



18 April 2023

WSW 2022 Annual Report and Financial Statements

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Key figures at 31 December 2022

- 269 participant housing associations (98% of all associations).
- Guaranteed loans of €85 billion (2021: €83 billion).
- The market value of collateral when let was €371.5 billion, reference date 2021 (€318.4 billion, reference date 31 December 2020).
- Loan servicing payments with a nominal value of €132 billion and a market value of €89 billion (2021: €129 billion and €117 billion respectively).
- Risk capital of €484.5 million (2021: €531.8 million).
- €39.8 million of the committed capital was called to maintain the risk capital (2021: €49.9 million).
- Maximum annual committed capital call of €280.1 million. Total participants' committed capital of €2.0 billion.
- Moody's and Standard & Poor's rate WSW at AAA with a stable outlook.

1. Report of the Executive Board

Foreword

We are currently living in uncertain times with developments that affect all of society. We notice this in our day-to-day lives, as economic developments hit people in their wallets. After Covid came war in Ukraine, rising inflation and challenges surrounding energy that have drawn a great deal of people's attention and concern. At the same time, the developments also offer opportunities, for example in sustainability.

Just before the summer of 2022, national agreements were made on housing performance. Eventually those arrangements will become local agreements on performance between municipalities and our participants. Many factors affect the ability to realise these arrangements, including price changes, the availability of sites, construction material and staff, environmental issues, obtaining permits, economic developments, etc. These developments create new challenges facing participant housing associations in terms of affordability, availability, sustainability and quality.

Under its objects, WSW wants to contribute responsibly to challenges in the area of social housing. In the past year, in addition to our regular work such as setting guarantee ceilings and assessing risks at association and portfolio level, we worked on various projects including a 2030 future study for WSW, moving into our new office and the structural solution for Vestia. We took steps to strengthen our risk management and enhanced the internal organisation. There is more information elsewhere in this report of the Executive Board. The report does not address the performance of the mandated resolution role.

1.1. Key developments

The key developments of 2022 are addressed below.

Strategic programme: strengthening the guarantee system

In 2022 WSW implemented the final part of the strategic programme: the addendum to existing loan agreements. To improve WSW's security position in the event of a claim on the guarantee, we brought about amendments to the standard loan documentation that came into effect on 1 August 2021. During 2022, each financier with a loan entered into before that date was asked to sign an addendum so that the amendments would also apply to current loans dating from before 1 August 2021.

Parallel to the implementation of the strategic programme, new backstop agreements with the State and with municipalities and the Association of Netherlands Municipalities (VNG) came into force on 1 August 2021. During 2022, in cooperation with both parties there was substantive work on a new backstop agreement which facilitates the process for altering the existing backstop (from before 1 August 2021). This will be finalised in 2023.

Risk capital adequacy

We assess the risks in our participating associations individually and in the guarantee structure as a whole. By analysing the various risks under a range of conditions, we aim to maintain a robust guarantee system in the interests of our participants and backstop providers and, therefore, of social housing.

As part of this risk management, each year we examine whether our risk capital is adequate to cover projected and unexpected losses in line with policy rule I, thus assessing whether the available risk capital is adequate compared with the risk capital requirement.

- The available risk capital is the sum of our risk capital, the capital committed by the participants and the annual committed capital. A discount is applied to the capital for prudence. At €2 billion, the committed capital is the largest part of the risk capital. The available risk capital is adequate if it is equal to or greater than the risk capital requirement. WSW lands in a state of 'in recovery' if the annual committed capital in years 2 to 11 is needed for adequate risk capital.
- We calculate the risk capital requirement using the capital ratio formula for banks (Basel). This method quantifies the value of projected and unexpected future losses and estimates the value of losses likely to be incurred by housing associations that have already made a claim for a guarantee.

The 2022 adequacy test showed that the risk capital requirement was €1.4 billion (2021: €2.2 billion) and the available risk capital was capital €2.6 billion (2021: €2.6 billion). The risk capital requirement has fallen thanks in part to the exchange of Vestia loans with other participants and interest rate increases. WSW concluded that the risk capital was adequate

Vestia

The structural solution for Vestia was completed in 2022. After the exchange of loans had been effected in 2021, preparations were made in 2022 to break Vestia up into three new associations. Vestia has been discussed frequently in the past decade, not least because of the risk to the guarantee system.

During 2022, WSW kept in close contact with Vestia. The structural solution for Vestia is important for the robustness of the guarantee system but in due course also offers prospects for guarantees for the successor associations which did not apply at Vestia because of its size. On several occasions we assessed the break-up plans and established that the new associations could succeed Vestia on their own. They are doing this as simple associations with an appropriate level of ambition and an adequate financial position to be viable with an acceptable risk profile.

Consequently Vestia disappeared from our participants' base on 31 December 2022 and three new participants were registered on 1 January 2023. This also brought to an end a period which has had a major impact on the organisation, frameworks and arrangements in the guarantee system.

Guarantee claim

The effects of the amended Housing Act on the guarantee system became clear during 2018. We

received two claims on our risk capital, from Woningstichting Geertruidenberg (WSG) and Stichting Humanitas Huisvesting (SHH), following the rejection by the Minister of the Interior and Kingdom Relations of applications for resolution support from WSG (partial) and SHH (in full).

Regional associations took over all WSG's assets and part of its guaranteed loans from 1 January 2019. Other guaranteed loans were repaid from the full or partial resolution grant received. Another association in Rotterdam took over SHH's assets and part of its guaranteed loans from 1 July 2019.

WSW is meeting the normal interest and repayment obligations on WSG's and SHH's remaining loans covered by guarantees issued by WSW insofar as WSG and SHH are unable to do this themselves. Consequently, we formed a provision for these guarantee claims in the company financial statements in 2017.

Both WSG and SHH are contesting the decisions to refuse a full resolution grant. The court rejected WSG's appeal in a ruling on 3 July 2020. The court rejected SHH's appeal in a ruling on 2 July 2020. WSG and SHH are appealing against these rulings at the Administrative Jurisdiction Division of the Council of State (ABRS). WSW is also appealing against the decisions to refuse resolution grants. WSW's claim was declared inadmissible in both cases by a court ruling on 9 April 2020. WSW has lodged an appeal against this ruling with the ABRS. In an interim ruling on 3 August 2022, the ABRS declared WSW's appeal against the court ruling of 9 April 2020 admissible and so established that WSW must be regarded as a party to decisions by the Minister of the Interior and Kingdom Relations. In both cases, the Minister had incorrectly declared WSW inadmissible. In the interim ruling of 3 August 2022, the ABRS ordered the Minister of the Interior and Kingdom Relations to make substantive rulings on the objections submitted by WSW. On 21 November 2022, the Minister of the Interior and Kingdom Relations decided on WSW's objections and they were rejected in both cases.

The case will be continued at the ABRS. The ABRS has not yet issued a final ruling and it is expected that this will happen in the second half of 2023.

2022 rating

Following their annual review meetings, the credit rating agencies Standard & Poor's and Moody's reconfirmed WSW's AAA rating. This rating is in line with the rating for the Dutch government. The stable outlook also confirms that no change is expected in the short term. Thanks to this high creditworthiness, our participants are able to obtain financing on good terms in the private capital market.

Supervision of WSW

Since 1 July 2016, WSW has been supervised by the Authority for Housing Associations (the Authority), which issues an annual supervision report. The supervision report for the year under review is, however, expected after the annual report has been adopted. In order to provide insight into the Authority's views in the annual report, each year the annual report presents the conclusions of the most recent supervision report referring, logically, to the year preceding the year under review.

The supervision report for 2021 was issued in November 2022. The Authority judged compliance with policy rule I for the full year 2021 as adequate with respect to the provisions on risk capital adequacy, taking account of the arrangements WSW has made with the backstop providers on Vestia. The

Authority further concluded that the structure of the model governance and the model committee was adequate. The Authority noted that it could not give an opinion on the operation of the model governance and the model committee since model governance had not been through a full model cycle in 2021 and since the model committee had not issued advice in 2021 on request or on its own initiative.

The Authority also examined compliance with the two other policy rules and operations. According to the Authority, the second policy rule – on guaranteeing loans – and the third policy rule – on consultation and information provision – were adequately complied with. Finally, the Authority concluded that WSW's operations were sufficiently sound and controlled.

Affect on WSW of the impact of the coalition agreement

WSW responded in consultations to the amended Housing Act (*Woningwet*) (one-off rent reduction for tenants with a low income) and proposed legislation on reform of housing subsidies legislation.

The impact of the coalition agreement in 2022 was an item on the agendas of the Executive Board and policy meetings between WSW and Aedes, the Authority for Housing Associations, the Ministry of the Interior and Kingdom Relations and the Association of Netherlands Municipalities (VNG). During these meetings, information was exchanged and WSW drew attention to the impact of the coalition agreement on the guarantee system and the individual guarantee ability of associations. Specifically, attention was drawn to the difference between ambition and realisation.

Continuity of WSW

Thanks to the agreements with our backstop providers and participants, we have sufficient cash to meet our obligations under the guarantee system even after a claim. Our work focuses primarily on preventing claims and ensuring that the risk capital and the capital committed by the participants is sufficiently robust and so there is no uncertainty about the continuity of WSW.

Coronavirus (Covid-19) did not lead to uncertainty about the continuity of WSW in 2022.

The events in Ukraine in early 2022 are among the external factors that have affected interest rates and so the interest rate risk for WSW. The movements in interest rates have direct consequences for the result and the financial position. An indirect effect of the war is the high inflation which has forced the European Central Bank to sharply increase interest rates. This has also worked through into the market and on the one hand meant that our investment portfolio fell. On the other hand, our exposure is lower as a result of the fall in the market value of the loans. The recent turbulence in the financial markets as a result of concerns about the banking sector are unlikely (because of an absence of direct relationships) to have adverse effects on the financiers of the housing association sector or on WSW. Despite these developments, the financial position of the participants and the system is sufficiently robust that there is no uncertainty about the continuity of WSW.

1.2. Joint assessment framework

Since 1 January 2019, the Authority and WSW have been using the joint WSW/Authority framework to assess the risks at associations. An updated version of the joint assessment framework was published in early 2022 following the regular review by WSW and the Authority.

1.3. The WSW organisation

Modern Performance Management

Modern Performance Management was expanded with a second module and implemented in the organisation in 2022. Central to the second module is the employee's self-reflection on his/her career. One of the supporting facilities of Modern Performance Management in 2022 will be the modern career guidance called WSW Compas. WSW Compas underlines once again the ownership role that each of WSW's employees has of his/her own professional development and personal growth. It offers frameworks within which employees can follow training or be supported in personal development. WSW Compas is being implemented in 2023.

Hybrid working

The new office is fully equipped for hybrid working and so 2022 was the year in which we started this. Each month, experiences of hybrid working are obtained from a peer group to monitor whether changes have been made in choices. The communications working group also issued a newsletter twice a month focused on employees' initial experiences with hybrid working.

Completion of remuneration management

The remuneration policy was adopted at the end of 2020 with the agreement of the works council. The finishing touch is to combine the policy and all the regulations on employment conditions. The objective of this is familiarity, consistency and transparency. All of the regulations were ready by the end of 2022 and they will be provided to the works council for information during the first quarter of 2023.

Implementation of the ethics code

In 2022, we started implementing the ethics code with the assistance of Debatbureau. During 2022, two subjects were addressed: the grey area between regulation and legislation and the rules on gifts. The meetings at the office were well attended and there was robust debate. The debates will continue in 2023.

Completion of relocation

Setting up the new office and completing various matters connected with the relocation took up a lot of time in the first five months of 2022. A health and safety specialist approved the risk assessment and evaluation in May 2022.

Pulse survey of workload pressure

The experience of workload pressure was a point that arose from the employee survey in 2021. This was addressed as part of the Welfare section of the 2022 risk assessment and evaluation. Effectory

carried out a pulse survey during the final quarter of 2022 and the results will be available in the first quarter of 2023.

Contextual organisation

In 2022 the Executive Board and the team leaders started examining what contextual organisation could mean for WSW with the assistance of Freek Peters, Professor of Contextual Leadership at Tilburg University. The Executive Board and the team leaders want to use the examination to prepare for future developments affecting WSW.

1.4. Employees

At 31 December 2022, WSW employed 69 people (66.8 FTEs). During 2022, six people left (including two who retired) and five people joined.

Number of employees and FTEs at year-end

Department	FTEs	FTEs	Employees	Employees
	2022	2021	2022	2021
Accounts	20.2	19.2	21	20
Operations & Control	5.0	5.0	5	5
Executive Board (incl. Management Support)	11.7	11.7	12	12
HRM/Facilities	5.0	4.9	6	6
Information management	6.9	6.9	7	7
Risk management	18.0	19.9	18	20
Total	66.8	67.6	69	70

Absenteeism

The rate of absenteeism due to illness fell in 2022 (2.6%, including maternity leave) compared with 2021 (4.7%) as a result of a net shift from long to short absences. Reporting frequency was low at 0.93% but slightly higher than in 2021 (2021: 0.63%).

1.5. Information management

In early 2022 the new infrastructure in the new office was handed over once the final work had been completed. Also in 2022 WSW migrated the entire document management system (DMS) from IBM FileNet to the new SharePoint platform and the outdated IBM FileNet system was then decommissioned. As well as decommissioning FileNet, the Efficacy and Exact Globe legacy applications and various servers were also written off and decommissioned.

With the phasing out of QlikView and the introduction of QlikSense, various BI dashboards were migrated to QlikSense and updated in various areas in coordination with account, risk and information management. The WSW Information Management system (WIM) incorporates WSW's basic processes

including guaranteeing loans, setting guarantee ceilings and assessing risk. The backstop and powers of attorney records were also added.

As well as further improvements in authorisation management, the functionality of the workplace environment and SharePoint has been expanded. Recommendations from the internal and external General IT Control audit and other audits have been adopted and followed up.

1.6. Finance

There was a profit after tax of €57.0 million in 2022 (2021: €56.6 million) caused largely by a call of €39.8 million of committed capital in 2022 and re-evaluation of the provision for guarantee obligations formed to settle the debts of WSG and SHH. As a result of interest rate rises, €71.2 million was released from the provision for guarantee obligations to the result in 2022 (2021: €23.5 million). In contrast, and also as a result of this interest rate rise, WSW incurred €69.6 million of capital losses on its investments in 2022 (2021: €19.6 million).

As a result of sharp rises in market interest rates, the investment portfolio incurred a loss on investments of 12.60% in 2022 (2021: 2.22% loss). This loss was €62.3 million (2021: €11.2 million), made up of the balance of the unrealised result on the investment portfolio following the fall in the market value of the investments (€41.1 million loss) caused by higher interest rates, the realised loss on transactions (€28.5 million) and positive interest income (€7.3 million). Most of the transactions involved a reduction in the maturity of the portfolio.

In 2022 on the recommendation of the investment advisory committee and after discussion and agreement with and notifying a range of internal and external stakeholders, it was decided to reduce the volatility of the investment portfolio within the current maturity ceiling (up to 15 years) in the investment statute and the existing risk profile of the underlying investments. This is being achieved by reducing maturities in order to reduce the probability of price movements (positive and negative) as a result of interest rate movements across the portfolio. In view of the risk of further interest rate increases it has been decided to reduce the interest rate sensitivity of the investment portfolio by selling all bonds with a maturity in excess of eight years and reinvesting the funds released in bonds with a maturity of up to two years. This reduction means that there is a smaller risk of further price falls as a result of possible interest rate rises (and so further negative returns).

The investment policy is being amended in 2023 from a smart passive policy against a market-weighted benchmark to a fully passive policy (Buy & Hold). A Buy & Hold policy is the most passive investment strategy in which bonds are bought with the intention of keeping them to maturity. On maturity the bond is redeemed at face value. The funds released are reinvested by buying new bonds. The major difference with the current investment policy is that no interim transactions take place during the year except for reinvesting coupons and redemptions. This avoids realised losses or gains being recorded.

Further to this, investments will be measured at amortised cost at the time of implementation in 2023. The difference with the market value of the bond on purchase will be amortised over the period to

maturity using the effective interest rate method in the statement of income and expenditure, reflecting redemptions and other movements in the principal.

The company operating profit for 2022 was €44.0 million (2021: €55.2 million). Ignoring the call of committed capital, the operating profit would have been €4.2 million (2021: €5.3 million). This year's operating profit was €1.1 million lower than last year. €2.4 million was added to the provision for guarantee obligations, other employee benefits were up €0.4 million because of temporary staff employed via third parties and depreciation was €0.2 million higher in 2022 as a result of capital expenditure on our new office. By contrast, in 2022 €0.9 million more guarantee fees were received and general overheads were €0.9 million lower, mainly because of lower legal fees and less expense for information on the strategic programme. There were no events that required a new provision to be formed.

The company profit after corporation tax was €57.0 million and this has been incorporated in the financial statements as a withdrawal of €0.5 million from the legal reserve (for amortisation of software) and an addition of €57.4 million to the other reserve.

It is expected that the operating profit in 2023 will be in line with that for 2022. No other significant investment in systems is expected. The number of people employed by WSW is not expected to change and so, in the current circumstances, employee benefits will rise in 2023 as a result of collective wage bargaining. Other expenses in 2023 will also be in line with 2022 as will income from guarantee fees. The amount of the call on committed capital in 2023 will be decided later.

6 Report of the Supervisory Board

6.1. Introduction

This report explains how the Supervisory Board fulfilled its supervisory and advisory role in the past year. In performing its duties, the Supervisory Board acts in the interests of WSW as laid down in the constitution. WSW's object is to enable institutions licensed pursuant to the Housing Act to borrow at the lowest possible cost to perform their public housing activities, taking account of the financial interests of the participants, the State and municipalities. The Supervisory Board supervises the policies pursued by the Executive Board and the general state of affairs at WSW. In addition, the Supervisory Board advises the Executive Board on request or on its own initiative and acts as the employer of the Executive Board.

6.2. Structure and operating procedure

The Supervisory Board has at least five members. The composition of the Supervisory Board is intended to ensure diversity in terms of knowledge, background, age, gender, personality and experience in dealing with WSW's stakeholders. The Supervisory Board wishes to achieve a balanced composition and a good spread of expertise and networks.

Membership of the Supervisory Board 2022

Mr H.M. Meijdam (chair) (1961)	Since 1 February 2018; term of office ends on 1 February 2026
Ms G. van Vollenhoven-Eikelenboom AAG (1970)	Since 1 February 2018; term of office ends on 1 February 2026
Mr Drs. J.G. Pot (1949)	Since 25 September 2018; term of office ends on 25 September 2026
Prof. Dr. D. Brounen (1976)	Since 25 June 2019, term of office ends on 25 June 2023
Mr Ir. M.A.E. Calon (1959)	Since 9 November 2020, term of office ends on 9 November 2024

In 2022, Mr Meijdam, Ms van Vollenhoven and Mr Pot were reappointed for a further period of four years.

The powers of the Supervisory Board are laid down in the constitution. Its operating methods are described in its rules of procedure. The Supervisory Board has two committees: an audit committee and a remuneration committee, each with its own rules of procedure. The committees advise the Supervisory Board on topics within their remit and prepare the ground for its decisions. This does not affect the Board's responsibility for its own decisions.

Audit committee

The audit committee comprises Mr Pot (chair) and Mr Brounen (member). The audit committee met four times in 2022. Among the topics discussed were the 2021 Annual Report and financial statements, the external auditor's reports, the findings of the internal auditor and external asset management at WSW. The external auditor was present during the discussion of various relevant topics.

Remuneration committee

Ms van Vollenhoven (chair) and Mr Meijdam (member) form the remuneration committee. The remuneration committee met on several occasions in 2022. The business discussed included the assessment of the members of the Executive Board and self-evaluation. On behalf of the Board, the remuneration committee attended the consultative meetings with the works council pursuant to Section 24 of the Works Councils Act. When necessary, the committee discussed topics more broadly with the full Supervisory Board, after which the Board took a decision during a plenary meeting.

Conflicts of interest

The constitution and the Supervisory Board's rules of procedure include guidelines on how to act in the event of actual or potential conflicts of interest. These are examined as part of the Board's activities but none arose in 2022.

6.3. Activities

The Supervisory Board notes that in 2022 WSW worked further on making the guarantee system more robust and future-proof. WSW built on its relationships with the participants, backstop providers and other stakeholders while at the same time improving its operations and organisation. The Supervisory Board has taken note of the efforts and results of the Executive Board and staff in terms of achieving objectives, refining the organisational structure and managing internal and external risks.

The Supervisory Board held six meetings in 2022. There was also an offsite meeting in the autumn. The chairmen of the Supervisory Board and the Executive Board also held regular meetings. In addition to these meetings, the Supervisory Board, or individual members, also had regular contact with the Executive Board. All meetings were attended by every member. Ms van den Berg attended meetings as a guest between November 2021 and November 2022 as part of the training for regulators and supervisory directors.

The Board was updated, primarily by the Executive Board, on current developments during the course of the year, to enable it to discharge its duties as well as possible. During and outside meetings there were also contacts with employees in the organisation. The Supervisory Board also liaised with the works council and WSW's regulator, the Authority for Housing Associations. During the first quarter of 2023 a member of the Supervisory Board will attend the participants' council as an observer in order to understand the arguments underlying the opinions expressed to the Executive Board. The Supervisory Board also liaised with the board of Aedes in 2022. Individual members report to the Supervisory Board on the outcome of all meetings, so that the Supervisory Board as a whole has all relevant information.

The Supervisory Board also approved decisions of the Executive Board on the 2021 Annual Report and financial statements, the 2023 annual plan and budget, the policy rules on restructuring, the compliance statute and a decision on an objection by a participant. The reappointment of three members of the Supervisory Board and one member of the objections committee was also agreed, as were adoption of the Board's training policy and its vision of supervision. Other topics discussed at Supervisory Board meetings included changes to the investment policy/investment statute, cybersecurity, the employee survey, the topicality of the national agreements on housing performance and the supervision of WSW including meeting the new inspectors of the Authority who supervise WSW's risk management.

Consideration was also given to the capital adequacy assessment, the interim ruling by the Administrative Jurisdiction Division of the Council of State on the restructuring decisions for WSG/SHH, the status of housing associations subject to special management, the portfolio reports, Vestia and the progress reports compared with the annual plan. As part of the positioning project, the Supervisory Board addressed a stakeholder survey and a brainstorming session was held on the WSW 2030 project. The Board also addressed themes for the future. Specific consideration was given during the year under review to themes such as the new coalition agreement and risk appetite. During the offsite meeting in the autumn, the Board visited a housing association and held a session on pre-mortem scenarios led by an external specialist.

The external auditor attended audit committee meetings and Supervisory Board meetings held to discuss the Annual Report, the financial statements and the management letter. During these meetings, the Board received a commentary on the auditor's report and the recommendations for improvements and other points raised by the auditor.

The Supervisory Board discussed its own operation during a self-assessment meeting led by an external specialist.

The Supervisory Board thanks the staff and Executive Board for their commitment and contribution to helping WSW achieve its goals and ambitions in 2022. The Board looks back on a year in which WSW, by guaranteeing over €85 billion of loans, supported housing associations in their key duties: building and managing social housing. The Supervisory Board looks forward to continuing the co-operation with all stakeholders in the guarantee system to safeguard WSW's contribution in the future.

6.4. Remuneration

WSW is subject to the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (WNT). Information on remuneration is given in the financial statements.

6.5. List of main and ancillary positions held by the members of the Supervisory Board

Mr H.M. Meijdam, chair

Positions

Chair of Federatie Particulier Grondbezit

Chair of Waterrecreatie Nederland

Member of the Supervisory Board of SAOZ B.V.

Partner in Nieuwbeeld B.V.

Member of the Supervisory Board of Platform 31

Chair of Koninklijke NVRD

Owner-manager of Bureau Meijdam & Overmars B.V., Bureau voor Markt & Overheid

Chair of the Supervisory Board of Woningnet N.V.

Chair of Stichting KOMO/KIK

Non-executive director of Puurt wat Zuurt B.V.

Ms G. van Vollenhoven-Eikelenboom, member

Positions

Stichting Waarborgfonds Sociale Woningbouw

Alternate expert member of the Enterprise Division of the Amsterdam Court of Appeal
Member of the Supervisory Board of ASR Nederland N.V., ASR Basis Ziektekostenverzekering N.V., ASR Aanvullende Ziektekostenverzekeringen N.V., ASR WLZ uitvoerder BV and ASR Premie Pensioen Instelling
Member of the Supervisory Board of bunq BV
Member of the Supervisory Board of MUFG Bank Europe NV and MUFG Securities Europe N.V.
Member of the Board of Supervision of Stichting Pensioenfonds voor het Beroepsvervoer over de Weg
Associate Partner of RiskQuest BV
Member of the Insurance and Reinsurance Stakeholdergroup EIOPA
Member of the Advisory Council for the Risk Management for Financial Institutions course at the Vrije Universiteit Amsterdam
Member of the Audit Committee of the Ministry of Foreign Affairs

Mr J.G. Pot, member

Main position

Partner & Chief Financial Officer, Grey Matter Matters

Ancillary positions

Chair of the incompatibility committee of the Whistleblowers Authority
Member of the Audit Committee of the Public Prosecution Service
Member of the Audit Committee of the House of Representatives of the Dutch Parliament
Member of the Audit Committee of the Ministry of Foreign Affairs
Lecturer at the National Academy for Finance and Economics

Prof. D. Brounen, member

Main position

Professor of Real Estate Economics, Tilburg University and TIAS School for Business and Society

Ancillary positions

Chair of the Central Board of Experts of VastgoedCert
Member of the Advisory Board Alternative Funds PGGM
Freelance adviser to various governmental authorities and property organisations

Mr M.A.E. Calon, member

Main position

Farmer

Ancillary positions

Member of the Advisory Board of Arriva
Member of the Advisory Board of Staatsbosbeheer
Chair of the Supervisory Board of Univé Noord-Nederland
Senior advisor to Nature Energy

7. Company financial statements

Balance sheet at 31 December 2022

(after appropriation of the result)

Assets		31 December 2022	31 December 2021
	Note	€	€
Fixed assets			
Intangible fixed assets	4.1		
Software		1,037,325	1,488,671
		1,037,325	1,488,671
Tangible fixed assets	4.2		
Refurbishments		2,039,250	1,763,349
Computer systems		452,431	416,168
Office equipment		330,840	252,301
		2,822,521	2,431,818
Financial fixed assets			
Securities	5.1	429,048,818	491,324,146
Deferred tax	5.2	12,809,070	2,287,286
		441,857,888	493,611,432
Current assets			
Receivables			
Debtors Guarantee fees	6.1	5,319,421	4,837,403
Corporation tax receivable	6.2	2,919,225	343,979
Prepayments and accrued income	6.3	4,257,463	4,824,530
Other receivables	6.4	120,535	71,306
		12,616,644	10,077,218
Cash	7.	52,826,188	37,940,166
		511,160,566	545,549,305

Capital and liabilities		31 December 2022		31 December 2021	
	Note	€	€	€	€
Capital					
Legal reserve	8.1	1,037,325		1,488,671	
Other reserve	8.2	<u>344,410,387</u>		<u>286,969,109</u>	
			345,447,712		288,457,780
Provisions					
Provision for guarantee obligations	9.1	164,296,992		255,091,615	
			164,296,992		255,091,615
Current liabilities					
Suppliers and trade creditors	10.	440,052		995,047	
Other tax and social security contributions	11.	275,085		240,708	
Accruals and deferred income	12.	477,763		494,837	
Other payables	13.	<u>222,962</u>		<u>269,318</u>	
			<u>1,415,862</u>		<u>1,999,910</u>
		<u>511,160,566</u>		<u>545,549,305</u>	

Statement of income and expenditure for 2022

	Note	2022		2021	
		€	€	€	€
Guarantee fees	15.1	19,864,885		18,985,044	
Income from calling committed capital	15.2	39,779,186		49,856,461	
Resolution fees	15.3	29,911		87,538	
Other income	15.4	<u>3,260</u>		<u>4,610</u>	
Total operating income			59,677,242		68,933,653
Salaries	16.	7,171,414		7,116,184	
Other employee benefits	17.	1,827,062		1,472,759	
Depreciation and amortisation	18.	857,958		613,521	
Other operating expenses	19.	<u>3,804,948</u>		<u>4,699,534</u>	
Total operating expenses			(13,661,382)		(13,901,998)
Movement in the provision for guarantee obligations	20.		<u>(2,040,678)</u>		<u>355,732</u>
Operating profit			43,975,182		55,387,387
Realised and unrealised gains and losses on investments	21.		(69,606,077)		(19,601,015)
Financial income and expenses	22.		78,413,804		31,918,118
Result before tax			52,782,909		67,704,490
Corporation tax	23.		<u>4,207,023</u>		<u>(10,845,965)</u>
Result after tax			<u>56,989,932</u>		<u>56,858,525</u>

Cash flow statement for 2022

Cash flow from operating activities

		<u>2022</u>	<u>2021</u>
	Note	€	€
Result after tax		56,989,932	56,858,525
Adjustments for:			
Amortisation	4.	452,063	487,606
Depreciation	4.	405,895	125,915
Realised and unrealised gains and losses on investments	21.	69,606,077	19,601,015
Movement in provisions	9.	(79,756,975)	(27,528,783)
Withdrawals from provisions	9.1	(21,559,432)	(18,956,880)
Corporation tax paid	6.	(9,244,955)	(14,814,762)
Movements in working capital:			
Movements in receivables		6,705,529	18,735,502
Movements in current liabilities		(584,048)	414,384
<i>Cash flow from operating activities</i>		<i>23,014,086</i>	<i>34,922,522</i>

Cash flow from investment activities

Additions to tangible and intangible fixed assets	4.	(797,314)	(2,604,501)
Disposals of tangible fixed assets	5.	(182,950,827)	(78,247,552)
Purchases and redemptions of securities	5.	175,620,077	82,573,415
<i>Cash flow from investment activities</i>		<i>(8,128,064)</i>	<i>1,721,362</i>

Movements in cash

		14,886,022	36,643,884
Closing cash balance	7.	52,826,188	37,940,166
Opening cash balance	7.	37,940,166	1,296,282
Movements in cash		14,886,022	36,643,884

Accounting policies for measurement and determining the result in the company financial statements

1. General notes

1.1. Activities

The activities of Stichting Waarborgfonds Sociale Woningbouw (WSW), with its registered offices in Hilversum, consist primarily of guaranteeing loans to housing associations to fund projects for social housing and other properties with a social function. WSW is a not-for-profit foundation under Dutch law with an independent management structure, recorded in the Trade Register under number 41180946. WSW is subject to the supervision of the Authority for Housing Associations.

In 2018 WSW was for the first time faced with guarantee claims, from Stichting Humanitas Huisvesting (SHH) and Woningstichting Geertruidenberg (WSG). Arrangements were subsequently made on payment of interest and repayments under the guarantee and maintaining these associations. The arrangements set out in implementation agreements with WSG and SHH mean that WSW has influence over their policy and, according to the accounting standards, has had to consolidate them from the date of the separation in 2019. Tripartite agreements have also been entered into with financial institutions for selected resolved residual loans. WSG and SHH have transferred their social housing activities to other housing associations and their only remaining activity is to continue in existence to settle the residual loans. WSG and SHH have not transferred the residual loans to WSW and so the obligations under the guarantee have, as in earlier years, been recognised in the provision for guarantee obligations. Payments for interest and repayment obligations by WSG and SHH direct to the investors still have to be regarded as payments under the guarantee and not under the loan as such. See note 9.1 Provision for guarantee obligations for further information.

1.2. Address

Stichting Waarborgfonds Sociale Woningbouw offices are situated at Olympia 1G, 1213 NS, Hilversum.

1.3. Related parties

The members of the Executive Board and other key managers of WSW, WSG and SHH and their close relatives are regarded as related parties.

Material transactions with related parties not conducted on normal market terms are disclosed, including details of the nature and size of the transaction and any other information that may be necessary to provide a fair view. There were no transactions with related parties during the reporting period that were not conducted on normal market terms.

1.4. Policies for the cash flow statement

WSW prepares the cash flow statement using the indirect method.

Income and expenditure relating to interest, dividends received and tax on profits are included in the cash flow from operating activities. Transactions that do not involve any inflow or outflow of cash are not included in the cash flow statement.

1.5. Estimates and assumptions

When applying the accounting policies and rules for preparing the financial statements, the Executive Board has to form an opinion on various matters and make estimates that may be essential for the amounts presented in the financial statements. The Executive Board makes these estimates and assumptions based on the prevailing circumstances and information available when the financial statements are prepared. Estimates based on events after the reporting period (or the non-occurrence of expected events) may be subject to future market movements and circumstances that are beyond WSW's control. Changes in

estimates are recorded prospectively in the financial statements. Where required in order to provide the view required by Section 362(1) of Book 2 of the Dutch Civil Code, information on the nature of these opinions and estimates, including the underlying assumptions, is disclosed in the notes on the item in question. The principal estimates relate to the provision for guarantee obligations, deferred tax receivables and liabilities and taxes. The principal elements in the estimates on the provision for guarantee obligations relate to the length of appeal proceedings and the cost of maintaining WSG and SHH.

2. Accounting policies for measuring assets and liabilities

2.1. General

WSW prepares its financial statements in accordance with the statutory provisions of Part 9 of Book 2 of the Dutch Civil Code and Dutch Accounting Standards issued by the Dutch Accounting Standards Board. The financial statements have been prepared on a going-concern basis and are stated in euros. The euro is WSW's functional and presentation currency.

References to the relevant notes are included in the balance sheet, the statement of income and expenditure and the cash flow statement.

2.2. Netting

Assets and loan capital items are only netted in the financial statements if and insofar as:

- a sound legal instrument is available for simultaneously settling the asset and loan capital item; and
- there is a definite intention to settle the balance or both items simultaneously.

2.3. Financial instruments

Financial instruments are receivables, securities and liabilities. All financial assets bought and sold in accordance with standard market conventions are recognised at the transaction date, i.e. the date on which WSW enters into the binding agreement. See the relevant balance sheet item for information on the policies on financial instruments.

2.3.1 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If a reliable fair value cannot be attributed directly to the financial instruments, the fair value is approximated by deriving it from the fair value of its components or a similar instrument or with the assistance of generally accepted valuation models and measurement techniques. This is done using recent similar arm's length transactions, the DCF method (present value of cash flows) and/or option valuation models, reflecting specific circumstances.

2.3.2 Hedge accounting

WSW does not use hedge accounting.

2.4. Intangible fixed assets

An intangible fixed asset is capitalised if:

- WSW is likely to profit from the future economic benefits inherent in the asset; and
- the cost of the asset can be estimated reliably.

Expenses incurred for an intangible fixed asset that do not satisfy the conditions for capitalisation (for example, expenditure on research, publishing rights and customer databases) are recognised directly in the statement of income and expenditure. Intangible fixed assets are valued at cost less accumulated amortisation and accumulated impairment, if applicable.

Intangible fixed assets are systematically amortised on the basis of their estimated useful life, with a maximum of five years. The useful life and method of amortisation are reviewed at the end of each financial year. A legal reserve is maintained for the assets' carrying amount.

2.5. Tangible fixed assets

Tangible fixed assets are recognised at cost less accumulated depreciation based on the asset's expected

useful life and accumulated impairment, if applicable.

On each reporting date, WSW assesses whether there are any indications of impairment. If so, an impairment test is performed. If the carrying amount of a tangible fixed asset is permanently higher than its realisable value, the carrying amount is immediately reduced to the realisable value. Assets no longer in use are stated at the lower of carrying amount and net realisable value.

2.6. Financial fixed assets

2.6.1 Related legal entities

After the implementation agreements took effect, WSW acquired effective influence over policy at WSG and SHH. As there has been influence over policy, under the accounting regulations WSG and SHH have been consolidated since 2019 and consolidated financial statements have been prepared since the 2019 reporting period. The provision for guarantee obligations in WSW's financial statements incorporates the rights and obligations arising from the agreements, using the accounting policies for measurement set out there.

2.6.2. Securities

The securities included in financial fixed assets form part of the investment portfolio and are initially recognised at fair value. They are subsequently measured at fair value without deduction of any transaction costs on disposal. Realised and unrealised gains and losses are taken directly to the statement of income and expenditure as capital gains or losses on investments. Interest income is recognised in the period to which it relates.

Transaction costs attributable to securities subsequently measured at fair value through profit or loss are recognised directly through the statement of income and expenditure.

2.6.3. Deferred tax assets

See note 3.7 Tax for information on the measurement and recognition of deferred tax assets.

2.7. Receivables

Receivables are initially recognised at fair value plus transaction costs and subsequently at amortised cost net of any provision for doubtful debts. Other receivables and prepayments and accrued income relate to amounts paid in advance and are recognised at nominal value.

2.8. Cash

Cash comprises cash at bank and in hand plus call deposits with maturities of less than one year. Bank overdrafts are included with amounts owed to credit institutions in current liabilities. Cash items are stated at nominal value.

2.9. Capital

Capital comprises a legal reserve and the Other reserve. The legal reserve is formed to cover the capitalised cost of developed software. The Other reserve is formed by appropriations from the result and is intended to cover possible future claims from third parties under the terms of loan guarantees issued by WSW.

2.10. Provisions

Provisions are formed for legal or constructive obligations on the reporting date which are the result of a past event, which will probably require an outflow of resources, and whose amount can be reliably estimated. The amount of the provision is determined from the best estimate of the expenditure required to settle the obligation and losses at the reporting date. Unless stated otherwise, provisions are measured at present value using a discount rate of the pre-tax European swap interest rate at 31 December 2022 (2021: European swap rate at 31 December 2021) that reflects current market interest rates.

Provision for guarantee obligations

WSW has recognised a provision for guarantee obligations to cover the actual claims under the guarantee, taking account of the amount, settlement date and ongoing legal proceedings.

Guarantee claims can be made in the following default situations:

- a guarantee claim based on a loan agreement;
- bankruptcy or application for suspension of payments by the association or a third party;
- a sufficiently poor financial situation that account has to be taken of a guarantee claim.

2.11. Provision for deferred tax liabilities

See note 3.7 Tax' for information on the measurement and recognition of deferred tax liabilities.

2.12. Current liabilities

Current liabilities are recognised at fair value on initial recognition and subsequently at amortised cost using the effective interest method.

2.13. Derecognition of financial assets and liabilities

A financial instrument is derecognised if a transaction leads to the transfer to a third party of all, or virtually all, the rights to the economic benefits and all, or virtually all, the risks pertaining to the position.

2.14. Leases

WSW may have leases which do not transfer substantially all the risks and rewards incidental to ownership. These leases are recognised as operating leases and the lease payments are recognised through the statement of income and expenditure on a straight-line basis over the lease term.

3. Accounting policies for determining the result

3.1. Income

Total operating income is revenue from the provision of services net of discounts and taxes charged on turnover.

3.2. Recognition of income

3.2.1. Provision of services

If the result of a transaction for the provision of a service can be reliably estimated and receipt of revenue is probable, the revenue from the provision of that service is recognised in proportion to the degree to which the service has been provided. The degree to which the service has been provided is based on the cost of providing the service at the reporting date compared with the total estimated cost of the service to be provided.

3.2.2. Income from guarantee fees

WSW charges a quarterly guarantee fee on the current value of outstanding loans contracted after 30 June 2007. This fee, which participants pay when they raise a guaranteed loan, covers the operating expenses and includes a credit risk surcharge. These guarantee fees are calculated using a system of differentiated premiums aligned with the risk assessment model. Participants are grouped into four different fee categories according to their risk profile as determined on 31 December of the previous year and these apply for the whole of the calendar year.

In the case of guarantee contracts signed before 1 July 2007, participants were required to pay a one-off discount when they signed the contract. In the past, the entire discount revenue was recognised as income on the payment date.

3.2.3 Income from calling committed capital

Pursuant to article 18 of the Regulations for Participants ('Regulations'), WSW may, up to and including the final day of the calendar year, invoke the obligation of its participants to pay all or part of the capital

commitment. This committed capital call is based on the amended arrangements between WSW and the participants under the strategic programme. These arrangements have applied since 1 July 2021. One of them is that WSW's risk capital must be at least 0.65% of the guaranteed outstanding loans at 31 December of the previous calendar year. The risk capital is supplemented to the minimum level from the annual capital commitment.

3.2.4 Resolution costs

The costs WSW incurs for resolution operations are recharged annually to the Ministry of the Interior and Kingdom Relations. The resolution costs are a proportion of WSW's operating expenses, allocated in accordance with the staff resources deployed on resolution, plus the cost of legal and advisory services provided in relation to resolution.

3.3. Expenses

Expenses are determined subject to the measurement policies set out above and are recognised in the reporting period to which they apply. Foreseeable liabilities and potential losses originating before the end of the reporting period are recognised if they become known before the financial statements are prepared and if the conditions for forming provisions are satisfied.

3.4. Employee benefits

3.4.1. Periodic remuneration

Wages, salaries and social security charges, based on the employment terms and conditions, are recognised in the statement of income and expenditure insofar as they are payable.

3.4.2. Pensions

All WSW staff are members of a defined-benefit pension scheme. Each year, qualifying members of staff accrue pension entitlements on their salary for that year (an average salary scheme). WSW's pension scheme is a defined benefit scheme administered by Stichting Pensioenfonds voor de Woningcorporaties (SPW). The pension liabilities arising from this are measured using the liability to the pension administrator approach, under which the premiums payable to the pension administrator are recognised as a charge in the statement of income and expenditure. Premiums payable or prepaid at the reporting date are recognised as accruals or prepayments respectively.

A pension receivable from surpluses at the pension administrator is recognised if WSW has control of the surplus, it is probable that WSW will receive economic benefits in the future and that they can be reliably estimated.

The pension entitlements are indexed annually, if and to the extent that the pension fund's funding ratio (its assets divided by its financial liabilities) permits. WSW has no obligation to make supplementary contributions in the event of a deficit at SPW other than the effect of higher future premiums.

Dutch pension schemes are subject to the provisions of the Pensions Act (*Pensioenwet*) and WSW pays mandatory, contractual or voluntary basic premiums to pension funds and insurance companies.

3.5. Amortisation and depreciation

Depreciation and amortisation of tangible and intangible fixed assets starts on the date they are first used and is based on the estimated future useful life of the asset. If there is a change in the estimated future useful life, the depreciation charge is adjusted accordingly. Book profits and losses on the sale of tangible and intangible fixed assets are recognised as other income.

3.6. Realised and unrealised gains and losses on investments

Gains and losses on investments are based on market prices and are recognised directly in the statement of income and expenditure. Interest income is recognised on a proportionate basis, based on the effective interest rate.

3.7. Tax

3.7.1. Current taxes

Tax on profits is calculated on the result before tax as shown in the statement of income and expenditure based on the prevailing tax rate, taking account of tax-exempt items and deductible or restricted costs.

3.7.2. Deferred taxation

Deferred tax is recognised for temporary differences between values for commercial and tax purposes. Deferred tax assets and liabilities are stated at nominal value based on the prevailing tax rate. They are netted if there is an enforceable right to offset current tax assets against current tax liabilities.

Notes to the company balance sheet

4. Fixed assets

4.1 Intangible fixed assets

Movements in intangible fixed assets:	Software 2022	Software 2021
	€	€
Balance at 1 January		
Purchase price	3,690,849	3,993,108
Accumulated amortisation and impairment	<u>(2,202,178)</u>	<u>(2,295,948)</u>
Carrying amount	<u>1,488,671</u>	<u>1,697,160</u>
Movements during the reporting period		
Additions/assets under development	718	279,117
Retirements	-	(581,376)
Accumulated amortisation on retirements	-	581,376
Amortisation of intangible fixed assets	<u>(452,063)</u>	<u>(487,606)</u>
Balance	451,345	(208,489)
Balance at 31 December		
Purchase price	3,691,567	3,690,849
Accumulated amortisation and impairment	<u>(2,654,241)</u>	<u>(2,202,178)</u>
Carrying amount	<u>1,037,326</u>	<u>1,488,671</u>
Amortisation rates	<u>20%</u>	<u>20%</u>

Intangible fixed assets consist of software used on WSW's computer systems.

4.2 Tangible fixed assets

	Refurbishments	Computer systems	Office equipment	Total
	€	€	€	€
Balance at 1 January 2022				
Purchase price	1,763,349	730,097	293,475	2,786,921
Accumulated depreciation and impairment	-	<u>(313,929)</u>	<u>(41,174)</u>	<u>(355,103)</u>
Carrying amount	<u>1,763,349</u>	<u>416,168</u>	<u>252,301</u>	<u>2,431,818</u>

	Refurbishments	Computer systems	Office equipment	Total
	€	€	€	€
Movements during the reporting period				
Additions	475,554	165,203	155,839	796,596
Depreciation	(199,655)	(128,940)	(77,299)	(405,894)
Retirements	-	-	(12,489)	(12,489)
Accumulated depreciation on retirements	-	-	<u>12,489</u>	<u>12,489</u>
Balance	275,899	36,263	78,540	390,702
Balance at 31 December 2022				
Purchase price	2,238,903	895,300	436,825	3,571,028
Accumulated depreciation and impairment	<u>(199,655)</u>	<u>(442,869)</u>	<u>(105,984)</u>	<u>(748,508)</u>
Carrying amount	<u>2,039,248</u>	<u>452,431</u>	<u>330,841</u>	<u>2,822,520</u>
Depreciation rates	<u>10%</u>	<u>20%</u>	<u>20%</u>	

On 1 January 2022, WSW moved to Olympia 1G, Hilversum. Depreciation started when the premises were taken into use on 14 February 2022. Computer systems consist largely of hardware. Office equipment consists mainly of office furniture and other equipment.

Movements in tangible fixed assets in 2021:

	Refurbishments	Computer systems	Office equipment	Total
	€	€	€	€
Balance at 1 January 2021				
Purchase price	1,044,053	410,009	569,933	2,023,995
Accumulated depreciation and impairment	<u>(1,036,648)</u>	<u>(242,899)</u>	<u>(512,099)</u>	<u>(1,791,646)</u>
Carrying amount	<u>7,405</u>	<u>167,110</u>	<u>57,834</u>	<u>232,349</u>

	Refurbishments	Computer systems	Office equipment	Total
	€	€	€	€
Movements during the reporting period				
Additions	-	330,288	231,747	562,035
Assets under development	1,763,349	-	-	1,763,349
Depreciation	(7,405)	(81,230)	(37,280)	(125,915)
Retirements	(1,044,053)	(10,200)	(508,205)	(1,562,458)
Accumulated depreciation on retirements	<u>1,044,053</u>	<u>10,200</u>	<u>508,205</u>	<u>1,562,458</u>
Balance	(1,755,944)	(249,058)	(194,467)	(2,199,469)
Balance at 31 December 2021				
Purchase price	1,763,349	730,097	293,475	2,786,921
Accumulated depreciation and impairment	-	<u>(313,929)</u>	<u>(41,174)</u>	<u>(355,103)</u>
Carrying amount	<u>1,763,349</u>	<u>416,168</u>	<u>252,301</u>	<u>2,431,818</u>
Depreciation rates	<u>10%</u>	<u>20%</u>	<u>20%</u>	

5. Financial fixed assets

5.1. Securities

The investment portfolio is part of WSW's risk capital and can be used in the event of a guarantee claim. The investment policy is to maintain nominal value, aiming as far as possible to at least offset inflation. Portfolio performance is assessed by the extent to which the investment objective is met.

The portfolio is managed by InsingerGilissen Bankiers. The custodian of the securities is Quintet Private Bank (Europe) S.A. WSW is the legal and beneficial owner of the securities. All securities are available to WSW on demand.

The asset manager manages the investment portfolio in accordance with a passive investment mandate relative to a market-weighted benchmark using high-quality and high-liquidity bonds. In accordance with its investment statute, WSW invests exclusively in euro-denominated bonds.

In 2022 on the recommendation of the investment advisory committee, the Executive Board decided to reduce the maturity, and so the interest rate sensitivity, of the investment portfolio within the current maturity ceiling (up to 15 years) in the investment statute. In view of the risk of further interest rate increases it was decided to reduce the interest rate sensitivity of the investment portfolio by selling all bonds with a maturity in excess of eight years and reinvesting the funds released in bonds with a maturity of up to two years.

The table below shows the portfolio's composition by maturity at the end of 2022 and 2021 which has changed significantly as a result of the reduction in maturity.

Composition by maturity of the investments in 2022:

Maturity (years)	% distribution	% distribution	Difference between 2022 and 2021 (percentage points)
	2022	2021	
0-3 years	50.49	23.86	(26.63)
3-5 years	25.87	22.41	3.46
5-8 years	23.64	27.08	(3.44)
8 years or more	-	26.64	(26.64)

The investment policy is being amended in 2023 from a smart passive policy against a market-weighted benchmark to a fully passive policy (Buy & Hold). A Buy & Hold policy is the most passive investment strategy in which bonds are bought with the intention of keeping them to maturity. On maturity the bond is redeemed at face value. The funds released are reinvested by buying new bonds. The major difference with the current investment policy is that no interim transactions take place during the year except for reinvesting coupons and redemptions. This avoids realised losses or gains being recorded

Further to this, investments will be measured at amortised cost at the time of implementation in 2023. The difference with the market value of the bond on purchase will be amortised over the period to maturity using the effective interest rate method in the statement of income and expenditure, reflecting redemptions and other movements in the principal.

Movements in securities:

	<u>2022</u>	<u>2021</u>
	€	€
Balance at 1 January	491,324,145	515,251,023
Unrealised price gains and losses in the reporting period	(41,112,234)	(14,227,871)
Purchases of securities	182,950,827	78,247,552
Sales and redemptions of securities	<u>(204,113,920)</u>	<u>(87,946,559)</u>
Balance at 31 December	<u>429,048,818</u>	<u>491,324,145</u>

The purchase price of listed securities at 31 December 2022 was €478,696,379 (2021: €500,473,292).

As a result of sharp rises in market interest rates, the investment portfolio incurred a loss on investments of 12.60% in 2022 (2021: 2.22%) being €62,280,716 (2021: €11,247,569) made up of the balance of the unrealised result on the investment portfolio following the fall in market value of the investments caused by higher interest rates (-€41,112,234), the realised result on transactions (-€28,493,843) and interest income (€7,325,361). As a result of transactions, during the past year a considerable portion of the unrealised (negative) investment results from interest rate rises were converted into realised (negative) investment results. Most of the transactions were undertaken to implement the decision, explained above, to reduce in the maturity of the portfolio.

The modified duration of the portfolio, as a measure of interest rate sensitivity, at 31 December 2022 was 3.14 years, which is a reduction of 2.50 years compared with 31 December 2021 (5.64 years). As an indication of interest rate sensitivity, the market value of the balance of investments at 31 December 2022 would change by €13.5 million if interest rates fluctuate by 1 percentage point (2021: €27.6 million).

The securities portfolio at 31 December 2022:

Composition by rating based on fair value of the investments (excluding accrued interest):

(x €1,000)

	Fair value	% distribution	Fair value	% distribution
Rating	2022	2022	2021	2021
AAA	197,983	46.14	272,765	55.52
AA	231,066	53.86	218,559	44.48
Total	429,049	100.00	491,324	100.00

5.2. Deferred tax

A provision for deferred tax is recognised for temporary differences between values for commercial and tax purposes.

	<u>2022</u>	<u>2021</u>
	€	€
Balance at 1 January	2,287,287	(1,269,681)
Movements in provision for deferred tax	<u>10,521,783</u>	<u>3,556,967</u>
Balance at 31 December	12,809,070	2,287,287

The provision for deferred tax was formed to account for differences between the value of the securities in the financial statements and the valuation principles applied by the tax authorities. At 31 December 2022, the market value of the securities fell further to below acquisition price and the tax asset increased compared with 2021.

6. Receivables

All receivables have a remaining maturity of less than one year. Given their short-term nature, the fair value of receivables approximates the carrying amount.

6.1 Debtors guarantee fees

	<u>31 Dec. 2022</u>	<u>31 Dec. 2021</u>
	€	€
Guarantee fees	5,058,177	4,837,403
Committed capital call	<u>261,244</u>	-
	<u>5,319,421</u>	<u>4,837,403</u>

All guarantee fees receivable were the guarantee fees for the fourth quarter of 2022 and have a maturity of less than 30 days. All committed capital calls receivable relate to calls in 2022 and have a maturity of less than 60 days. No provision for doubtful debts is deemed necessary.

6.2. Corporation tax receivable

Corporation tax	<u>2,919,225</u>	<u>343,979</u>
	<u>2,919,225</u>	<u>343,979</u>

Corporation tax receivable relates to advance payments of corporation tax for 2022. The current tax charge for 2022 is €6,325,730 (2021: €14,459,532). All corporation taxes in respect of years before 2022 have been paid. Corporation taxes up to and including 2021 have been finalised.

6.3. Prepayments and accrued income

Accrued interest	4,009,254	4,485,916
Prepaid other costs	<u>248,209</u>	<u>338,614</u>
	<u>4,257,463</u>	<u>4,824,530</u>

Accrued interest relates to interest earned on the investment portfolio.

6.4. Other receivables

	<u>31 Dec. 2022</u>	<u>31 Dec. 2021</u>
	€	€
SBR-wonen	67,983	58,673
Other receivables	<u>52,552</u>	<u>12,633</u>
	<u>120,535</u>	<u>71,306</u>

SBR-wonen is responsible for implementing the 'covenant on improving information disclosure among housing associations'. WSW is a party to the agreement along with Aedes (the federation of Dutch housing associations), the Ministry of the Interior and Kingdom Relations and the Authority for Housing Associations. The amount receivable from SBR-wonen consisted of the difference between the operating expenses of SBR-wonen's team and the advances receivable from WSW.

7. Cash

Bank	<u>52,826,188</u>	<u>37,940,166</u>
	<u>52,826,188</u>	<u>37,940,166</u>

As a result of the funds received from the committed capital call, the balance of cash at 31 December 2022 was €52.8 million (2021: €37.9 million). Surplus liquidity will be invested in accordance with the investment policy.

The cash is at the free disposal of WSW.

8. Capital

Capital consists of the legal reserve and the Other reserve. The company capital differs from the consolidated capital. See note 30.5.2 for information on the consolidated capital.

8.1. Legal reserve

	€
Balance at 1 January 2022	1,488,671
Supplement from the result	(451,346)
Balance at 31 December 2022	1,037,325

The legal reserve covers the capitalised cost of software developed and is adjusted in line with the proposed appropriation of the result. The movement in capitalised software during the reporting period reduced the legal reserve in 2022 in favour of the other reserve.

8.2. Other reserve

	€
Balance at 1 January 2022	286,969,109
Appropriation of result	57,441,278
Balance at 31 December 2022	344,410,387

The Other reserve is formed by appropriations from the balance of income and expenditure and is intended to cover future claims under the guarantee.

8.3. Proposal for appropriation of the result

It is proposed to appropriate the balance of income and expenditure by drawing €0.5 million from the legal reserve and adding €57.4 million to the Other reserve. This proposal has been incorporated in the financial statements.

9. Provisions

	31 Dec. 2022	31 Dec. 2021
	€	€
Provision for guarantee obligations	164,296,992	255,091,615
	<u>164,296,992</u>	<u>255,091,615</u>

9.1 Provision for guarantee obligations

Obligations from the role as guarantor

The effects of the amended Housing Act on the guarantee system became clear during 2018. We received two claims on our risk capital, from Woningstichting Geertruidenberg (WSG) and Stichting Humanitas Huisvesting (SHH), following the rejection by the Minister of the Interior and Kingdom Relations of applications for resolution support from WSG (partial) and SHH (full).

The financial statements include a provision for these obligations resulting from WSW's role as a guarantor. WSW is meeting the normal interest and repayment obligations on WSG's and SHH's remaining loans covered by guarantees issued by WSW insofar as WSG and SHH are unable to do this themselves. At 31 December 2022, the total nominal value of these liabilities (redemptions and interest) was €380.7 million, being €136.6 million for SHH and €244.1 million for WSG. The provision is based on the best estimate of the amounts required to settle the guarantee obligations at the reporting date. These comprise the loan servicing payments (redemptions and interest) on the loan portfolios of WSG and SHH and legal fees for the next year less the expected outcome of the administrative-law proceedings against the Ministry of the Interior and Kingdom Relations.

Valuation of the provision for guarantee obligations

The provision is valued at the present value of the expected cash flows. WSW uses the European swap rate at 31 December 2022 for this (2021: European swap rate at 31 December 2021). The movement in the provision for guarantee obligations in 2022 and compared with 2021 was:

	2022 €			2021 €		
	WSG	SHH	Total	WSG	SHH	Total
Balance at 1 Jan	125,939,839	129,151,776	255,091,615	153,284,586	144,735,724	298,020,310
Discounting	(33,758,980)	(37,413,133)	(71,172,112)	(11,264,838)	(12,351,245)	(23,616,083)
Addition/release	8,499,678	(6,459,000)	2,040,678	(77,624)	(278,108)	(355,732)
Withdrawal	(18,693,937)	(2,969,250)	(21,663,187)	(16,002,285)	(2,954,595)	(18,956,880)
Balance at 31 Dec	81,986,600	82,310,392	164,296,992	125,939,839	129,151,776	255,091,615

€71.2 million was released from the provision for guarantee obligations in 2022 as a result of discounting in view of the increase in interest rates (2021: release €23.6 million). The addition of €2.0 million in 2022 was mainly a result of an addition of cash flows of €8.5 million because of an extension to the period for the legal proceedings by a year. As a consequence, loan servicing payments in 2023 have to be calculated on the basis of the redemptions and interest payable under the current redemption timetable instead of the lower initial compensation for 2023. There was also a release of €6.6 million for a contribution of cash available at SHH.

In 2022, €21.7 million (2021: €19.0 million) was withdrawn for contractual payments of interest and redemptions and legal fees.

Appeals

The ongoing appeal proceedings against the State with respect to the level of the resolution grant are taken into account when determining the expected cash flows for loan servicing payments for the provision. WSG and SHH are each objecting to the decisions to reject the resolution grant.

WSW believes it has received too little resolution grant as the State has applied too low a percentage (55%) for housing classified as 'vital activity in the general economic interest' compared with the actual housing classified as 'vital activity in the general economic interest' (76%). WSW argues in its objection that the mandated resolution party must pay for all damages partly in connection with legitimate expectations. WSW is defending this position and has lodged an appeal against the State. The provision only reflects the part of the claim that refers to the percentage for housing classified as 'vital activity in the general economic interest'.

WSW expects a conclusion to the administrative-law proceedings within a year. If WSW's appeal fails, a further provision of €78.5 million (2021 €118.9 million), based on market values, will be required. See note 14.6 Appeal proceedings against the State for the status of the ongoing proceedings not recognised on the balance sheet.

Interest and redemptions

The interest and redemptions (present value) that WSW will pay under the guarantee claims in the next few years are:

	WSG	SHH	Total
< 1 year	12,298,352	2,195,437	14,493,789
1-5 years	13,208,130	11,475,451	24,683,581
> 5 years	56,480,118	68,639,504	125,119,622
Total	81,986,600	82,310,392	164,296,992

Interest rate sensitivity of loan servicing

The change in the duration of the interest payments and redemptions is a measure of the change in interest rate sensitivity. The duration fell in 2022 compared with 2021 and was 13.01 years at 31 December 2022 (2021: 15.28 years). As an indication of interest rate sensitivity, the market value of these future payments (€250.2 million at 31 December 2022 and €378.1 million at 31 December 2021) would rise by some €34.3 million (2021: €64.3 million) if interest rates fall by 1 percentage point and would fall by €27.7 million (2021: €50.0 million) if interest rates rise by 1 percentage point.

10. Current liabilities

All current liabilities have a remaining maturity of less than one year. Due to their short-term nature, the fair value approximates the carrying amount.

11. Other tax and social security contributions

	31 Dec. 2022	31 Dec. 2021
	€	€
Value added tax	41,050	31,146
Payroll taxes	<u>234,035</u>	<u>209,562</u>
	275,085	240,708

The current value added tax liability consists mainly of the tax due for services provided to WSW by foreign organisations during the fourth quarter of 2022.

12. Accruals and deferred income

	31 Dec. 2022	31 Dec. 2021
	€	€
Accrued paid leave entitlements	292,981	322,252
Reserve for individual career budgets	<u>184,782</u>	<u>172,585</u>
	477,763	494,837

13. Other payables

Commuting allowances payable	59,203	75,492
Investment portfolio management fees payable	42,848	46,000
Expenses payable	<u>120,911</u>	<u>147,826</u>
	222,962	269,318

14. Off-balance sheet assets and liabilities

14.1. Financial commitments

Operating leases:

Rent of €0.4 million per year (2021: €0.4 million) is payable in respect of the office premises, parking spaces

and associated supplies and services. €1.5 million (2021: €2.0 million) of the total amount is payable after more than one year. The rental contract expires on 30 November 2026.

WSW has agreed a bank guarantee for €90,739 (2021: €90,739) with ING Bank N.V. for the term of the lease.

Operating lease liabilities relating to the vehicle fleet totalled €480,331 (2021: €485,63) at year-end as follows:

<u>Amounts payable:</u>	€
Within 1 year	256,514
Between 1 and 5 years	223,817
After 5 years	-

14.2. Claims under guarantees

WSW guarantees to service participants' loans covered by guarantee clauses in loan agreements thus providing assurance to those lending to participants that the obligations under a guaranteed loan agreement will be met promptly and in full. The total value of the loans guaranteed by WSW at year-end 2022 was €85.0 billion (2021: €83.0 billion).

WSW's security structure enables it to guarantee the servicing of these loans. It is made up of three elements: the risk capital, the participants' committed capital and the backstop agreements made with the State and local authorities.

The primary purpose of the risk capital is to meet guarantee claims. It amounted to €484.5 million at 31 December 2022 (2021: €531.8 million). The committed capital called during the calendar year is included in the risk capital. The risk capital is as follows:

<i>(in € million)</i>	<u>31 Dec. 2022</u>	<u>31 Dec. 2021</u>
Investments at the lower of purchase price and market value	433.1	495.8
Cash	52.8	37.9
Liabilities comprising payables, accruals and deferred income and debt excluding provisions for guarantee obligations	(1.4)	(2.0)
Risk capital	484.5	531.8

WSW will call on the participants' committed capital if a guarantee claim is made such that the risk capital falls below the minimum. The minimum risk capital is 0.65% of the total guaranteed volume (31 December 2022: €552.5 million). If guarantee claims, whether already submitted or impending, are likely to result in the risk capital falling below minimum level of risk capital after the committed capital has been called upon, use is then made of the backstop arrangements with the State and local authorities so that WSW can at all times meet its obligations under the guarantee. WSW verifies each year that it has sufficient risk capital and, to this end, also assesses whether the housing associations are indeed capable of supplying that proportion of the risk capital that they are obliged to supply on request. A deficit in the risk capital would be supplemented from capital committed by the participants. WSW may, up to and including the final day of the calendar year, invoke the obligation of its participants to meet all or part of the capital commitment. The committed capital called in 2022 was €39.78 million (in 2021 €49.86 million).

14.3. Guarantee facilities

WSW issues guarantees for new loans and the refinancing of existing guaranteed loans. WSW has no legal obligation to issue guarantees to participants.

14.4. Claims

In 2017, Stichting Humanitas Huisvesting (SHH) instituted legal proceedings against former board members and Supervisory Board members (former officials). On 5 September 2022, the District Court of The Hague ruled that the former officials are allowed to get indemnified by WSW, among others, in the proceedings that SHH initiated against the former officials. The court did not test whether the former officials can actually be held liable. On 5 September 2022, WSW received a summons from the former members of the Supervisory Board of SHH. In brief, with this indemnification procedure, the former members of the Supervisory Board of SHH are trying to ensure that if the court were to rule in the main proceedings that they are liable for damages to SHH, the former members of the Supervisory Board of SHH could transfer the damages (in whole or in part) to (among others) WSW. WSW currently considers the actual risk of the former members of the SHH Supervisory Board passing on all or part of the liability to WSW to be minor.

The risk of claims as a result of the passage of time is regarded as negligible.

14.5. Related parties: WSG and SHH

Under the implementation agreements with WSG and SHH, WSW has to meet normal interest and redemption obligations under the guarantee, costs for maintaining WSG and SHH and specific listed residual liabilities. Unknown other costs and liabilities not covered by arrangements in the agreements are not for the account and risk of WSW. WSW is not required to meet other liabilities and has not issued a declaration of joint and several liability pursuant to Section 403(1)(f), Part 9, Book 2 of the Dutch Civil Code for WSG and SHH.

14.6. Appeal proceedings against the State

The effects of the amended Housing Act on the guarantee system became clear during 2018. We received two claims on our risk capital, from Woningstichting Geertruidenberg (WSG) and Stichting Humanitas Huisvesting (SHH), following the rejection by the Minister of the Interior and Kingdom Relations of applications for resolution support from WSG (partial) and SHH (in full).

Regional associations took over all WSG's assets and part of its guaranteed loans from 1 January 2019. Other guaranteed loans were repaid from the full or partial resolution grant received. Another association in Rotterdam took over SHH's assets and part of its guaranteed loans from 1 July 2019.

WSW is meeting the normal interest and repayment obligations on WSG's and SHH's remaining loans covered by guarantees issued by WSW insofar as WSG and SHH are unable to do this themselves. Consequently, we formed a provision for these guarantee claims in the company financial statements in 2017.

Both WSG and SHH are contesting the decisions to refuse a full resolution grant. The court rejected WSG's appeal in a ruling on 3 July 2020. The court rejected SHH's appeal in a ruling on 2 July 2020. WSG and SHH are appealing against these rulings at the Administrative Jurisdiction Division of the Council of State (ABRS). WSW is also appealing against the decisions to refuse resolution grants. WSW's claim was declared inadmissible in both cases by a court ruling on 9 April 2020. WSW has lodged an appeal against this ruling with the ABRS. In an interim ruling on 3 August 2022 the ABRS declared WSW's appeal against the court ruling of 9 April 2020 admissible and so established that WSW must be regarded as a party to decisions by the Minister of the Interior and Kingdom Relations. In both cases, the Minister had incorrectly declared WSW inadmissible. In the interim ruling of 3 August 2022, the ABRS ordered the Minister of the Interior and Kingdom Relations to make substantive rulings on the objections submitted by WSW. On 21 November 2022, the Minister of the Interior and Kingdom Relations decided on WSW's objections and they were rejected in both cases.

The appeals proceedings will be continued at the ABRS. The ABRS has not yet issued a final ruling and it is expected that this will happen in the second half of 2023.

If the outcome is favourable, the amounts provided for overpaid expenses in the years to 2022 will be recovered. If there is an adverse outcome to the appeals proceedings, an extra provision of €78.5 million (2021 €118.9 million), based on market values, will need to be formed. The provision for guarantee obligations (note 9.1) reflects the expected outcome of the appeals proceedings.

14.7. Subsequent events

The events in Ukraine in early 2022 are among the external factors that have affected interest rates and so the interest rate risk for WSW. This has direct consequences for the result and the financial position. An indirect effect of the war is the high inflation which has forced the European Central Bank to sharply increase interest rates. This has also worked through into the market and on the one hand meant that the value of our investment portfolio dropped in value. On the other hand, our exposure is lower as a result of the fall in the market value of the loans. The recent turbulence in the financial markets as a result of concerns about the banking sector are unlikely (because of an absence of direct relationships) to have adverse effects on the financiers of the housing association sector or on WSW. These developments are not expected to lead to any uncertainty about the continuity of WSW in the future.

Notes to the company statement of income and expenditure

15. Income

15.1 Guarantee fees

	<u>2022</u>	<u>2021</u>
	€	€
Guarantee fees	19,864,885	18,985,044

The guarantee fees relate to the guarantee fee and are €69 per €1 million of outstanding loans.

15.2 Income from calling committed capital

Income from committed capital calls	39,779,186	49,856,461
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Pursuant to article 18 of the Regulations for Participants ('Regulations'), WSW is permitted to invoke the obligation of WSW participants to pay all or part of the capital commitment each year. This maximum annual committed capital call is 0.34% of the guaranteed volume of loans at the end of the preceding calendar year. In 2022, the committed capital call was 0.049% (2021: 0.062%) of the guaranteed outstanding loans at 31 December 2021 including loans to be paid in during 2022 and for which WSW issued a guarantee in 2021. The committed capital call is explained in note 14.2 Claims under guarantees.

15.3 Resolution fees

Resolution fees	29,911	87,538
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Costs incurred to carry out resolution activities are charged to the resolution fund of the Ministry of the Interior and Kingdom Relations. There were fewer resolution activities in 2022 than in the previous year.

15.4 Other income

Other income	3,260	4,610
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16. Salaries

Gross wages and salaries	5,622,048	5,666,990
Social security charges	710,081	662,781
Pension charges	<u>839,285</u>	<u>786,413</u>
	<u>7,171,414</u>	<u>7,116,184</u>

Salaries increased in 2022 compared with 2021 because of the increase in premiums for the WIA top-up pension and a temporary reduction in premiums for the General Unemployment Fund (AWf) in 2021.

Pension charges

WSW has a pension administration agreement with SPW, the industry-wide pension fund for housing associations. The SPW pension scheme is an average salary defined benefit scheme.

The pension scheme allows for conditional indexation. Depending on the pension fund's financial position, SPW's Board of Trustees decides on the size of any percentage increase each year. An increase was granted in 2022 as permitted by SPW's financial position.

WSW is required to form a provision if, under the administration agreement, there is a liability on the reporting date and if the adoption of a package of measures (required to restore the funding ratio on the reporting date) is likely to lead to an outflow of resources, the amount of which can be reliably estimated.

At 31 December 2022, SPW had a funding ratio of 133.7% (31 December 2021: 118.8%) compared with a requirement at the end of 2022 and later years of 126.8%. At 31 December 2022 the funding ratio was above the required levels and so there is now no shortfall.

17. Other employee benefits

	<u>2022</u>	<u>2021</u>
	€	€
Temporary staff employed via third parties	860,768	672,172
Other employee benefits	<u>966,294</u>	<u>800,587</u>
	<u>1,827,062</u>	<u>1,472,759</u>

Temporary staff employed via third parties were higher than in the previous year because of WSW 2030 projects and stakeholder management and costs for examining policy rule I on capital adequacy.

Other employee benefits rose compared with the previous year as a result of an increase in recruitment costs and higher company car expenses. Other employee benefits included lease payments for the vehicle fleet of €244,492 (2021: €160,397).

18. Depreciation and amortisation

Software	452,063	487,606
Refurbishments	199,655	7,405
Hardware	128,941	81,230
Office equipment	<u>77,299</u>	<u>37,280</u>
	<u>857,958</u>	<u>613,521</u>

19. Other operating expenses

Cost of premises	440,186	500,534
General overheads	3,181,337	4,053,779
Cost of supervisory and advisory bodies	<u>183,425</u>	<u>145,221</u>
	<u>3,804,948</u>	<u>4,699,534</u>

19.1 Cost of premises

	<u>2022</u>	<u>2021</u>
	€	€
Rent	184,295	290,199
Cleaning	51,790	25,966
Gas, water and electricity	155,566	112,681
Insurance	27,576	19,380
Other costs relating to premises	<u>20,959</u>	<u>52,308</u>
	<u>440,186</u>	<u>500,534</u>

Gas, water and electricity charges were higher in 2022 than in 2021 because of higher energy prices. The rent for 2022 was lower than for 2021 since the lease instalments for our new office were reduced because of a rent holiday in 2022.

19.2. General overheads

IT	1,702,130	1,573,135
Consultants	245,703	1,146,374
Auditor	302,079	199,650
Investment expenses	395,140	421,829
Information and documentation	32,941	147,723
Rating agencies	140,776	141,116
Costs of retrieving data from participants	289,631	327,167
Other general expenses	<u>72,937</u>	<u>96,785</u>
	<u>3,181,337</u>	<u>4,053,779</u>

IT costs increased because of expenditure on cybersecurity. Consultants were fees for legal, tax and other consultancy services. These fees were lower than in the previous year because of consultancy fees for the restructuring of Vestia loans were higher in 2021.

Investment expenses consisted of fees paid for the external management of WSW's investments.

Information and documentation charges were lower in 2022 than in the previous year as a result of fewer meetings on the implementation of the strategic programme.

The rise in the auditors' fees resulted from an increase in rates.

Costs of retrieving data from participants comprised the contribution to the operating and development costs of SBR-wonen.

19.2.1 Audit fee

Audit fees relate to 'Auditor' in 19.2. The following audit fees (incl. VAT) paid to Ernst & Young Accountants

LLP were charged to the result during the reporting period:

	<u>2022</u>	<u>2021</u>
	€	€
Audit of the financial statements	302,079	199,650
Other audit work	-	-
Tax advice	-	-
Other non-audit work	-	-
Total	<u>302,079</u>	<u>199,650</u>

No audit fees from other accountancy firms were charged to the result. The above fees relate exclusively to the work performed for WSW by audit firms and independent external auditors as referred to in Section 1.1 of the Audit Firms Supervision Act. Costs are recognised in the reporting period to which they relate. A deferred item is formed if part of the audit and audit-related work is performed after the end of the reporting period (i.e. in the next reporting period).

20. Movement in the provision for guarantee obligations

Addition/release	2,040,678	(355,732)
Movement in the provision for guarantee obligations	<u>2,040,678</u>	<u>(355,732)</u>

In 2022 there was an addition from the guarantee obligations as explained in note 9.1 Provision for guarantee obligations.

21. Realised and unrealised gains and losses on investments

Realised gains and losses on investments	(28,493,843)	(5,373,144)
Unrealised gains and losses on investments	<u>(41,112,234)</u>	<u>(14,227,871)</u>
	<u>(69,606,077)</u>	<u>(19,601,015)</u>

22. Financial income and expenses

Interest on discounting provision for guarantee obligations	71,172,112	23,616,082
Interest earned on the investment portfolio	7,325,361	8,353,446
Other interest expense	<u>(83,669)</u>	<u>(51,410)</u>
Financial income and expenses	<u>78,413,804</u>	<u>31,918,118</u>

Interest on the discounting provision for guarantee obligations (in other words the result of changes in value as a result of interest rate changes on the obligations to service loans) has been presented separately in financial income and expenses. For improved comparability, such interest accrual is now presented as interest expense in the statement of income and expenditure.

The accrued interest for discounting the provision for guarantee obligations is explained in note 9.1 Provision for guarantee obligations.

The other interest expense was negative interest on WSW's bank balances.

23. Corporation tax

	<u>2022</u>	<u>2021</u>
	€	€
Result from ordinary activities before tax	52,782,909	67,704,490

Differences between annual figures as calculated for filing and tax purposes

<i>Temporary differences</i>		
Securities	41,112,234	14,227,871
Non-deductible legal fees	(103,755)	(47,432)
<i>Permanent differences</i>		
Movement in the provision for guarantee obligations	2,040,678	(355,732)
Discounting the provision for guarantee obligations	(71,172,112)	(23,616,083)
Other permanent differences	23,728	23,019
Taxable result	24,683,682	57,936,133
<i>Corporation tax due on the above figure:</i>		
15% on €395,000	59,250	36,750
25.8% on the remainder of the taxable result	6,266,480	14,434,033
	6,325,730	14,470,783
Prior-year adjustments to corporation tax	(10,969)	(67,851)
Movements in deferred tax	(10,521,784)	(3,556,967)
Corporation tax for the reporting period	(4,207,023)	10,845,964
<i>Effective tax rate</i>	<i>(7.97%)</i>	<i>16.02%</i>

The tax position is computed in accordance with current legislation and regulations. Agreement has been reached with the Tax and Customs Administration on the existing provision for guarantee obligations for tax purposes. This is being reduced by payments for claims under guarantee obligations.

The difference between the effective and nominal tax rates is mainly a result of the permanent differences relating to the provision for guarantee obligations being ignored for tax purposes.

Movements in deferred tax are the movements in temporary differences between the financial statements for commercial and tax purposes. Unrealised gains and losses on investments are not part of the result for tax purposes. When calculating the taxable result, legal and consultancy fees are not deducted from the provision for guarantee obligations for tax purposes but recognised in the taxable result for the reporting period.

24. Average number of staff

The average workforce (measured in full-time equivalents) in 2022 was 67.4 (2021: 68.0). WSW does not employ any staff outside the Netherlands.

	31 December 2022	Average 2022	Average 2021
Executive Board	2.0	2.0	2.0
Management support	14.7	14.8	15.5
Risk management	18.0	19.5	20.1
Account management	20.2	19.4	19.1
Information management	6.9	6.9	6.3
Operations & Control	5.0	4.8	5.0
Total number of employees (FTE)	66.8	67.4	68.0

25. Executive Board remuneration

The total remuneration of the Executive Board of WSW in 2022, comprising gross salaries including holiday allowances and pay in lieu of holiday entitlement, was €431,764 (2021: €417,649). The remuneration of these senior officers does not exceed the current limit in the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act.

Pension costs for the Executive Board amounted to €38,086 in 2022 (2021: €36,710).

The remuneration payable to the members of the Supervisory Board, including VAT, amounted to €120,300 in 2022 (2021: €118,072). The remuneration of Supervisory Board members was raised by 3.35% in 2022 (2021: 3.98%) in line with the current limit in the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act. The statement of remuneration components required under the Act is as follows:

Remuneration of senior officials

In €1	R. Röttscheid	R. Röttscheid	L.J. van Kalsbeek	L.J. van Kalsbeek
Position	Executive Board member	Executive Board member	Executive Board member	Executive Board member
Year	2022	2021	2022	2021
Period of employment in the year	1 Jan - 31 Dec	1 Jan - 31 Dec	1 Jan - 31 Dec	1 Jan - 31 Dec
Workload (in FTEs)	1.0	1.0	1.0	1.0
Employed	Yes	Yes	Yes	Yes
Remuneration				
Remuneration plus taxable expense allowances	196,838	190,526	196,840	190,412
Future payments	19,045	18,357	19,041	18,353
Total remuneration	215,883	208,883	215,881	208,766
Individual remuneration limit	216,000	209,000	216,000	209,000

No undue amounts were paid.

Supervisory Board

The maximum remuneration payable to members of the Supervisory Board in 2022 under the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act is 15% of the maximum amount for 2022 for the chair, and 10% of the maximum amount for 2022 for the other Supervisory Board members under the Act. The remuneration of these senior officials does not exceed the maximum set in the Act. There was a change in the period of employment and remuneration of the members of the Supervisory Board in 2022 as compared with 2021. The membership was unchanged.

	H.M. Meijdam	G. van Vollenhoven	J.G. Pot	Prof. D. Brounen	M.A.E. Calon
Position(s)	Chair	Member	Member	Member	Member
Period of employment in 2022	1 Jan - 31 Dec	1 Jan - 31 Dec	1 Jan – 31 Dec	1 Jan - 31 Dec	1 Jan - 31 Dec
Remuneration (in €)					
Remuneration	32,400	21,600	21,600	21,600	21,600
Total remuneration	32,400	21,600	21,600	21,600	21,600

	H.M. Meijdam	G. van Vollenhoven	J.G. Pot	Prof. D. Brounen	M.A.E. Calon
Position(s)	Chair	Member	Member	Member	Member
Period of employment in 2021	1 Jan - 31 Dec	1 Jan - 31 Dec	1 Jan – 31 Dec	1 Jan - 31 Dec	1 Jan - 31 Dec
Remuneration (in €)					
Remuneration	31,350	20,900	20,900	20,900	20,900
Total remuneration	31,350	20,900	20,900	20,900	20,900

Other disclosures under the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act

No officials employed under a contract of employment received remuneration in 2022 in excess of the individual maximum.

None of the identified senior managerial officials employed by WSW under a contract of employment are employed as a senior managerial official under a contract of employment at other bodies subject to the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act.

25.2. Date of preparation of the company financial statements

These company financial statements were prepared on 18 April 2023.

8. Consolidated financial statements

26.1 Consolidated balance sheet at 31 December 2022

(after appropriation of the result)

Assets		31 December 2022		31 December 2021	
	Note	€	€	€	€
<i>Fixed assets</i>					
Intangible fixed assets	4.1				
Software		<u>1,037,325</u>		<u>1,488,671</u>	
			1,037,325		1,488,671
Tangible fixed assets	4.2				
Refurbishments		2,039,250		1,763,349	
Computer systems		452,431		416,168	
Office equipment		<u>330,840</u>		<u>252,301</u>	
			2,822,521		2,431,818
<i>Financial fixed assets</i>					
Securities	30.2	429,048,818		491,324,146	
Deferred tax	5.2	12,809,070		2,287,286	
Other receivables	30.1	<u>600,000</u>		<u>700,000</u>	
			442,457,888		494,311,432
<i>Current assets</i>					
Receivables					
Receivables	6.1	5,319,421		4,837,403	
Corporation tax receivable	6.2	2,919,225		343,979	
Prepayments and accrued income	30.3	4,272,981		4,832,684	
Other receivable	30.4	<u>267,817</u>		<u>182,190</u>	
			12,779,444		10,196,256
Cash	7.		<u>85,542,561</u>		<u>70,953,009</u>
			<u>544,639,739</u>		<u>579,381,186</u>

Capital and liabilities		31 December 2022		31 December 2021	
		€	€	€	€
	Note				
Consolidated capital	30.5				
Legal reserve		1,037,325		1,488,671	
Other reserve		<u>218,617,905</u>		<u>233,266,323</u>	
			219,655,230		234,754,994
Provisions					
Other provisions	30.6	<u>3,186,163</u>		<u>3,474,204</u>	
			3,186,163		3,474,204
Non-current liabilities					
Amounts owed to credit institutions	30.7		302,235,223		317,404,088
Current liabilities					
Redemption of long-term loans	30.7	18,086,184		21,659,900	
Suppliers and trade creditors		475,133		995,047	
Other tax and social security contributions	11.	275,085		267,091	
Accruals and deferred income	30.8	503,759		556,544	
Other payables	30.9	<u>222,962</u>		<u>269,318</u>	
			<u>19,563,123</u>		<u>23,747,900</u>
			<u>544,639,739</u>		<u>579,381,186</u>

26.2 Consolidated statement of income and expenditure for 2022

		2022	2021
		€	€
	Note		
Guarantee fees	15.1	19,864,885	18,985,044
Income from calling committed capital	15.2	39,779,186	49,856,461
Resolution fees	15.3	29,911	87,538
Other income	30.12.1	<u>175</u>	<u>22,781,284</u>
Total operating income		59,674,157	91,710,327
<i>Operating expenses</i>			
Salaries	16.	7,171,414	7,116,184
Other employee benefits	30.12.2	1,938,317	1,570,251
Depreciation and amortisation	18.	857,958	613,521
Movement in provisions	30.6	(184,287)	(155,732)
Other operating expenses	30.12.3	<u>3,915,215</u>	<u>4,880,782</u>
Total operating expenses		(13,698,617)	(14,025,006)
Operating profit		45,975,540	77,685,321
Realised and unrealised gains and losses on investments	21.	(69,606,077)	(19,601,015)
Financial income and expenses	30.12.4	4,323,750	5,108,969
Result before tax		(19,306,787)	63,193,275
Corporation tax	31.	<u>4,207,023</u>	<u>(10,845,965)</u>
Consolidated result after tax		<u>(15,099,764)</u>	<u>52,347,310</u>

26.3 Consolidated cash flow statement for 2022

Cash flow from operating activities

	<u>2022</u>	<u>2021</u>
	€	€
Result after tax	(15,099,764)	52,347,310
Adjustments for:		
Amortisation	452,063	487,606
Depreciation	405,895	125,915
Realised and unrealised gains and losses on investments	69,606,077	19,601,015
Movement in provisions	(10,706,071)	(3,712,699)
Withdrawals from other provisions	(103,754)	(47,432)
Amortisation of long-term loans	(6,628,556)	(6,510,330)
Corporation tax paid	(9,244,955)	(14,814,762)
Redemptions of financial fixed assets receivable	100,000	100,000
Redemptions of outstanding loans	(12,114,025)	(9,054,982)
Movements in working capital:		
Movements in receivables	6,661,767	19,481,140
Movements in current liabilities excl. current loans	(611,061)	345,060
<i>Cash flow from operating activities</i>	<i>22,717,616</i>	<i>(58,347,841)</i>
Cash flow from investment activities		
Additions to fixed assets	(797,314)	(2,604,501)
Purchases of securities	(182,950,827)	(78,247,552)
Sales of securities and redemptions	175,620,077	82,573,415
<i>Cash flow from investment activities</i>	<i>(8,128,064)</i>	<i>1,721,362</i>
Movements in cash	14,589,552	60,069,203
Closing cash balance	85,542,561	70,953,009
Opening cash balance	70,953,009	10,883,806
Movements in cash	14,589,552	60,069,203

Accounting policies for measurement and determining the result in the consolidated financial statements

27. General notes

27.1. Activities

The consolidated financial statements of WSW incorporate the company financial statements of WSW and the financial information of Stichting Humanitas Huisvesting (SHH) and Woningstichting Geertruidenberg (WSG). The activities of Stichting Waarborgfonds Sociale Woningbouw (WSW) consist primarily of guaranteeing loans to housing associations to fund projects for social housing and other properties with a social function. WSW is a foundation under Dutch law with an independent management structure and is subject to the supervision of the Dutch Authority for Housing Associations. WSG and SHH are institutions licensed pursuant to the Housing Act. The activities of WSG and SHH consist primarily of settling interest and redemption obligations on their residual loans following the separation and resolution.

See the accounting policies in the company financial statements for accounting policies for measuring assets and liabilities and determining the result and for the cash flow statement that are not stated below.

27.2. Consolidated legal entities

Guarantee claims related to the settlement of WSG and SHH have led to arrangements for the payment of interest and redemptions to financial institutions. These arrangements are set out in implementation agreements dated 3 September 2018 for WSG and 17 January 2019 for SHH and in separate tripartite agreements with WSG and SHH and the financial institutions Bank Nederlandse Gemeenten (BNG) and the Nederlandse Waterschapsbank (NWB). The implementation agreements state that the public housing duties are legally separated, that WSW will pay the normal interest and redemption obligations pursuant to guarantees already issued on those loans and that there are arrangements on certain costs for maintaining WSG and SHH.

Under the implementation agreements, WSW is entitled to approve the budgets for maintaining WSG and SHH and has control over financial obligations entered into by them that affect the guarantees it has issued. Further to these rights and the fact that WSG and SHH have no other activities, accounting standards (RJ 217.202) state that there is influence over policy that leads to a group relationship and a requirement for consolidation from the date of separation.

The tripartite agreements also include arrangements with the investors holding guarantees on the residual loans. These arrangements concern the resolution of certain loans that remained with the entities following the separation and payment of interest and redemption liabilities. Embedded derivatives have been removed from the loans and the interest rates were fixed. The implications of the resolution form part of the separation and so the restructured loans form the basis for the initial consolidation. Under the guarantees, WSW has been paying the normal interest and redemption liabilities on the residual loans since the date of separation to the extent that WSG and SHH are unable to do this themselves.

Stichting Waarborgfonds Sociale Woningbouw (WSW), Hilversum, is the parent of the group and incorporates the financial information of the following legal entities in its consolidated financial statements, copies of which are available from the trade register of the Chamber of Commerce in Woerden.

Consolidated legal entities:

- Woningstichting Geertruidenberg, Geertruidenberg: consolidated from 1 January 2019;
- Stichting Humanitas Huisvesting, Rotterdam: consolidated from 1 July 2019.

27.3. Opinions, estimates, assumptions and uncertainties

WSW makes estimates and assumptions based on the prevailing circumstances and information available when the financial statements are prepared. Uncertainties relating to these estimates and assumptions may result in material adjustment to the consolidated financial statements in future years. Estimates based on events after the reporting period (or the non-occurrence of expected events) may be subject to future market movements and circumstances that are beyond WSW's control. Changes in estimates are recorded prospectively in the financial statements. Where required in order to provide the view required by Section 362(1) of Book 2 of the Dutch Civil Code, information on the nature of these opinions and estimates, including the underlying assumptions, is disclosed in the notes on the item in question. The principal estimates relate to the other provisions.

28. Accounting policies for measuring assets and liabilities in the consolidated financial statements

28.1. Basis of consolidation

The consolidated financial statements at 31 December of the financial year incorporate the financial information of WSW and legal entities where it exercises influence over policy.

Legal entities are fully consolidated from the date on which influence over policy at the legal entity is obtained. On initial recognition, the assets and liabilities of legal entities to be consolidated are measured at fair value. Legal entities are no longer included in the consolidation from the date on which there is no longer influence over policy.

Items in the consolidated financial statements are measured using uniform accounting policies. Individual assets and liabilities of the consolidated legal entities are recognised and measured in accordance with WSW's accounting policies. All intragroup transactions and results with and between the consolidated entities are eliminated.

Differences between the company and consolidated capital and result are disclosed the note on capital in the consolidated financial statements.

Financial information of WSG and SHH is included in the consolidation on the basis of WSW's accounting policies.

28.2. Non-current liabilities

On initial recognition, non-current liabilities are measured at fair value. The fair value on initial recognition is reduced by directly attributable transaction costs since subsequent recognition is not at fair value through profit or loss.

Non-current liabilities are subsequently recognised at amortised cost using the effective interest method. Gains or losses are recognised through the statement of income and expenditure when the obligation is no longer recognised in the balance sheet and through the amortisation process.

The current portion of non-current liabilities (amounts payable within 12 months) is recognised in current liabilities.

28.3. Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If a reliable fair value cannot be attributed directly to the financial instruments, the fair value is approximated by deriving it from the fair value of its components or a similar instrument or with the assistance of generally accepted valuation models and measurement techniques. This is done using recent similar arm's length transactions, the DCF method (present value of cash flows) and/or option valuation models, reflecting specific circumstances.

28.4. Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the accumulated amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

28.5. Hedge accounting

The consolidated entities do not use hedge accounting.

29. Accounting policies for determining the result in the consolidated financial statements

See the accounting policies for determining the result in the company financial statements for the accounting policies for determining the result in the consolidated financial statements.

30. Notes to the consolidated balance sheet and statement of income and expenditure

30.1. Financial fixed assets

	<u>31 Dec. 2022</u>	<u>31 Dec. 2021</u>
	€	€
Securities	429,048,818	491,324,146
Deferred tax	12,809,070	2,287,286
Other receivables	<u>600,000</u>	<u>700,000</u>
	<u>442,457,888</u>	<u>494,311,432</u>

Other receivables are the long-term portion of the receivable from Stichting Humanitas Zorg. A contract recording the legal relationship of parties for €1.0 million was entered into on 14 May 2019. This amount is to be repaid in ten annual instalments of €100,000. The receivable with a term of less than one year has been recognised in other receivables. No interest is payable on the receivable. A second mortgage has been granted on premises at Achillesstraat 290, Rotterdam, recorded in the land register in the municipality of Hillegersberg, section F, number 1584, as security for payment of the debt. The present value of the receivable is €536,930 (nominal value: €600,000).

30.2. Securities

See note 5 to the company financial statements for details of the securities.

30.3. Prepayments and accrued income

	<u>31 Dec. 2022</u>	<u>31 Dec. 2021</u>
	€	€
Accrued interest	4,009,254	4,485,916
Prepaid other costs	<u>263,727</u>	<u>346,768</u>
	<u>4,272,981</u>	<u>4,832,684</u>

Accrued interest income relates to interest earned on the investment portfolio.

30.4. Other receivables

Stichting Humanitas Zorg	100,000	100,000
Other receivables	<u>167,817</u>	<u>82,190</u>
	<u>267,817</u>	<u>182,190</u>

Stichting Humanitas Zorg

This is the current portion of the receivable from Stichting Humanitas Zorg.

Other receivables

See note 6.4 to the company financial statements for details of the other receivables.

30.5. Consolidated capital

Consolidated capital

Legal reserve	1,037,325	1,488,671
Other reserve	<u>218,617,905</u>	<u>233,266,323</u>
	219,655,230	234,754,994

Movements in consolidated capital:

	Other reserve	Legal reserve	Consolidated capital
Capital at 1 January 2022	233,266,323	1,488,671	234,754,994
Result for the reporting period	<u>(14,648,418)</u>	<u>(451,346)</u>	<u>(15,099,764)</u>
Capital at 31 December 2022	218,617,905	1,037,325	219,655,230

30.5.1. Notes on comprehensive income

Consolidated result after tax	(15,099,764)	52,347,310
Movements recognised directly through capital as part of group capital	-	-
Comprehensive income	(15,099,764)	52,347,310

30.5.2. Notes on the difference between the company and consolidated results

The difference between the company and consolidated results for 2022 was €72,089,696 as follows:

	€
Result in the company financial statements	56,989,932
Operating expenses and income at WSG and SHH	(325,695)
Adjustment for addition to the company provision for guarantee obligations	(68,947,147)
Adjustment for interest expenses and amortisation of market value of loans	<u>(2,816,854)</u>
Result in the consolidated financial statements	(15,099,764)

30.5.3. Notes on the difference between the company and consolidated capital

The difference between the consolidated capital in WSW's consolidated financial statements and the capital in the company financial statements is as follows:

	€
Capital in the company financial statements at 31 December 2022	345,447,712
Difference between the company and consolidated capital in prior years	(53,702,786)
Difference between the company and consolidated result for the reporting period	<u>(72,089,696)</u>
Capital in the consolidated financial statements at 31 December 2022	219,655,230

30.6. Provisions

	<u>31 Dec. 2022</u>	<u>31 Dec. 2021</u>
	€	€
Other provisions	<u>3,186,163</u>	<u>3,474,204</u>
	3,186,163	3,474,204

30.6.1. Other provisions

The movements in the other provisions were:

Balance at 1 January	3,474,204	3,677,368
Addition/release	(184,287)	(155,732)
Withdrawal	<u>(103,754)</u>	<u>(47,432)</u>
Balance at 31 December	3,186,163	3,474,204

The other provisions comprised €3.1 million (2021: €3.2 million) for corporation tax on the remaining premium on SHH's loans and a provision for legal fees for WSW for the appeal proceedings against the State of €0.1 million (2021: €0.2 million). €3.1 million of the other provisions is regarded as long term (more than one year). It is expected that €0 has a term of more than five years.

30.7. Non-current liabilities

Non-current liabilities are amounts owed to credit institutions of €302.2 million (2021: €317.4 million) relating to loans granted by credit institutions to WSG and SHH. WSW is guarantor for these loans. Movements in non-current liabilities were:

	€
Balance at 1 January	317,404,088
Movements:	
Redemptions of loans	(12,114,025)
Amortisation of loans	<u>(6,628,556)</u>
Outstanding loans at maturity date	298,661,507
Movement in repayment obligation in current liabilities:	
Balance at 1 January	21,659,900
Balance at 31 December	18,086,184
Movements	3,573,716
Balance at 31 December 2022	302,235,223

On the increase in the scope of consolidation in 2019, the loans were initially recognised as market value (fair value) including accrued interest. Differences between the market value and nominal value of the loans are being amortised. Amortisation of the loans is €139.3 million over the full term. €24.3 million has been amortised up to 2022. The amortisation in 2022 was €6.6 million. Amortisation over the remaining term of the loans at year-end 2022 was €115.0 million.

	€
Market value of loans in the opening balance sheets of WSG and SHH	386,086,872
Nominal value on initial consolidation	246,835,466
Recognised amortisation to 2022	<u>24,291,581</u>
Amortisation over the remaining term of the loans	114,959,825

The criteria for setting market value of loans in the opening balance sheets were:

- General:
Market value was computed using the 6-month Euribor swap curve at 31 December 2019.
- Basic interest rate loan:
Market value was determined using the basic interest rate (including spread). The market value is the value from the computation date to the end of the term.
- Fixed interest loans
The interest on the loans has been fixed for the full term from the date of consolidation.
- Redemptions
The loans are repaid at maturity or on a straight-line basis.

The market value at 31 December 2022 was €260.5 million (31 December 2021: €366.2 million), including accrued interest. A yield curve based on the 6-month swap curve was used when measuring the market value at 31 December 2022.

At 31 December 2022 the weighted average interest rate for WSG's loans was 4.73% (2021: 4.73%) and for SHH's loans it was 3.78% (2021: 3.78%).

The nominal residual amount of interest and redemptions in the loan portfolio at 31 December 2022 was €380.7 million (31 December 2021: €402.3 million).

Of which:

maturity < 1 year	14.9 million
maturity >= 1 year and <=5 years	71.4 million
maturity > 5 years	294.4 million

30.8. Accruals and deferred income

Accruals and deferred income were as follows:

	<u>31 Dec. 2022</u>	<u>31 Dec. 2021</u>
	€	€
Accrued paid leave entitlements	292,981	322,252
Reserve for individual career budgets	184,782	172,585
Other accruals and deferred income	<u>25,996</u>	<u>61,707</u>
	503,759	556,544

30.9. Other payables

Other payables were as follows:

Commuting allowances payable	59,203	75,492
Investment portfolio management fees payable	42,848	46,000
Expenses payable	<u>120,911</u>	<u>147,826</u>
	222,962	269,318

30.10. Risks in financial instruments

30.10.1 General

This note provides information to assist in assessing the risks associated with financial instruments in the balance sheet and those not recognised in the balance sheet.

The consolidated entities do not enter into transactions in derivatives, such as currency futures and interest

rate swaps, to hedge interest rate risk arising from their operating and financing activities. There is no currency risk. The policy of the consolidated entities is not to undertake speculative trades in financial instruments.

The principal risks in the group's financial instruments are interest rate risk, price risk, credit risk and liquidity risk.

The policy of the consolidated entities to limit these risks is set out below.

30.10.2 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument fluctuate as a result of movements in market interest rates. The risk run by the consolidated entities from fluctuations in market interest rates is limited since their non-current liabilities are fixed interest. The consolidated entities are maintaining their loans at fixed interest rates agreed at the time of the separation. Future cash flows are thus fixed but the market value may change with future market interest rate changes. Given the yield curve at the end of 2022, a fall of 1 percentage point in interest rates could create an increase in market value of the loans portfolio of some €34.3 million (2021: €64.3 million) and an increase of 1 percentage point in interest rates could create a fall in market value of some €27.7 million (2021: €50.0 million). This fluctuation is greater than the fluctuation in the market value of the investments, which would increase or decrease by about €13.5 million (2021: €27.6 million) on a 1 percentage point movement. On balance, interest sensitivity is €20.8 million positive for a fall in interest rates of 1 percentage point (2021: €36.7 million) and €12.2 million negative for an increase in interest rates of 1 percentage point (2021: €22.4 million negative).

30.10.3 Price risk

The consolidated entities run risks with respect to the value of securities recognised in financial fixed assets (see note 5). The consolidated entities manage the price risk by maintaining a passive investment policy relative to a market-weighted benchmark with high-quality, high-liquidity bonds. In accordance with its investment policy, WSW invests exclusively in euro-denominated bonds. In addition, it was decided in 2022 to reduce the maturity and so the interest rate sensitivity of the investment portfolio within the current maturity ceiling (up to 15 years) in the investment statute. The investment policy is being amended in 2023 from a smart passive policy against a market-weighted benchmark to a fully passive policy (Buy & Hold). See note 5.1 for further information.

30.10.4 Credit risk

The consolidated entities ran a limited credit risk on €528.1 million at 31 December 2022 (2021: €573.2 million) in terms of debtors, cash and invested capital.

The investment portfolio was €429.0 million (2021: €491.3 million), comprising exclusively of listed euro-denominated bonds with at least an AAA or AA rating and the maximum holding per issuer is 10%, except for the sovereign debt of euro area countries. WSW holds cash of €37.5 million (2021: €9.2 million) held at ING, which has an A+ credit rating, and €14.9 million (2021: €28.5 million) at BNG with a AAA rating. WSW runs a credit risk on receivables on €12.8 million (2021: €10.2 million).

With respect to receivables, the consolidated entities run a credit risk on €12.8 million (2021: €10.2 million). The consolidated entities have drawn up guidelines to limit the size of the credit risk with each financial institution and debtor. In addition the consolidated entities continuously monitor their receivables and apply strict collection procedures.

30.10.5 Liquidity risk

WSW ensures that it can meet its obligations in different ways. WSW prepares regular liquidity budgets. In the event of liquidity shortfall, WSW can obtain cash by selling part of its investment portfolio. Furthermore, WSW can call capital committed from the participants and so have cash available over the longer term.

At 31 December 2022, the non-discounted contractual payment obligations were as follows:

(in € million)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Loans	14.9	17.7	53.7	294.4
Trade creditors and other payables	0.5	-	-	-
Total	15.4	17.7	53.7	294.4

30.11. Off-balance sheet arrangements and liabilities**30.11.1. Resolution grant**

WSW, WSG and SHH have all instituted appeals against the decision of the State to reject all or part of the resolution grants. See note 14.6 to the company financial statements for further information.

30.11.2. Claims and legal proceedings

Existing claims and proceedings involving WSG and SHH include a claim that SHH has lodged against its former board members and supervisory board members. The legal fees that SHH is incurring for this are being reimbursed by Woonbron. Any proceeds from this claim will benefit Woonbron. On 5 September 2022, WSW received a summons from the former members of the Supervisory Board of SHH. In brief, with this indemnification procedure, the former members of the Supervisory Board of SHH are trying to ensure that if the court were to rule in the main proceedings that they are liable for damages to SHH, the former members of the Supervisory Board of SHH could transfer the damages (in whole or in part) to (among others) WSW. WSW currently considers the actual risk of the former members of the SHH Supervisory Board passing on all of part of the liability to WSW to be minor.

WSG has a guarantee liability relating to property that WSG developed long ago. There is a negligible probability of a claim.

30.11.3. Pensions

WSG and SHH no longer have any pension liabilities. All SHH's pension liabilities were transferred to Woonbron. WSG's pension liabilities were established in 2018 on the basis of estimates per individual and the residual liabilities were transferred to the pension fund.

30.11.4 Residual liabilities after the separation of WSG and SHH

Pursuant to the implementation agreements on the separation, nominal interest and redemption liabilities are being paid under guarantees for residual loans, in accordance with servicing the loans from the date of the separation to maturity. Other than payment of the maintenance costs of WSG and SHH, WSW is not making any other payments, guarantees, indemnifications and/or other contributions to WSG and SHH or any third parties. If SHH or WSG earns unexpected financial income, it has to use such amounts as instructed by WSW.

See note 14 to the company financial statements for other off-balance sheet rights and obligations.

30.12. Notes to the consolidated statement of income and expenditure

30.12.1. Other income

	<u>2022</u>	<u>2021</u>
	€	€
Other income	175	49,590
	175	49,590

30.12.2. Other employee benefits

	<u>2022</u>	<u>2021</u>
	€	€
Temporary staff employed via third parties	893,438	706,958
Other employee benefits	<u>1,044,879</u>	<u>863,293</u>
	1,938,317	1,570,251

30.12.3. Other operating expenses

Cost of premises	454,706	521,306
General overheads	3,263,042	4,201,509
Cost of supervisory and advisory bodies	<u>197,467</u>	<u>157,967</u>
	3,915,215	4,880,782

30.12.3.1. Cost of premises

Rent	184,295	290,199
Cleaning	51,790	25,966
Gas, water and electricity	155,566	112,681
Insurance	42,096	40,152
Other costs relating to premises	<u>20,959</u>	<u>52,308</u>
	454,706	521,306

30.12.3.2. General overheads

IT	1,710,854	1,582,335
Consultants	279,417	1,233,895
Auditor	328,149	235,782
Investment expenses	395,140	421,829
Information and documentation	32,941	147,723
Rating agencies	140,776	141,116
Costs of retrieving data from participants	289,631	327,167
Other general expenses	<u>86,134</u>	<u>111,662</u>
	3,263,042	4,201,509

30.12.4. Financial income and expenses

Interest earned on the investment portfolio	7,325,361	8,353,446
Other interest income	29,512	260,541
Other interest expense	<u>(214,269)</u>	<u>(159,572)</u>
	7,140,604	8,454,415
Interest expense on non-current liabilities	(9,445,410)	(9,855,776)
Amortisation of non-current liabilities	<u>6,628,556</u>	<u>6,510,330</u>
	(2,816,854)	(3,345,446)

Total financial income and expenses	4,323,750	5,108,969
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31. Taxes

31.1. Tax position

WSW and WSG have been fully liable for corporation tax since 1 January 2008 and SHH since 1 January 2012. Details have been set out in advance tax agreements. WSW's tax position has been determined since 1 January 2019 on current legislation and regulations. WSW is not in a fiscal unity with WSG and SHH.

WSG forms a fiscal unity for corporation tax purposes with WSG Holding B.V. and WSG Projectontwikkeling B.V. Its terms mean that WSG and its subsidiaries in the fiscal unity are jointly and severally liable for the tax payable by the combination.

SHH

There is still no complete certainty on SHH's tax position. SHH is in talks with the Tax and Customs Administration on this.

WSG

There is still no complete certainty on WSG's tax position. WSG is in talks with the Tax and Customs Administration on this.

See note 23 to the company financial statements for information on the corporation tax charge for 2022 in the consolidated financial statements.

32. Date of preparation of the consolidated financial statements

These consolidated financial statements were prepared on 18 April 2023.

Signed by the Executive Board and the Supervisory Board

Hilversum, 18 April 2023

Stichting Waarborgfonds Sociale Woningbouw

Executive Board

Executive Board

Mr R. Rötscheid

Mr L.J. van Kalsbeek

Supervisory Board

Supervisory Board

Mr H.M. Meijdam
chair

Ms G. van Vollenhoven-Eikelenboom
member

Supervisory Board

Supervisory Board

Prof. D Brounen
member

Mr J.G. Pot
member

Supervisory Board

Mr M.A.E. Calon
member

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