member of the Risk Committee
Year of first appointment	2016
Term of office ends in	2024
Last position held	Vice-president & Chief Financial Officer at the European Bank for Reconstruction and Development, London (until May 2016)
Relevant other positions	Member of the Supervisory Board of Van Lanschot Kempen Member of the Investment Committee, European Fund for Strategic Investments (EFSI) Founder & CEO of Impact Loan Exchange (ILX) Chair of the Board of Stichting Het Compagnie Fonds, National Maritime Museum Member of the Board of Governors of UWC Atlantic College

Age Bakker (1950) was a member of the Supervisory Board from 1 January 2012 and held the position of chair from 23 April 2014 to 16 April 2020. He was also a member of the Risk Committee until 18 April 2019, the Audit Committee, and the Remuneration and Appointment Committee. Age Bakker stepped down during the AGM in April 2020 and has been succeeded by Joanne Kellermann.

REPORT OF THE SUPERVISORY BOARD

INTERVIEW WITH JOANNE KELLERMANN, CHAIR OF THE SUPERVISORY BOARD

"NWB BANK'S MISSION AS THE SUSTAINABLE WATER BANK REALLY APPEALS TO ME"

At the time of this interview, Joanne Kellermann had been chair of the Supervisory Board for nine months. She took over from Age Bakker in the middle of the pandemic. How has she experienced this period, and what does it mean to be a 'physically remote' sounding board and supervisor of management with the other board members?

What are your first impressions after having been at NWB Bank for nine months?

"To begin with, I have a strong connection with the bank's location in The Hague. When I was young, I lived near the office and rode my bicycle past it on my way to school. It was strange to start working here during the pandemic. I was able to start right away because my predecessor, Age Bakker, had prepared me well in the months before. That was really pleasant: it meant I did not feel out of place at all and could get straight to work.

Unfortunately, because of the pandemic, I have not yet been able to speak to all the bank's employees. Many of them do not know me yet, and the same goes for our clients and shareholders. Of course, I would very much like the opportunity to speak to all the water authorities, but that will have to wait. What struck me, for instance during Age Bakker's farewell, is the enormous level of commitment at the bank. The staff are very close. There is a huge drive to ensure that NWB Bank performs well. That commitment creates a bond that I immediately felt when I joined."

What knowledge and experience do you bring to NWB Bank and how will you use it?

"I am no stranger to the financial markets. As a lawyer at Nauta Dutilh, I was closely involved in the early stages of complex transactions in the early 1980s. This was during the time that derivatives and securities started to take off. Many of my clients back then were banks. I also became acquainted with the financial and supervisory regulations, which were still in their infancy. I distinctly remember seeing the first draft of the Securities Transactions Act, which consisted of seven articles at the time. Now it runs in the thousands of pages. So a great deal has happened in that respect, and I have witnessed much of it.

At DNB, I concentrated on the supervision of financial institutions and I gained considerable experience with crisis management dealing with the financial crisis during my tenure as director. Then, in Brussels, I worked as a director at the Single Resolution Board, an institution closely linked to the ECB (Single Supervisory Mechanism) as part of the European banking union. In this position, I regularly had to explain in Brussels and Frankfurt the special position and importance of promotional banks in the Netherlands.

The sustainable water bank links up well with the work I do at Pensioenfonds Zorg en Welzijn. We recently unveiled a strategy for sustainable investment for the next five years there. There are also many different players involved in issues such as the energy transition, from governments and commercial banks to institutional investors and the European Investment Bank. NWB Bank is also part of that chain. We have a lot of knowledge and money available. The trick will be to effectively align those two elements, including in the Netherlands, get it to run smoothly and let everyone play their proper role."

What appealed to you about NWB Bank when you were approached to become chair of the Supervisory Board?

"NWB Bank is a solid bank with a very special client base and a unique business model. I was immediately attracted to its impressive social mission and the strategy of the sustainable water bank. After my time in Brussels, I took a sabbatical to think about what I really wanted my next step to be. Sustainable finance was a key element in that, which is why it made so much sense to join NWB Bank. During my time at DNB, we were already studying and issuing warnings about potential climate risks in the portfolios of financial institutions in the Netherlands."

How did you personally experience the pandemic?

"The strange thing is that as soon as everyone had reconciled and settled into the new normal and all the crisis measures had been introduced, things were actually surprisingly normal again! It almost seems as if it has been business as usual at NWB Bank. That is astonishing. The bank appeared capable of switching overnight to a digital model that enabled the bank to continue operations in two locations. I am extremely pleased that this has worked out so well. It means the bank has been able to really benefit from all the preparations it made. The pandemic has had an impact on many people and caused them considerable distress, but I think everyone is still surprised at how well the economy is holding up and that everything is running pretty smoothly."

What were the key issues for the Supervisory Board last year?

"COVID-19, of course. At each meeting, we first evaluated the impact it was having – the impact on our people and our teams. The fact that the distinction between work and private life has become blurred, for example, or young children who need help with their schoolwork on video calls, and the stress and work pressure that this can create. An important priority is to ensure that employees stay healthy. And that, of course, also applies to the members of the Managing Board we supervise.

Another issue is what the world will look like after the COVID-19 pandemic. What will this mean in terms of business for our clients and for the bank's business model? We have not noticed a particularly concrete short-term impact yet, but there may be a long-term one. Governments are amassing a huge debt burden as a result of their support packages, and that is something we will certainly feel in the future. The same goes for the debt families and businesses are running up, and that could have a potential impact on the water authorities' and housing associations' budgets, not to mention society's acceptance of taxes. Our board looks at these risks, but we also consider the opportunities presenting themselves as a result of the pandemic. Biodiversity and the impact that financing has on it is a good example. We are extremely pleased and proud of Lidwin's efforts in that respect. One of the threats we have to address is the decline in biodiversity, because that is one of the causes of the current pandemic. There may be other shifts on the horizon as a result of the pandemic, such as the impact of working more from home on mobility."

Can you tell us something about the implementation of the strategy and your monitoring of it?

"We have a monitoring system that shows the progress. We discuss this regularly throughout the year, but on the strategy day, we specifically discuss where we stand, how much progress has been made and what adjustments we need to make. This year, we managed to physically meet at the Naturalis Biodiversity Centre in Leiden, observing social distancing protocol. During these kinds of meetings, we challenge management on the objectives that have been set. Issues such as the energy transition, for example, or the financing of renewable energy projects, or the ESG ratings the bank is aiming for.

Another example is the IT strategy, which the Supervisory Board examined in detail throughout the year. We consider IT innovation an important issue to focus on. How does IT support the strategy, and how does IT support the daily work processes? But developments in the field of artificial intelligence and the handling of data have our undivided attention as well. We focused a great deal on protecting ourselves from cyber risks, for example."

What were the highlights for you this year?

I would definitely mention the 'field day' my predecessor launched. Despite the pandemic, we managed to visit the Drents Overijsselse Delta Water Authority in Zwolle in a responsible and safe manner with the management and the board. It gave us a chance to witness the actual work the water authority does by visiting the dykes with the board and employees of the water authorities. One of the things I really enjoy is hearing from these employees and learning about their work. For example, I discovered that if there's a strong wind blowing from the north, the volume of water of the IJsselmeer pushes the river up by centimetres in Zwolle. That gives me a much more tangible idea of the water authorities' work, which is vital for the Netherlands, and that gives me a lot of positive energy."

How would you characterise the cooperation with the Managing Board?

"We work well together. We have short lines of communication and are well acquainted with each other. I speak to Lidwin regularly, at least once every fortnight. I was immediately informed about the fraud incident earlier this year. This was a huge shock to the Supervisory Board as well, and we immediately fulfilled our role as supervisors and advisors. Even if there are no difficult issues to discuss, it is good to hear how things are going. Even though I do not physically meet with the board members often, we have an excellent working relationship."

How was the relationship with the supervisory authorities this year?

"We have regular meetings with the Joint Supervisory Team and that goes well. The meetings with the ECB (European Central Bank) in Frankfurt are all through videoconferencing now. The same applies to our contact with the DNB. Both supervisory authorities mentioned they are taking into account the fact that the pandemic has put a lot of pressure on staff. They have relieved the burden on the banks by

refraining from doing several things they otherwise would have done. Not asking for additional information during stress tests, for example. We, as well as other banks, really appreciate that.

The ECB's dividend policy has lumped banks together. The ECB has urged banks not to pay dividends. This also applied to our bank. We had hoped the ECB would be able to make more of a distinction between the different types of banks in Europe, and we brought that to their attention on several occasions. The Managing Board and Supervisory Board did their best to explain the situation to our shareholders. Although they were very disappointed, they also showed understanding and we were very happy about that."

What is the Supervisory Board's main focus going to be in 2021?

"The post-COVID-19 world and what that is going to look like. We were coming from an economic boom that we had not witnessed in the Netherlands for years. We simply do not know when we will return to some kind of normal situation. Nor do we know what the global situation will look like at that point.

We will have to take a detailed look at how the current and new 'normal' are impacting NWB Bank. For the time being, we have not felt an impact, or at least only a limited one. We will have to be vigilant and closely monitor the situation. At the same time, there opportunities are also presenting themselves, such as all the support packages to enable the green energy transition. Moreover, the Dutch government wants to make a serious commitment to building new homes. So there are definitely opportunities for NWB Bank emerging from the crisis.

The question is whether this should lead to an adjustment of the long-term strategy. For the time being, that does not seem to be the case. We will, of course, always keep an eye on the financial markets. Geopolitical relations are changing rapidly and this always has an impact on the markets."

SUPERVISION

Report on the Supervisory Board's supervisory duties

The Supervisory Board operates in accordance with the letter and spirit of the relevant legislation and regulations, and Dutch and European directives and codes. The Supervisory Board also fulfils the role of supervisor, adviser and employer for the Executive Committee. The members of the Supervisory Board consider it important to act independently within the team, both in relation to each other and to the Executive Committee, and serve as a committed dialogue partner for all stakeholders.

Meetings

The Supervisory Board met with the Executive Committee seven times in 2020: six regular meetings and one strategy session. Virtually every meeting was attended by all members of the Supervisory Board, with an overall attendance rate of 97%. The Supervisory Board holds the first part of each meeting in private (i.e. without an Executive Committee). During this part, the Supervisory Board briefly discusses environmental factors, observations of individual Supervisory Board members and the main objectives of the meeting. The results of the closed deliberations are then shared with the Executive Committee in the plenary part of the meeting. There were also regular additional meetings between the Supervisory Board and the Executive Committee, particularly during the initial phase of the COVID-19 pandemic. The chair of the Supervisory Board consulted with the chair of the Executive Committee by telephone at least once a fortnight on developments related to the pandemic.

On 1 February 2021 in an extraordinary meeting, the Executive Committee informed the Supervisory Board about a fraud incident. Earlier, the chair of the Supervisory Board and the chairs of the Audit Committee and the Risk Committee had already been informed. The incident concerns a transaction from 2020 and has therefore been recognised as an operating loss in the 2020 financial statements. After the meeting on 1 February 2021, the Supervisory Board was kept informed of the measures taken and the progress of the internal investigation, with the chairs of the Audit Committee, the Risk Committee and the Supervisory Board receiving detailed updates every week. The Supervisory Board also discussed the incident with the supervisory authority (Joint Supervisory Team).

Following her appointment at the Annual General Meeting in April 2020, the chair of the Supervisory Board held a series of introductory meetings with various stakeholders, including the Joint Supervisory Team (JST).

ATTENDANCE AT SUPERVISORY BOARD AND COMMITTEE MEETINGS IN 2020

	Joanne Kellermann[1]	Maurice Oostendorp	Petra van Hoeken	Toon van der Klugt	Frida van den Maagdenberg	Annette Ottolini	Manfred Schepers
Supervisory Board	7 of 7	7 of 7	7 of 7	7 of 7	6 of 7	6 of 7	7 of 7
Audit Committee	4 of 4	4 of 4	4 of 4	N/A	N/A	N/A	4 of 4
Risk Committee	N/A	4 of 4	4 of 4	N/A	4 of 4	N/A	4 of 4
Remuneration and Appointment Committee	3 of 3	N/A	N/A	3 of 3	N/A	3 of 3	N/A
Total	**14**	**15**	**15**	**10**	**10**	**9**	**15**
Attendance rate	100%	100%	100%	100%	90.9%	90%	100%

1) This column includes the attendance of Age Bakker until 16 April 2020. From that date onwards, Joanne Kellermann's attendance is included.

Key points in 2020

In 2020, The Supervisory Board focused primarily on the following:

COVID-19 pandemic

The global crisis surrounding the COVID-19 pandemic and the ensuing measures have had a major impact on society, with severe consequences for public health and the economy. Although the financial sector is suffering major consequences, the coronavirus crisis has not had a negative impact on the bank's lending or the creditworthiness of its loan portfolio. The Supervisory Board has established that the bank was able to continue carrying out its operations and that, as a promotional bank, it was always available to its clients, including during these difficult times. The Supervisory Board noted that the organisation responded proactively and adequately to the outbreak of the COVID-19 pandemic by taking preventive measures to limit the impact of the coronavirus. For example, the Business Continuity Team (BCT) was activated immediately, and the BCT and the Executive Committee met more frequently to closely monitor the safety of the employees and the continuity of the core processes and to take appropriate measures. One of the first measures was to immediately activate the fall-back location. The critical operational functions were divided over two locations, while other employees started working from home.

Implementation of strategy for 2019-2023

The Supervisory Board regularly met with the Executive Committee to discuss the implementation of the medium-term strategy. In 2020, the Supervisory Board discussed the progress and implementation of the strategy in its annual strategy session with the Executive Committee in its role as supervisor and advisor. The Supervisory Board found that the bank is well on its way to achieving its strategic goals and concluded that NWB Bank has managed to stay on course in this exceptional year. In the context of the bank's role as a financing partner for enhancing sustainability in the Netherlands, Ambroise Fayolle, Vice-President of the EIB, was asked to explain the EIB's climate strategy, focusing specifically on the EIB as a partner of the InvestEU programme and the role the EIB has set aside for itself regarding sustainability and the climate. Subsequently, there was a discussion on possible further cooperation between the EIB and NWB Bank. As part of its wider social role, the bank has also taken on the sponsorship of the Biodiversity Working Group, which is part of the DNB's Sustainable Finance Platform. This is a role the Supervisory Board is pleased to support.

Resumption of dividends

When the annual figures were published in March, the Managing Board, supported by the Supervisory Board, expressed its intention to pay out a dividend of €55 million for the 2019 financial year. In light of the uncertainty about the impact of the COVID-19 pandemic, at the end of March the ECB urged all institutions under its supervision, including NWB Bank, to postpone the payment of dividends until at least after 1 October. The Annual General Meeting of Shareholders in April confirmed that the dividend would be set at €55 million and agreed to pay it out as soon as possible after 1 October, unless unforeseen developments made it inappropriate or irresponsible for the bank to do so. In July, the ECB extended its urgent recommendation to not pay a dividend until 1 January 2021. After consulting with the supervisory authority and supported by the Supervisory Board, the chair of the Managing Board and chair of the Supervisory Board informed the water authority shareholders at the autumn meeting on 21 October that they had come to the conclusion that it would be unwise not to adhere to the recommended extension. The water authority shareholders showed understanding for this decision. In late December, the ECB again extended the recommendation until 30 September 2021, with some leeway, albeit limited, to pay out dividends for the 2019 and 2020 financial years.

Other tasks

Other subjects discussed by the Supervisory Board included developments in the financial markets, client relations, lending and funding, balance sheet and result developments, developments in legislation and regulations and ECB and DNB supervision, and the external auditor's report. In addition to the regular reports and topics, the Supervisory Board devoted specific attention to the bank's multi-annual IT strategy, strategic human resources planning and the resulting internal appointments and promotions, the budget, the search for a successor to a board member and the update of the insider regulation.

Relationship with shareholders

In 2020, an informal meeting was held with NWB Bank's shareholders in October, attended by the chair of the Managing Board and the chair of the Supervisory Board. Topics discussed included the 2020 half-year report, the impact of COVID-19 and the dividend distribution.

In 2020, the Supervisory Board held two meetings with the Participations Department of the Ministry of Finance. One pre-AGM consultation attended by the chair of the Supervisory Board and the chair of the Audit Committee. The second meeting was held in the autumn, attended by the chair Supervisory Board and the chair of the Remuneration and Appointment Committee. The Executive Committee holds periodic quarterly meetings with the Participations Department of the Ministry of Finance.

COMMITTEE REPORTS

The Supervisory Board has three committees: the Audit Committee, the Risk Committee and the Remuneration and Appointment Committee. These committees prepare decision-making in accordance with their own charters and advise the Supervisory Board on various subjects.

Audit Committee

The Audit Committee consists of Maurice Oostendorp (chair), Petra van Hoeken, Joanne Kellermann and Manfred Schepers. The committee met four times in the past year in the presence of the Executive Committee and the internal and external auditors. The manager finance & control is regularly invited to the meetings of the Audit Committee. In addition, prior to each meeting of the Audit Committee, a meeting is held between the chairman of the Audit Committee and the internal and external auditors. The Audit Committee meets with the external auditor at least once a year without the Executive Committee's presence. Consultations with the internal auditor are also held at least once a year without the Executive Committee's presence. The Executive Committee fully updated the Audit Committee about the case of fraud detected in January 2021. In addition, the chair of the Audit Committee (as well as the chair of the Risk Committee and the chair of the Supervisory Board) was continuously informed about the interim state of affairs.

The Audit Committee discusses financial developments four times a year on the basis of the quarterly report from the Executive Committee. Where necessary, the report from the internal auditor comments on both the financial and operational developments that took place in the quarter. The meeting at which the financial statements are discussed also includes the independent audit report by the external auditor and the quarterly report by the internal auditor. During the year under review, the Audit Committee focused specifically on the effects of COVID-19 on the financial markets and the bank's operations, and the social role the bank can play in this crisis; lending and the money and capital markets; safeguarding critical operational processes and staffing; the increased threat from cybersecurity, funding, counterparty risk and clients; measures from prudential supervision and regulation; the postponement of dividend payments; and the implementation of the Expected Credit Loss methodology (IFRS9) under Dutch accounting standards. In July, as the first phase in the benchmark reform, the bank completed the transition of swaps from Eonia (Euro Overnight Index Average) to the Euro short-term rate (€STR) for centrally cleared transactions. On several occasions, the Audit Committee discussed the sensitivity of the leverage ratio to various market effects in accordance with CRR II, in particular the changes in the size of the DNB balance as part of the liquidity buffer in light of the LCR liquidity obligations. The leverage ratio exposure of above €90 billion drops significantly to just over €15 billion due to the CRR II possibility to adjust for promotional assets. As a temporary COVID-19-related measure, the ECB allows the size of the DNB balance to be excluded as well, causing the leverage ratio exposure to drop further to below €10 billion. These significant fluctuations heighten the focus on liquidity management, for instance on aspects such as critical information provision and operational risks. The Audit Committee also considered the increased tax burden (thin cap rule, bank tax) and the accounting impact on the bank of the newly established Water Innovation Fund. Regular topics of the Audit Committee were the projections, reporting of the external and internal auditors and the ECB oversight findings.

Risk Committee

The Risk Committee consists of Petra van Hoeken (chair), Frida van den Maagdenberg, Maurice Oostendorp and Manfred Schepers. The Risk Committee met four times in the past year in the presence of the Executive Committee and the internal and external auditors. In addition, there are regular bilateral meetings between the chair of the Risk Committee and the CRO. The Executive Committee fully updated the Risk Committee about the case of fraud detected in January 2021. In addition to the information provided in the Risk Committee meeting, the chair of the Risk Committee (as well as the chair of the Audit Committee and the chair of the Supervisory Board) was continuously informed about the interim state of affairs.

The Risk Committee focuses a great deal on the impact of the COVID-19 measures on the creditworthiness of the loan portfolio, the (further) development of credit monitoring, the clients, counterparties, and the bank's liquidity and capital position. There was also explicitly focus on operational risks (including compliance) and people risk. In addition, the committee focused on regular topics such as the design and operation of risk management and the internal risk management and control systems, including risk incidents and audit issues. The committee also devoted attention to strengthening the compliance unit by encouraging internal training and knowledge sessions and better documenting of the SIRA methodology.

To implement the strategy of the sustainable water bank in the best possible way, the bank has slightly increased its risk appetite, which is particularly reflected in the financing of renewable energy. In preparation for a possible expansion of the risk profile for renewable energy financing, the Risk Committee extensively discussed and approved the Product Approval and Review Process (PARP) for financing energy transition initiatives. To enable this financing increase, it was also necessary to clarify the bank's statutory purpose. This resulted in an amendment to the Articles of Association, which was approved by the AGM on 16 April 2020. In the Risk Committee's assessment, the bank's overall risk appetite remains low. In addition to credit risk management and interest rate risk management, a great deal of attention went to operational risk.

In 2020, the Risk Committee reviewed the internal annual capital and liquidity adequacy assessment processes (ICAAP/ILAAP) and carried out a COVID-19 analysis. The bank implemented the first phase in the benchmark reform in mid-2020. Given the impact of the COVID-19 measures on banks and their clients, the supervisory authority adopted a pragmatic approach to the 2020 SREP, which was limited to monitoring the impact of the COVID-19 pandemic on various capital and liquidity risks. The 2019 SREP findings were retained in 2020.
Other topics discussed included CDD and transaction monitoring as well as non-financial risks, such as IT risk (including cybersecurity risk) and reputational risk. The Risk Committee also helped design an appropriate governance structure for the newly established Water Innovation Fund.

The regular topics discussed each year in the Risk Committee, in addition to ICAAP/ILAAP, include various stress scenarios, updates of the Recovery Plan and ECB oversight findings.

Remuneration and Appointment Committee

The Remuneration and Appointment Committee consists of Toon van der Klugt (chair), Joanne Kellermann and Annette Ottolini. The Remuneration and Appointment Committee met three times last year in the presence of the manager Human Resource & facility management and the CEO.

In 2020, Remuneration and Appointment Committee focused extensively on the impact of COVID-19 measures on the staff and the organisation. The committee believes that the organisation has reacted proactively and adequately to the outbreak of the COVID-19 pandemic by taking preventive measures to limit the impact of the coronavirus on employees. For example, the Business Continuity Team (BCT) was activated immediately, and the BCT and the Executive Committee met more frequently to closely monitor the safety of the employees and the continuity of the core processes and to take appropriate measures. The critical operational functions were divided over two locations, while other employees started working from home.

In the summer, HR conducted a COVID-19 survey among employees regarding the special working conditions. The findings showed that a large majority of employees are satisfied with the homeworking situation, but that in general they miss the (social) interaction with colleagues. The committee appreciates the organisation's repeated efforts to connect with its employees throughout the year, including during several online events. Despite everything, NWB Bank managed to keep the absenteeism rate well below its own target of 2%.

In late 2019, NWB Bank conducted an employee satisfaction survey for its staff members. The Remuneration and Appointment Committee was informed in more detail about the survey during its meeting in June. Although the results are more than satisfactory, the outcome is nonetheless slightly lower than the outcome of the survey conducted in 2016. One of the points the organisation intends to focus on is the further improvement of internal communication.

Just as in the past two years, the committee again discussed the Strategic Personnel Planning (SPP) in detail. The committee ascertained that the use of the SPP has led to various internal appointments and promotions. Further, the bank discovered that positioning itself as the sustainable water bank attracts candidates that are intrinsically motivated to work for the bank. Other regular topics that were discussed by the committee include training expenses, absenteeism, and the influx and outflow of employees.

In addition, in 2020, the Remuneration and Appointment Committee and the Selection Committee, which is set up separately for each vacancy, worked on recruiting a replacement for a member of the Supervisory Board due to step down in 2021. The committee expects the appointment of this new Supervisory Board member to take place in 2021 at a time yet to be determined.

At the 2020 AGM, the remuneration policy for the Managing Board was amended with retroactive effect from 2019, with the main change being the conversion of variable remuneration to fixed remuneration, in line with general social developments and the abolition of variable remuneration for employees in 2018. The AGM also appointed the new chairman of the Supervisory Board. Just as in previous years, the chair of the Remuneration and Appointment Committee and the chair of the Supervisory Board held year-end talks with each member of the Executive Committee. These talks covered their individual performance and their performance as directors of NWB Bank. Feedback on these talks takes place in the plenary board in a closed meeting.

For a further explanation of the remuneration policy, see the **Remuneration report (see page 104)** of this annual report.

INTERNAL ORGANISATION

Composition of the Supervisory Board

The composition and members of NWB Bank's Supervisory Board is shown at the beginning of this chapter and is in line with the desired diversity and complementarity of the team. A more detailed discussion the Supervisory Board's diversity and independence can be found in the section on **Corporate governance (see page 109)**. The Supervisory Board consists of seven members, four of whom are women and three men, thus meeting the desired gender diversity.

AREAS OF EXPERTISE OF MEMBERS OF THE SUPERVISORY BOARD

AREAS OF EXPERTISE	Joanne Kellermann	Maurice Oostendorp	Petra van Hoeken	Toon van der Klugt	Frida van den Maagdenberg	Annette Ottolini	Manfred Schepers
Banking/financial markets	X	X	X				X
Finance/accounting/ risk management		X	X		X		X
Regulations	X	X	X				X
ICT/cybersecurity			X	X	X	X	
HR/remuneration policy				X	X	X	
Corporate governance	X	X	X				
Socio-political environment	X					X	X
Water authorities/ semi-public sector				X	X	X	
Corporate sustainability	X		X	X		X	X
Business operations/subcontracting		X		X	X		
Communication	X					X	

SUPERVISION OF QUALITY ASSURANCE

Self-assessment

Since 2013, the Supervisory Board has been using an online evaluation tool for its annual self-assessment, and once every three years, this self-assessment is carried out by an independent external organisation (most recently in 2018).

In 2020, the Supervisory Board used the online evaluation tool. Both the Supervisory Board and the Executive Committee have given their input for the self-assessment of the Supervisory Board. The results of this were discussed in a joint evaluation meeting. Several points for improvement emerged from the discussion of the self-assessment of the Supervisory Board and its committees. One of these concerns the diversity of the Supervisory Board, both in terms of age and ethnic/cultural background. Another point for improvement is the need for more contact moments, within the Supervisory Board and with the organisation. The Supervisory Board would also like to attend more educational sessions within the organisation. The board will compile a list of topics for that purpose.

As in 2019, the Supervisory Board intended to hold several (lunch) meetings with the management team and NWB Young Professionals. While the Supervisory Board managed to organise a lunch meeting among its members, as a result of the COVID-19 pandemic, there was no further opportunity to hold other lunch meetings. Another point of attention concerns taking time out for social issues that are not on the agenda. The Supervisory Board intends to make explicit provision for more of these kinds of moments, when people can 'put their feet up' and relax, at the end or beginning of each meeting. Other topics that require more attention are a supervisory vision, insight into potential successors, monitoring progress in strategy, cybersecurity and reputational risk. In addition, there needs to be more focus on the networks of Supervisory Board members.

It can be concluded from the self-assessment that the Supervisory Board and its committees are functioning well, with integrity, **independence (see page 111)** and (safeguarding) expertise being particularly positively evaluated. The Supervisory Board has been provided with good information by the Executive Committee, as a result of which it has been able to exercise its role as supervisor, employer and adviser satisfactorily. In addition, the interaction with the Executive Committee is characterised as good.

Lifelong learning

NWB Bank attaches great importance to lifelong learning. In that context, internal and external experts again gave presentations to the members of the Supervisory Board in 2020. Attention was paid to the Expected Credit Loss model that has been implemented, using scorecards for credit assessment. Extensive presentations were also given on relevant issues and processes in HR, the IT strategy and digitisation agenda, as well as the leverage ratio pursuant to CRR II. In addition, several members of the Supervisory Board attended an audit committee webinar of the AFM.

In 2020, members of the Executive Committee attended various training programmes and/or sessions in areas such as macro-economic finance, sustainable finance, ESG, biodiversity, board dynamics, governance & strategy, compliance & regulations, IT, CDD, transaction monitoring, integrity, diversity, market abuse and security awareness.

Designated new members of the Supervisory Board and Managing Board follow an introduction programme. Attention is paid to bank-specific lending and funding issues, financial aspects including the supervisory frameworks, risk management issues, compliance, integrity, and the IT infrastructure and security.

OTHER MATTERS

Reappointed and departing members

Reappointment of Frida van den Maagdenberg at the 2021 AGM

The proposed reappointment was communicated to the supervisory authority and the representative of the shareholders and the Ministry of Finance. On 11 July, the DNB/ECB announced its approval of Frida van den Maagdenberg's proposed reappointment for a period of four years. The reappointment interview with the Ministry of Finance took place on 13 August.

Reappointment of Lidwin van Velden at the 2021 AGM

The Board will put her intended reappointment on the agenda for the 2021 AGM as the effective date is scheduled on 1 January 2022. Her proposed reappointment has been communicated to both the supervisory authority and the representative of the shareholders and the Ministry of Finance. On 11 July, the DNB/ECB announced its approval of Lidwin van Velden's proposed reappointment for a period of four years. The reappointment interview with the Ministry of Finance took place on 25 August.

Maurice Oostendorp to depart in 2021

In accordance with the retirement schedule, Maurice Oostendorp will step down in 2021, having reached the maximum term of office of eight years. The Supervisory Board is particularly grateful to Maurice for his input as board member and his outstanding chairmanship of the Audit Committee. The board commends his extensive financial and banking knowledge, and thanks to his social sensibility, he has been able to make a clear contribution to the supervision of the bank.

Word of thanks

In these extraordinary times of the coronavirus pandemic, the board would like to reiterate how proud we are of the flexibility, resilience and perseverance of both the bank's employees and management. NWB Bank was always there for its clients last year and has proven to be able to set a firm course in difficult times and effectively fulfil its social role.

The Hague, 18 March 2021

Supervisory Board

Joanne Kellermann
Maurice Oostendorp
Petra van Hoeken
Toon van der Klugt
Frida van den Maagdenberg
Annette Ottolini
Manfred Schepers

REMUNERATION REPORT 2020

NWB Bank wants its remuneration policy to reflect its social role as a bank of and for the public sector. It implements a moderate and sustainable remuneration policy that fits the bank's strategy, low risk profile and risk appetite. As a result, the remuneration policy contributes to the realisation of the bank's long-term objectives aimed at long-term value creation. The policy is unambiguous and transparent and aims to attract and retain qualified and expert staff.

MANAGING BOARD REMUNERATION POLICY

The remuneration policy applies to the statutory members of the Managing Board.

Fixed remuneration

The Managing Board's remuneration policy was evaluated during the Annual General Meeting on 16 April 2020. On the recommendation of the shareholders' committee, the AGM reaffirmed the principles of the fixed remuneration policy adopted in 2015. The decision was also made during this meeting to abolish the variable remuneration of members of the Managing Board with retroactive effect from 1 January 2019. As a result, the maximum 15% variable remuneration has been converted to an 11.1% fixed supplement on top of the fixed remuneration. This fixed supplement is not pensionable.

The remuneration policy stipulates a maximum salary of €272,000 for statutory members of the Managing Board appointed on or after 14 September 2015. Indexation of this maximum salary will take place annually in accordance with the structural salary adjustment, as stated in the Collective Labour Agreement for the Banking Sector. In formulating the proposed 2020 remuneration policy, the committee took note of the vision of the members of the Managing Board regarding the amount and structure of their remuneration. The conclusion is that the members of the Managing Board agree with the proposed 2020 remuneration policy.

Variable remuneration

As mentioned above, the Annual General Meeting on 16 April 2020 abolished the variable remuneration of members of the Managing Board with retroactive effect from 1 January 2019. The variable remuneration of the members of the Managing Board under the policy until 1 January 2019 amounted to a maximum of 15% of the fixed remuneration. This variable remuneration had a deferred portion of 33%. The deferred portion is paid out in the fourth year after the year to which it relates, provided the previously agreed long-term targets have also been achieved. The last assessment of the long-term objectives from 2018 and whether the deferred portion will be made payable (in full or in part) will therefore take place in 2022.

Pensions

NWB Bank's group pension plan, in which employees and Managing Board members participate, has been administered by a premium pension institution (PPI) as of 1 January 2020.

As of that date, a new five-year contract has been concluded whereby the old defined benefit scheme has been replaced by a defined contribution plan. For this, the bank pays a monthly premium to the administrator with which the employee saves for a pension benefit on retirement date. A compensation has been agreed for the non-contributory entitlements of employees determined as at 31 December 2019, which will not change in the future. The new pension plan – like the old scheme – requires participants to make a contribution. The bank offers a net pension plan for salaries exceeding €110,111 (being the pensionable income ceiling of €100,000 indexed since 2015).

Other terms and conditions of employment

Members of the Managing Board have access to an (electric) car. The car scheme for the Managing Board stipulates that the bank will pay all costs related to the purchase and use of this car. The additional tax liability is carried by the Management Board members. Furthermore, the same terms of employment apply to members of the Managing Board as to employees.

MANAGING BOARD REMUNERATION 2020

Fixed remuneration

Lidwin van Velden, who was appointed to the Managing Board on 1 January 2010 and has been its chair since 19 April 2018, has been subject to the remuneration policy established in 2015 since 19 April 2018. Melchior de Bruijne, who was appointed as a member of the Managing Board on 1 December 2018, is also subject to this policy. Under this policy, a maximum salary of €272,000, including the variable component (after indexation and including the conversion of the variable remuneration into a fixed allowance: €283,026 from 1 January 2020) applies to the chair and a maximum of 85% of that amount applies to the other members of the Managing Board (after indexation and including the conversion of the variable remuneration into a fixed allowance: €240,571 from 1 January 2020).

Frenk van der Vliet, who has been employed as a Managing Board member since 1 January 2012, is subject to the remuneration policy applicable before 2015. Under this old policy, a maximum total (fixed and variable) remuneration of €280,000 applies to the chair and a maximum of 85% of that amount applies to the other members of the Managing Board (after indexation and including the conversion of the variable remuneration into a fixed allowance: €253,248 from 1 January 2020). Indexation of 2.5%, equal to the structural salary adjustments laid down in the CLA, took place in 2020.

REMUNERATION OF THE MEMBERS OF THE MANAGING BOARD

(in thousands of euros)	Fixed remuneration	Payment of the deferred component of the 2017 variable remuneration	Pension contribution[1]	Other[2]	Total
2020[3]					
Lidwin van Velden	283	-[4]	40	51	374
Melchior de Bruijne[5]	241	N/A	34	28	303
Frenk van der Vliet	253	-[4]	36	45	334
Total	**777**	**-**	**110**	**124**	**1,011**

1) including compensation defined contribution scheme 2020: for Lidwin van Velden €5,000, for Melchior de Bruijne €6,000 and for Frenk van der Vliet €6,000.
2) Other includes the following remaining remuneration: i) a partly taxed expense allowance of €2,800, ii) an allowance under the employee mortgage loan discount plan: €3,000 for Lidwin van Velden, €6,000 for Melchior de Bruijne and nil for Frenk van der Vliet, iii) a contribution for the net pension scheme: for Lidwin van Velden €33,000, for Melchior de Bruijne €17,000 and for Frenk van der Vliet €23,000, iv) compensation for the harmonisation of the pension plan as of 1 January 2015: for Lidwin van Velden €9,000 and for Frenk van der Vliet €11,000, v) the flat-rate contribution based on the additional tax for cars is €3,000 for Lidwin van Velden, €2,000 for Melchior de Bruijne and €9,000 for Frenk van der Vliet.
3) In addition to the costs mentioned in the remuneration table, a compensation has been agreed for the non-contributory entitlements of board members, which will not change in the future. In 2020, this amounted to €13,000 for Lidwin van Velden, €9,000 for Melchior de Bruijne and €7,000 for Frenk van der Vliet.
4) in connection with the fraud incident in early 2021 and the resulting financial loss suffered by the bank, Lidwin van Velden and Frenk van der Vliet are waiving payment of the deferred component of their 2017 variable remuneration.
5) joined NWB Bank on 1 December 2018.

(in thousands of euros)	Fixed remuneration	Payment of the deferred component of the 2016 variable remuneration	Pension contribution	Other[1]	Total
2019					
Lidwin van Velden	276	11	37	42	355
Melchior de Bruijne[2]	235	N/A	28	22	285
Frenk van der Vliet	247	11	35	42	324
Total	**758**	**22**	**100**	**106**	**964**

1) Other includes the following remaining remuneration: i) a partly taxed expense allowance of €2,800, ii) an allowance under the employee mortgage loan discount plan:€3,000 for Lidwin van Velde, €7,000 for Melchior de Bruijne and nil for Frenk van der Vliet, iii) a contribution for the net pension scheme: for Lidwin van Velden €28,000, for Melchior de Bruijne €14,000 and for Frenk van der Vliet €23,000, iv) compensation for the harmonisation of the pension plan as of 1 January 2015: for Lidwin van Velden €8,000 and for Frenk van der Vliet €10,000, v) the flat-rate contribution based on the additional tax for cars is €3,000 for Lidwin van Velden, €2,000 for Melchior de Bruijne and €9,000 for Frenk van der Vliet.
2) joined NWB Bank on 1 December 2018.

Deferred component of 2017 variable remuneration

In February 2021, the Remuneration and Appointment Committee compared NWB Bank's actual results with the long-term targets formulated in 2017. The most important targets were as follows:

- Standard & Poor's and Moody's ratings for the bank must equal the sovereign rating of the State of the Netherlands
- achieve the CSR objectives (including the issuance of Green and Social Bonds)
- develop a strong position in the market for (semi-) government financing

This comparison has shown that these long-term targets have been fully achieved: the bank's ratings have remained equal to those of the State of the Netherlands; at more than €15 billion, the bank is still the largest issuer of sustainable bonds in the Netherlands and, in addition to the public water sector, NWB Bank also finance municipalities, provinces and institutions under the guarantee of (local and regional) governments, such as housing associations and healthcare institutions. Since 2019, the bank has also started to finance renewable energy projects, regional grid operators and heating networks as part of the bank's strategy to contribute to the transition to a climate-neutral and circular economy. The Remuneration and Appointment Committee also assessed the development of market shares from 2016 to 2020 as positive.

Even though the Supervisory Board has determined that the long-term targets for payment of the deferred component have been met, Lidwin van Velden and Frenk van der Vliet, to whom the deferred component 2017 applies, have decided to waive their deferred component of the 2017 variable remuneration. This is in connection with the fraud incident detected in early 2021 and the resulting financial loss suffered by the bank.

EMPLOYEE REMUNERATION POLICY

The employee remuneration policy applies in full to all employees, irrespective of their positions or job scales. NWB Bank applies the Collective Labour Agreement (CLA) for the Dutch banking industry. The fixed remuneration comprises 12 monthly salaries, 8% holiday allowance and a 13th month's salary payment. Indexation occurs in line with the structural salary adjustments laid down in the CLA for the banking industry. To compensate for the abolished variable remuneration, employees have been receiving an allowance of 10.745% in addition to their salaries since 1 January 2018. This allowance is not pensionable.

In 2020, the employee remuneration policy was evaluated. The new remuneration policy for employees incorporates the changes to the pension scheme as of 2020 and also postpones the evaluation period from two to five years, in line with the five-yearly evaluation of the remuneration policy for the Management Board and Supervisory Board.

Pensions

NWB Bank's group pension plan, in which employees and Managing Board members participate, has been administered by a premium pension institution (PPI) as of 1 January 2020.

As of that date, a new five-year contract has been concluded whereby the old defined benefit scheme has been replaced by a defined contribution plan. For this, the bank pays a monthly premium to the administrator with which the employee saves for a pension benefit on retirement date. A compensation has been agreed for the non-contributory entitlements of employees determined as at 31 December 2019, which will not change in the future. The new pension plan – like the old scheme – requires participants to make a contribution. The bank offers a net pension plan for salaries above the pensionable income ceiling.

Other terms and conditions of employment

The bank offers its employees various secondary terms of employment, such as the reimbursement of study expenses, a bicycle plan, a staff mortgage loan discount plan and supplementary disability insurance. Employees whose positions justify participation in the car scheme may do so or claim reimbursement under the scheme.

Annual total compensation ratio

The bank determines the pay ratio between the CEO and the other employees on the basis of the Global Reporting Initiative (GRI) Standard disclosure 'G4-54'. According to this standard, the pay ratio is the ratio between the total remuneration of the highest-paid employee and the median of the total remuneration of all other employees (excluding other members of the Managing Board). The total remuneration comprises the fixed remuneration and service costs.

The fixed remuneration of the employees and members of the Managing Board of NWB Bank in 2020 comprises 12 monthly salaries (reference date: 31 December 2020), 8% holiday allowance and a 13th month's salary payment. Employees will also receive an allowance of 10.745% as compensation for the abolition of the variable remuneration, and Managing Board members will receive a supplement of 11.1% for the abolition of the variable remuneration. The service costs consist of the components 'defined contribution scheme costs up to €110,111 minus the employer's contribution', 'the employer's contribution above €110,111 minus the employee's contribution' and a 'pension contribution (2.8% contribution on pensionable salary 2020)'.

Based on the above principles, the pay ratio between the CEO and the median of NWB Bank's other employees is 4.1 for 2020 (2019: 3.8).

SUPERVISORY BOARD REMUNERATION

Effective 1 January 2017, the following remuneration structure (excluding VAT) applies to Supervisory Board members, with the amounts being subject to indexation in line with the structural salary adjustments laid out in the CLA for the banking industry (2.5% as at 1 January 2019 and 2.5% as at 1 January 2020):

(in thousands of euros)	2020	2019
Chair + committees	39	38
Deputy chair + Audit Committee + Risk Committee	24	24
Member + Audit Committee + Risk Committee	24	24
Member + Remuneration and Appointment Committee	24	24

These amounts include expense reimbursements and exclude travel expenses and VAT.

The remuneration of the Supervisory Board has no variable components or options plans. The remuneration policy is reviewed every five years. The next evaluation is scheduled to take place during the Annual General Meeting in 2022.

The remuneration of individual Supervisory Board members in proportion to their period of engagement was as follows:

(in thousands of euros)	2020	2019
Age Bakker	11	38
Joanne Kellermann	28	-
Maurice Oostendorp	24	24
Peter Glas	-	7
Petra van Hoeken	24	24
Toon van der Klugt	24	24
Frida van den Maagdenberg [1)]	24	24
Annette Ottolini	24	17
Manfred Schepers	24	24
Total	**183**	**182**

1) Frida van den Maagdenberg is transferring her remuneration to the Academic Medical Centre, where she is a member of the Board of Directors.

The above amounts exclude travel expense allowances and VAT.

CORPORATE GOVERNANCE

As a bank of and for the public sector, NWB Bank has a special responsibility to society. In terms of corporate governance, this means the bank should foster its strong financial position while practising transparency in its governance and taking account of the interests of all stakeholders. Taking account of the bank's specific character, NWB Bank's corporate governance practices are not only compliant with the Dutch Corporate Governance Code, but also with the Dutch Banking Code, the Code of Conduct set out in the 'Future-Oriented Banking' package issued by the Dutch Banking Association (NVB), the EBA (European Banking Association) Guidelines on internal governance, and the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders, and the BIS Guidelines: Corporate governance principles for banks.

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

DUTCH CORPORATE GOVERNANCE CODE

The Dutch Corporate Governance Code was revised at the end of 2016 and contains principles and best practice provisions that govern the relationships between the Executive Committee, the Supervisory Board and the (General Meeting of) shareholders. Governance pertains to management and control, responsibility, and monitoring and accountability.

The Dutch Corporate Governance Code applies to Dutch companies whose shares are listed on the stock exchange. As NWB Bank is not a listed company, it is not required by law to apply the Dutch Corporate Governance Code. However, the bank has elected to apply the code nevertheless, taking account of the bank's 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 application of the Dutch Corporate Governance Code is also in line with the State Participations Policy Memorandum (Nota Deelnemingenbeleid Rijksoverheid). The principles and best practice provisions relating to the one-tier governance structure and depositary receipts for shares, respectively, have been excluded on account of the bank's two-tier structure and the fact that no depositary receipts are issued for the bank's shares. Furthermore, NWB Bank has not established a policy on bilateral contacts with shareholders and has no formalised policy stating that nominated Managing Board and Supervisory Board members should be present during the Annual General Meeting (AGM) at which their nominations are voted on. 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 each share. The bank maintains direct contact with its shareholders and/or their representatives throughout the year. The principle of and the best practice provisions relating to the provision of information and details to the AGM have not been formalised either. Regarding the remuneration policy, given the absence of variable remuneration, no scenario analyses were performed.

Finally, the bank opted to use the criteria under the EBA Guidelines in respect of the independence of the Executive Committee and Supervisory Board members.

SUPERVISORY BOARD

The Supervisory Board and its committees operate according to charters. These charters contain, among other things, rules governing its composition, the division of duties and the working method. In addition, the charters contain provisions on conflicts of interest and dealing with the Executive Committee and the shareholders. During the review of the charters in late 2020, minor adjustments and clarifications were introduced to the charters of the Remuneration and Appointment Committee and of the Supervisory Board (e.g. in compliance with CRD IV and V).

Composition and profile

The Supervisory Board consists of seven members, four of whom are women and three are men, which results in a male/female ratio of 43%/57%. Furthermore, each member of the board has a specific expertise and background necessary for the fulfilment of his/her role on the board. This complies with the diversity policy drawn up in 2019 to have a mixed composition of the Supervisory Board through diversity in gender, expertise, background and experience. In accordance with the retirement schedule and with due observance of the Articles of Association, Maurice Oostendorp will step down as member of the Supervisory Board in 2021. He will step down as he has reached the maximum term of eight years. The Supervisory Board intends to propose a successor in 2021 to the General Meeting for approval.

For the Supervisory Board, an overall profile has been drawn up to guide the composition of the Supervisory Board and the appointment of its members. This general profile was updated and approved by the Supervisory Board in early 2019 and further aligned with, among others, the Articles of Association and the requirements of the Dutch Corporate Governance Code, the Capital Requirements Directive, the EBA Guide to fit and proper assessments and the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders. 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.

Supervisory Board members must have an eye for (international) social, economic, political and other developments that are relevant to NWB Bank. They must also be able to assess them. The current composition of the Supervisory Board is assessed as balanced, competent and diverse.

Supervisory Board members Joanne Kellermann (chair), Petra van Hoeken, Maurice Oostendorp (deputy chair) and Manfred Schepers have in-depth financial expertise, a background in banking and knowledge of the international money and capital markets and risk management. Toon van der Klugt has ample experience in public administration and government policy, as well as networks in government circles. Frida van den Maagdenberg and Annette Ottolini have general experience with administration in the semi-public sector and extensive knowledge of ICT. Frida brings extra financial knowledge and Annette has additional experience in a commercial environment. A balanced and diverse composition of the Supervisory Board is thus guaranteed.

Upon appointment of the current chair of the Supervisory Board, a review was carried out of the distribution of the Supervisory Board seats. The Supervisory Board opted to continue with the present distribution unchanged. Like her predecessor, the chair of the Supervisory Board is a member of both the Remuneration and Appointment Committee (a statutory requirement) and the Audit Committee.

Information from external experts

The Supervisory Board has the option of consulting external experts if warranted by the fulfilment of its duties. In 2020, the Supervisory Board engaged an external agency to recruit a Supervisory Board member. The Supervisory Board consults internal and external experts on lifelong learning courses and obtains relevant information by attending Works Council meetings.

Independence

The Supervisory Board believes its composition is such that its members can operate critically and independently of one another and of the Executive Committee. As a banking institution, NWB Bank adheres to the EBA Guidelines.

The Supervisory Board believes it meets the obligation in the EBA Guidelines on internal governance under Article 32 of Directive 2013/36/EU (with a cross-reference to Section 9.3 of the EBA Guidelines on the assessment of the suitability of members of the management body and key function holders) regarding a sufficient number of independent Supervisory Board members. The Supervisory Board also considers that best practice provisions 2.1.7 to 2.1.9 of the Dutch Corporate Governance Code have been complied with.

The overall profile for the composition and appointment of Supervisory Board members sets requirements in the area of independence.

EXECUTIVE COMMITTEE

NWB Bank is managed by the Executive Committee. The General Meeting of Shareholders appoints statutory members of the Executive Committee (the Managing Board), nominated by the Supervisory Board, for a four-year period. In 2018, the Managing Board governance structure was changed into an Executive Committee (ExCo). The ExCo comprises four members: statutory members Lidwin van Velden (CEO), Melchior de Bruijne (CFO) and Frenk van der Vliet (CCO), as well as non-statutory member Ard van Eijl (CRO). The ExCo operates under the Executive Committee Charter. The charter contains rules relating to the division of the Executive Committee's duties, its working methods and its decision-making process. It also contains provisions governing conduct and culture, the ExCo's dealings with and its method of providing information to the Supervisory Board, the Managing Board's remuneration policy and conflicts of interest.

Like the Supervisory Board, the Managing Board must be composed in accordance with the diversity policy. The male-female ratio on the Managing Board pursuant to the Articles of Association now stands at two-thirds to one-third. This complies with the diversity policy drawn up in 2019 to have a mixed composition of the Supervisory Board through diversity in gender, expertise, background and experience. An individual profile is drawn up for each vacancy that arises on the Executive Committee. Details specified in such profiles include expertise and competences. As far as expertise is concerned, each Executive Committee member must possess knowledge of, among other things, the financial sector in general and the banking sector in particular, the bank's social role and the interests of all stakeholders.

CONFLICTS OF INTEREST

The members of the Supervisory Board and Executive Committee have informed NWB Bank of all other relevant positions they hold. Where a potential conflict of interest could arise because of a Supervisory Board member's principal position, the member in question will not participate in the relevant discussions and decision-making processes. It should be noted that no individual transactions are discussed during Supervisory Board meetings. During the past year, no situations occurred in which potential conflicts of interest could have arisen.

FUTURE-ORIENTED BANKING

The Future-Oriented Banking package, launched by the Dutch Banking Association (NVB) in 2014, consists of three sections: the Social Charter, the Dutch Banking Code and the Code of Conduct. This package clearly shows the banking sector's intentions to implement service-oriented and sustainable banking practices. The Social Charter describes the role banks should fulfil in society and the shared values of the banking sector. The Dutch Banking

Code safeguards good governance by all Dutch banks and sets out principles for the controlled and ethical conduct of business, effective risk management as well as for the structure of the Executive Committee and Supervisory Board. The NWB Bank Code of Conduct provides rules for employees on practising their profession in a prudent and ethical manner.

DUTCH BANKING CODE

The Dutch Banking Code is a form of self-regulation and applies to Dutch banks. The purpose of the Code is to make a major contribution to public trust in banks. Its principles, therefore, emphasise the importance of the controlled and ethical conduct of business.

The Dutch Banking Code contains the following elements:

- the controlled and ethical conduct of business;
- principles for Managing and Supervisory Boards;
- adequate risk policies;
- adequate audit processes; and
- prudent, restrained and sustainable remuneration policies.

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

NWB Bank fully acknowledges the significance of the Social Charter, the Dutch Banking Code and the Code of Conduct and complies with them.

RULES OF CONDUCT AND THE BANKER'S OATH

From 1 April 2015, all employees and external advisers who have worked for the bank for more than three months are required to take the banker's oath (which includes the related Rules of Conduct and a disciplinary system). Upon taking and signing the banker's oath, external and internal employees must abide by the Rules of Conduct and the disciplinary rules.

The Rules of Conduct comprise the following aspects:

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

NOTES ON OTHER FOCUS AREAS

The following paragraphs address several focus areas concerning corporate governance. They also address whether, and if so in what way, further steps have been taken in the 2020 reporting period compared with 2019.

Works Council

NWB Bank has a Works Council. The Works Council operates according to the Works Council Regulations, which include rules on its composition, term of office, elections and procedure. In principle, the Works Council holds monthly meetings. Works Council meetings also serve as informal contact moments for sharing information with the HRM department. In addition to those meetings, there were two consultative meetings between the Works Council and Managing Board in 2020. HRM was also represented at those consultative meetings. On one occasion, the chair of the Supervisory Board and chair of the Risk Committee attended a consultation meeting between the Managing Board and the Works Council.

Controlled and ethical conduct of business

NWB Bank attaches great value to its reputation as a solid and respectable bank for the public sector. Checks and balances and integrity play an important role in the bank's control mechanism. The bank's Managing and Supervisory Board members are aware that they set an example for all the bank's employees.

Conduct and culture

The Executive Committee promotes responsible conduct and a healthy workplace culture and strives for a culture in which transparency, diversity and a spirit of change are the norm. In this context, in 2020 the management team set to work on several issues to strengthen the internal organisation.

In late 2019, NWB Bank conducted an employee satisfaction survey, which was evaluated by the Management Board with the Works Council in 2020 and with the Supervisory Board in June. The results were also discussed with the employees. Although the results are more than satisfactory, the outcome is nonetheless slightly lower than the outcome of the survey conducted in 2016. In recent years, the focus has largely been on establishing the strategy of the sustainable water bank. Furthermore, the organisation has grown considerably in recent years. As a result of these developments, internal communication and change management warrant more attention. In close cooperation with the management team, the Executive Committee has identified four internal priorities to which it wants to focus on in the coming period: digitisation, change management, governance and internal communication.

NWB Bank's culture is characterised by professionalism, engagement, short lines of communication and openness. The bank has a whistle-blower scheme, enabling employees to report any (potential) suspicions of wrongdoing or irregularities in or outside the organisation.

Just as in previous years, in 2020 the bank devoted attention to the exchange and sharing of information during 'brown bag' lunch sessions. These are an initiative of NWB Young Professionals. During these sessions, a staff member or guest speaker gives a presentation about a current or interesting topic. One session took place in 2020, about Sustainability and Carbon Accounting.

In the context of conduct and culture, Executive Committee members and employees are encouraged to obtain frequent 360-degree feedback to assist them with their personal development and provide them with insight into their performance. HR also worked with an external agency to organise a workshop on diversity in the broad sense of the term, which all employees attended.

Long-term value creation

NWB Bank is alert to market and other developments and to changing client and stakeholder needs. Where possible, the bank responds to them by providing solutions, for example, in the form of new products or services or by sharing knowledge. This way, the bank increases its social engagement as a promotional bank. As a cost-conscious enterprise, NWB Bank uses its AAA/Aaa ratings to raise funds for appropriate financing of the public sector in an inexpensive and sustainable way.

The bank adopted a medium-term strategy for 2019-2023 in 2018, one of the objectives of which is to meet the changing needs of its clients. In 2020, the Supervisory Board discussed the implementation of the strategy with the Executive Committee in its annual strategy session. The five themes of the strategy, which are linked to the strategic goals, were discussed in detail. In the context of the strategy of 'the sustainable water bank', in 2020 the bank also looked more broadly at financing organisations and projects in the public sector that have common ground with water and/or sustainability. As an important example, the bank saw its renewable energy portfolio grow significantly in 2020. The nature of the bank's financing is reflected in its own funding; the bank is the largest issuer of sustainable bonds in the Netherlands.

Putting the client's interests first

As a promotional bank, NWB Bank is a major player in financial services to the Dutch public sector. It can effectively fulfil its duties only if its clients and society are confident in the organisation and the integrity of the bank's dealings with its business contacts. Accordingly, 'conscious, committed and credible' are the core values embraced by NWB Bank. Employees are expected to promote these core values while carrying out their duties.

The bank lends high priority to account management aimed at borrowers and product development. Its approach centres on bridging the knowledge gap between the public sector and the financial world. To bridge the knowledge gap, the bank organises educational client events, issues daily newsletters, shares market information with its clients through the NWB Portal and participates in seminars by sending speakers. At the individual client level, knowledge exchange takes place through discussions with clients and visits to their offices. The NWB Portal is not only a platform for sharing information with clients, but it also enables them carry out financial analyses of their loan portfolios.

Compliance and integrity

The compliance function aims to promote and ensure compliance with laws and regulations, as well as with the internal procedures and rules of conduct that are relevant to the organisation's integrity and associated reputation. In 2019, a Compliance Risk Management Framework was set up, which was further implemented in 2020. In early 2020, a senior compliance officer was added to strengthen the function. The compliance function reports directly to the Managing Board and has direct access to the chair of the Supervisory Board. The compliance function's tasks are laid out in the Compliance Charter.

In 2020, the bank's Customer Due Diligence (CDD) Policy and Procedure was updated to reflect, among other things, a newly published DNB guidance document on the Dutch Money Laundering and Terrorist Financing Prevention Act (Wwft) and the Sanctions Act (SW). The market abuse policy was approved and further elaborated in underlying procedures, including updated insider regulations for the Supervisory Board, the Managing Board and employees, which were approved in early 2021. Furthermore, the compliance function has drawn up a management policy and an anti-bribery and corruption policy.

In 2020, the bank strengthened its SIRA methodology. This has resulted in the implementation of an intensive process, with strong management and Managing Board involvement, which has been laid down in an integrated report with formulated action points that are monitored by the bank's Non-Financial Risk Committee.

The compliance function held several in-house training courses, including training on market abuse, CDD and transaction monitoring alert handling. During 'Integrity Week', the bank, as a partner, organised an extensive awareness activity on the theme of integrity, in which employees discussed honesty and integrity by means of dilemma situations.

In accordance with the annual audit plan, the internal audit department carries out compliance audits. These audits evaluate the effectiveness of the compliance unit. The compliance function monitors whether the bank complies with the relevant laws and regulations, internal procedures and rules of conduct, and promotes the organisation's integrity. The officer reports the findings to the Managing Board and Risk Committee. The internal audit function also evaluates how the compliance function examines how the bank ensures procedures and rules of conduct are effective and correctly applied within the organisation, and how the unit communicates about this to its stakeholders.

INTERNAL AUDIT

NWB Bank's internal audit function lies with the internal audit department (iad). The mission of internal audit is to improve and protect the value of an organisation by providing risk-based and objective assurance, recommendations and insights.

The iad offers independent and objective insurance services. These services are intended to provide added value and improve the activities of NWB Bank. The iad helps NWB Bank achieve its objectives by evaluating and improving the effectiveness of its governance, risk management and control processes based on a systematic and disciplined approach.

At the request of the Managing Board, the manager of the internal audit department, as a non-voting member, can participate in steering committees of projects of strategic importance. The mandate of the iad is laid out in the Audit Charter, which has been approved by the Supervisory Board. The manager of the iad reports the results of the investigations primarily to (the chair of) the Managing Board and has a functional reporting line to (the chair of) the Audit Committee. The manager of the iad participates in meetings of the Audit Committee and the Risk Committee. The progress of the audit reports is discussed here on a quarterly basis. In addition, the manager of the iad is an observer at the bank's Asset & Liability Committee, Credit Committee and Non-Financial Risk Committee.

In 2020, the iad fleshed out the tripartite consultation by holding consultations with the external auditor at various points in time and separately with the ECB/DNB regulator. During these discussions, an exchange of views took place on risk analysis, findings and the audit plan.

The iad operates under the applicable professional regulations and rules of conduct of the Royal Netherlands Institute of Chartered Accountants and the International Professional Practices Framework of the Institute of Internal Auditors. These have been further developed into an internal quality assurance system.

EXTERNAL AUDITOR

In addition to the internal auditor, the external auditor (EY) attended all meetings of the Audit Committee and the Risk Committee. The external accountant was also present at the Supervisory Board meeting in March, during which the annual figures were discussed. As the current audit partner of EY has reached the maximum term of five years, the Audit Committee has given a positive recommendation to appoint his successor (within EY) at the annual meeting of April 2021. The Audit Committee held one separate meeting with the external auditor in 2020. In addition, the annual meeting of the Audit Committee and Risk Committee with the head of iad and the external auditor took place.

In 2020, as in 2019, EY audited the annual accounts of NWB Bank in its capacity as external auditor.

OTHER CORPORATE GOVERNANCE ASPECTS

In control-statement

The Managing Board continues to focus on the internal risk controls and systems for processes. In light of the recent incident, the procedures in the entire chain of lending have been further reinforced, and an external consultant has been called in to make further recommendations. Management will follow up on these recommendations.

The Report of the Managing Board provides sufficient insight into the functioning of the internal risk controls and systems. There are no material risks and uncertainties of relevance to the going-concern expectation of the company for a period of 12 months following the drawing up of the report. The internal risk controls and systems provide reasonable assurance that NWB Bank's financial reports are free from material misstatements. The risk governance section of the Report of the Managing Board and the risk management section of the financial statements contain a substantiation of the in-control statement.

Statement of the Managing Board

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 believes that, based on the current state of affairs, the financial statements were justifiably drawn up on a going-concern basis. The Managing Board also states that, to the best of its knowledge, the Report of the Managing Board includes a fair view of the bank's position at the balance sheet date and of its development and performance during the financial year, as well as a description of the principal risks the bank faces.

The Hague, 18 March 2021

Managing Board
Lidwin van Velden
Melchior de Bruijne
Frenk van der Vliet

FINANCIAL STATEMENTS

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STATEMENT OF INCOME

for the year ended 31 December 2020

(in millions of euros)	Note	2020	2019
Interest and similar income		1,468	1,505
Interest and similar expenses		1,224	1,292
Net interest income	1	**244**	**213**
Results from financial transactions	2	-55	-39
Other operating income		-	-
Total operating income		**189**	**174**
Employee benefits expense	3	12	12
Other administrative expenses	4	27	13
Employee benefits and other expenses		**39**	**25**
Depreciation, amortisation and value adjustments of tangible and intangible assets	5	3	2
Bank tax and resolution levy	6	12	22
Depreciation of receivables and provisions for liabilities included in the balance sheet	7	-	-
Total operating expenses		**54**	**49**
Profit from ordinary operations before tax		**135**	**125**
Tax on profit from ordinary operations	8	54	38
Extraordinary income	9	-	11
Tax on extraordinary income	8	-	3
Net profit		**81**	**95**

BALANCE SHEET

as at 31 December 2020 before profit appropriation

(in millions of euros)	Note	2020	2019
Assets			
Cash, cash equivalents and deposits at the Central Bank	10	9,857	8,290
Banks	11	9,577	8,075
Loans and receivables	12	76,562	69,963
Interest-bearing securities	13	5,779	4,711
Intangible assets	14	6	5
Tangible assets	15	5	5
Income tax	23	-	12
Other assets	16	15	10
Derivative assets	17	5,064	5,125
Prepayments	18	17	9
Total assets		**106,882**	**96,205**
Liabilities			
Banks	19	11,493	1,646
Funds entrusted	20	7,325	6,802
Debt securities	21	70,544	73,289
Other liabilities	22	91	24
Derivative liabilities	23	15,245	12,298
Income tax	24	11	-
Accruals	25	3	-
Provisions	26	17	24
		104,729	**94,083**
Subordinated debt	27	**326**	**326**
Paid-up and called-up share capital	28	7	7
Revaluation reserves	29	1	1
Other reserves	30	1,738	1,693
Unappropriated profit for the year	31	81	95
Equity		**1,827**	**1,796**
Total liabilities		**106,882**	**96,205**
Irrevocable commitments	32	4,306	3,761

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

(in millions of euros)	Note	**2020**	2019
Net changes in the revaluation reserves	29	-	-
Net changes in other reserves (Changes in value as part of the pension provision before income tax)	30	7	-7
Income tax on income and expenses recognised directly in equity		-2	2
Income and expenses recognised directly in equity		**5**	**-5**
Net profit		81	95
Comprehensive income		**86**	**90**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

(in millions of euros)	Paid-up share capital	Revaluation reserves	Other reserves	Unappropriated profit for the year	**Total**
As at 31 December 2019	**7**	**1**	**1,693**	**95**	**1,796**
Change in accounting policy ECL	-	-	-1	-	-
As at 1 January 2020	**7**	**1**	**1,692**	**95**	**1,796**
Profit appropriation of previous year	-	-	95	-95	-
Dividend	-	-	-55	-	-55
Direct change in the value of equity	-	-	5	-	5
Profit for the year	-	-	-	81	81
As at 31 December 2020	**7**	**1**	**1,737**	**81**	**1,827**
As at 1 January 2019	**7**	**1**	**1,618**	**100**	**1,726**
Profit appropriation of previous year	-	-	100	-100	-
Dividend	-	-	-20	-	-20
Direct change in the value of equity	-	-	-5	-	-5
Profit for the year	-	-	-	95	95
As at 31 December 2019	**7**	**1**	**1,693**	**95**	**1,796**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

(in millions of euros)	Note	2020	2019
Profit before income tax		135	136
Adjusted for:			
Depreciation, amortisation and value adjustments of tangible and intangible assets		3	2
Unrealised change in the value of assets and liabilities for fair value hedge accounting		203	-47
Change in bank loans and receivables not available on demand	11, 19	-1,824	-3,399
Change in public sector loans and receivables	12	-1,393	-1,802
Change in funds entrusted	20	598	275
Change in other assets and liabilities		-2,613	-1,044
Net cash flow from operating/banking activities		**-4,891**	**-5,879**
Additions to interest-bearing securities	13	-8,017	-3,661
Sale and redemptions of interest-bearing securities	13	7,005	2,315
		-1,012	**-1,346**
Additions to tangible assets	15	-1	-1
Disposals of tangible assets	15	-	-
		-1	**-1**
Additions to intangible assets	14	-3	-3
Net cash flow from investing activities		**-1,016**	**-1,350**
Long-term debt securities issued	21	13,643	9,702
Redemption of long-term debt securities	21	-6,582	-12,131
Short-term debt securities issued	21	145,460	126,448
Redemption of short-term debt securities	21	-155,204	-118,708
Borrowed long-term loans Funds entrusted	20	25	69
Redemption long-term loans Funds entrusted	20	-88	-48
Borrowed long-term loans Banks	19	10,250	-
Redemption long-term loans Banks	19	-30	-30
		7,474	**5,302**
Dividend paid	30	-	-20
Net cash flow from financing activities		**7,474**	**5,282**
Cash flow		**1,567**	**-1,947**

(in millions of euros)	**2020**	2019
Cash and cash equivalents as at 1 January	8,290	10,237
Cash flow	1,567	-1,947
Cash and cash equivalents as at 31 December	**9,857**	**8,290**

The cash and cash equivalents include deposits at the Central Bank and current account balance receivables from credit institutions. In 2020, the interest paid amounted to €993 million (2019: €1,326 million) and the interest received amounted to €1,311 million (2019: €1,522 million). These amounts are included under 'Other assets and liabilities' in the statement of cash flows. In 2020, the income tax paid amounted to €31.2 million (2019: €49.5 million) and the bank tax paid amounted to €20.3 million (2019: €17.1 million).

GENERAL NOTES TO THE FINANCIAL STATEMENTS

CORPORATE INFORMATION

The 2020 financial statements of Nederlandse Waterschapsbank N.V. (hereinafter: NWB Bank, Chamber of Commerce no. 27049562) were prepared by the Managing Board and authorised for issue by the Supervisory Board on 18 March 2021 and will be submitted for approval to the Annual General Meeting of Shareholders on 15 April 2021.

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

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

STATEMENT OF COMPLIANCE

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

COVID-19

Although the financial impact of the outbreak of the coronavirus was uncertain at the time these financial statements were prepared, we believe that the going-concern assumption will not be affected. The bank's high creditworthiness means it is in a good position to fund itself and thus provide its customers with the required credit. The quality of the loan portfolio remains high. In addition, the bank has introduced measures to safeguard the continuity of the (financial) business processes.

The impact of COVID-19 is further reflected in the update of the macro-economic factors in the 'Expected credit loss' section, the ECB regulations in the 'Unappropriated profit for the year' section, the 'Proposed profit appropriation' section and in the Risk management section.

SUMMARY OF KEY ACCOUNTING POLICIES

General

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

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

Continuity

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

Change in accounting policy

On 1 January 2020, NWB Bank started to use the option to apply the expected loss impairment methodology of IFRS 9 to align with common practice in the sector and support the bank's strategy. In accordance with Dutch Accounting Standard RJ 140, this constitutes a change in accounting policy, whereby the first application, taking into account the applicable tax rate, has been charged to equity (€0.6 million) and the changes after 1 January 2020 will be charged to profit. In accordance with RJ 290, the comparative figures have not been adjusted for this. This change in accounting policy has no significant impact on equity or profit and is explained in more detail in the section entitled 'Expected Credit Loss'.

Recognition

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

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

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

Derecognition of financial assets and liabilities

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

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

Measurement

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

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

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

After initial recognition, financial assets are classified as loans and receivables, banks, interest-bearing securities or derivative assets. The interest-bearing securities held to maturity, other unlisted interest-bearing securities as well as banks are stated at amortised cost. 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, and derivative liabilities are stated at fair value.

Provision for uncollectible receivables

Starting 1 January 2020, NWB Bank began to use the option to apply the 'expected loss impairment methodology' of IFRS 9. Under this (IFRS 9) impairment method, the previously used 'incurred loss' model has been replaced by an expected credit loss approach. The new impairment model applies to all exposures held under financial assets at amortised cost, interest-bearing securities with value changes stated at fair value recorded directly in equity, and irrevocable commitments and contracts concerning financial guarantees.

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

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

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

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

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

Hedge accounting

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

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

Foreign currencies

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

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

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

Cash, cash equivalents and deposits at the Central Bank

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

Loans and receivables, and banks

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

Interest-bearing securities

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

Interest-bearing securities held to maturity

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

Other interest-bearing securities

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

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

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

Intangible assets

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

Tangible assets

Tangible assets are property and equipment. Property is stated at current cost. The valuation is carried out on the basis of the value in use if it is lower than the current cost. The net realisable value will be used if it is higher than the value in use but lower than the current value. Equipment is stated at acquisition price net of straight line depreciation. The current cost of property is assessed annually and measured periodically 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.

The annual depreciation rates are as follows:

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

Land is not depreciated.

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

Derivatives

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

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

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

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

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

Derivatives meeting these conditions are included in the balance sheet under the host contracts to which they belong and carried at fair value, with changes in value being taking 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.

In 2020, the bank subscribed to ECB funding programmes twice. Depending on monetary policy, these programmes have specific conditions. One of the programmes is the Targeted Longer-Term Refinancing Operation (TLTRO). The bank accounts for this kind of financing in the same way as it does other kinds of debt, initially at fair value. The subsequent valuation is at amortised cost. The interest charged by the ECB on the financing is assumed to be in line with market conditions and recognised as variable interest in the statement of income using the effective interest method. The terms and conditions of the financing stipulate that if specific targets are met by the bank, a discount will be applied to the interest rate. The feasibility of those targets is a significant estimate. Any changes in the expectation of achieving the target will lead to an adjustment of the effective interest rate with an adjustment of the amortised cost.

Employee benefits - defined benefit plan obligations

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

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

Netting of financial assets and financial liabilities

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

Revenue recognition

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

Net interest income

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

Income tax

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

Current tax assets and liabilities

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

Deferred tax assets and liabilities

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

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

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

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

Basis for preparation of the statement of cash flows

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

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

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

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

Segment information

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

Significant assumptions and estimation uncertainties

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

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

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

Other developments

As part of the benchmark reform, in which reference interest rates change, CCPs adjusted the Price Alignment Index (PAI) for centrally cleared interest rate derivatives from Eonia to €STER in July 2020. The PAI is the index used to discount future cash flows to determine the market value of derivatives and collateral. The bank completed this transition in July. The result due to the valuation difference with the CCPs is included in the result from financial transactions. In 2021, the bank will implement the transition resulting from the benchmark reform in the bilateral agreements.

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NOTES TO THE STATEMENT OF INCOME

1 NET INTEREST INCOME

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

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

	2020	2019
Interest income on cash, cash equivalents and deposits at the Central Bank, Banks and on loans and receivables at amortised cost	1,406,528	1,468,521
Interest income on interest-bearing securities	5,844	12,959
Commission	2,114	654
Negative interest expense	52,921	22,342
Interest income	**1,467,407**	**1,504,476**
Interest expense on banks, funds entrusted, hybrid capital and debt securities at amortised cost	360,885	436,702
Derivatives (net interest income/expense)	667,046	713,470
Negative interest income	196,149	141,418
Interest expense	**1,224,080**	**1,291,590**
Net interest income	**243,327**	**212,886**

Negative interest income concerns the negative interest on financial assets: cash and cash equivalents and deposits at the Central Bank, banks, and loans and receivables. Negative interest expense concerns the negative interest on financial liabilities banks, funds entrusted and debt securities, excluding the negative interest for foreign currency hedging instruments.

The item 'Interest expense on banks, funds entrusted, hybrid capital and debt securities at amortised cost' reflects the interest expense for these items, from which the negative interest for foreign currency hedging instruments of €193 million (2019: €176 million) has been deducted.

2 RESULTS FROM FINANCIAL TRANSACTIONS

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

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

	2020	2019
Changes in the fair value of derivatives included in macro-hedge accounting	-4,903,997	-5,574,499
Revaluation of financial assets and liabilities included in macro-hedge accounting	4,899,053	5,567,349
Macro hedge accounting ineffectiveness	**-4,944**	**-7,150**
Micro-hedge accounting ineffectiveness	46	2,659
Total hedge accounting ineffectiveness	**-4,898**	**-4,491**
Other changes in the fair value of restructured derivatives included in hedge accounting	-50,072	-48,407
Changes in the fair value of derivatives not included in hedge accounting	-3,538	557
Change in counterparty credit risk (CVA/DVA)	-2,384	6,510
Results from maturity extensions and early redemptions	5,530	7,251
Other fair value changes	-555	-122
Total	**-55,917**	**-38,702**

In 2020, the bank began investing in Green pass-through NHG RMBS (Residential Mortgage-Backed Securities), which are hedged by interest rate derivatives. The bank uses fair value hedge accounting for this purpose. The result of this is included under the item 'Macro-hedge accounting ineffectiveness'.

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

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

The fair value of the financial instruments when applying hedge accounting is €31,884 million as at 31 December 2020 (as at 31 December 2019: €24,897 million) on the assets side of the balance sheet and €21,608 million as at 31 December 2020 (as at 31 December 2019: €16,648 million) on the liabilities side.

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

As of 24 July 2020, the Eonia-€STR transition (benchmark reform) with clearing central counterparties (CCPs) for the cleared derivatives was performed on the basis of the Eonia curve -/- 8.5 bps. The CCP valuation difference amounted to a negative total of €1.0 million.

3 EMPLOYEE BENEFIT EXPENSES

The number of employees expressed in full-time equivalents (FTEs), including the Executive Committee, totalled 71.7 (2019: 62.8) at the end of the financial year. Three FTEs are statutory members of the Executive Committee, one is a non-statutory member of the Executive Committee, seven are department heads and 60.7 are staff members (2019: three members of the Managing Board, one non-statutory member of the Executive Committee, seven department heads and 51.8 staff members). The average number of FTEs, including the Executive Committee, amounted to 67.3 (2019: 64.2).

	2020	2019
Wages and salaries	7,373	6,275
Pension costs	1,257	2,298
Other social security costs	737	708
Other staff costs	2,214	2,136
Total	**11,581**	**11,417**

Salary costs rose as a result of an increase in headcount during the year and index-linked negotiated wages plus annual increments. Pension costs decreased due to the transition from a defined benefit plan to a defined contribution plan for active employees as of 1 January 2020. Other staff costs increased due to the higher cost of temporary staff.

The remuneration of the Managing Board, including regular pension costs and other specific components as shown in the table below, amounted to €1,011,000 in 2020 (2019: €964,000).

	Fixed remuneration	Pension contribution	Other	**Total**
2020				
Lidwin van Velden	283	40	51	374
Melchior de Bruijne	241	34	28	303
Frenk van der Vliet	253	36	45	334
Total	**777**	**110**	**124**	**1,011**

	Fixed remuneration	Pension contribution	Other	**Total**
2019				
Lidwin van Velden	276	37	42	355
Melchior de Bruijne	235	28	22	285
Frenk van der Vliet	247	35	42	324
Total	**758**	**100**	**106**	**964**

The variable remuneration no longer applied from 2019 and was replaced by a fixed remuneration. The fixed remuneration comprises the fixed salary for 13 months as well as an 8% holiday allowance and an extra allowance of 11.1%.

Until 2019, the variable remuneration had a deferred component that was paid out after four years and after the long-term goals were (partially) achieved. Even though the Supervisory Board determined that the long-term targets for the release of the deferred component have been met, Lidwin van Velden and Frenk van der Vliet, to whom the deferred portion for 2017 applies, have decided to waive the deferred component of their variable remuneration. This is in connection with the fraud incident discovered early in 2021 and the resulting financial loss suffered by the bank.

The remaining benefits recorded under 'other' are specified as follows:

An expense allowance: the members of the Managing Board received a taxed expense allowance of €3,000 in 2020 (2019: €3,000).

A staff mortgage loan discount plan: in 2020, this taxed allowance amounted to €3,000 for Lidwin van Velden (2019: €3,000), €6,000 for Melchior de Bruijne (2019: €7,000) and nil for Frenk van der Vliet (2019: nil).

A contribution for the net pension scheme: in 2020, this taxed allowance amounted to €32,000 for Lidwin van Velden (2019: €24,000), €17,000 for Melchior de Bruijne (2019: €11,000) and €23,000 for Frenk van der Vliet (2019: €20,000).

Compensation for the harmonisation of the net pensions scheme as of 2015: in 2020, this taxed allowance amounted to €9,000 for Lidwin van Velden (2019: €8,000) and €11,000 for Frenk van der Vliet (2019: €10,000).

The flat-rate contribution for the car provided by the bank is based on the additional tax liability and amounts to €3,000 (2019: €3,000) for Lidwin van Velden, €2,000 for Melchior de Bruijne (2019: €2,000) and €9,000 for Frenk van der Vliet (2019: €9,000). The comparative figures for 2019 have been adjusted accordingly.

In addition to the costs stated in the remuneration table, a compensation has been allocated for the non-contributory entitlements of members of the Management Board determined as at 31 December 2019, which will not change in the future. In 2020, this amounts to €13,000 for Lidwin van Velden, €9,000 for Melchior de Bruijne and €7,000 for Frenk van der Vliet.

4 OTHER ADMINISTRATIVE EXPENSES

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

	2020	2019
Consultancy and regulatory fees	6,215	5,721
Information and communication	5,152	4,069
Other costs	15,846	3,572
Total	**27,213**	**13,362**

The costs increased mainly as a result of the fraud incident as explained in the Report of the Managing Board (€12 million), higher ICT project costs for homeworking optimisation solutions, additional costs related to COVID-19 and higher costs for payment services.

The remuneration of the seven (2019: seven) Supervisory Board members, which is also included in the other costs, amounted to €225,000 (2019: €221,000).

Remuneration of the Supervisory Board members

	2020	2019
Joanne Kellermann	33	-
Age Bakker	14	47
Peter Glas	-	9
Petra van Hoeken	30	29
Frida van den Maagdenberg	29	29
Toon van der Klugt	30	29
Maurice Oostendorp	30	29
Annette Ottolini	29	20
Manfred Schepers	30	29
Total	**225**	**221**

The above amounts include travel expense reimbursements and VAT.

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 costs of auditing the financial statements relate to the relevant financial year. The amounts stated include VAT.

	2020	2019
Consultancy and regulatory fees	357	321
Other costs	323	351
Total	**680**	**672**

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

5 DEPRECIATION

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 tangible assets. The amortisation of intangible assets is also included in this item.

6 BANK TAX AND RESOLUTION LEVY

NWB Bank has been liable for bank tax with effect from October 2012. The amounts for 2020 and 2019 are based on the balance sheet at year-end 2019 and 2018, respectively, and are charged to the profit for 2020 and 2019, respectively.

Bank tax is based on the ratio of current liabilities at the end of the previous financial year amounting to €24,333 million (2019: €22,951 million) and long-term liabilities for the previous financial year amounting to €70,077 million (2019: €59,038 million). The total amount of bank tax paid in 2020 was €20.3 million (2019: €17.1 million).

Under the Bank Recovery and Resolution Directive (BRRD), the bank is required to pay a resolution levy. As a result of an adjusted method for calculating the base, a refund was granted in 2020 with retroactive effect for the years 2016 to 2018. The total amount to be received in 2020 of €8.6 million consists of €15.4 million restitution and a €6.8 million levy for the financial year 2020. The total amount of €8.6 million has been credited to the result. The levy for the year 2019 was paid to the Single Resolution Fund and amounted to €6.2 million. Of this amount, €0.9 million was paid in the form of Irrevocable Payment Commitments and €5.3 million was charged to the profit.

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

Starting 1 January 2020, NWB Bank began using the possibility to apply the 'expected loss impairment methodology' of IFRS 9. This item can be summarised as follows:

(in thousands of euros)	2020	2019
Loans and receivables	56	-
Interest-bearing securities	-6	-
Total	**50**	**-**

A detailed explanation of the Expected Credit Loss can be found in section 33.

8 INCOME TAX EXPENSE

	2020	2019
Profit before income tax (incl. extraordinary income)	134,239	135,495
Income tax at 25.0%	33,560	33,874
Non-deductible expenses relating to bank tax	5,070	4,285
Thin cap rule	16,120	-
Deductable (2020) resp. non-deductible (2019) expenses relating to AT1 Capital	-	2,348
Adjustments for previous financial years	-2,620	-
Change of future income tax rate	1,619	500
Other non-deductible expenses and adjustments	-10	-15
Income tax expense	**53,739**	**40,992**
Effective tax burden (%)	40.0%	30.3%

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

	2020	2019
Current tax	**56,818**	**37,901**
Changes previous years	-2,620	-
Change in provision for pensions	210	2,696
Results from 'basisrentelening' loans deferred for tax purposes	-786	-786
Results from maturity extensions deferred for tax purposes previous years	-1,503	-1,349
Results from maturity extensions deferred for tax purposes current year	-	2,030
Change of future income tax rate	1,620	500
Deferred tax	**-459**	**3,091**
Income tax expense	**53,739**	**40,992**

A minimum capital requirement for banks will apply ('thin cap rule') from the financial year 2020 onwards. The thin cap rule limits the interest deduction for corporate income tax if the leverage ratio is lower than 8%. As a result of the adjustment of the Capital Requirement Regulation (CRR) on 28 June 2019, which will apply as of 28 June 2021, whereby promotional loans are not included in the exposure of the leverage ratio, the bank's leverage ratio meets the 8% requirement. However, the reference date for the leverage ratio is 31 December preceding the (fiscal) financial year. The inclusion of the adjustment to the CRR as at 28 June 2019 is not expected to be implemented in the regulatory reports until later (28 June 2021). The bank has therefore recognised an expense under the scheme.

In 2019, a restriction on the tax deductibility of Additional Tier 1 capital was introduced. In 2020, this restriction was removed with retroactive effect. The amount of the adjustment in 2020 has been recognised in the item 'Changes to previous financial years'.

The effective tax burden is higher than the applicable tax rate of 25%, primarily as a result of the non-deductibility of the bank tax and as a result of the thin cap rule.

In 2020, the government decided to change the income tax rate over the following few years. The percentage for the coming years has been changed to 25%. That represents an increase in the percentages relative to the rate changes announced in late 2019 (25.0% for 2020 and 21.7% for the years following 2020). The increase will lead to higher deferred tax liabilities. The effect of this has been recognised in the preparation of the financial statements above under 'Change of future income tax rate'.

9 OTHER EXTRAORDINARY INCOME

In 2019, there was a gain due to a change to the pension plan. Active employees have switched from a defined benefit plan to a defined contribution plan. For details, please consult the explanation in section **26**, 'Provisions'.

NOTES TO THE BALANCE SHEET

10 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 European Central Bank (ECB).

11 BANKS

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

This item can be broken down as follows:

	2020	2019
Balances payable on demand	73	114
Receivables under collateral arrangements	9,398,849	7,945,964
Receivables guaranteed by the Dutch government	178,181	128,969
Total	**9,577,103**	**8,075,047**

12 LOANS AND RECEIVABLES

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

The movements in loans and receivables are shown below:

	2020	2019
As at 31 December previous year	**69,962,764**	**61,405,014**
Change in accounting policy ECL	-797	-
As at 1 January	**69,961,967**	**61,405,014**
Newly granted long-term loans	8,717,286	8,496,771
Newly granted short-term loans	6,961,955	8,315,282
Redemptions	-14,280,872	-14,435,722
Value adjustment for fair value hedge accounting	5,201,860	6,181,419
Value adjustment for separated derivatives embedded in loans and receivables	56	-
As at 31 December	**76,562,252**	**69,962,764**

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

	2020	2019
Receivables from or under guarantee by the Dutch government	49,654,622	50,361,369
Non-guaranteed receivables to the public sector and others	1,870,495	1,334,448
Receivables under collateral arrangements	2,536,130	967,061
Value adjustment for fair value hedge accounting	22,501,746	17,299,886
Expected Credit Loss	-741	-
Total	**76,562,252**	**69,962,764**

Non-guaranteed receivables to the public sector concern receivables from the water authorities, public-private partnerships and renewable energy projects.

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

	2020	2019
Water authorities	7,447,839	7,216,434
Municipalities	5,521,628	6,092,654
Social housing	32,797,479	33,137,729
Other	3,887,676	3,914,552
Total	**49,654,622**	**50,361,369**

A provision for uncollectibility went into effect in 2020 based on the Expected Credit Loss method of IFRS 9, in which the comparative figures have not been adjusted according to regulation. This is explained in more detail in section 33, 'Expected Credit Loss'.

The collateral value of the portion of the loans and receivables portfolio contributed as collateral to DNB amounted to €15.4 billion at the end of 2020 (€10.7 billion at the end of 2019), of which a total of €10 billion is secured by two participations in the targeted longer-term refinancing operation (TLTRO).

Of the loans and receivables, a nominal €2.4 billion has a remaining term to maturity of less than 12 months (2019: €3.2 billion).

13 INTEREST-BEARING SECURITIES

This item can be broken down as follows:

	2020	2019
Interest-bearing securities held to maturity	1,670,047	1,929,421
Other listed interest-bearing securities	1,023,965	930,747
Other unlisted interest-bearing securities	3,085,459	1,850,905
Total	**5,779,471**	**4,711,073**

The movements in interest-bearing securities in 2020 and 2019 were as follow:

	Public sector bodies	Other	**Total**
As at 31 December previous year	**2,833,610**	**1,877,463**	**4,711,073**
Change in accounting policy ECL	-	-2	-2
As at 1 January 2020	**2,833,610**	**1,877,461**	**4,711,071**
Purchases	5,992,306	2,024,580	8,016,886
Sales and redemptions	-5,514,226	-1,491,224	-7,005,450
Value adjustments in Other interest-bearing securities	36,697	20,273	56,970
Expected Credit Loss	-	-6	-6
As at 31 December 2020	**3,348,387**	**2,431,084**	**5,779,471**
As at 1 January 2019	**1,680,673**	**1,609,841**	**3,290,514**
Purchases	2,827,359	833,847	3,661,206
Sales and redemptions	-1,735,896	-579,312	-2,315,208
Value adjustments in Other interest-bearing securities	61,474	13,087	74,561
As at 31 December 2019	**2,833,610**	**1,877,463**	**4,711,073**

In 2020, the bank began investing in Green pass-through NHG RMBS (Residential Mortgage-Backed Securities), in line with the third pillar of its strategy as a 'financing partner that can enhance sustainability in the Netherlands'. The bank aims to help reduce mortgage costs for owners of sustainable homes through a national mortgage guarantee. The €950 million investment is included under the item 'held to maturity'.

Starting in 2020, a provision for uncollectibility will be implemented based on the Expected Credit Loss method of IFRS 9, in which the comparative figures have not been adjusted according to regulation. This is explained in more detail in section 33, 'Expected Credit Loss'.

The collateral value of the portion of the interest-bearing securities portfolio contributed as collateral to DNB was €0.2 billion at the end of 2020 (€0.4 billion at the end of 2019). Of the interest-bearing securities, a nominal €1,658 million (2019: €2,045 million) have a remaining term to maturity of less than 12 months.

14 INTANGIBLE ASSETS

This item comprises capitalised expenses related to software. The breakdown of this item in 2020 and 2019 is as follows:

	2020	2019
Carrying amount as at 1 January	**5,107**	**3,159**
Additions	3,045	3,308
Amortisation	-1,794	-1,360
Carrying amount as at 31 December	**6,358**	**5,107**

The cumulative amounts as at 31 December were as follows:

	2020	2019
Additions	18,708	15,663
Amortisation	-12,350	-10,556
Carrying amount as at 31 December	**6,358**	**5,107**

15 TANGIBLE ASSETS

This item comprises capitalised expenses related to the office building and other equipment. The current value of the office building was redetermined in 2016 on the basis of a valuation by an independent property valuer. Other equipment consists mainly of furniture and fittings, computer equipment and cars.

The breakdown of this item in 2020 and 2019 is as follows:

	Property in use by the bank	Other equipment	Total
Carrying amount as at 31 December 2019	**3,529**	**1,393**	**4,922**
Additions 2020	73	982	1,055
Disposals 2020	-	-26	-26
Depreciation in 2020	-374	-583	-957
Carrying amount as at 31 December 2020	**3,228**	**1,766**	**4,994**
Carrying amount as at 31 December 2018	**3,957**	**1,323**	**5,280**
Additions 2019	68	530	598
Disposals 2019	-	-14	-
Depreciation in 2019	-496	-446	-942
Carrying amount as at 31 December 2019	**3,529**	**1,393**	**4,922**

The cumulative amounts at the end of 2020 were as follows:

	Property in use by the bank	Other equipment	Total
Additions	10,002	10,332	20,334
Depreciation	-8,327	-8,566	-16,893
	1,675	**1,766**	**3,441**
Revaluations	1,553	-	1,553
Carrying amount as at 31 December 2020	**3,228**	**1,766**	**4,994**

The cumulative amounts at the end of 2019 were:

	Property in use by the bank	Other equipment	Total
Additions	9,929	9,376	19,305
Depreciation	-7,953	-7,983	-15,936
	1,976	**1,393**	**3,369**
Revaluations	1,553	-	1,553
Carrying amount as at 31 December 2019	**3,529**	**1,393**	**4,922**

16 OTHER ASSETS

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

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. In the 2020 breakdown of derivatives below, derivatives totalling €69,418 (2019: €112,729) were not included in hedge accounting.

Breakdown by remaining term to maturity of fair values as at 31 December 2020 and 2019, respectively:

	<3 months	3-12 months	1-5 years	>5 years	**Total**
2020					
Interest rate swaps	36,320	2,023	228,509	2,251,633	2,518,485
Currency swaps	56,956	19,366	359,070	1,116,738	1,552,130
Caps, floors and swaptions	-	-	-	993,296	993,296
Total 2020	**93,276**	**21,389**	**587,579**	**4,361,667**	**5,063,911**
2019					
Interest rate swaps	4,844	22,783	359,450	1,983,132	2,370,209
Currency swaps	176,372	118,819	496,026	1,086,765	1,877,982
Caps, floors and swaptions	-	-	-	877,220	877,220
Total 2019	**181,216**	**141,602**	**855,476**	**3,947,117**	**5,125,411**

18 PREPAYMENTS AND ACCRUED INCOME

This item comprises prepaid amounts for costs related to the next accounting period(s). This item also comprises the unbilled amounts to be received regarding income recognised in the current or previous accounting period(s).

19 BANKS

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

	2020	2019
Balances payable on demand	-	181
Loans taken out at banks	10,923,168	742,468
Value adjustment for fair value hedge accounting	99,716	53,126
Liabilities under collateral arrangements	460,209	833,389
Exposure Central Clearing	9,490	16,926
Total	**11,492,583**	**1,646,090**
Movement in long-term loans taken out at banks:		
As at 1 January	742,468	772,696
Loans taken out at banks	10,250,000	-
Redemptions, accruals and currency revaluations	-69,300	-30,228
As at 31 December	**10,923,168**	**742,468**

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

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

The 'loans taken out by banks' item includes the bank's participation for the amount of €10.0 billion in targeted longer-term refinancing operations (TLTRO III.4 and TLTRO III.5) implemented by the ECB. The duration of the participation is until 28 June 2023 and 27 September 2023, respectively (with the option of interim early redemptions), and is an operation of the Eurosystem to provide funding to banks to support their expansive policy.

The remuneration on the recognised amount under the TLTRO is determined retrospectively and depends on the extent to which the conditions have been met. An important condition is the degree to which the bank provides loans to non-financial corporations and households, other than mortgages. The retroactive interest rate is, depending on whether the conditions have been met, -1% or -0.5% on the amount drawn down, or lower if the ECB were to further lower the deposit interest. The bank expects to meet the conditions as at the reporting date, thereby achieving a percentage of at least -1%.

This means the bank can provide loans at an attractive rate and help keep the costs for the public sector as low as possible.

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:

	2020	2019
Funds entrusted short term	414,294	106,100
Funds entrusted long term	5,362,338	5,437,123
Value adjustments for fair value hedge accounting	1,548,659	1,258,440
Total	**7,325,291**	**6,801,663**
Movement in long-term funds entrusted:		
As at 1 January	5,437,123	5,417,443
Funds entrusted long term	25,000	219,135
Redemptions, accruals and currency revaluations	-99,785	-199,455
As at 31 December	**5,362,338**	**5,437,123**

21 DEBT SECURITIES

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

	2020	2019
Bond loans	59,776,427	54,249,594
Short-term debt securities	5,874,596	15,795,241
Value adjustment for fair value hedge accounting	4,893,353	3,244,072
Carrying amount as at 31 December	**70,544,376**	**73,288,907**
Movement in bond loans:		
As at 1 January	54,249,594	56,812,454
Bond loans	13,642,502	9,702,338
Redemptions, accruals and currency revaluations	-8,115,669	-12,265,198
As at 31 December	**59,776,427**	**54,249,594**

Of the total amount in long-term debt securities issued, a nominal €3.4 billion (2019: €3.5 billion) carries a variable interest rate. Of the long-term debt securities, a nominal €8.8 billion (2019: €6.6 billion) have a remaining term to maturity of less than 12 months.

22 OTHER LIABILITIES

This item can be broken down as follows:

	2020	2019
Prepaid interest and redemptions	23,924	11,454
Other liabilities	67,343	12,161
Total	**91,267**	**23,615**

Included in other liabilities for 2020 is an amount of €55 million for the 2019 dividend still to be paid.

23 DERIVATIVE LIABILITIES

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 and €STER curve. In the 2020 breakdown of derivatives below, derivatives totalling €160,229 (2019: €84,906) were not included in hedge accounting.

Breakdown by remaining term to maturity of negative fair values as at 31 December 2020 and 2019 respectively:

	<3 months	3-12 months	1-5 years	>5 years	**Total**
2020					
Interest rate swaps	6,717	20,107	156,374	12,510,475	12,693,673
Currency swaps	216,077	545,694	531,160	268,247	1,561,178
Caps, floors and swaptions	92	-	-	989,676	989,768
Total 2020	**222,886**	**565,801**	**687,534**	**13,768,398**	**15,244,619**
2019					
Interest rate swaps	19,341	26,453	234,873	10,573,854	10,854,521
Currency swaps	125,279	9,702	236,435	200,044	571,460
Caps, floors and swaptions	32	-	344	871,922	872,298
Total 2019	**144,652**	**36,155**	**471,652**	**11,645,820**	**12,298,279**

24 INCOME TAX

Income tax payable in 2020 and 2019 can be broken down as follows:

	2020	2019
Current tax expense 2020 resp. 2019	56,818	37,901
Advances paid 2020 resp. 2019	-45,450	-49,525
Total income tax payable	**11,368**	**-11,624**

25 ACCRUALS AND DEFERRED INCOME

This item comprises advance receipts for income attributable to the next accounting period(s) as well as uninvoiced amounts payable regarding expenses attributable to the past accounting period(s).

26 PROVISIONS

This item comprises a provision for deferred taxes and a pension provision.

Deferred taxes provision

The movements in deferred tax liabilities are as follows:

	2020	2019
As at 1 January	**12,932**	**11,479**
Change in provision for pensions	2,063	1,105
Change as a result of (unrealised) gains and losses of interest-bearing securities at fair value through OCI	6	-47
Results from 'basisrentelening' loans deferred for tax purposes	-786	-786
Results from maturity extensions deferred for tax purposes previous years	-1,503	-1,349
Results from maturity extensions deferred for tax purposes current year	-	2,030
Adjustment to income tax rate in coming years	1,619	500
As at 31 December	**14,331**	**12,932**

Pension provision

The movements in the pension provision are as follows:

	2020	2019
Current service cost	-	2,046
Past service costs	-	-10,988
Interest cost	408	807
Expected return on plan assets	-310	-523
Administrative and other costs	5	32
Employee benefits expenses	**103**	**-8,626**

	2020	2019
Expected return on plan assets	39,846	45,714
Administrative and other costs	-37,124	-34,738
Employee benefits expenses	**2,722**	**10,976**

	2020	2019
Opening balance defined benefit obligation	**45,714**	**42,911**
Interest cost	408	807
Current service cost	-	2,046
Benefits paid	-866	-850
Past service costs	-	-10,988
Employee contributions	-	101
Gain (loss) caused by changes (in assumptions) in plan assets	-5,410	11,687
Closing balance defined benefit obligation	**39,846**	**45,714**

	2020	2019
Opening balance fair value of plan assets	**34,739**	**27,513**
Employer contributions	144	2,154
Employee contributions	-	101
Benefits paid	-866	-850
Interest income	310	523
Return excluding interest income	2,797	5,297
Fair value of plan assets as at 31 December	**37,124**	**34,738**

In 2019, the benefit pension plan for employees (active) changed from a defined benefit plan to a defined contribution plan. As a result of this change, the pension provision has decreased. The remaining provision respects the accrued entitlements of all participants until and including 2019 and the indexation of pension benefits for non-active employees.

The projected employer contributions for 2021 to the defined benefit plans at the end of 2020 amount to €16,000 for non-active employees (2019: €102,000).

The key assumptions used in determining the provision for pension plan obligations are as follows:

	2020	2019
Discount rate	0.40%	0.90%
Future indexation inactives	0.50%	1.90%

In light of the low interest rates, the estimated expected allowance for future inflation for non-active employees was adjusted in 2020. This is the main reason for the decrease in the provision in the financial year.

27 SUBORDINATED DEBT

Given the leverage ratio requirements implemented by the regulatory authority at the time, the bank began raising hybrid capital (in the form of subordinated loans) in 2015. The initial tranche of €200 million was issued in September 2015. The loans are intended to boost NWB Bank's Tier 1 capital. The second tranche of €120.5 million was issued in 2016. No new hybrid capital was raised from 2017 to 2020.

The loans were issued by Dutch public sector parties and subordinated to receivables from creditors with a higher order of priority than ordinary shares. In addition, 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 between 2.34% and 4.025% for the first period until the first early redemption date and will be subsequently reviewed provided no early redemptions have been made. Interest payments by the bank are entirely discretionary. If the Tier 1 core capital ratio falls below 5.125%, the notional principal amount of this and all similar type loans will be reduced by the amount required to take the Tier 1 core capital ratio back above the 5.125% level.

The movements in subordinated debt are set out below:

	2020	2019
As at 1 January	**326,235**	**326,376**
Subordinated debt issued	-	-
Change in accrued interest and premium	-125	-141
As at 31 December	**326,110**	**326,235**

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 a shareholders meeting.

B shares

These shares have a nominal value of €460, of which 25% was required to be paid up.
Under the Articles of Association, the Supervisory Board may call for further payments to be made.
Each B share carries four votes at a shareholders meeting.

Breakdown at year-end 2020:

	Issued	Paid up
A shares		
As at 31 December 2020 (50,478 shares)	5,805	5,805
B shares		
As at 31 December 2020 (8,511 shares)	3,915	1,019
Of which unpaid (74% of 8,510 shares)	-2,896	
Total paid up as at 31 December 2020		**6,824**
Total paid up as at 31 December 2019		6,824

29 REVALUATION RESERVES

The movements in interest-bearing securities in 2019 and 2020 were as follows:

	Revaluation reserve interest-bearing securities	Other revaluation reserves	Total
As at 1 January 2019	**146**	**1,231**	**1,377**
Changes in the (unrealised) value of interest-bearing securities	-142	-	-142
As at 31 December 2019	**4**	**1,231**	**1,235**
Changes in the (unrealised) value of interest-bearing securities	19	-	19
As at 31 December 2020	**23**	**1,231**	**1,254**

The other revaluation reserve mainly concerns the revaluation of the tangible assets.

30 OTHER RESERVES

The movements in other reserves were as follows:

	Total
As at 1 January 2019	**1,617,960**
Appropriation of 2018 profit	99,697
Distribution for 2018	-20,000
Changes in value as part of the pension provision	-4,769
As at 31 December 2019	**1,692,888**
Change in accounting policy ECL	-599
As at 1 January 2020	1,692,289
Appropriation of 2019 profit	94,502
Distribution for 2019	-55,000
Changes in value as part of the pension provision	6,159
As at 31 December 2020	**1,737,950**

31 UNAPPROPRIATED PROFIT FOR THE YEAR

The balance sheet is presented before profit distribution. The proposed profit distribution is as follows:

		2020		2019
Profit for the year		**80,500**		**94,502**
The proposed profit appropriation is as follows:				
Cash dividends on A shares	659%	38,281	806%	46,788
Cash dividends on B shares	659%	6,719	806%	8,212
		45,000		**55,000**
Added to the reserves on the approval of the Supervisory Board		35,500		39,502
		80,500		**94,502**

A more detailed explanation of the ECB's recommended deferral of the dividend payment due to the COVID-19 pandemic is included in the section 'Proposed distribution of profits'.

32 IRREVOCABLE COMMITMENTS

The commitments relate to:

	2020	2019
Loans granted but not yet paid	1,633,851	1,266,248
Committed purchase of interest-bearing securities	-	-
Unused current account overdraft facilities	675,495	698,610
Unused financing facilities	1,991,911	1,791,764
Guarantees issued	4,397	4,397
	4,305,654	**3,761,019**

The unused current account overdraft facilities have a short maturity (less than one year). The other items have a long maturity (more than one year). The conditions applicable to the commitments do not differ from those of the other financial instruments offered by the bank.

OTHER NOTES TO THE FINANCIAL STATEMENTS

33 EXPECTED CREDIT LOSS (ECL)

Starting 1 January 2020, NWB Bank will use the option to apply the 'expected loss impairment methodology' of IFRS 9. Given the risk profile of NWB Bank's counterparties, until 2020, there was no provision for uncollectible receivables in the incurred loss model. Under IFRS 9, NWB Bank recognises a provision for expected credit loss (ECL) for each customer with a credit facility. A provision is also taken for expected losses on loan commitments and financial guarantee contracts, so-called off-balance sheet positions. It should be noted that the majority of the bank's exposures are guaranteed by the government. As a result, there is limited credit risk.

The ECL methodology used by the bank consists of a scoring and rating model, a macro-economic model, models for Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), and scenarios (macro-economic forecasts). Each of these components is used to calculate the final ECL provision.

The table below depicts the course of the ECL:

(in thousands of euros)	First application 1 January 2020	2020	Total 31 December 2020
Loans and receivables	-797	56	-741
Interest-bearing securities	-2	-6	-8
Total	**-799**	**50**	**-749**

Broken down by cause, the summary of movements is as follows:

(in thousands of euros)	2020
Application as per 01-01-2020	**-799**
Update macro-economic projections June 2020	-255
Update macro-economic projections December 2020	85
Other factors	220
Application as per 31-12-2020	**-749**

The breakdown of ECL recognised in the statement of income for the financial year is as follows:

	From 01-01-2020 to 31-12-2020			
(in thousands of euros)	Stage 1	Stage 2	Stage 3	Total
Mutation ECL in P&L				
- Increase trough new loans and loans taken over	41	-	-	41
- Decrease through redemptions	-8	-	-	-8
- Changes by creditrisk (net)	-83	-	-	-83
Total	**-50**	**-**	**-**	**-50**

The amount arising from the initial application has been charged to other reserves and the amount of the change during the financial year has been charged to the statement of income. In the context of the COVID-19 situation, the bank reassessed and reassimilated the macro-economic parameters in the ECL model. In addition, scores were revised, which on balance was reflected in a decrease in the ECL. No change took place as a result of deterioration in creditworthiness ('staging').

Impairment of loans and receivables and interest-bearing securities

The following table provides a breakdown of the loans and receivables and interest-bearing securities (already provided and still to be provided) to which the ECL model is applied. It should be noted that this analysis does not take any potential guarantees into consideration.

Stage 1: This concerns the performing exposures without a Significant Increase in Credit Risk (SICR) since the starting date.

Stage 2: These are the performing exposures with an SICR since the starting date.

Stage 3: These are the non-performing exposures that are credit-impaired.

as of 31 December 2020 (in thousands of euros)	Gross carrying amount	Performing Stage 1	Performing Stage 2	Non-Performing Stage 3
Loans and receivables	74,198,061	73,727,536	338,398	132,127
Interest-bearing securities	4,755,514	4,755,514	-	-
Total	**78,953,575**	**78,483,050**	**338,398**	**132,127**

as at 1 January 2020 (in thousands of euros)	Gross carrying amount	Performing Stage 1	Performing Stage 2	Non-Performing Stage 3
Loans and receivables	68,920,788	68,755,213	165,574	-
Interest-bearing securities	3,690,788	3,690,788	-	-
Total	**72,611,576**	**72,446,001**	**165,574**	**-**

At the end of December 2020, the amount of €132.1 million (1 January 2020: 0) was classified as credit-impaired. This amount concerns exposures in Stage 3 and relates to exposures to two clients. These exposures are guaranteed by the government and will not lead to an ECL provision nor to a write off.

Following is a more detailed explanation of how the stages progress:

Stage 1: 12-month ECL

Stage 1 includes exposures that show no SICR since their initial recognition. A 12-month ECL is recognised for this group, which is the ECL based on the probability that the exposure will default within 12 months of the reporting date. The 12-month ECL is calculated for all individual exposures as a function of the Exposure At Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) and including forward-looking (macro-economic) indicators. Essentially, an exposure moves from Stage 1 to Stage 2 if one of the following criteria are met:

1. A loan claim has been outstanding for more than or equal to 30 days (30-day indicator serves as a 'backstop indicator');
2. There is a significant increase in the credit risk. There is an SICR if an internal rating limit has been exceeded;
3. Other qualitative indicators including information from a credit rating agency, the qualification of an exposure as 'forborne performing' or if an exposure is on the internal watch list.

The 12-month ECL is calculated for all individual exposures as a function of the EAD, PD and LGD and including forward-looking (macro-economic) indicators.

Stage 2: lifetime ECL (not credit-impaired)

Stage 2 includes exposures that show an SICR since initial recognition but have not defaulted. A lifetime ECL is recognised for these exposures, taking into account any guarantees and received collateral. This concerns the expected shortfalls on the contractual cash flows for the remaining duration of the exposure, discounted at the effective interest rate. The lifetime ECL is calculated for all individual exposures as a function of the EAD, PD and LGD and including forward-looking (macro-economic) indicators.

To determine whether an exposure moves from Stage 2 to Stage 3, the 90-day arrears period acts as a backstop indicator.

An exposure enters Stage 3 when it is credit-impaired. This is the case when:

1. A substantial loan claim has been outstanding for more than 90 days;
2. There is a significant increase in the credit risk. There is an SICR significant increase in credit risk if an internal rating limit has been exceeded;
3. There are other qualitative criteria at play, such as bankruptcy or information from a credit rating agency.

Stage 3: lifetime ECL (credit-impaired)

Exposures with payment arrears of 90 days or more fall under Stage 3 and are classified as default. However, Stage 3 also includes exposures that are identified as credit-impaired in line with the internally applied definition of default. Therefore, this also includes exposures that are forborne non-performing. If a client defaults, all exposures to that client are moved to Stage 3 and classified as credit-impaired.

A lifetime ECL is recognised for these exposures, taking into account any guarantees and received collateral. This concerns the expected shortfalls on the contractual cash flows for the remaining duration of the exposure, discounted at the effective interest rate. The lifetime ECL is calculated for all individual exposures as a function of EAD, PD and LGD and including forward-looking (macro-economic) indicators. Subsequently, the lifetime ECL is deducted from the outstanding gross carrying amount on the balance sheet. In other words, an impairment is taken on the exposure.

Migrating back to an earlier ECL stage

If the creditworthiness improves and the exposure no longer meets the above criteria, it can migrate from Stage 2 back to Stage 1 (with a probation period of two years) or from Stage 3 to Stage 2 (with a probation period of one year). This occurs according to the bank's Credit Risk Management Policy and Non-Performing Loan Policy.

Determining an SICR

An SICR exists when the credit rating at the time of reporting has significantly deteriorated compared with the credit rating at origination date. Whether there is an SICR depends on the credit risk classification:

- exposures taken with a credit rating of 7 or better (i.e. ≤ 7): significant credit risk increase occurs when the credit rating shifts to 8 or worse (i.e. ≥ 8); and
- exposures taken with a credit rating of 8 or worse (i.e. ≥ 8): significant credit risk increase when the credit rating shifts a notch. For example, from 8 to 9 is a one-notch shift.

NWB Bank has an internal credit rating scale from 1 to 15. Credit ratings 1 to 7 relate to higher-creditworthy classified exposures (investment grade); ratings 8 to 14 relate to lower-creditworthy classified exposures (non-investment grade); and 15 relates to exposures in default. The internal credit rating scale is calibrated with the help of a reputable external credit rating agency. Internal credit ratings of > 7 are non-investment grade and correspond to a rating of BB+ or worse.

Rating classes

The ECL provision is based on rating classes. The following overview presents the ECL by rating class.

The specification as at 31 December 2020 is as follows:

	Stage 1		Stage 2		Stage 3	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
1	6,788,748	7	-	-	-	-
2	3,908,794	-	-	-	-	-
3	6,026,507	-	-	-	-	-
4	10,383,511	14	-	-	-	-
5	11,519,569	124	-	-	-	-
6	9,422,698	135	-	-	-	-
7	13,670,913	380	-	-	-	-
8	6,437,142	36	257,676	-	-	-
9	9,480,373	53	35,501	-	-	-
10	581,460	-	18,800	-	-	-
11	263,335	-	25,368	-	-	-
12	-	-	1,052	-	-	-
13	-	-	-	-	-	-
14	-	-	-	-	-	-
15	-	-	-	-	132,127	-
Total	**78,483,050**	**749**	**338,397**	**-**	**132,127**	**-**

The specification as at 1 January 2020 is as follows:

	Stage 1		Stage 2		Stage 3	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
1	3,980,151	4	1,298	-	-	-
2	3,773,534	-	-	-	905,282	226,320
3	5,761,238	-	-	-	-	-
4	7,355,295	11	-	-	741,951	370,975
5	8,770,011	62	-	-	-	-
6	9,277,165	48	-	-	604,755	151,189
7	12,016,392	228	-	-	-	-
8	7,418,796	12	70,219	-	-	-
9	11,631,945	355	94,023	-	-	-
10	2,215,792	79	-	-	-	-
11	245,939	-	35	-	-	-
12	-	-	-	-	-	-
13	-	-	-	-	-	-
14	-	-	-	-	-	-
15	-	-	-	-	-	-
Total	**72,446,258**	**799**	**165,575**	**-**	**2,251,988**	**748,484**

Ratings 1 to 7 are classified as 'investment grade', while ratings 8 to 14 are 'non-investment grade'. Finally, rating 15 concerns the classification'default'.

In 2021, the bank will further refine the rating method as part of the ECL methodology that will lead to lower sensitivity and a decrease in ECL.

Analysis of the ‘performing exposures’ according to default date

The following table shows the amounts that have defaulted but have not been received at reporting date, which have not been included in Stage 3.

(in thousands of euros)	31 December 2020	1 January 2020
Less than or equal to 30 days	3,016	3,144
Greater than 30 days and less than or equal to 60 days	-	116
Total	**3,016**	**3,260**

Parameters and assumptions used

The ECL of a financial asset is determined on the basis of 12 months or its entire term, depending on whether there has been a significant increase in credit risk. The total ECL is determined based on the product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), discounted to reporting date.

Probability of Default (PD)

The PD is used to determine the ECL and the SICR. The bank has developed PD models for its lending for which no external rating is available, which are largely based on expert judgement combined with accepted mathematical techniques.

Loss Given Default (LGD)

The LGD concerns the loss in case of non-payment. The majority of the bank's portfolio consists of loans guaranteed by the Dutch government.

Exposure at Default (EAD)

The EAD concerns the expected value of the exposure at the moment when the counterparty defaults. This value includes the principal amount, the accrued interest, the premium/discount, the value adjustment resulting from the application of fair value hedge accounting and any amount due but not yet received. The effect of potential early redemptions is minimal and therefore not included in the EAD.

Low credit risk exemption

For exposures included in the item interest-bearing securities, the bank applies a 'low credit risk exemption' (LCRE) in accordance with IFRS 9. IFRS 9 allows the bank to assume, without further analysis, that the credit risk on a financial instrument has not increased significantly since its initial recognition if it is determined that the financial instrument has a low credit risk at the reporting date. An external rating of investment grade is an example of a financial instrument that can be considered low credit risk.

From credit risk score per client to PD rating per exposure

NWB Bank assigns an (internal) credit rating to each exposure at the time of origination. The credit rating is derived from the Master Scale of the ECL model. An important input for the ECL model is the Credit Risk Score (CRS) established by the Risk Management department. The bank assigns a CRS to each client to calculate the ECL per exposure. CRSs have a scale of best to worst scores ranging from 1 to 21. The internal credit ratings from the Master Scale are used in accordance with IFRS guidelines. The Master Scale links CRSs with default rates and the final credit rating. The Master Scale developed by the bank is calibrated with the help of a reputable external credit rating agency. The CRS is reviewed periodically in accordance with the credit management cycle to determine whether it is a SICR under ECL IFRS guidelines.

Macro-economic variables

Macro-economic variables are taken into account for the determination of the ECL. This takes into account forward-looking developments that may affect potential credit losses. The bank uses its internally developed models to make projections about unemployment and inflation. In June 2020 and December 2020, the bank updated the projections for inflation and unemployment. This was done using input data from the ECB's scenarios on inflation and unemployment for all of Europe, but scaled for the Netherlands based on actual 2019 figures.

The following breakdown provides an overview of the macro-economic variables and the weightings assigned to them.

Macro-economic variable	Scenario	Weighting as at 31 December 2020	Weighting as at 1 January 2020
Unemployment	Base scenario	0.50	0.50
	Upward scenario	0.25	0.25
	Downward scenario	0.25	0.25
Inflation	Base scenario	0.50	0.50
	Upward scenario	0.25	0.25
	Downward scenario	0.25	0.25

The following breakdown provides an overview of the macro-economic variables and the percentages used in the base scenario.

Macro-economic variable	Year	% as at 31 December 2020	% as at 1 January 2020
Unemployment	2020	3.58	3.84
	2021	3.80	3.85
	2022	3.92	3.85
Inflation	2020	0.44	2.02
	2021	0.54	2.03
	2022	1.41	1.99

Sensitivity analysis

The following analysis was carried out to measure the ECL's sensitivity to the various factors.

The calculation of the ECL is partly determined by the assumed macro-economic variables. The following overview shows the impact on the ECL in different scenarios.

Breakdown of the ECL into economic scenarios

		2020	2021	2022	Probability-weighting scenario	Weighted ECL	Reported ECL
Scenario 1: Down market	Inflation NL	0.44	0.10	0.86	0.25	226	-
	Unemployment NL	3.58	4.26	4.92	0.25		
Scenario 2: Stable	Inflation NL	0.44	0.54	1.41	0.50	371	749
	Unemployment NL	3.58	3.80	3.92	0.50		
Scenario 3: Up market	Inflation NL	0.44	0.98	1.96	0.25	151	-
	Unemployment NL	3.58	3.33	2.91	0.25		

Analysis 1: sensitivity of the ECL if 100% of the individual scenarios were to be applied

The table below shows the sensitivity of the ECL if 100% of the individual scenarios (downside, base and upside) were to be applied to all exposures as at 31 December 2020. Given the limited size of non-government guaranteed exposures, the sensitivity to the different scenarios is limited.

	100% Downward scenario	100% Basis scenario	100% Upward scenario
ECL	905	749	605

Analysis 2: All Credit Risk Scores deteriorate by 1 step (CRS+1)

In this analysis, the most important factor in the calculation of the ECL, Credit Risk Scores (CRS), is shifted with a deterioration of plus 1. The impact of this shift on the ECL is an increase of approximately €9.3 million. As a result, the ECL would be approximately €10 million instead of the amount of €749,000 reported at 31 December 2020. As mentioned above, further refinement of the rating method as part of the ECL methodology will reduce sensitivity in 2021.

34 FAIR VALUE OF FINANCIAL INSTRUMENTS

General

The fair value is the amount for which an asset can be exchanged or a liability settled in a transaction between knowledgeable, willing 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 periodically establishes that the application of the measurement models leads to reliable fair values that fit the risk profile of the assets and liabilities. Ongoing changes in market conditions require the bank to regularly adjust the measurement parameters that serve as inputs for the measurement models.

Cash, cash equivalents and deposits at the Central Bank, banks, loans and receivables, funds entrusted and debt securities

A measurement model is used to determine the fair value of cash, cash equivalents and deposits at the Central Bank, banks, loans and receivables, funds entrusted and debt securities. The model is also used as a basis for internal risk reports.

The principle underlying the model is a going-concern approach under which the bank:
1) generally grants the loans it holds until they mature, and
2) funds the relatively long-term loans with 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. This spread is effectively a measure of the additional funding charges the bank pays on account of liquidity and credit risks. These additional charges are determined based on the 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. From 2020, a provision for uncollectibility is determined based on the Expected Credit Loss (ECL) methodology of IFRS 9.

Interest-bearing securities

Other listed interest-bearing securities are carried at market prices. The fair values of the other interest-bearing securities held to maturity and other unlisted interest-bearing securities are determined by means of the same model used for loans and receivables. From 2020, a provision for uncollectibility is determined based on the ECL methodology of IFRS 9.

Derivatives

Derivatives are measured by applying generally accepted valuation models, based on the most appropriate valuation curves, which include the OIS curve. A credit valuation adjustment and a debt valuation adjustment are also included in the measurement.

As part of the benchmark reform, where reference interest rates change, the CCPs adjusted the Price Alignment Index (PAI) for centrally cleared interest rate derivatives from Eonia to €STER on 24 July 2020. As a consequence, the bank made further preparations to make the transition from Eonia to €STER with bilateral counterparties in 2021.

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 value of financial instruments

The following table sets out the estimated fair value of the financial assets and liabilities. For comparative purposes, accrued interest is allocated to the carrying amounts. A number of balance sheet items are not included in the table as they do not meet the definition of a financial asset or liability.

(in millions of euros)	**Carrying amount 31-12-2020**	**Fair value 31-12-2020**	Carrying amount 31-12-2019	Fair value 31-12-2019
Assets				
Cash, cash equivalents and deposits at the Central Bank	9,857	9,857	8,290	8,290
Banks	9,577	9,577	8,075	8,075
Loans and receivables	76,562	80,600	69,963	73,743
Interest-bearing securities	5,779	5,840	4,711	4,754
Derivative assets	5,064	5,064	5,125	5,125
Liabilities				
Banks	11,493	11,491	1,646	1,645
Funds entrusted	7,325	7,501	6,802	6,870
Debt securities	70,544	70,639	73,289	73,409
Subordinated debt	326	382	326	385
Derivative liabilities	15,245	15,245	12,298	12,298

Determining the fair value of financial instruments

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

(in millions of euros)	Measurement based on market prices	Measurement based on models using data available in the market	Measurement based on models using data unavailable in the market
31 December 2020			
Assets			
Interest-bearing securities	1,024		
Derivative assets		5,064	
Liabilities			
Derivative liabilities		15,245	
31 December 2019			
Assets			
Interest-bearing securities	931		
Derivative assets		5,125	
Liabilities			
Derivative liabilities		12,298	

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

Financial derivatives

(in millions of euros)	≤1 year	1-5 years	>5 years	Total
2020				
Notional amounts of interest rate derivatives	10,742	27,973	94,010	**132,726**
Notional amounts of currency derivatives	12,350	10,336	6,962	**29,648**
2019				
Notional amounts of interest rate derivatives	14,203	19,308	75,825	**109,336**
Notional amounts of currency derivatives	19,804	8,690	6,786	**35,280**

The notional amounts of the caps and floors total €21 million (2019: €40 million) and those of the swaptions €2,139 million (2019: €2,506 million). These derivatives are included under the interest rate derivatives in the above table.

35 INFORMATION ON RELATED PARTIES

The shareholders and the members of the Managing and Supervisory Boards qualify as related parties. With respect to the obligation to report information on related parties, there are no particular circumstances at NWB Bank that warrant disclosure.

For more information on the remuneration of, and loans to, members of the Supervisory Board and the Managing Board, please refer to Note **4**.

At year-end 2020, an amount of €6,784 million in loans had been granted to shareholders on market terms (2019: €6,556 million).

36 RISK MANAGEMENT

The bank's strategy places strict requirements on risk management and the organisation and enforcement of adequate internal controls. NWB Bank has adopted an organisation-wide approach to risk management and control.

Risk taxonomy

The basis for NWB Bank's risk management is a classification of all relevant risks into specific categories. This risk taxonomy, as it is called, is determined every year and does not take into account any mitigating measures in its assessment of the relevance of the risks. The taxonomy distinguishes between financial, non-financial and other types of risk, and these categories are further broken down into other subtypes.

Financial risks

Financial risks are risks related to financing, which NWB Bank manages at the individual and/or portfolio level. The bank continuously attempts to improve its understanding of exposures to these risks and how to manage them. Financial risks are subdivided into credit risk, interest rate risk, market risk and liquidity risk.

Credit risk

NWB Bank defines credit risk as the potential impact on profit/capital as a result of the deterioration of the creditworthiness of creditors/counterparties. Credit risk is divided into the following subtypes:

Subtype	Definition
Credit default risk	Potential impact on profit/capital because debtors are not meeting their obligations.
Credit migration risk	Potential impact on profit/capital as a result of the deterioration of the creditworthiness based on internal/external ratings of debtors or guarantors.
Counterparty credit risk	Potential impact on profit/capital because counterparties are not meeting their obligations in derivatives transactions.
CVA risk	The risk of mark-to-market losses in Credit Valuation Adjustments (CVA) in bilateral derivatives transactions.
Settlement risk	The risk that the counterparty fails to meet its obligations during the settlement of a transaction, even though NWB Bank meets its obligations.
Credit concentration risk	The risk of significant credit losses emanating from a concentration of exposures to a small group of clients, a group of clients with the same default characteristics or financial assets that are strongly correlated.
Country risk	The risk that a counterparty or guarantor is unable to meet its obligations as a result of political, social, economic or other events in the country in which it is based.

The bank's policy is geared towards an extremely high creditworthiness of the loan portfolio. NWB Bank principally lends to governments and government-backed institutions, which are guaranteed by (local) authorities. It also provides loans to drinking water companies and sustainability projects and finances Public-Private Partnership (PPP) projects with the government as the contracting authority. In addition, the bank provides loans to other client groups in the public sector, including university medical centres and regional network operators.

For the benefit of the liquidity portfolio, the bank purchases a limited number of bonds issued by governments in Western European countries and international organisations, and bonds securitised by Dutch mortgage loans covered by a National Mortgage Guarantee (NHG). The bank applies the same quality standards in such cases as for lending to the Dutch public sector.

Lastly, the bank enters into transactions with banks and pension funds, including currency and interest rate swaps, that generate counterparty credit risk.

All of NWB Bank's loans are included in the bank's credit rating system based on the credit risk management policy. In 2019 and 2020, this policy was further elaborated; as a result, all loans are individually assessed.

Decision-making on lending subject to solvency requirements takes place in the Credit Committee based on a credit proposal from the public finance department and an independent risk assessment from the risk management department.

In 2020, as in previous years, the bank did not suffer a loan loss. The COVID-19 pandemic did not change this. However, the crisis has put more pressure on the public sector in the Netherlands, where the bank, due to its business model, has a concentration risk. Our project finance portfolio was also closely monitored in connection with possible delays in the construction phase of some projects. These delays are no longer expected to occur. The Credit Committee is closely monitoring the overall effects of the pandemic.

Given the public sector nature of the majority of the bank's clients – which, moreover, are exempt from solvency requirements – the credit risk of the loan portfolio is limited. This is also reflected in the robust capital ratios. The gross balance sheet value (including irrevocable commitments and contingent liabilities), without taking risk mitigation measures into account, totalled €111 billion at the end of 2020 (2019: €100 billion).

NWB Bank uses derivatives to manage interest rate and currency risks. To limit the counterparty credit risks associated with these derivatives to the greatest extent possible, in principle, NWB Bank only enters into transactions with counterparties with a single-A rating at a minimum. This applies when these derivatives have not been cleared centrally. Furthermore, limits are set to minimise the total exposure from derivatives.

The fair values of these derivatives are hedged by collateral agreements (Credit Support Annexes, or CSAs) using mostly zero thresholds and by exchanging collateral on a daily basis, in cash. The bank's policy is to conclude agreements with counterparties within the International Swaps and Derivatives (ISDA) framework. As a minimum, these agreements are related to ISDA schedules and CSAs which ensure that netting agreements apply. In 2017, CSAs concluded with the majority of counterparties were amended to bring them into line with the new market standard (Variation Margin CSA, or VM CSA). Since 2016, the bank's interest rate derivatives have been cleared by a central counterparty, further reducing counterparty risk.

The total fair value exposure from derivatives to financial counterparties at year-end 2020 was €619 million, of which €460 million was covered by collateral received by the bank (2019: €817 million and €689 million, respectively). The total fair value exposure from derivatives from financial counterparties at year-end 2020 was €9,246 million, of which €8,825 million was covered by collateral provided by the bank (2019: €7,871 million and €7,769 million, respectively). The tables below show the net fair value of the derivatives, i.e. including collateral received and provided:

(in millions of euros)	Positive resp. negative fair value derivatives	Netting negative resp. positive fair value derivatives	Cash collateral received resp. payed	**Net position**
31 December 2020				
Assets				
Cash, cash equivalents and deposits at the Central Bank	4,071	-3,452	-460	159
Prepayments and accrued income	993	-	-	993
Total 2020	**5,064**	**-3,452**	**-460**	**1,152**
Liabilities				
Banks	-12,698	3,452	8,825	-421
Equity	-2,546	-	2,536	-10
Total 2020	**-15,244**	**3,452**	**11,361**	**-431**

(in millions of euros)	Positive resp. negative fair value derivatives	Netting negative resp. positive fair value derivatives	Cash collateral received resp. payed	**Net position**
31 December 2019				
Assets				
Cash, cash equivalents and deposits at the Central Bank	4,248	-3,431	-689	128
Prepayments and accrued income	877	-	-	877
Total 2019	**5,125**	**-3,431**	**-689**	**1,005**
Liabilities				
Banks	-11,308	3,431	7,769	-108
Equity	-990	-	967	-23
Total 2019	**-12,298**	**3,431**	**8,736**	**-131**

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 currency swap is ultimately exchanged, which is used to repay the associated funding in foreign currency. The currency risk arising from funding in foreign currency is hedged on a one-on-one basis using currency swaps. The bank monitors settlement risks arising chiefly upon payment and receipt of foreign currency during currency swaps.

Credit risk

At the reporting date, the total credit risk (including irrevocable commitments) expressed in risk-weighted assets based on the standardized approach as set out in the Capital Requirements Regulation (CRR) is as follows:

		Europe						
	Risk weight	NL	EU	Non-EU	North America	Rest of the World	Total	RWA
2020								
Central governments	0%	9,972	266	-	-	-	10,238	-
Regional governments	0%	20,209	51	-	-	-	20,260	-
Institutions with delegated government duties	0% -100%	60,714	173	-	-	-	60,887	1,925
International organisations	0%	-	63	-	-	-	63	-
Development banks	0%	-	759	-	-	-	759	-
Banking counterparties[1]	0% -150%	5,873	5,242	95	2,262	24	13,496	469
RMBS (NHG) notes[1]	15% -20%	1,291	-	-	-	-	1,291	210
Covered bonds	10%	847	-	-	-	-	847	85
Other	100%	2,600	-	-	-	-	2,600	63
Total 2020		**101,506**	**6,554**	**95**	**2,262**	**24**	**110,441**	**2,752**
2019								
Central governments	0%	8,350	-	-	-	-	8,350	-
Regional governments	0%	19,513	-	-	-	-	19,513	-
Institutions with delegated government duties	0%-100%	55,532	516	-	-	-	56,048	1,677
International organisations	0%	-	234	-	-	-	234	-
Development banks	0%	-	799	-	-	-	799	-
Banking counterparties[1]	0%-50%	6,947	3,606	125	1,365	16	12,059	385
RMBS (NHG) notes[1]	20%	424	-	-	-	-	424	85
Covered bonds	10%	745	-	-	-	-	745	75
Other	100%	1,011	-	-	-	-	1,011	43
Total 2019		**92,522**	**5,155**	**125**	**1,365**	**16**	**99,183**	**2,265**

1) Based on external rating (External Credit Assessment Institution)

The total assets of €110,441 (2019: €99,183) include the balance sheet value of €106,882 (2019: €96,205) and the irrevocable commitments of €4,306 (2019: €3,761).

Most of NWB Bank's lending comes under the category of a 0% risk weighting, which means the credit risk is considered very limited. The counterparty risks and potential money market lending by banking counterparties come under the 20%, 50% and 100% weighting categories. The RMBS portfolio with NHG notes comprise senior A notes under the 15% and 20% weighting categories. A 20% weighting category applies on loans to UMCs. Lastly, loans provided to Dutch drinking water companies, regional network companies, renewable energy projects and PPP projects are included in the 100% weighting category, whereby a 0.75 multiplier is used for renewable energy and PPS.

The table below provides an insight into the breakdown of long-term loans granted (paid out) by the bank:

	2020		2019	
(in millions of euros)	Nominal value	Balance sheet value	Nominal value	Balance sheet value
Water authorities	6,772	8,655	6,501	7,960
Municipalities	5,101	6,320	5,346	6,417
Other public institutions	202	278	225	301
Social housing	30,391	51,630	30,813	47,699
Healthcare institutions	1,878	2,271	2,053	2,426
Other borrowers under government guarantee	786	895	723	800
Joint schemes	837	959	722	801
Drinking water companies	836	1,060	666	848
Durable energy	390	392	87	84
Public-Private Partnerships	409	528	399	475
Credit institutions	178	178	129	129
Other	100	102	47	47
Total	**47,880**	**73,268**	**47,711**	**67,987**

The balance sheet value of the loans and receivables amounting to €76,562 (2019: €69,963) includes, in addition to long-term loans, short-term loans, current account balance receivables and collateral provided to non-financial counterparties amounting to €3,294 (2019: €1,976).

NWB Bank's borrowers as listed above are mainly public authorities and entities in the social housing and healthcare sectors to which funds loaned are guaranteed by the public authorities. The non-guaranteed financing is included under PPPs, Water companies and Renewable Energy projects. The bank has never suffered a loan loss. Owing to the adequate guarantees obtained and very limited credit risk, no losses on the loans granted are expected. Therefore, no provision for uncollectible receivables was formed, nor were any loans written down on account of credit risk. Both during the year and at the balance sheet date, arrears were low in monetary terms (non-material), of a technical nature and of a very short duration. In 2020, NWB Bank held notes of RMBS programmes from two Dutch originators in its portfolio (2019: two), securitised by Dutch mortgage loans backed by the government under the NHG. For these notes, NWB Bank only actively uses securitisation in its role as investor, when it monitors the risks during the maturity and firmly intends to hold these NHG RMBS notes until the expected maturity date. As part of this, the bank started investing in Green pass-through NHG RMBS in 2020. With the investment in these bonds, NWB Bank is helping to finance government-guaranteed green private residential mortgages.

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 2020.

Rating	Nominal amount (€ million)	Expected expiry date	Class
AAA	1,282	2067	A

Interest rate risk

NWB Bank defines interest rate risk as the current or future risk to the profit and economic value of an institution as a result of unfavourable interest rate fluctuations that have an impact on interest rate-sensitive instruments, including gap risk, basis risk and option risk. Interest rate risk is divided into the following subtypes:

Subtype	Definition
Gap risk	Risk resulting from the term structure of interest rate-sensitive instruments that arises from differences in the timing of their rate changes, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk).
Basis risk	Risk arising from the impact of relative changes in interest rates on interest rate-sensitive instruments that have similar tenors but are priced using different interest rate indices. Basis risk arises from the imperfect correlation in the adjustment of the rates earned and paid on different interest rate-sensitive instruments with otherwise similar rate change characteristics.
Option risk	Risk arising from options (embedded and explicit), where the institution or its customer can alter the level and timing of their cash flows, namely the risk arising from interest rate-sensitive instruments where the holder will almost certainly exercise the option if it is in their financial interest to do so (embedded or explicit automatic options) and the risk arising from flexibility embedded implicitly or within the terms of interest rate-sensitive instruments, such that changes in interest rates may affect a change in the behaviour of the client (embedded behavioural option risk).
Credit spread risk from non-trading book activities (CSRBB)	The risk driven by changes in the market perception about the price of credit risk, liquidity premium and potentially other components of credit-risky instruments inducing fluctuations in the price of credit risk, liquidity premium and other potential components, which is not explained by IRRBB or by expected credit/(jump-to-) default risk.
Refinancing risk	The risk that an increase in the cost of refinancing liabilities as they mature will not be offset by corresponding asset returns.

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 by taking out interest rate derivatives for both the asset and the liability side of the balance sheet. In doing so, 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.

However, the bank is prepared to adopt a strategic interest rate risk position and thereby achieve a result aimed at realising the level of return on equity agreed with the shareholders. The benchmark for the return on equity is based on the income from a ten-year continuous investment in a ten-year Dutch government bond plus a surcharge appropriate to NWB Bank's profile. This benchmark was used as input for the bank's Fund Transfer Pricing model, which is applied to new lending. The current strategic position is independent of any vision on interest rate developments and is determined on a quarterly basis. Prudent policy, supplemented by a management system tailored to that policy, and taking into account the effective interest rates of the financial instruments, constitutes the basis for the calculation, monitoring and management of interest rate risk. 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 (see below), risk measures such as (spread) DV01, 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.

Gap analysis
A gap analysis of undiscounted cash flows according to the interest rate period is shown below, based on the contractual interest review date or redemption date if the latter is earlier.

(in millions of euros)	Total	<3 months	3-12 months	1-5 years	>5 years
31 December 2020					
Assets					
Loans and receivables	108,904	35,790	4,609	11,478	57,027
Interest-bearing securities	5,883	972	1,300	1,367	2,244
Fixed-interest derivative assets	74,969	3,751	387	21,667	49,164
Variable-interest derivative assets	-64,270	-41,996	-22,134	-109	-31
Total assets	**125,486**	**-1,483**	**-15,838**	**34,403**	**108,404**
Liabilities					
Banks, funds entrusted and debt securities	90,076	21,515	5,963	26,916	35,682
Subordinated debt	381	1	8	293	79
Fixed-interest derivative assets	70,445	-3,357	-1,184	5,568	69,418
Variable-interest derivative assets	-40,039	-17,200	-22,830	-37	28
Total liabilities	**120,863**	**959**	**-18,043**	**32,740**	**105,207**
Total assets less liabilities 2020	**4,623**	**-2,442**	**2,205**	**1,663**	**3,197**

(in millions of euros)	Total	<3 months	3-12 months	1-5 years	>5 years
31 December 2019					
Assets					
Loans and receivables	96,668	29,806	4,786	12,349	49,727
Interest-bearing securities	4,741	934	1,529	1,122	1,156
Fixed-interest derivative assets	59,582	5,512	-986	20,407	34,649
Variable-interest derivative assets	-51,847	-41,904	-10,164	191	30
Total assets	**109,144**	**-5,652**	**-4,835**	**34,069**	**85,562**
Liabilities					
Banks, funds entrusted and debt securities	82,486	20,196	4,354	25,464	32,472
Subordinated debt	384	1	8	88	287
Fixed-interest derivative assets	48,069	-8,455	-413	7,015	49,922
Variable-interest derivative assets	-25,758	-11,673	-14,059	-49	23
Total liabilities	**105,181**	**69**	**-10,110**	**32,518**	**82,704**
Total assets less liabilities 2019	**3,963**	**-5,721**	**5,275**	**1,551**	**2,858**

With Brexit in mind, NWB Bank has joined Eurex Clearing to be able to clear derivatives through Eurex as well as clearing house LCH. This process was set in motion before the European Commission introduced a 'no-deal' Contingency Action Plan in late December 2018, in which LCH may be given 'third-party recognition' by the European Securities and Markets Authority (ESMA) after Brexit so it will still be possible to clear through LCH. This 'third-party recognition' was continued in late December 2019 when Brexit was postponed. On 28 September 2020, ESMA recognised, among other things, LCH as a 'third-country CCP' (central clearing counterparty), which means clearing via LCH remains possible for the time being. As for the UK swap counterparties, with which the bank is not concluding or has not concluded centrally cleared bilateral derivatives, the bank has switched to EU entities of those institutions. Joining Eurex and moving UK swap counterparties to EU entities will ensure NWB Bank's clearing of derivatives and concluding of bilateral derivatives will not be jeopardised by Brexit. The bank is also closely monitoring developments in the replacement of the Interbank Offered Rate (IBOR) benchmark rates. In 2021, the bank expects to complete the transition from Eonia to €STR. After the expected date of replacement of IBOR (31 December 2021), the remaining notional principal amount for the US Libor will be USD 40 million and a notional principal amount of GBP 365 million for the derivatives linked to GBP Libor.

Refinancing risk is one element of interest rate risk. This risk stems from one of the key characteristics of traditional banking business: the transformation of maturities. In the case of NWB Bank, its public sector clients mainly request financing with a relatively long maturity. This generally has to do with the long-term investments they make. Although the bank is also able to raise funding with a relatively long maturity, the impact of a potential increase in the funding spread on net interest income in case of a maturity mismatch between funding and lending is acknowledged.

To this end, NWB Bank applies a limit system:

DV01
NWB Bank uses DV01 (the dollar value of one basis point) as the key measure of interest rate risk. This key measure indicates the change in price or fair value, expressed in monetary units, caused by a one-basis-point (0.01%) change in the yield curve. A system of DV01 limits applies to the overall interest rate risk position, which follows from the bank's risk appetite. These limits are related to the strategic interest rate position. The interest rate-sensitivity of the portfolio to which macro-hedging is applied is monitored on the basis of DV01s for various time intervals. To manage spread risk related to the refinancing of the bank, a spread DV01 measure and concomitant limit apply. They indicate a maturity mismatch between funding and lending. The spread DV01 is quantified on the basis of the interest rate sensitivity of all long-term lending and funding. At year-end 2020, 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, intending to set 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 12 months under various interest rate scenarios with the outcome of a baseline scenario. These scenarios are carried out every day and reviewed periodically. At the end of 2020, the results for these scenarios were within the limits used for this purpose. The most negative scenario, at year-end 2020, is shown in the table below, in which there is a sudden parallel shift in interest rates of +25 basis points (bps). After this shift, there is a gradual parallel shift in interest rates of +25 bps.

(in millions of euros)	Most negative scenario 2020
Rate shock +25 bp (immediate) plus rateshock +25 bp (over time)	**-5.8**

Scenario Analysis
NWB Bank performs scenario analyses to gain additional insight into the interest rate risk. One of these scenarios is to calculate the changes in the fair value of equity in the event of a parallel shift in the yield curve of -200 bps) and +200 bps. These scenarios are prescribed by the European Banking Authority (EBA), and the bank is expected to inform the supervisory authority if the outcomes are greater than 20% of equity. A maturity-dependent post-shock interest rate floor is applied for each currency. This starts at -100 bps at immediate maturities. This floor is increased by 5 bps per year to reach 0% for maturities of 20 years and more. The effect of this sudden change in the interest rate as at 31 December 2020 is shown in the table below.

	Change in economic value of equity	
(in millions of euros)	**2020**	2019
Interest rate shock of +200 bp	**33**	32
Interest rate shock of -200 bp	**-209**	-199

Market risk

NWB Bank defines market risk as the risk of losses in on- or off-balance positions caused by negative changes in market rates. Within market risk, one subtype is recognised:

Subtype	Definition
FX risk	The potential impact on profit/capital caused by movements in the exchange rates.

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

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

	2020				2019			
Currency	Asset	Liability	Derivatives	**Total**	Asset	Liability	Derivatives	**Total**
AUD	-	-5,384	5,384	-	-	-5,533	5,533	-
CAD	-	-393	393	-	-	-393	393	-
CHF	-	-1,760	1,760	-	-	-2,435	2,435	-
GBP	-	-1,392	1,392	-	-	-897	897	-
HKD	-	-	-	-	-	-100	100	-
JPY	-	-121,729	121,729	-	-	-130,218	130,218	-
NOK	-	-500	500	-	-	-500	500	-
NZD	-	-146	146	-	-	-292	292	-
SEK	-	-8,450	8,450	-	-	-8,860	8,860	-
USD	-	-23,526	23,526	-	-	-29,228	29,228	-
ZAR	-	-230	230	-	-	-	-	-

Liquidity risk

NWB Bank defines liquidity risk as the potential impact on profit/capital in case the bank is not able to meet repayment obligations. Liquidity risk is divided into two subtypes:

Subtype	Definition
Funding liquidity risk	The risk that NWB Bank cannot meet its repayment obligations. This risk also explicitly covers concentration risks within liquidity (e.g. a concentration of liquidity sources).
Market liquidity risk	The risk that it is not possible to immediately trade on the market at a fair price.

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. This requirement is essentially fully covered on the international money and capital markets and does not raise any deposits from clients. When raising funds, the bank expressly takes into account the diversification of geographical markets, investors, currencies and funding programmes and instruments. In the unexpected event of money and capital market stagnation, the bank has more than sufficient resources to meet maturing loan obligations and finance new loans. The bank has more than sufficient liquid assets and collateral at its disposal, and a large part of the bank's portfolio is accepted as collateral at the Dutch Central Bank (De Nederlandsche Bank – DNB). In addition to a substantial liquidity buffer, the bank holds an interest-bearing securities portfolio for liquidity purposes, comprising bonds issued or guaranteed by Dutch public authorities, bonds of international organisations and multilateral development banks, and covered bonds of Dutch banks, among other things.

The collateral value of the portion of the portfolio contributed as collateral to DNB was €15.7 billion as at 31 December 2019 (€11.1 billion as at 31 December 2019). This collateral value was further expanded in 2020 and partially encumbered by two participations in the targeted longer-term refinancing operations (TLTROs). The modified, and therefore highly favourable, terms of the programme was the incentive to participate in it. In terms of short-term funding, NWB Bank mainly relies on the commercial paper market. The bank uses an ECP programme capped at €25 billion and a USCP programme capped at $25 billion. The bank has the highest short-term ratings (A-1+/P-1) with respect to those programmes. The outstanding Commercial Paper as at 31 December 2020 totalled €6.2 billion (as at 31 December 2019: €15.9 billion), a decrease that is partly attributable to the TLTRO participation. The liquidity position is monitored daily. The aim of liquidity management is to ensure there are sufficient funds available for the bank to meet not only foreseen but also unforeseen financial commitments. The bank's management is informed daily through a liquidity gap analysis, containing differences between the cash flows receivable and payable. The liquidity position is subject to a system of limits.

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

(in millions of euros)	Total	<3 months	3-12 months	1-5 years	>5 years
31 December 2020					
Assets					
Cash, cash equivalents and deposits at the Central Bank	9,857	9,857	-	-	-
Banks	9,580	-12	13	86	9,493
Loans and receivables	75,919	2,298	6,260	16,654	50,707
Interest-bearing securities	5,828	355	1,649	1,406	2,418
Intangible assets	6	-	-	6	-
Tangible assets	5	-	-	2	3
Income tax	-	-	-	-	-
Derivative assets	15,218	392	587	2,909	11,330
Other assets	30	24	1	-	5
Prepayments and accrued income	-	-	-	-	-
Total assets as at 31 December 2020	**116,443**	**12,914**	**8,510**	**21,063**	**73,956**
Liabilities					
Banks	4,699	55	172	504	3,968
Funds entrusted	17,722	376	15	10,288	7,043
Debt securities	72,483	7,672	7,748	24,576	32,487
Subordinated debt	372	1	8	286	77
Derivative liabilities	28,829	477	1,424	4,915	22,013
Pension provision	3	-	-	-	3
Provision for deferred income tax	14	-	-	14	-
Income tax	11	11	-	-	-
Other liabilities	91	29	62	-	-
Accruals	3	1	2	-	-
Equity	1,827	-	-	-	1,827
Total liabilities as at 31 December 2020	**126,054**	**8,622**	**9,431**	**40,583**	**67,418**

(in millions of euros)	Total	<3 months	3-12 months	1-5 years	>5 years
31 December 2019					
Assets					
Cash, cash equivalents and deposits at the Central Bank	8,290	8,290	-	-	-
Banks	8,078	7	12	50	8,009
Loans and receivables	76,940	2,384	6,767	18,340	49,449
Interest-bearing securities	4,744	599	1,525	1,446	1,174
Intangible assets	5	-	-	5	-
Tangible assets	5	-	-	1	4
Income tax	10	10	-	-	-
Derivative assets	15,656	519	687	3,090	11,360
Other assets	19	12	2	-	5
Prepayments and accrued income	-	-	-	-	-
Total assets as at 31 December 2019	**113,747**	**11,821**	**8,993**	**22,932**	**70,001**
Liabilities					
Banks	4,916	-96	49	616	4,347
Funds entrusted	7,810	73	15	483	7,239
Debt securities	77,350	17,778	5,485	23,123	30,964
Subordinated debt	382	1	8	88	285
Derivative liabilities	27,668	394	905	4,484	21,885
Pension provision	11	-	-	-	11
Provision for deferred income tax	11	-	-	11	-
Income tax	-	-	-	-	-
Other liabilities	23	19	4	-	-
Accruals	1	1	-	-	-
Equity	1,796	-	-	-	1,796
Total liabilities as at 31 December 2019	**119,968**	**18,170**	**6,466**	**28,805**	**66,527**

Liquidity Coverage Ratio
One of the limits relates to the Liquidity Coverage Ratio (LCR), a liquidity ratio set out in CRD IV/CRR (Capital Requirements Directive IV/Capital Requirements Regulation) to which a minimum requirement of 100% applies. The LCR measures whether there are sufficient liquid assets to meet obligations in the short term. The internal LCR limit is higher than the minimum requirement. The LCR was 150% at the balance sheet date (2019: 204%).

Net Stable Funding Ratio
The Net Stable Funding Ratio (NSFR) shows the ratio between the available and required amount of stable funding, whereby a distinction is made between products with short- and long-term maturities and off-balance sheet items.

The NSFR encourages the use of long-term funding for long-term loans, or matched financing. For the NSFR, a minimum requirement of 100% will go into effect in mid-2021. At year-end 2020, NWB Bank met this requirement with a ratio at balance sheet date of 122% (2019: 118%). The two participations in the TLTROs had a positive impact on this ratio.

Non-financial risks

Non-financial risks arise from business operations and are reduced to acceptable levels, giving due consideration to costs and benefits. At NWB Bank, only operational risk falls into this category.

Operational risk

NWB Bank defines operational risk as the risk of loss due to inadequate or failing processes, people and systems or external events. The following subtypes fall under this category:

Subtype	Definition
People risk	The risk of hampering staff knowledge and experience, staff availability and performance arising from inadequate staff management and/or losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events.
Fraud risk	The risk of losses due to a) acts intended to defraud, misappropriate property or circumvent regulations, the law or company policy, which involves internal parties and/or third parties and/or b) exceeding authority when entering into, approving or not reporting a transaction, or intentional mismarking of positions and/or c) intentional damage to systems (hardware and/or software) by internal staff due to actions carried out or not carried out, theft of data (integrity risk: fraud).
Physical security & safety risk	The risk of loss of or damage to physical assets and/or people due to acts of malice, spite, terrorism or the like, with no profit intention, or from natural disaster or other events, such as accidents.
Business continuity risk	The risk of hampering the availability/resilience of buildings, people, processes, systems, products and services due to natural disasters, power outages, terrorism or other events and/or failures of IT planned availability and/or continuity solutions and/or disaster recovery (e.g. fallback recovery data centre) when activated in response to an incident.
Transaction processing risk	The risk of losses from inaccurate, incomplete or untimely processing of transactions, resulting in a failure to effectively deliver payment processes and/or customer servicing processes.
Technology risk	The risk of losses arising from a) disruption of business or system failures (hardware failures, software failures and bugs, disruptive and destructive cyberattacks) and/or b) inadequate capacity management and/or c) technological process failures in the domains operations, architecture, development and implementation.
Conduct risk	The risk of losses due to events related to an unintentional or negligent failure to meet professional obligations to specific clients, and/or to the nature or design of a product and/or collusion and conflict of interest and/or improper business or market practices and/or to inappropriate governance structures and/or to inappropriate, unethical or unlawful behaviour of management or employees (integrity risk: conflict of interest and socially unacceptable behaviour).
Legal risk	Legal risk is the risk of loss resulting from exposure to a) non-compliance with regulatory and/or statutory responsibilities and/or b) adverse interpretation of and/or unenforceability of contractual provisions.

Financial crime risk	The risk of losses due to offences such as money laundering, financing of terrorism and circumvention of sanctions, bribery and corruption, market abuse and insider trading (integrity risk: circumvention of sanction regulation, money laundering, terrorist financing, corruption and bribery, tax integrity and market abuse (including insider trading)).
Regulatory compliance risk	The risk of losses due to intentional or negligent failure to meet regulations, laws and other rules applicable to NWB's services and/or activities.
Third-party risk	The risk of loss relating to suppliers, vendors and outsourcing parties. This risk stems, among other things, from a) inadequate outsourcing governance and/or b) inadequate resilience of third-party services and/or c) inadequate security of third party.
Cyber & Information security risk	The risk of loss due to hampered information privacy, confidentiality, integrity or availability resulting from inadequate internal (IT) security and/or cyberattacks (integrity risk: cybercrime).
Financial, regulatory reporting & tax risk	The risk of misstatements in reported (financial, regulatory) information and the risk that (to-be) reported earnings of the bank change without a change in the (economic) value of NWB and the failure to comply with tax law in a timely, transparent and effective manner, resulting in fines (penalties), interest and legal costs imposed by tax authorities on taxes arising from the bank's operations.
Data management risk	The risk of loss or inadequate decisions resulting from the failure to effectively and efficiently govern data or manage data quality or data knowledge along the entire data life cycle, including when data is acquired or created, processed, used, shared, accessed, retained and disposed.
Model risk	Potential loss as a consequence of decisions that could be principally based on the output of (internal) models, due to errors in the development, implementation or use of such models.

To fulfil its mission to be a robust and sustainable bank for the public sector, the bank has set its risk appetite for operational risks at a low level. Its internal organisation, processes and systems are designed in such a manner that operational incidents and the associated losses are kept to a minimum.

The bank's operational risk management (ORM) is based on the 'three lines of defence principle', in which the first line (heads of the treasury, public finance, back office, ICT, legal & corporate affairs, and finance & control departments) is responsible for controlling operational risks in the bank's primary processes. The second line supports the first line with its activities and ensures the effectiveness of risk management by adopting an advisory and monitoring role and providing a framework. The second line is made up of the ORM team, comprising the operational risk officer, the HR manager, the security manager and a compliance officer, and reports to the Managing Board and the Non-Financial Risk Committee (NFRC).

The ORM team manages, among other things, the following tools from the operational risk management framework:
- Risk control self-assessments: an annual self-assessment in respect of the risks and the effectiveness of the first line's process and control measures. The systematic integrity risk analysis was integrated into it as from 2017.
- Key risk indicators: indicators have been created for various sub-categories of operational risk so the bank's risk controls can be assessed.
- Register of incidents and reporting: incidents are recorded and reported to the NFRC, where measures to prevent similar incidents from occurring are put in place, where applicable.
- AO/IC: the processes, risks and associated key controls are set out in a risk & control framework and assessed and adjusted on an annual basis.
- The non-financial risk report is a new, comprehensive non-financial risk report to the NFRC and the management team.

The internal audit department (IAD) forms the third line of defence and has an independent role within the bank. The IAD tests the management of risks associated with the bank's activities. In addition, the IAD advises on the structure and risk management of the bank.

Product Approval and Review Process

The Product Approval and Review Process (PARP) refers to the procedures the bank follows in deciding whether it will offer 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 without careful consideration of the risks by the relevant departments at the bank and meticulous checks against other relevant aspects. The Managing Board is responsible for the effectiveness of the PARP. Every PARP is submitted to the Supervisory Board for review. If there is a potential material impact on the bank's risk profile or results, it is submitted for approval. Based on its annual risk assessment, the IAD audits the design, existence and effectiveness of the process and reports its findings to the Managing Board and the Supervisory Board. The PARP policy was updated in 2020.

Information services

To prevent disruptions to the information systems, NWB Bank makes ongoing investments to improve its systems. Keywords include security, integrity, manageability and continuity. A transparent infrastructure and ICT organisation and optimum security of ICT components are in place to minimise the impact of any operational disruptions at NWB Bank. For this purpose, service and maintenance contracts have been concluded for all relevant hardware and software, ICT employees receive ongoing training through classes and seminars, and contracts have been entered into with external parties for backup, 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. The bank's information security policy is based on ISO 27002 (NEN), the internationally recognised information security standard.

NWB Bank has a reliable, fully integrated Management Information System (MIS). The data quality of the MIS is monitored, validated and reconciled with the financial accounting records on a daily basis. To minimise the operational risks, all the internal and external reports are fully automated. Adjustments in the system landscape and information systems are approved by the Change Advisory Board and implemented through a controlled change process.

The bank has outsourced its client funds transfers and the related ICT support operations. This means certain services are performed outside the company. Therefore, agreements have been made with the service provider on control measures for funds transfers.

Compliance

NWB Bank attaches great value to its reputation as a solid and respectable bank. Therefore, compliance and integrity are key focus areas. The bank wishes to ensure its clients and investors can be completely confident in using its services and secure in the knowledge that their funds are safe.

Supervisory and Managing Board members, as well as staff members, have taken the banker's oath (which includes the relevant code of conduct and disciplinary rules) pursuant to the Dutch Oath or Promise (Financial Sector) Regulation or the Dutch Banking Code, which took effect on 1 January 2015. NWB Bank also has a Code of Conduct, which forms part of the employment contracts and has been posted on both the Intranet and the bank's website.

The bank has a second-line compliance function with two core tasks, namely promoting and monitoring compliance with laws and (internal and external) regulations and promoting integrity. In 2020, the compliance function was strengthened by expanding its capacity and further detailing the compliance framework. Several processes, including customer due diligence and transaction monitoring, were updated in 2020, taking into account the bank's risk profile. The strengthening of the compliance function confirms the importance the bank attaches to compliance activities.

As the quantity and complexity of laws and regulations are increasing, so are the number of rules and requirements imposed by the regulators. This situation puts increasing pressure on the management of compliance risks. To this end, the bank has a Regulatory Team responsible for identifying and exchanging information on developments in the laws and regulations. The compliance officer has a coordinating role within the Regulatory Team.

The compliance officer reports directly to the Managing Board and has direct access to the chair of the Supervisory Board.

Legal

Like any other bank, NWB Bank is exposed to legal risk. NWB Bank operates on the principle of providing proper and sound financial services. By using standard contracts to the greatest extent possible, the bank endeavours to reduce the legal risks for itself and its clients. If needed, external advisers are consulted on legal issues and to review documents relating to these transactions.

Other risks

Other risks interact with or arise from financial and non-financial risks. At NWB Bank, these risks are divided into three categories: strategic risk, Environmental, Social and Governance (ESG) risks, and reputational risk.

Strategic risk

NWB Bank defines strategic risk as the risk of not achieving its strategic objectives. It could result from pursuing inadequate objectives, making wrong decisions, implementing decisions poorly, inefficiently allocating resources or responding poorly to changing circumstances.

An important principle in managing strategic risk is the retention of the bank's high-quality risk profile as reflected in its credit ratings. To optimally serve its clients, the bank's credit ratings must remain in line with those of the Dutch government. The bank's ratings largely depend on the public sector profile of its shareholders and clients, combined with its strong solvency position. External factors that could potentially affect this are closely monitored.

Where appropriate, the Managing Board adjusts the bank's strategy in a timely manner. As a promotional bank for and established by the Dutch public sector, we must ensure a proactive response to the changing needs of the public sector. Furthermore, the bank is sensitive to changes in government policy concerning public sector funding. NWB Bank maintains a continuous and constructive dialogue with its stakeholders on this topic. Another important focus area for the Managing Board in terms of strategic risk is the impact of the constantly changing laws and regulations with which NWB Bank as a financial institution must comply. The bank's Managing Board is responsible for managing strategic risks.

Environmental, Social and Governance risks

NWB Bank defines Environment, Social, Governance (ESG) risks, including climate risks, as the risk that NWB Bank's strategic goals (including the United Nations Sustainable Development Goals), capital position and/or profit are negatively affected by ESG factors. These factors manifest themselves in financial and non-financial risks.

The assessment of the loan portfolio also takes ESG risks into account. These risks include governance aspects in the case of housing associations and the Equator Principles in the case of project financing. The ESG aspects of the credit risk management policy are dealt with in the Report of the Managing Board under 'The sustainable water bank'.

In recent months, several discussion papers and guidelines were published for regulatory purposes detailing these ESG risks. In early 2021, the bank will conduct a gap analysis of the guidelines published by the European Central Bank. Based on the findings of this analysis, the bank will examine how ESG risks can be further integrated into all aspects of its risk management.

Reputational risk

Reputational risk is the risk of damage to NWB Bank's reputation as a result of events, either directly, indirectly or tangentially. Reputational risk can be a consequence of any kind of event, which means this type of risk must be managed in the context of all other risks.

Reputational risk could impair the conditions enabling the bank to meet its objectives due to no longer meeting the expectations of its clients, the supervisory authorities, rating agencies, investors and other stakeholders. The bank's Managing Board is responsible for managing reputational risk.

Supervision

The bank is under the direct prudential supervision of the European Central Bank (ECB). The ECB performs supervision jointly with the Dutch Central Bank (De Nederlandsche Bank – DNB) as the national supervisor of the banking sector in what is known as a Joint Supervisory Team (JST). Supervision has intensified in recent years. In the interests of both parties, the JST must have a good understanding of both the specific profile and business model and the bank's risk management system. Clear and efficient lines of communication to the supervisory authority are also important. During the COVID-19 pandemic in 2020, the bank was in close contact with the JST to provide it with information. The bank did this through regular appointments, among other things.

The Supervisory Review and Evaluation Process (SREP) takes place every year, during which the supervisor assesses the bank's risks. The SREP decision, which the bank receives from the supervisor at the end of the process, sets out the main objectives the bank must achieve to address the identified issues. Because of the pandemic, the supervisor conducted a pragmatic SREP in 2020. This means no official SREP decision was taken; rather, observations about the past year and recommendations were shared in a so-called operational letter.

The EU-wide supervisory stress test was scheduled to take place in 2020 but was postponed to 2021 due to the COVID-19 pandemic. NWB Bank will be participating in the European Banking Authority (EBA) test for the first time. This is partly due to the loss of UK banks and the requirement to include a certain percentage of the entire European banking sector in the stress test.

Each year, the bank updates its Recovery Plan, partly based on the findings of the annual SREP and the ECB's recommendations. In the recovery plan, a bank describes the measures it can take to stay afloat in a financial crisis. Every bank is required to have such a plan. NWB Bank believes it is important to think carefully about the crisis management organisation and the recovery measures available for such extreme circumstances. The effectiveness of the recovery plan was tested in 2020 on the impact of COVID-19.

Besides the Single Supervisory Mechanism, which governs the prudential supervision of European banks, the formation of a banking union in Europe comprises a second and third pillar. The second pillar is the Single Resolution Mechanism (SRM), comprising the Single Resolution Board (SRB) and the national resolution authorities, which is responsible for the recovery and resolution of banks. The third pillar is the Deposit Guarantee Scheme (DGS), within which rules are laid down in relation to banks' guarantee obligation towards depositors. Of these two other pillars, the second pillar is particularly relevant to NWB Bank. With the entry into force of the Bank Recovery and Resolution Directive (BRRD) in 2015, the bank also has to deal with the SRB, which is responsible for an orderly process surrounding the recovery and possible resolution of a bank. The SRB adopts a resolution strategy for each bank. In late 2020, the SRB decided it will continue to apply a so-called simplified obligations plan in the case of NWB Bank. As a result, any insurmountable difficulties faced by the bank would be resolved through the national insolvency proceedings currently in force.

Capital requirements

Unlike the ICAAP, which covers all risk categories, the minimum capital requirements (as stipulated in the Banking Directive or the Capital Requirements Directive) relate to credit risk, market risk and operational risk. The bank uses different methods for these three types of risk.

Credit risk

NWB Bank uses the standardised method for general credit risk. In addition, there is the capital for counterparty risk, for which the mark-to-market method is used. The capital requirement according to the Credit Valuation Adjustment (CVA) is additional to the capital requirement for counterparty default risk. This capital requirement is calculated using a standard formula based on exposure, rating and average term of derivatives positions entered into with counterparties, among other things.

Market risk

Market risk concerns the bank's currency risks. Due to NWB Bank's stringent policy on currency risk, on balance, there are no outstanding currency positions. Therefore, the capital that is to be reserved to cover market risk is nil.

Operational risk

When calculating qualifying capital for operational risk, NWB Bank uses the standardised approach. Under this approach, 15% of the relevant indicator is taken as a benchmark for the operational risk. The relevant indicator is the three-year average of the total of the annual net interest income and the annual net non-interest income at the end of the financial year.

The calculation of the Tier 1 capital ratio as at the reporting date is as follows:

	2020	2019
Equity excluding profit for the current financial year	1,746	1,701
Intangible assets	-6	-5
Prudential filters	-10	-5
CET 1 capital	**1,730**	**1,691**
Additional Tier 1 capital	320	320
Tier 1 capital (A)	**2,050**	**2,011**
Weighted credit risk (SA)[1]	2,758	2,265
Capital requirement pursuant to CVA (SA)[1]	714	639
Weighted operational risk (SA)[1]	361	373
Risk-weighted assets (B)	**3,833**	**3,277**
Tier 1 ratio (A/B)	**50%**	**61%**

1) Standardised Approach

At the end of 2020, visible equity totalled €1,746 million (excluding profit for the current financial year) towards €1,701 million at year-end 2019 (excluding profit for the current financial year). CET 1 capital, including Additional Tier 1 capital, amounted to €2,011 million at year-end 2019 (excluding profit for the current financial year). The bank's total risk-weighted assets rose from €3,277 million at the end of 2019 to €3,833 million at the end of 2020. This rise is primarily the result of an increase in risk-weighted lending. It mainly concerns the financing of renewable energy projects, drinking water companies, academic hospitals and Public-Private Partnership (PPP) projects.

The ECB conducted a modified SREP last year. The capital requirements for NWB Bank were renewed and not reassessed. The bank-specific Pillar 2 capital requirement thus remained unchanged at 2.25%. The total SREP capital requirement for NWB Bank is 10.25%. This is the sum of the total Pillar 1 capital requirement of 8% and the Pillar 2 capital requirement of 2.25%. Together with the required capital conservation buffer of 2.5%, the total capital requirement for the bank amounts to 12.75%.

Leverage ratio

The implementation of CRR II has introduced a leverage ratio requirement of 3%. CRR II provides certain adjustments to the exposures that need to be included in the calculation of the ratio. Public development credit institutions, such as NWB Bank, can exclude exposures related to the financing of public sector investments. As a result of the pandemic, the ECB declared 'exceptional circumstances' last year, so cash, cash equivalents and deposits with the Central Bank are to be excluded from the leverage ratio until 27 June 2021. As a result, the leverage ratio at the balance sheet date, including cash, cash equivalents and deposits, was 13.5% (including profit for the financial year less dividend).

Additional information about NWB Bank's risk management can be found in the Pillar 3 reports at www.nwbbank.com. These reports were not part of the audit.

37 EVENTS AFTER THE BALANCE SHEET DATE

The fraud incident identified after the balance sheet date has been accounted for in the 2020 financial statements. There were no other significant events after the balance sheet date that need to be disclosed.

38 PROPOSED PROFIT APPROPRIATION

The profit for the reporting year amounted to €80.5 million. The share of profit available for dividend has been set at €45 million by the Managing Board and Supervisory Board. This decision was made in accordance with Article 21 of the Articles of Association.

		2020		2019
Profit for the year		**80,500**		**94,502**
The proposed profit appropriation is as follows:				
Cash dividends on A shares	659%	38,281	806%	46,788
Cash dividends on B shares	659%	6,719	806%	8,212
		45,000		**55,000**
Added to the reserves on the approval of the Supervisory Board		35,500		39,502
		80,500		**94,502**

In response to the ECB's urgent recommendations of 27 March and 27 July 2020 (ECB/2020/19 and ECB/2020/35), the bank has decided to postpone the payment of dividends (not before 1 October 2020 and 1 January 2021 respectively). The reason for this is the COVID-19 pandemic and the uncertainties it is creating for banks and the economy. Despite the fact that the bank is aware of its special character as a national promotional bank and that a dividend payment to its public shareholders contributes to combating the economic consequences of COVID-19 without affecting the bank's ability to provide additional lending, the bank has decided to follow the recommendation. The shareholders have shown understanding for this decision. However, in line with recommendation ECB/2020/62 of 15 December 2020, which has given banks some leeway for paying our dividends, the bank paid €8.1 million in dividends for 2019 to our shareholders in early March 2021. The remaining 2019 dividend of €46.9 million and the 2020 dividend (the latter after approval by the AGM) will be recognised as a liability on the balance sheet at least until 30 September 2021 in accordance with the latest ECB recommendation.

The dividend proposed in the 2020 and 2019 financial statements and adopted by the General Meeting of Shareholders is recognised in other reserves.

39 MANAGING BOARD AND SUPERVISORY BOARD

Managing Board

Lidwin van Velden
Melchior de Bruijne
Frenk van der Vliet

Supervisory Board

Joanne Kellermann
Maurice Oostendorp
Petra van Hoeken
Toon van der Klugt
Frida van den Maagdenberg
Annette Ottolini
Manfred Schepers

The Hague, 18 March 2021

OTHER INFORMATION

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INDEPENDENT AUDITOR'S REPORT

To: the shareholders and Supervisory Board of Nederlandse Waterschapsbank N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2020 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements 2020 of Nederlandse Waterschapsbank N.V. ('NWB Bank'), based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of NWB Bank as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- the balance sheet as at 31 December 2020;
- the statement of income for 2020;
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of NWB Bank in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Our audit approach

Our understanding of the business

NWB Bank is a national promotional bank and a lender to the public sector in the Netherlands, providing financing to water authorities, municipalities and provinces as well as to other public sector institutions such as housing associations and healthcare institutions which are guaranteed (indirectly) by the Dutch State. NWB Bank is also involved in financing Public-Private Partnerships (PPP) and renewable energy projects and government-backed export financing. We paid specific attention in our audit to a number of areas driven by the operations of NWB Bank and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We were forced to perform our procedures related to our audit of the 2020 financial statements to a great extent remotely due to the COVID-19 measures. This limits our observation and increases the risk of missing certain signals. In order to compensate for the limitations related to physical presence and direct observation, we more extensively used communication technologies and written information exchange to obtain the audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€18 million (2019: €17 million)
Benchmark applied	1% of equity
Explanation	Based on our professional judgment we consider an equity-based measure as the most appropriate basis to determine materiality as it is a key indicator for the financial position for the users of the financial statements.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of €0.9 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a bank. We included specialists in the areas of IT audit, forensics, legal and income tax. Furthermore, we have made use of our own experts in the areas of the loan loss provisioning, valuations of derivatives, hedge accounting, employee benefits, fair value disclosures and capital ratios.

Our focus on fraud and non-compliance with laws and regulations

We refer to the key audit matter on the fraud incident.

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance and risk management) and the Supervisory Board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. In our risk assessments we considered the potential impact of among others pressure to meet key financial ratios, the development of the business and organizational changes. We also considered whether the COVID-19 pandemic gives rise to specific fraud risk factors with remote working or illness possibly diluting the effectiveness of internal controls.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in the basis of preparation of the financial statements under 'significant assumptions and estimation uncertainties'. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general banking industry experience, through discussions with the Managing Board, reading minutes, inspection of reports from risk, compliance and internal audit, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations from the Managing Board that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

We performed procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting. The Managing Board made a specific assessment of NWB Bank's ability to continue its operations as a going concern for at least the next 12 months. We discussed and evaluated the assessment with management exercising professional judgment and maintaining professional skepticism, and specifically focused on the process followed by management to make the assessment, management bias that could represent a risk, the impact current events and conditions may have on the NWB Bank's operations and forecasted cash flows, particularly whether NWB Bank will have sufficient liquidity to continue to meet its obligations as they fall due and will continue to comply with prudential requirements.

Based on the audit evidence obtained, we consider whether a material uncertainty exists related to events or conditions that may cast significant doubt on NWB Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause NWB Bank to cease to continue as a going concern.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Following the fraud incident we have included a new key audit matter thereon for this year.

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.

Fraud incident	
Risk	As disclosed in the financial statements in note 4 and discussed in the section on financial results in the report of the Managing Board, in 2020, NWB Bank was affected by a fraud incident and made a payment on the basis of falsified loan documents. Although the impact of the fraud incident does not have a material effect on the bank's financial position, the magnitude of the fraud and the impact on the net result for 2020 is substantial, therefore we consider this a key audit matter.
Our audit approach	We obtained an understanding of the nature of the fraud incident and the circumstances in which it has occurred, including management's own analysis. We have evaluated the implications of the fraud incident in relation to other aspects of the audit and the impact on the financial statements. This evaluation, in which we involved our forensic specialists, determined our audit approach. In this respect, we have: • Inspected underlying documentation of (internal) investigations performed and other relevant documents; • Attended the audit committee meeting and Supervisory Board meeting in which this topic was discussed; • Read minutes from relevant committees; • Inspected correspondence with regulators; • Evaluated the involvement of external specialists engaged by NWB Bank; • Evaluated and discussed internal audit reports; • Obtained specific management representations in relation to the fraud incident; • Discussed with and reported our response and observations to the Managing Board, audit committee and Supervisory Board. • Assessed whether we needed to report this matter to other parties outside NWB Bank. We have reevaluated the assessment of fraud risk and its resulting impact on our audit procedures and specifically performed additional loan confirmation procedures. Finally, we evaluated whether the disclosure of the fraud incident in the financial statements, the Managing Board report, the Supervisory Board report and the corporate governance statement provide a balanced view of actions and status.
Key observations	Based on our procedures performed, we found that the financial impact of the fraud incident has been timely, accurately and completely accounted for and disclosed in the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Credit quality loan portfolio and expected credit loss provision

Risk

Loans and receivables are stated at amortised cost using the effective interest method, less a provision for impairment losses. As from 1 January 2020 NWB Bank uses the option, as allowed under Dutch Accounting Standards, to apply the IFRS 9 impairment requirements based on expected credit losses (hereinafter: 'ECL'). This is disclosed in section 'Change in accounting policies' in the general notes to the financial statements. Impairment allowances represent NWB Bank's best estimate of expected losses. At 31 December 2020, the loans and receivables amount to €76.6 billion, net of expected credit loss provision of €0.8 million as disclosed in notes 12 and 33 to the financial statements.

The provision for impairment is based on expected credit losses which includes parameters and assumptions such as the probability of default, the loss given default, the allocation of loans to stages and the use of macro-economic scenarios and forward looking information.

The appropriateness of loan loss provisions is a key area of judgment for the Managing Board. The identification of expected credit losses is an inherently uncertain processes involving assumptions and factors including the financial condition of the counterparty and expected future cash flows. The use of alternative modelling techniques and assumptions could produce significantly different estimates of loan loss provisions.

The adoption of IFRS 9 impairment requirements and the application of this standard are inherently complex, most predominantly in respect of the calculation of loan loss provisions using the expected credit loss methodology. Therefore, we considered this to be a key audit matter.

Our audit approach

Our audit procedures included, amongst others, evaluating the first-time adoption of the impairment requirements of IFRS 9 and the appropriateness of NWB Bank's accounting policies related to the expected credit losses according to this standard.

We have obtained an understanding of the loan loss provisioning process and evaluated the design of internal controls across the processes relevant to the expected credit loss calculations as well as performing substantive procedures. This included the allocation of assets into stages, model governance, data accuracy and completeness, arrears management, multiple economic scenarios, journal entry testing and disclosures.

With the support of our internal modelling specialists, we assessed the adequacy of the provisioning model used by NWB Bank and verified whether the model was adequately designed and implemented. We performed an overall assessment of the provision levels by stage to determine if they were reasonable considering the risk profile of the portfolio, arrears management and credit risk management practices and the macroeconomic environment. We challenged the criteria used to allocate loans to stage 1, 2 or 3 in accordance with IFRS 9 and tested a sample of loans on appropriate staging. We tested the data used in the ECL calculation by reconciliation to source systems.

With the support of our internal economic specialists, we assessed the base case and alternative economic scenarios including the impact of COVID-19. This included challenging probability weights and the severity and magnitude of modelled downside scenarios, as well as assessing the sensitivity of primary drivers in the model calculations.

Credit quality loan portfolio and expected credit loss provision (continued)	
Our audit approach	As the IFRS 9 impairment requirements were adopted as per 1 January 2020, we performed procedures on the opening balances. These procedures included evaluating the accounting interpretations for compliance with IFRS 9 and the adjustments and disclosures made in the financial statements. As permitted under the transition provisions, the 2019 comparative information has not been restated. Finally, we evaluated the completeness and accuracy of the disclosures in the financial statements relating to the provision for impairment losses in accordance with Part 9 of Book 2 of the Dutch Civil Code and IFRS 7 on credit risk.
Key observations	Based on our procedures performed we consider the provision for expected credit losses to be reasonable and found that the disclosures relating to the provision for expected credit losses, in all material aspects, meet the requirements of Part 9 of Book 2 of the Dutch Civil Code and IFRS 7 on credit risk.

Hedge accounting	
Risk	NWB Bank hedges most interest rate risks and foreign exchange risks related to financial assets and liabilities. For accounting purposes NWB Bank applies two types of fair value hedge accounting, micro and macro hedging. The application of hedge accounting enables the synchronization of the reported results for the hedging instrument and the hedged position, insofar the hedge is effective and the hedge relation is formally documented. NWB Bank has developed specific models to calculate hedge effectiveness. NWB Bank only uses derivatives as hedging instrument, measured at fair value on the balance sheet. Both the fair value adjustments of the hedged position related to the hedged risk and the fair value adjustments of the derivatives are recorded in statement of income as result from financial transactions including any resulting ineffectiveness. For the year ended 31 December 2020 NWB Bank recorded a hedge accounting ineffectiveness as disclosed in note 2 'result from financial transactions' of €4.9 million negative (2019: €4.5 million negative). The hedge accounting models used by NWB Bank to determine the effectiveness of the hedges is significant for our audit and therefore considered a key audit matter. The process, including the technical requirements that are applicable to the application of hedge accounting, is complex, highly subjective and based on assumptions.
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of NWB Bank's hedge accounting policies in accordance with Part 9 of Book 2 of the Dutch Civil Code and Dutch Accounting Standard 290. We evaluated the design and tested operating effectiveness of the controls over the hedge accounting process. In our audit we have tested, on a sample basis, whether the hedge documentation meets requirements of Part 9 of Book 2 of the Dutch Civil Code and Dutch Accounting Standard 290. Furthermore, our hedge specialists have been involved to assess whether the hedge relationships are effective and the hedge effectiveness has been calculated accordingly. Finally, we evaluated the completeness and accuracy of the disclosures in accordance with Part 9 of Book 2 of the Dutch Civil Code and Dutch Accounting Standard 290.
Key observations	Based on our procedures performed no material findings were noted with respect to the adequacy of the hedge documentation and the hedge effectiveness tests. We found the disclosure on hedge accounting in accordance with Part 9 of Book 2 of the Dutch Civil Code and Dutch Accounting Standard 290.

Fair value measurement of derivatives	
Risk	Fair value measurement of derivatives and associated valuation adjustments can be a subjective area insofar model based valuations are applied due to lower liquidity and limited price availability. For a significant part NWB Bank has derivatives where no market prices are available, and in these cases, fair value is determined using valuation models based on observable market data. NWB Bank has derivative assets and derivative liabilities categorized as 'measurement based on models using market observable data' totalling €5.1 billon and €15.2 billion respectively (2019: €5.1 billon and €12.3 billion respectively) as disclosed in note 34 fair value of financial instruments. Due to the magnitude of derivatives measured at fair value and the inherent complexity of the valuation and the judgments applied by management we determined this to be a key audit matter for our audit.
Our audit approach	We evaluated the design and implementation and, where considered appropriate tested key controls related to the valuation process, including the methods used in model-based calculations, as well as the control of data quality and the handling of change regarding internal valuation models. We have also tested the general IT controls, including amongst others logical user access regarding relevant applications. We have engaged our internal valuation specialists in order to challenge the methods and assumptions used for measuring the value of derivatives. We have assessed the methods in the valuation models against valuation guidelines and standard industry practice. We have also checked the accuracy of the estimates by comparing with counterparty valuations and conducting sample tests and performed our independent valuations. We also evaluated the completeness and accuracy of the disclosures relating to the derivatives measured at fair value.
Key observations	We have not identified any material misstatements regarding the measurement of derivatives as at 31 December 2020 and the related disclosures in the financial statements.

REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Report of the Managing Board, including the sustainable water bank;
- Report of the Supervisory Board;
- Remuneration report;
- Corporate governance;
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- Additional information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the report of the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and, other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the general meeting of shareholders as auditor of NWB Bank on 23 April 2015, as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as the Managing Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board is responsible for overseeing NWB Bank's financial reporting process.

Our responsibilities for the audit of the financial statements

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

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee of the Supervisory Board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 18 March 2021

Ernst & Young Accountants LLP

signed by W.J. Smit

ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

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

Our opinion

We have audited the non-financial information in the accompanying annual report for the year 2020 of Nederlandse Waterschapsbank N.V. at The Hague. An audit is aimed at obtaining a reasonable level of assurance.

In our opinion, the non-financial information presents, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility;
- the thereto related events and achievements for the year 2020

in accordance with the reporting criteria as included in the section Reporting criteria.

The non-financial information is included in the chapter 'Report of the Managing Board' (excluding the paragraph 'Risk management') and section 'GRI-index' of the annual report.

Basis for our opinion

We have performed our audit on the non-financial information in accordance with Dutch law, including Dutch Standard 3810N, 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports), which is a specific Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000, 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. Our responsibilities under this standard are further described in the section Our responsibilities for the audit of the non-financial information of our report.

We are independent of Nederlandse Waterschapsbank N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Reporting criteria

The non-financial information needs to be read and understood together with the reporting criteria. Nederlandse Waterschapsbank N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the non-financial information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as disclosed in:

- the section 'Reporting standards non-financial information' of the annual report;
- the document '2020 NWB PCAF methodology' as included on the website of the Nederlandse Waterschapsbank N.V.

The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our audit

The non-financial information includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the non-financial information.

The results of the CO_2 emission equivalents loan portfolio are presented in the 'Key Figures' section. Sources from external parties were used in the calculations. The sources used are explained in the 2020 NWB PCAF methodology. We have not performed any work on the content of these external sources, other than assessing the suitability and plausibility of these external sources.

The references to external sources or websites in the non-financial information are not part of the non-financial information as audited by us. We therefore do not provide assurance on this information.

Responsibilities of the Managing Board and the Supervisory Board for the non-financial information

The Managing Board is responsible for the preparation of reliable and adequate non-financial information in accordance with the reporting criteria as included in the section Reporting criteria, including the identification of stakeholders and the definition of material matters. The choices made by the Managing Board regarding the scope of the non-financial information and the reporting policy are summarized in the section 'Reporting standards non-financial information' of the annual report.

The Managing Board is also responsible for such internal control as the Managing Board determines is necessary to enable the preparation of the non-financial information that are free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing the reporting process of Nederlandse Waterschapsbank N.V.

Our responsibilities for the audit of the non-financial information

Our responsibility is to plan and perform the audit 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 material errors and fraud.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

We have exercised professional judgment and have maintained professional skepticism throughout the audit performed by a multi-disciplinary team, in accordance with the Dutch assurance standards, ethical requirements and independence requirements.

Our audit included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the non-financial information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Managing Board;
- Obtaining an understanding of the systems and processes for collecting, reporting and consolidating the non-financial information, including obtaining an understanding of internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Identifying and assessing the risks that the non-financial information is misleading or unbalanced, or contains material misstatements, whether due to fraud or errors. Designing and performing further audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that the non-financial information is misleading or unbalanced, or the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. These further audit procedures consisted amongst others of:
  - Interviewing management and relevant staff responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the non-financial information;
  - Obtaining assurance information that the non-financial information reconciles with underlying records of the company;
  - evaluating the reasonableness of the estimates used in the CO_2 emission equivalents loan portfolio and the assumptions underlying those estimates, which are explained in the 2020 NWB PCAF methodology;
  - assessing the suitability and plausibility of the sources of external parties used for the calculations that form the basis of the CO_2 emission equivalents loan portfolio and which are explained in the 2020 NWB PCAF methodology;
  - Evaluating relevant internal and external documentation, on a test basis, to determine the reliability of the information in the non-financial information;
  - Performing an analytical review of the data and trends;
- Reconciling the relevant financial information with the financial statements;
- Evaluating the consistency of the non-financial information with the information in the annual report which is not included in the scope of our audit;
- Evaluating the overall presentation, structure and content of the non-financial information;
- Considering whether the non-financial information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant findings in internal control that we identify during our audit.

The Hague, 18 March 2021

Ernst & Young Accountants LLP

Signed by R.J. Bleijs

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 profit the Managing Board, subject to the approval of the Supervisory Board, may with due regard for the provisions of paragraphs 1 and 2 of this article resolve to distribute an interim dividend on the basis of an interim statement of the company's financial position as provided for in Section 105, subsection 4 of Book 2 of the Dutch Civil Code.

5. On a resolution proposed by the Managing Board, with the approval of the Supervisory Board, the shareholders in general meeting can decide to distribute to shareholders a dividend or interim dividend other than in cash chargeable to the part of the profit to which they are entitled.

SUPPLEMENTARY INFORMATION

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REPORTING GUIDELINES FOR NON-FINANCIAL INFORMATION

The non-financial information can be found in the 'Report of the Managing Board' chapter (excluding the 'Risk management' paragraph) and the 'GRI index' section of the annual report.

Global Reporting Initiative

NWB Bank reports on its activities in a transparent way. In doing so, the bank follows the **Global Reporting Initiative (GRI)** guidelines. This report is based on the GRI standards for 2019. The bank reports at GRI reporting level 'core'. The Report of the Managing Board has been drawn up according to these GRI standards, which have been verified by Ernst & Young Accountants LLP; see the **Assurance report (see page 204)**.

NWB Bank's reason for choosing GRI is that it offers excellent international comparability with other institutions, as well as other banks and state-owned enterprises in the Netherlands that apply this framework. A full overview of the relevant substantial criteria and (self-developed) performance indicators are included in the bank's **GRI index (see page 212)**.

Disclosure of non-financial and diversity information

EU Directive 2014/95/EU regarding the disclosure of non-financial and diversity information, drawn up in 2014, obliges organisations to be more transparent about non-financial information, such as their environmental and social policies and diversity at the executive level. The Directive has been transposed into Dutch law in two parts, effective 1 January 2017. The Ministry of Finance in its role as shareholder asked for the non-financial information and diversity information to be included in the annual report. Under Dutch law, NWB Bank is already legally obliged to report on diversity in its annual report.

ICSR Agreement for the banking sector

The bank signed the ICSR (International Corporate Social Responsibility) Agreement for the banking sector in 2016. NWB Bank recognises that human rights are universal values and that the bank has a responsibility as a business to respect them. If and when relevant, the bank pledges to mitigate or – ideally – prevent any adverse human rights impacts on its clients and/or staff. The risks for NWB Bank are limited given the public-sector nature of its loan portfolio. Nevertheless, the bank takes this policy into account in its lending activities and its own office organisation. The bank's human rights policy and the related report can be found on the **bank's website**.

UN Global Compact

NWB Bank subscribes to the UN Global Compact Principles. By signing these principles, the bank has agreed to take into account key themes such as human rights, labour rights, the environment and anti-corruption in its business processes. It also means that the bank will expect its stakeholders to comply with these principles, when possible and relevant. Further information on the implementation of these principles can be found in the GRI table on NWB Bank's **website**.

Climate Statement Banks

In the run-up to the Climate Conference in Paris, Dutch banks jointly published the Climate Statement Banks in November 2015, and presented it to the Dutch government and NGOs involved in climate change activities. The statement, comprising 10 points, includes the Dutch banking sector's aim to lead the way in combating the effects of climate change. This statement is updated annually with a list of the various initiatives and results.

Impact of lending on climate

General principles

To calculate the impact of our lending on the climate, we use the methodology of the Partnership for Carbon Accounting Financials (PCAF). PCAF provides a framework and harmonised methodology that increases transparency and awareness of greenhouse gas emissions (equivalents) and reporting on them. The Telos/Het PON research institute, which is affiliated with Tilburg University, has helped us to apply the PCAF methodology. Its use has been incorporated in the 2020 NWB **PCAF methodology document**. This methodology document serves as the basis for the calculation. The 2019 figures (baseline) have been recalculated based on this methodology.

Data quality

The quality of the data is an important element for calculating the emissions of our loan portfolio. The following scores apply for the calculation. See the methodology document for further details:

	Score
Housing associations	2.5
Municipalities	3
Water authorities	2
Healthcare sector	2.5
Drinking water utilities	2
Regional governments	3
Educational institutions	1.75

PCAF distinguishes five levels of quality for emissions:

- Class 1 concerns individual emissions data or actual energy consumption data that has been audited.
- Class 2 concerns unaudited emissions data or other primary consumption data.
- Class 3 concerns average data specific to the sector or similar institutions.
- Class 4 concerns approximate data based on a region or country.
- Class 5 concerns rough estimates.

Methodology used

The share of NWB Bank's financing in the emissions of a client or project is calculated by multiplying the bank's share in that client or project's balance sheet by that client's total greenhouse gas emissions (equivalents). The emission data were derived or calculated from publicly available data from Statistics Netherlands, the Human Environment and Transport Inspectorate, the Water Authorities' Climate Monitor and the sustainability reports of the financed institutions. The calculation of the climate impact for 2019 is based on the loan portfolio as at 31-12-2018 and the calculation for 2020 is based on the loan portfolio as at 31-12-2019. This was chosen because the shifts in the portfolio from year to year are limited.

Limitations

There is still insufficient data available on the extent of the emissions avoided or negated as a result of projects we have financed. It was not possible to calculate Scope 3 emissions for housing associations. This would include emissions resulting from the construction (and major maintenance) of housing association properties. There are no calculations or data available to make a reasonable estimate of these emissions.

GRI INDEX

GRI SUSTAINABILITY REPORTING GUIDELINES

Ref. no	Description	Page reference
Organisational profile		
102-1	Name of the organisation	**NWB Bank's profile**
102-2	Activities, brands, products and services	**Financial results in 2020**
102-3	Location of headquarters	**General notes to the financial statements**
102-4	Location of operations	**Financial results in 2020**
102-5	Ownership and legal form	**Corporate governance**
102-6	Markets served	**Financial results in 2020**
102-7	Scale of the organisation	**Report of the managing board**
102-8	Number of employees (a to f not specified for privacy reasons)	**Sustainable, efficient and socially committed organisation**
102-9	Supply chain	**Value creation**
102-10	Significant changes to the organisation and its supply chain (not applicable in 2020)	**Financial results in 2020**
102-11	Precautionary principle or approach	**Dilemmas**
102-12	External initiatives	**The sustainable water bank**
102-13	Memberships in associations and other advocacy organisations	**Stakeholder dialogue**
Strategy		
102-13	Statement from senior decision-maker	**Interview with Lidwin van Velden**
102-15	Key impacts, risks and opportunities	**Supervision and risk management**
Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour	**Reporting standards**
Governance		
102-18	Governance structure	**Corporate governance**
102-19	Delegating authority	**Corporate governance**
102-20	Executive-level responsibility for economic, social and governmental topics	**Corporate governance**
102-21	Consulting stakeholders on economic, social and governmental topics	**Corporate governance**
102-22	Composition of the highest governance body	**Corporate governance**
102-23	Chair of the highest governance body	**Corporate governance**
102-24	Nominating and selecting the highest governance body	**Corporate governance**
102-25	Conflicts of interest	**Corporate governance**
102-38	Annual total compensation ratio	**Remuneration report**
Stakeholder engagement		
102-40	List of stakeholder groups	**Stakeholder dialogue**
102-41	Collective bargaining agreement	**Remuneration report**
102-42	Identifying and selecting stakeholders	**Stakeholder dialogue**
102-43	Approach to stakeholder engagement	**Stakeholder dialogue**
102-44	Key topics and concerns raised	**Stakeholder dialogue**

Ref. no	Description	Page reference
Reporting practice		
102-45	Entities included in the financial statements	**General notes to the financial statements**
102-46	Defining report content and topic boundaries	**Materiality analysis**
102-47	List of material topics	**Materiality analysis**
102-48	Restatements of information	**Materiality analysis**
102-49	Changes in reporting	**Materiality analysis**
102-50	Reporting period	1 January 2020 - 31 December 2020
102-51	Date of most recent report	11 March 2020
102-52	Reporting cycle	Annualy
102-53	Contact point for questions regarding the report	Colofon
102-54	Claims of reporting in accordance with the GRI Standards	**Reporting standards**
102-55	GRI index	
102-56	External assurance	**Assurance report**
Management approach		
103-1	Explanation of the material topics and their boundaries	**Management approach**, **stakeholder dialogue** and **materiality analysis**
103-2	Management approach and its components	**Management approach**, **stakeholder dialogue** and **materiality analysis**
103-3	Evaluation of the management approach	**Management approach**, **stakeholder dialogue** and **materiality analysis**
Top-5 material topics		
1	Availability and affordability of appropriate financing Own indicator: total volume of new lending in 2020	**Key player in financing the dutch public sector**
2	Safe, stable and efficient bank Own indicator: Financial ratios	**Sustainable, efficient and socially committed organisation**
3	Contributing to climate mitigation, climate adaptation and restoration of biodiversity Own indicator: volume of new lending to renewable energy projects	**Financing partner for enhancing sustainability in the Netherlands**
4	Facilitating safe, clean and sustainable surface water and drinking water Own indicator: volume of new lending to water authorities	**Bank of and for the public water sector**
5	Attract funding through ESG bonds Own indicator: volume of sustainable funding as % of new funding	**Financing partner for enhancing sustainability in the Netherlands**

Our own indicators have been applied because the GRI disclosures do not match the material subjects of NWB Bank.

LIST OF SHAREHOLDERS AS AT 1 JANUARY 2021

	Number of A shares at €115	Number of B shares at €460
Aa en Maas Water Authority	627	301
Amstel, Gooi en Vecht Water Authority	281	60
Brabantse Delta Water Authority	2,016	483
Delfland Water Authority	755	60
De Dommel Water Authority	533	360
Drents Overijsselse Delta Water Authority	2,236	232
Fryslân Water Authority	3,309	100
Hollandse Delta Water Authority	1,893	143
Hollands Noorderkwartier Water Authority	4,399	204
Hunze en Aa's Water Authority	1,915	175
Limburg Water Authority	2,401	299
Noorderzijlvest Water Authority	1,107	170
Province of Drenthe	15	25
Province of Friesland	24	25
Province of Gelderland	44	50
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
Rijn en IJssel Water Authority	5,666	345
Rijnland Water Authority	4,858	289
Rivierenland Water Authority	3,968	437
Scheldestromen Water Authority	4,380	166
Schieland en de Krimpenerwaard Water Authority	610	430
Dutch State	1,208	3,333
De Stichtse Rijnlanden Water Authority	224	47
Vallei en Veluwe Water Authority	631	88
Vechtstromen Water Authority	7,158	423
Zuiderzeeland Water Authority	42	26
	50,478	**8,511**

DISCLOSURE OF NON-FINANCIAL INFORMATION AND DIVERSITY INFORMATION (REFERENCE TABLE)

Subjects	Aspect	Added yes/no	Chapter/ Page reference
Business model	N/A	Yes	**Organisation (see page 10)**
Relevant social and employee-related matters (e.g. HR, safety etc.)	The policies pursued, including due diligence	Yes	**Sustainable, efficient and socially committed organisation (see page 59)**
	The results of the policies pursued	Yes	**Sustainable, efficient and socially committed organisation (see page 59)**
	The principle risks of the bank's own operations and within the value chain	Yes	**Sustainable, efficient and socially committed organisation (see page 59)**
	The management of those risks	Yes	**Sustainable, efficient and socially committed organisation (see page 59)**
	Non-financial performance indicators	Yes	**Sustainable, efficient and socially committed organisation (see page 59)**
Relevant environmental matters (e.g. impact of climate change)	The policies pursued, including due diligence	Yes	**Sustainable, efficient and socially committed organisation (see page 59)**
	The results of the policies pursued	Yes	**Sustainable, efficient and socially committed organisation (see page 59)**
	The principle risks of the bank's own operations and within the value chain	Yes	**Sustainable, efficient and socially committed organisation (see page 59)**
	The management of those risks	Yes	**Sustainable, efficient and socially committed organisation (see page 59)**
	Non-financial performance indicators	Yes	**Sustainable, efficient and socially committed organisation (see page 59)**
Relevant subjects regarding respect for human rights (e.g. employee protection)	The policies pursued, including due diligence	Yes	**Reporting standards (see page 210)**
	The results of the policies pursued	Yes	**Reporting standards (see page 210)**
	The principle risks of the bank's own operations and within the value chain	Yes	**Reporting standards (see page 210)**
	The management of those risks	Yes	**Reporting standards (see page 210)**
	Non-financial performance indicators	Yes	**Reporting standards (see page 210)**

Subjects	Aspect	Added yes/no	Chapter/ Page reference
Relevant subjects regarding the fight against corruption and bribery	The policies pursued, including due diligence	Yes	**Integrity (see page 59)**
	The results of the policies pursued	Yes	**Integrity (see page 59)**
	The principle risks of the bank's own operations and within the value chain	Yes	**Integrity (see page 59)**
	The management of those risks	Yes	**Integrity (see page 59)**
	Non-financial performance indicators	Yes	**Integrity (see page 59)**
Insight into the diversity policy (Executive Board and Supervisory Board)	The policies pursued	Yes	**Corporate Governance (see page 109)**
	Diversity targets	Yes	**Corporate Governance (see page 109)**
	Description of how the policy is implemented	Yes	**Corporate Governance (see page 109)**
	The results of the policies pursued	Yes	**Corporate Governance (see page 109)**

GLOSSARY

Affordable Housing Bond
NWB Bank has issued 'Social Bonds', the proceeds of which are used to finance social housing. In this context, NWB Bank uses the ICMA's Social Bond Guidance.

Attracting funding through sustainable bonds
Optimum use of the issuance of sustainable (social responsible investing) bonds.

Availability and affordability of financing
Provide financing on the most favourable terms possible to our (new) clients to keep the financial burden on citizens as low as possible.

Biodiversity
Biodiversity or biological diversity is a term for the degree of variety between the life forms in a given ecosystem, biome or an entire planet. Biodiversity is often used as an indicator of the health of an ecosystem.

CET 1 capital ratio
The bank's core capital, expressed as a percentage of total risk-weighted assets.

Circular economy
An economic system aiming to maximise the reusability of products and raw materials, and to minimise the loss of their value. This is fundamentally different from the current linear system, where raw materials are used to manufacture products that are destroyed at the end of their useful lives.

Climate adaptation and mitigation
Climate change can have major consequences. Ways of tackling those consequences include adapting to them and mitigating climate change.

Climate-neutral
The organisation's activities should not have a negative impact to the climate and thus will not contribute to climate change.

Complaints procedure
NWB Bank provides stakeholders with an opportunity to submit a complaint through a complaints procedure. This procedure is mentioned on the website.

Contribute to climate mitigation, climate adaptation and biodiversity recovery
Provide appropriate financing on the most favourable terms that contributes to climate mitigation, climate adaptation and biodiversity recovery, and initiate dialogue on these issues.

Cost/income ratio
Operating expenses (excluding bank tax, resolution levy and Expected Credit Loss) compared to operating income.

Data leaks
Access to or destruction, alteration or release of personal data at an organisation without this being the organisation's intention, or without it being legally permitted.

Dividend payout ratio
Dividend payout compared to net profit.

Equator Principles
A risk management framework for project financing, adopted by financial institutions, which is used to determine, assess and manage social and environmental risks in the financing of projects.

Facilitating safe, clean and sustainable surface and drinking water
Meeting the financing needs of water authorities and drinking water companies by providing appropriate financing on favourable terms and promoting innovation in the public water sector.

Global Reporting Initiative (GRI)

GRI is an independent international organisation that helps organisations to communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption, etc.

Green Bonds

NWB Bank issues Water Bonds, the proceeds of which are used to finance 'green' water authority projects. NWB Bank applies the Green Bond Principles, which are the leading standard on the issue of such bonds.

GRI guidelines

GRI reporting guidelines used by organisations when reporting on their material issues and the accompanying environmental, social and economic effects.

ICSR agreement

A set of agreements made with banks in the Netherlands on addressing and preventing human rights violations related to the corporate financing and project financing of banks and their business partners.

Leverage ratio (adjusted for promotional assets)

The ratio of Tier 1 capital to the bank's (adjusted) balance sheet total. The promotional assets are removed from the balance sheet total.

Leverage ratio (not adjusted for promotional assets)

The ratio of Tier 1 capital to the bank's (adjusted) balance sheet total. The promotional assets are not removed from the balance sheet total.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is an indicator that shows whether sufficient liquid assets are available to absorb a 30-day stress scenario.

Management approach

A reporting item within the GRI framework intended to provide information on NWB Bank's strategy and management, and to provide context regarding the reported performance objectives, minimum requirements and trends in CSR performance.

Material Topics Plot

An overview of the material topics, which are assessed in terms of their importance to the organisation (NWB Bank) on the one hand and to its stakeholders on the other.

Net Stable Funding Ratio

The aim of the Net Stable Funding Ratio (NSFR) is to determine the extent to which longer-term assets are financed with more stable forms of funding.

NWB Fund

The NWB Fund offers water authorities financial resources so they can contribute to solving global water-related issues based on their core tasks and core values.

Partnership for Carbon Accounting Financials (PCAF)

PCAF has developed methodologies to measure the carbon footprint of investments and loans.

Product Approval and Review Process

A process implemented by the bank, which helps to decide whether to provide or distribute a certain product at its own risk and expense or for the benefit of its clients. All new products undergo this process.

Promotional asset

Loan granted directly or through an intermediary lending institution on a non-competitive, non-profit-making basis by a public development finance institution or an entity created by the central government, regional government or local government of a Member State of the European Union to further the policy objectives of that Member State.

Safe, stable and efficient bank

Maintaining the bank's high-quality risk profile, strong capitalisation and efficient organisation to best implement the bank's strategy.

SDE+

The Stimulation of Sustainable Energy Production (SDE, after that: SDE+, as of 2020: SDE++) is a ministerial agreement aiming to stimulate the production of clean and sustainable energy.

Stakeholder dialogue
In the context of CSR, all individuals and organisations that the bank works with or that attach importance to the social role NWB Bank fulfils as a promotional bank, are considered to be stakeholders. The bank sees its shareholders, clients, investors, employees, supervisory authorities and the government as stakeholders as well.

Sustainable Development Goals
A set of goals launched in 2015, formulated by the United Nations and intended as a new guiding conceptual framework for sustainable development. NWB Bank and the other Dutch banks seek to play an active part in increasing the sustainability of the economy, and the SDGs are a key frame of reference in this endeavour.

Sustainability exclusion criteria
Within the policy, the sustainability exclusion criteria are applied to NWB Bank's lending portfolio. As a bank of and for the Dutch government, NWB Bank only provides financing to the public sector in the Netherlands. This is clearly defined in Article 2.1 of the Articles of Association. The bank only provides financing within the framework set out in the Articles of Association.

Tier 1 capital ratio
The bank's core capital including Additional Tier 1 capital, expressed as a percentage of total risk-weighted assets.

Transparency
Transparency is the degree of openness, visibility and accessibility of NWB Bank towards its stakeholders in relation to all relevant aspects of its organisation and associated business activities.

UN Global Compact
A United Nations initiative of relevance to companies wishing to operate and report in a socially responsible manner. It comprises ten principles in the areas of human rights, labour, environment and anti-corruption.

LIST OF ABBREVIATIONS

AC	Audit Committee
AFM	Netherlands Authority for the Financial Markets
AGM	Annual General Meeting of Shareholders
ALCO	Asset & Liability Committee
AUD	Australian dollar
AT1	Additional Tier 1
BCT	Business Continuity Team
BIS	Bank for International Settlements
BRRD	Bank Recovery and Resolution Directive
CAD	Canadian dollar
CDD	Customer Due Diligence
CET1	Common Equity Tier 1
CHF	Swiss franc
CIRR	Commercial Interest Reference Rate
CLA	Collective Labour Agreement
CP	Commercial Paper
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CSR	Corporate Social Responsibility
CSRBB	Credit Spread Risk in the Banking Book
CVA	Credit Valuation Adjustment
DAEB	Services of General Economic Interest
DGS	Deposit Guarantee Scheme
DNB	De Nederlandsche Bank (Central Bank of the Netherlands)
DSI	Dutch Securities Institute
DV01	Dollar Value of a Basis Point
DVA	Debit Valuation Adjustment
EAD	Exposure at Default
EBA	European Banking Association
ECB	European Central Bank
ECL	Expected Credit Loss
ECP	Euro Commercial Paper
EIB	European Investment Bank
ECG	Export Credit Guarantee
EONIA	Euro OverNight Index Average
ESG	Environmental, Social and Governance

AC	Audit Committee
ESMA	European Securities and Markets Authority
€STR	Euro short-term rate
ExCo	Executive Committee
EY	Ernst & Young Accountants LLP
GBP	British pound
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HKD	Hong Kong dollar
HQLA	High-Quality Liquid Assets
HRM	Human Resource Management
IAD	Internal Audit Department
IBOR	Inter Bank Offered Rate
ICAAP	Internal Capital Adequacy Assessment Process
ICT	Information and Communications Technology
ILAAP	Internal Liquidity Adequacy Assessment Process
imug	Institut für Markt Umwelt Gesellschaft
IRRBB	Interest Rate Risk in the Banking Book
JPY	Japanese yen
JST	Joint Supervisory Team
KPIs	Key Performance Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MIS	Management Information System
MSCI	Morgan Stanley Capital International
MT	Management Team
NFRC	Non-Financial Risk Committee
NHG	National Mortgage Guarantee
NOK	Norwegian krone
NSFR	Net Stable Funding Ratio
NVB	Dutch Banking Association
NZD	New Zealand dollar
ORM	Operational Risk Management
PAI	Price Alignment Index
PARP	Product Approval and Review Process
PAW	Programma Aardgasvrije Wijken (Programme for Gas-free Districts)
PCAF	Partnership for Carbon Accounting Financials

AC	Audit Committee
PD	Probability of Default
PEPP	Pandemic emergency purchase programme
PPP	Public-Private Partnerships
PSPP	Public Sector Purchasing Programme
QE	Quantitative Easing
RAC	Remuneration and Appointment Committee
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
RC	Risk Committee
RES	Regional Energy Strategy
RMBS	Residential Mortgage-Backed Securities
SB	Supervisory Board
SDE	Stimulering Duurzame Energieproductie (Stimulation of Renewable Energy Production)
SDGs	Sustainable Development Goals
SEK	Swedish krona
SICR	Significant Increase of Credit Risk
SRB	Single Resolution Board
SRF	Single Resolution Fund
SPP	Strategic Personnel Planning
SREP	Supervisory Review and Evaluation Process
SRI	Socially Responsible Investing
SRM	Single Resolution Mechanism
SSA	Sovereigns, Supranationals and Agencies
TEA	Thermische energie uit afwalwater (thermal energy from wastewater)
TED	Thermische energie uit drinkwater (thermal energy from drinking water)
TEO	Thermische energie uit oppervlaktewater (thermal energy from surface water)
TLTRO	Targeted longer-term refinancing operation
USCP	US Commercial Paper
USD	American dollar
VAT	Value-Added Tax
VM	Variation Margin
WFZ	Waarborgfonds voor de Zorgsector (Healthcare Sector Guarantee Fund)
WSW	Waarborgfonds Sociale Woningbouw (Social Housing Guarantee Fund)

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Questions or comments

If you have any questions about or comments on this annual report, please do not hesitate to contact us by email: **persinfo@nwbbank.com**.

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