HALF-YEAR REPORT 2014

NEDERLANDSE WATERSCHAPSBANK N.V.

Bank of and for the public sector

NWB Bank is a leading financial services provider to the public sector. The Bank lends to water boards, municipal authorities, provincial authorities, housing corporations and healthcare institutions. NWB Bank was founded in 1954 by Dutch water boards. The shares in NWB Bank are held by water boards (81%), the State of the Netherlands (17%) and Dutch Provinces (2%). The Bank finances its operations on the international money and capital markets on the back of a very strong financial position and Aaa rating from Moody's and AA+ rating from Standard & Poor's. Its robust solvency position and the high creditworthiness of public-sector institutions enable the Bank to lend on favourable terms. Social relevance, high quality, a strong financial position and efficient business operations are the cornerstones of NWB Bank's policy.

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Report of the Managing Board

Report for the first half of 2014

Against the backdrop of a cautiously recovering Dutch economy and historically low interest rates on the money and capital markets, NWB Bank's new lending totalled €1.9 billion in the first half of 2014, €122 million up on the first six months of 2013. The Bank is pleased to note that it was able to maintain its high market share in Dutch public-sector financing and that, in competition with other lenders, it even saw its share in water-board financing grow in the first six months of 2014. Despite a fragile recovery of the housing market, housing corporations are pursuing a restrained investment policy for the time being. As a consequence, their demand for loans, like during the past year, is confined, for the major part, to the refinancing of current homes. Nonetheless, over 40% of total lending by the Bank was to housing corporations in the first half of 2014. With interest rates currently being low - return on Dutch government bonds has decreased to a historically low rate - and further declining credit spreads, many borrowers noticeably prefer loans with longer terms.

To fund its new lending and to refinance maturing loans in its balance sheet, the Bank raised a total of €9.0 billion in long-term loans during the first half of 2014, thus covering a significant portion of its funding requirement for the full year 2014. A highlight was the issue, in June, of the first Green Bond (Waterobligatie), in the amount of €500 million. The success of this launch of sustainable bonds is evident from the low interest spread and the oversubscription, with subscriptions totalling €1.8 billion. Subscribers for the 5-year bonds were primarily European "SRI" (socially responsible investing) investors. The issue has enabled NWB Bank not only to attract new investors, but is, above all, a new step within the context of its sustainability policies encouraging and supporting "green" projects. The income from the Green Bond is meant to finance the Dutch water boards, which, given their duties in the area of flood prevention and their water management programmes, anticipate the impact of the expected climate change over the next decades. An amount of €5.2 billion was withdrawn in short-term financing under the Euro Commercial Paper Programme ("ECP"), while €2.0 billion was raised in the market under the USCP programme.

Net profit rose by 27% (€6.0 million) to €27.6 million in the first six months of 2014, primarily fuelled by an increase in the interest margin of, on balance, €14.1 million to €53.7 million. This improved interest margin may in part be attributed to the higher credit margins achieved over the past few years. In addition, the purchase of securitised Dutch home mortgage loans (Residential Mortgage Backed Securities that are government-guaranteed under the National Mortgage Guarantee (NHG) scheme) and a restructuring of the swap portfolio made a positive contribution to interest income, although this contribution is eliminated in the results from financial transactions. In part because of this effect, financial transactions landed at a loss of €8.7 million (first half of 2013: loss of €3.1 million). On balance, total interest margins and results from financial transactions sent up total operating income to €45.0 million, 23% up on the first half of 2013. Operating expenses rose slightly to €8.2 million (first half of 2013: €7.8 million), owing to a contribution of €0.5 million made to NWB Fonds. Disregarding this contribution, expenses would have remained virtually unchanged. NWB Fonds supports projects initiated by water boards in leveraging their knowledge and expertise for international development cooperation, such as to promote sustainable water system management, innovative solutions for sanitation, waste-water treatment, and the set-up of regional and local water governance.

Total assets shot up by €7.6 billion as of year-end 2013 to reach €80.6 billion as at 30 June 2014, due mainly to the strong decline of capital-market rates, sending up the fair value of balance-sheet items, and the expansion of the liquidity portfolio. As at 30 June 2014, the Liquidity Coverage Ratio at 162% far exceeded the Bank's objectives and the - future - statutory minimum requirement. This also applied, be it to a lesser degree, to the Net Stable Funding Ratio, which landed at 112%. Equity, which is comprised entirely of Tier 1 capital, rose by €28 million to €1,284 million during the first half of 2014. In particular due to the entry into force of the CRR/CRD IV on 1 January 2014, NWB Bank's Tier 1 ratio, which had been 100.9% at year-end 2013, dropped to 69.3% as at 30 June 2014. This relates to the introduction of what is known as the Credit Valuation Adjustment ("CVA") capital charge based on the counterparty risk regarding derivatives, increasing the amount of risk-weighted assets. The Bank's Tier 1 ratio nevertheless continues to far exceed the minimum capital requirements set by the authorities. The leverage ratio, based on the new definition proposed by the Basel Committee, dropped slightly to 1.8% (year-end 2013: 1.9%), owing to the increase in total assets. The credit ratings granted to NWB Bank by Standard & Poor's (AA+) and Moody's (Aaa) remained identical to those of the Dutch government. In connection with the introduction of the Bank Recovery and Resolution Directive and the Single Resolution Mechanism, Moody's gave negative outlooks in respect of the ratings of 82 European banks, including NWB Bank. Over the next few months, Moody's will further analyse the implications thereof for bondholders. As a bank of and for the Dutch public sector, with the implied support NWB Bank enjoys from the Dutch government, we see no change in the position of our bondholders.

Outlook for 2014

Expectations for the Dutch economy remain moderately positive for the time being despite the recent geopolitical tensions. This also holds true for the public-sector investment climate. Lower investments by housing corporations will keep the demand for loans from this sector, which is important to NWB Bank, under pressure. For the full year 2014, we expect lending not to differ much from that of 2013, on balance. NWB Bank reiterates its forecast of a slight increase in interest income in 2014. Furthermore, in the second half of 2014, a levy under the "bank tax" will be taken into account that will be slightly higher than the €15 million in 2013. In addition, operating expenses will rise in the second half of 2014, due to the transition to the Single Supervisory Mechanism ("SSM") under the responsibility of the European Central Bank ("ECB"). As is known, NWB Bank will come under the ECB's direct prudential supervision as of the SSM's start in November 2014. Together with 127 other European banks, NWB Bank has been selected for a Comprehensive Assessment ("CA") for that purpose, which is expected to be completed in October. The Dutch central bank (De Nederlandsche Bank) has announced that the costs it will incur in this connection will be allocated to the seven Dutch banks coming under the ECB's direct supervision on the basis of an allocation formula to be defined in more detail. Beforehand, a Comprehensive Assessment will be performed based on an Asset Quality Review and a Stress Test. The results hereof will be announced for the 128 banks concerned in October. With the transition to ECB supervision, supervisory costs for banks will also fundamentally rise during the years following 2014. For the full year 2014, NWB Bank expects net profit to approximately equal or slightly exceed that of 2013.

Responsibility statement

The Managing Board hereby states that, to the best of its knowledge, the half-year figures give a true and fair view of the Bank's assets, liabilities, financial position and profit, and that the half-year report gives a true and fair review of the information required pursuant to Section 5:25d, paragraph 8, of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

The Hague, the Netherlands,
22 August 2014

The Managing Board

R.A. (Ron) Walkier, Chairman
L.M.T. (Lidwin) van Velden
F.J. (Frenk) van der Vliet

Statement of income

for the first half of 2014

(in millions of euros)	**First half 2014**	First half 2013
Interest and similar income	**929.9**	919.7
Interest and similar expense	**876.2**	880.1
Net interest income	**53.7**	39.6
Results from financial transactions	**-8.7**	-3.1
Other operating income	**0.0**	0.0
Total operating income	**45.0**	36.5
Employee benefits expense	**2.7**	2.9
Other administrative expenses	**4.5**	4.1
Employee benefits expense and other administrative expenses	**7.2**	7.0
Depreciation, amortisation and value adjustments of intangible and tangible fixed assets	**1.0**	0.8
Other operating expenses	**0.0**	0.0
Total operating expenses	**8.2**	7.8
Profit from ordinary operations before tax	**36.8**	28.7
Tax on profit from ordinary operations	**9.2**	7.1
Net profit	**27.6**	21.6

Balance sheet

as at 30 June 2014

(in millions of euros)	30 June 2014	31 December 2013
Assets		
Cash, cash equivalents and deposits at central banks	**1,233**	2,403
Banks	**8,191**	6,250
Loans and receivables	**62,093**	57,385
Interest-bearing securities	**3,909**	2,350
Intangible assets	**3**	3
Tangible fixed assets	**5**	6
Income tax	**12**	36
Deferred tax assets	**-**	-
Other assets	**53**	13
Derivative assets	**4,264**	3,739
Prepayments and accrued income	**885**	821
Total assets	**80,648**	73,006
Equity and liabilities		
Banks	**584**	523
Funds entrusted	**4,828**	3,881
Debt securities	**61,115**	56,932
Income tax	**-**	-
Deferred tax liabilities	**38**	46
Other liabilities	**53**	46
Derivative liabilities	**12,181**	9,618
Accruals and deferred income	**558**	697
Provisions	**7**	7
	79,364	71,750
Paid-up and called-up share capital	**7**	7
Interest-bearing securities revaluation reserve	**0**	0
Other revaluation reserves	**0**	0
Other reserves	**1,249**	1,215
Profit for the period	**28**	34
Equity	**1,284**	1,256
Total equity and liabilities	**80,648**	73,006
Irrevocable commitments	**3,747**	2,585
Contingent liabilities	**77**	76

Statement of comprehensive income

for the first half of 2014

(in millions of euros)	**First half 2014**	First half 2013
Net changes in the interest-bearing securities revaluation reserve	**0.0**	-1.0
Net changes in other revaluation reserves	**0.0**	0.0
Net changes in other reserves caused by changes in value as part of the pension provision	**0.0**	-4.1
Income tax on income and expense recognised directly in equity	**0.0**	1.0
Income and expense recognised directly in equity	**0.0**	-4.1
Net profit	**27.6**	21.6
Comprehensive income	**27.6**	17.5

Statement of changes in equity

as at 30 June 2014

(in millions of euros)	Paid-up share capital	Interest-bearing securities revaluation reserve	Other revaluation reserves	Other reserves	Profit for the period	Total
As at 31 December 2013	**7**	**-**	**0**	**1,215**	**34**	**1,256**
Profit appropriation of previous year				34	-34	
Change in value of interest-bearing securities		0				0
Changes in value as part of the pension provision				-		-
Profit for the period					28	28
As at 30 June 2014	**7**	**0**	**0**	**1,249**	**28**	**1,284**
As at 31 December 2012	**7**	**1**	**0**	**1,178**	**40**	**1,226**
Profit appropriation of previous year				40	-40	
Change in value of interest-bearing securities		-1				-1
Changes in value as part of the pension provision				-3		-3
Profit for the period					22	22
As at 30 June 2013	**7**	**0**	**0**	**1,215**	**22**	**1,244**

Condensed statement of cash flows

for the first half of 2014

(in millions of euros)	**First half 2014**	First half 2013
Net cash flows from operating/banking activities	**-2,621**	-1,609
Net cash flows from investing activities	**-1,544**	-897
Net cash flows from financing activities	**2,995**	1,006
Cash flow	**-1,170**	-1,500
Cash flow	**-1,170**	-1,500
Cash and cash equivalents as at 1 January	**2,403**	1,649
Cash and cash equivalents as at 30 June	**1,233**	149

Cash and cash equivalents as at 30 June 2014 and 30 June 2013 comprise cash, banks and call loans.

Notes to the half-year report

1 Corporate information

NWB Bank is a public limited liability company established in The Hague, whose shares are owned by public authorities. NWB Bank's services are geared exclusively to the public sector. It finances water boards, municipal authorities and provincial authorities, as well as other public-sector bodies, such as housing corporations, hospitals and educational institutions.

2 Basis of preparation

2.1 Accounting policies

NWB Bank prepares its annual financial statements – and hence its half-year figures – in accordance with Part 9 of Book 2 of the Dutch Civil Code and accounting principles generally accepted in the Netherlands (NL GAAP). While applying Dutch accounting principles, the Bank wishes to comply with IFRS-EU as much as possible.

The half-year figures have been prepared on the same basis as the 2013 financial statements. This half-year report does not contain all the information and disclosures required for the full-year financial statements and should therefore be read in conjunction with the financial statements of NWB Bank as at 31 December 2013.

2.2 Summary of significant accounting policies

General

These financial statements have been prepared in part on a historical cost basis. Certain interest-bearing securities, derivatives and property are stated at fair value. The half-year figures are presented in millions of euros and all amounts in the Notes are rounded to the nearest thousand (€000), except when otherwise indicated.

Recognition

An asset is recognised when it is probable that the future economic benefits will flow to the company and the asset can be measured reliably. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which settlement will take place can be measured reliably.

A financial asset or financial liability is recognised on its transaction date. A financial asset or financial liability is recognised from the time the company has the right to the rewards from or is bound by the obligations arising from the contract terms of the financial instrument.

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

Derecognition of financial assets and liabilities

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

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

Measurement

Upon initial recognition, financial assets and liabilities are stated at fair value, including transaction costs directly attributable to the asset's or liability's acquisition or issue, with the exception of the transactions recorded at fair value through profit or loss. The transactions recorded in those balance sheet items do not include transactions costs.

Insofar as a relevant middle rate is available, it is used as the best indication of fair value. For the majority of NWB Bank's financial instruments, the fair value cannot be established on the basis of a relevant middle rate because there is no listing or active market. NWB Bank calculates the fair value of these other financial assets and liabilities based on models that use various assumptions relating to the discount rate and the timing and the size of the projected future cash flows. When calculating the fair value of options, option pricing models have been used.

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

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

Hedge accounting

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

NWB Bank applies two types of fair value hedge accounting, which are micro hedging and macro hedging. Micro hedging relates to individual transactions which are included in an economic hedge relationship covering interest rate and foreign exchange risks. It involves a one-on-one relationship between the hedged instrument and the hedged item. Macro hedging relates to a group of transactions that is hedged, for interest rate risk purposes, by using a group of derivative financial instruments. There is no one-on-one relationship between the hedged item and the hedging instrument at an individual level. It is demonstrated at a portfolio level that the derivative financial instruments in question set off the fair value changes caused by interest rate fluctuations.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the spot middle rates (Amsterdam exchange rates) ruling at the balance sheet date. The use of middle rates is connected to the policy of NWB Bank, which states that all foreign currency positions are hedged individually, and which effectively causes the day-to-day foreign currency-denominated flows of funds to be virtually nil.

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

Currency swaps are used to hedge foreign exchange exposures on loans receivable and payable. These positions are translated at the fair value of the instrument ruling at the balance sheet date. The results are recorded as results from financial transactions.

Loans and receivables and banks

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

Interest-bearing securities

Interest-bearing securities are intended primarily to be held for an indefinite period and may be sold to meet liquidity requirements or in response to changes in interest rates. They are initially stated at fair value. For subsequent measurement, interest-bearing securities can be divided into the following three categories.

Interest-bearing securities held to maturity

Purchased loans, receivables and bonds with fixed or determinable payments that NWB Bank has a positive intention and the contractual and economic ability to hold to maturity are stated at amortised cost using the effective interest method.

Other unlisted interest-bearing securities

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

Other listed interest-bearing securities

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

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

Intangible assets

This item includes the costs and expenditure related to computer software. After initial recognition, the intangible asset is recognised at cost less any accumulated amortisation and impairments. The useful life is considered to be no more than five years and amortisation is straight-line over the useful life. The amortisation period and amortisation method will be reviewed if there is cause to do so.

Tangible fixed assets

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

Annual depreciation rates are:

■ Building	2.5%
■ Installation	10%
■ Equipment, furniture and fittings, etc.:	
- furniture, etc.	10%
- office equipment	20%
■ Computer equipment:	
- personal computers	20%
- other equipment	20%
■ Cars	20%

Land is not depreciated. An asset's residual value, useful life and measurement methods are reviewed and adjusted, if appropriate, on an annual basis.

Derivative financial instruments

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

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

Derivatives are recognised initially at fair value on the date on which a derivative contract is entered into, with any difference between fair value and the outcome of the measurement models the Bank uses being amortised over the financial instrument's term. Derivatives are also subsequently remeasured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in fair value on derivatives are recognised in profit or loss as results from financial transactions. In 2013, NWB Bank reviewed its method for measuring the fair value of the outstanding swap portfolio, prompted by evolved best practices. Its hedge accounting models were modified for the same reason. Generally accepted measurement models are applied, based on the most appropriate valuation curves, which include the OIS curve. Effective 2013, valuation has also included what is known as a credit valuation adjustment. Embedded derivatives are measured separately if they meet the following characteristics.

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

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

Banks, funds entrusted and debt securities

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

Employee benefits - defined benefit plan obligations

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

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

A defined benefit plan is a scheme in which the payment to the retired plan participant is defined, taking account of factors such as age, years of service and salary. The provision for defined benefit plans is the present value of the pension liabilities at the balance sheet date less the fair value of the plan assets. These are adjusted for unrecognised results and costs relating to past years of service.

The defined benefit plan obligations are calculated annually by an independent actuary using the projected unit credit method. The obligation is calculated using the expected return on plan assets.

Offsetting

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

Revenue recognition

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

Interest income and expense

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

Bank tax

Bank tax is calculated on the basis of prevailing rates and tax legislation and stated on an undiscounted basis. NWB Bank has been liable for bank tax with effect from October 2012. The amount due for 2014 is based on the balance sheet items at year-end 2013 and will be recognised as an expense in October 2014.

Income tax

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

Current tax assets and liabilities

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

Deferred tax assets and liabilities

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right to offset them exists.

Basis for preparation of the statement of cash flows

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

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

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

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

Segment information

The Bank's organisation not being geared towards operations in different sectors, NWB Bank's Managing Board does not distinguish between operating segments in its assessment and decision-making about returns and allocation of resources. Accordingly, no segment information is disclosed in this half-year report.

3 Results from financial transactions

This item can be broken down as follows.

	First half 2014	First half 2013
Unrealised changes in value:		
Revaluation of hedged positions recognised in profit or loss	**2,484,248**	-1,351,031
Revaluation of hedging instruments	**-2,516,005**	1,364,461
Unrealised revaluation of interest-bearing securities	**-97**	-16,479
	-31,854	-3,049
Realised changes in value:		
Gain/(loss) on sale	**23,194**	-9
Total	**-8,660**	-3,058

Among other items, the realised changes in value include premiums and fees received and paid on settlement of derivative contracts, realised (revaluation) results on the purchase of debt securities and commission.

The realised and unrealised changes in value in 2014 chiefly relate to the completion of the restructuring of the derivatives portfolio launched in the second half of 2013.

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

4 Income tax

(in millions of euros)	First half 2014	First half 2013
Profit before income tax	**36.8**	28.7
Tax on the profit for the current financial year at 25.0% (2013: 25.0%)	**9.2**	7.2
Effective tax rate	**25.0%**	25.0%

5 Loans and receivables

This item consists of loans and receivables, other than interest-bearing securities, from customers other than banks. The receivables, which, apart from several employee loans, are all to public-sector customers, are mostly long-term. Public-sector loans and receivables are understood to include those to or guaranteed by the Dutch government and public authorities abroad, and to government-controlled public limited liability companies and other businesses or institutions whose tasks derive from public authorities.

Loans and receivables can be broken down as follows.	**30 June 2014**	31 December 2013
Receivables from or under guarantee from the Dutch government	**51,223,862**	51,454,156
Receivables from or under guarantee from foreign governments	**1,500,000**	-
Other receivables from the public sector and others	**325,634**	329,067
Value adjustment for fair value hedge accounting	**9,045,418**	5,616,056
Fair value of separated derivatives embedded in loans and receivables	**-2,440**	-14,050
Total	**62,092,474**	57,385,229

Given the risk profile of NWB Bank's counterparties, a provision for uncollectibility as at 30 June 2014 is not necessary.

The separated derivatives embedded in loans and receivables are separated caps and floors included in the interest terms.

6 Interest-bearing securities

This item includes loans embodied in interest-bearing securities as well as other interest-bearing securities that form part of the investment portfolio.

Interest-bearing securities can be broken down as follows.	**30 June 2014**	31 December 2013
Interest-bearing securities held to maturity	**3,343,763**	1,838,168
Other listed interest-bearing securities	**555,399**	488,285
Other unlisted interest-bearing securities	**10,174**	23,375
Total	**3,909,336**	2,349,828

7 Debt securities

This item concerns debt securities issued by NWB Bank, which can be broken down as follows.

	30 June 2014	31 December 2013
Bond loans	**49,799,724**	46,208,325
Short-term debt securities	**9,376,696**	9,391,642
Value adjustment for fair value hedge accounting	**2,157,253**	1,436,278
Fair value of separated derivatives embedded in debt securities	**-218,525**	-103,853
Total	**61,115,148**	56,932,392

Issue, repurchase and repayment of debt securities
In the first half of 2014, long-term debt securities were issued for an amount of €7,861 million and repaid for an amount of €4,617 million.

The separated derivatives embedded in the debt securities are separated caps and floors included in the interest terms.

8 Dividend

The dividend proposed in the 2013 financial statements and adopted during the General Meeting of Shareholders is nil.

9 Capital management

The main capital ratio is calculated in accordance with the standards set by the Dutch Financial Supervision Act (Wet op het financieel toezicht). These standards are based on the international solvency guidelines of the Basel Committee on Banking Supervision. Effective 1 January 2014, they were replaced by the CRR (Capital Requirements Regulation) and CRD IV (Capital Requirement Directive), which contain new equity requirements. The principal change is the introduction of capital required under the Credit Valuation Adjustment (CVA) capital charge based on derivatives, causing the amount of risk-weighted assets to increase substantially. The Tier 1 ratio compares the total capital base (net of proposed dividends) and the total of risk-weighted assets and off-balance sheet items. The minimum required ratio of total capital to risk-weighted assets is 8%. The minimum capital requirements are categorised by risk type (credit, market, operational and concentration risk).

The standardised method for credit risk uses external ratings linked to certain risk weightings. NWB Bank uses the credit ratings of Moody's and Standard & Poor's.

The market risk concerns risks in the trading portfolio and currency and commodity risks. NWB Bank does not keep a trading portfolio and can apply an add-on to the credit risk in line with the standardised method for any residual market risk.

When calculating qualifying capital for operational risk, NWB Bank uses the basic indicator approach. Under this approach, 15% of the relevant indicator is taken as a benchmark for the operational risk. The relevant indicator is the three-year average of the total of the annual net interest income and the annual net non-interest income at the end of the financial year. For NWB Bank, the indicator is limited to the net interest income.

The Large exposures rules limit the concentration risk of a bank. NWB Bank's large exposures are mainly connected to the swap portfolio. These exposures are limited to the extent possible by means of collateral provided under Credit Support Annexes (CSAs) and by applying netting.

For more details on developments relating to the introduction of the Basel III supervisory regime, reference is made to the Report of the Managing Board in the Annual Report 2013.

Calculation of the Tier 1 ratio:	**30 June 2014**	31 December 2013
Equity excluding revaluation reserves and addition of profit to reserves	**1,284**	1,256
Revaluation reserves (Tier 2 capital)	**0**	0
Less: intangible assets	**-3**	
Total Tier 1 capital (A)	**1,281**	1,256
Weighted credit risk [1]	**1,673**	1,039
Weighted operational risk	**173**	206
Total weighted risks (B)	**1,846**	1,245
Tier 1 ratio (A/B)	**69%**	101%

1) of which Credit Valuation Adjustment: 435 (31 December 2013: N/A)

Review report

To the Shareholders and Managing Board of Nederlandse Waterschapsbank N.V.

Introduction

We have reviewed the accompanying (condensed) interim financial information of Nederlandse Waterschapsbank N.V., The Hague, which comprises the balance sheet as at 30 June 2014, the statements of income, comprehensive income, changes in equity and cash flows for the period of six months ended at 30 June 2014, and the notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including Standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at 30 June 2014 is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports.

Amstelveen, the Netherlands

22 August 2014

KPMG Accountants N.V.

M. Frikkee

Headline figures

(in millions of euros)	**2013**	2012	2011	2010	2009[1]
Balance sheet					
Long-term loans and advances	**49,595**	48,142	45,474	43,172	40,172
Equity	**1,256**	1,226	1,188	1,135	1,048
Total assets	**73,006**	76,084	67,696	57,358	52,422
Risk-weighted assets	**1,039**	933	1,112	904	1,721
Results					
Net interest income	**95**	107	75	104	92
Results from financial transactions	**-14**	-24	38	30	-2[2]
Operating income	**81**	83	113	134	90
Operating expenses	**16**	14	15	13	14
Income tax expense	**16**	17	23	30	19
Bank tax expense	**15**	12	-	-	-
Net profit	**34**	40	75	91	57
Dividend					
Dividend distribution	**0.0**	0.0	0.0	23.0	40.0
Dividend per share in euros	**0**	0	0	390	678
Ratios (%)					
Tier 1 ratio	**100.9**	111.2	90.3	99.9	51.4
Operating expenses/interest ratio	**16.9**[3]	13.1[3]	20.0	10.6	10.9
Dividend pay-out ratio	**0.0**	0.0	0.0	25.3	70.2
Capital ratio	**1.8**	1.6	1.8	2.0	2.0
Leverage ratio	**1.7**[4]	-	-	-	-
Liquidity Coverage Ratio	**110.0**	-	-	-	-
Net Stable Funding Ratio	**107.0**	-	-	-	-

1) Based on IFRS-EU; other years based on NL GAAP
2) Up to and including 2009: Realised and unrealised changes in fair value portfolio
3) Excluding bank tax
4) Based on the new definition proposed by the Basel Committee in January 2014, the leverage ratio would have come to 1.9% at year-end 2013

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The KEY Agency, Schiphol-Rijk

NWB Bank prepared its half-year report 2014 in the Dutch language. This translation was made for information purposes only. In the event of inconsistencies or differences between this translation and the original Dutch version of the half-year report 2014, the latter shall prevail.

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E.F. (Else) Bos
P.C.G. (Peter) Glas
M.B.G.M. (Maurice) Oostendorp
A. (Albertine) van Vliet-Kuiper
B.J.M. (Berend-Jan) baron van Voorst tot Voorst

Managing Board

R.A. (Ron) Walkier, Chairman
L.M.T. (Lidwin) van Velden
F.J. (Frenk) van der Vliet

NWB BANK