NWB BANK

HALF-YEAR REPORT 2012

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 Dutch 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 ratings from Moody's and Standard & Poor's. Its robust solvency position and the high creditworthiness of public-sector institutions enable the Bank to lend on favourable terms. Corporate social responsibility, a strong financial position and an efficient business strategy are the cornerstones of NWB Bank's policy.

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Report of the Managing Board

Report for the first half of 2012

Continuing concerns over the economic outlook, together with the European debt crisis and the delicate financial stability, have made the climate for Dutch public and private sector investment even more grim in the first six months of 2012, keeping financing needs of NWB Bank's public-sector borrowers low. Even so, the Bank's total long-term lending amounted to €3.5 billion in the first half of 2012, sharply up from the first six months of 2011, when lending stood at €2.2 billion. The increase was entirely caused by a major special loan provided to a single housing corporation, without which total lending in the first half of 2012 would have amounted to €1.8 billion, slipping slightly below the corresponding period in 2011. The aforementioned loan related to substantial liquidity requirements the housing corporation faced in connection with derivatives positions held with commercial banks. While NWB Bank does not enter into derivatives transactions with housing corporations, it was able to provide a solution in this specific case by taking over swaps and providing long-term loans guaranteed, as usual, by the Social Housing Guarantee Fund. The interest rate swaps the Bank took over from the housing corporation serve to hedge the interest rate risk on the loans it has provided.

Although the interest margin was substantially up, net profit for the first six months of 2012 was no less than 59% lower at €14.8 million (first half of 2011: €35.7 million). The fall in net profit was caused mainly by unrealised fair value gains and losses. Results from financial transactions amounted to a loss of €28.8 million, against a profit of €32.4 million in the first half of 2011. This mainly concerns unrealised gains and losses that stem from fluctuations in the fair value of assets and liabilities from one year to the next without such results being realised in the longer term.

Total operating expenses edged down 2% to reach €6.6 million.

Realised net interest income was up from €22.9 million in the first half of 2011 to €55.0 million in the first six months of 2012, representing a 140% increase. Besides the fact that net interest income had been low on a non-recurring basis in the first half of 2011, the higher figure for the first six months of 2012 can be ascribed mainly to the flight to quality triggered by the euro crisis. The international investors' unscathed confidence in the Bank's creditworthiness enabled the Bank to capitalise on further discounts received mostly on the short-term funding it raised under its Euro Commercial Paper programme.

The Bank's long-term funding raised under its international €50 billion Debt Issuance Programme proved highly successful, with a total amount of €7.7 billion raised in the international capital market in the first half of 2012 and over two-thirds of the Bank's total expected funding requirement covered. Broken down by currency, 55% was raised in euros, 23% in US dollars, 14% in British pounds, 5% in Norwegian kroner, 2% in Swiss francs and 1% in Swedish kronor. Three benchmark issues were effected for a total amount of €3.3 billion, two of which had a five-year maturity and one a ten-year maturity.

At €75.7 billion, total assets were €8 billion higher at 30 June 2012, with a mere €2 billion representing net long-term lending. The increase in total assets was predominantly caused by unrealised fair value changes. The volatile nature of these fair value changes has a potentially major impact on the Bank's balance sheet size, and particularly on the capital ratio, which expresses equity as a percentage of total assets.
At €1.2 billion at 30 June 2012, equity was virtually

unchanged from 31 December 2011. Due in part to the strong increase in total assets referred to above, the capital ratio fell from 1.8% at year-end 2011 to 1.6% at 30 June 2012. Conversely, the BIS Solvency ratio, which relates equity to credit risks inherent in the Bank's assets and liabilities, rose from 90.3% to 95.2% in the first six months, reflecting the risk-free nature of most of the loan portfolio and its high creditworthiness. The Bank boasts one of the highest BIS Solvency ratios in the world, which, together with the AAA ratings of Moody's and Standard & Poor's, gives it an excellent platform for funding its operations.

In July 2012, increasing concerns over the outcome of the European debt crisis prompted Moody's to add a negative outlook to the ratings of a number of strong euro countries, including Germany and the Netherlands. Subsequently, the negative outlook was also added to NWB Bank's Aaa/P-1 ratings. In January 2012, Standard & Poor's had done the same with NWB Bank's AAA/A-1+ ratings, based on comparable considerations.

Outlook for 2012

Growth in lending is expected to be subdued for full 2012. In social housing, in particular, a significantly lower volume of newly built social rental homes, among other factors, will weigh down on the demand for loans. Likewise, public authorities have limited leeway to make new investments. Besides the poor economic climate, the Dutch Sustainability of Public Finances Act *(Wet houdbaarheid overheidsfinanciën)* plays a role in this respect. The proposed Act seeks to ensure that public authorities meet the 3% EU budget requirement, imposing stricter budgeting rules on the public sector. Once in force, it could limit the public sector's options for making investments and, hence, its financing requirements. Moreover, the Act restricts the freedom public authorities have in making their own policy choices. The same goes for treasury banking *(schatkistbankieren)*, which is due for introduction in 2013. The concept obliges provincial and municipal authorities, as well as water boards, to deposit any surplus funds with the central government, thereby eliminating any opportunities for generating additional income from managing their cash surpluses.

Earlier in the year, the Bank expressed its expectation that net interest income for 2012 would be roughly equal to that for 2011. Given the strong increase in realised interest income in the first six months of 2012, however, an increase is also expected for full 2012. The Bank refrains from making any statements on net profit for 2012, given the current unsettled financial markets. Furthermore, the Bank intends to review its method for measuring the fair value of the outstanding swap portfolio in the second half of 2012, prompted by evolved best practices in the financial markets. This may result in significant, potentially negative, unrealised changes in market value. The introduction of the bank tax, which was decided upon in early July 2012, will have a highly adverse impact on net profit for 2012.

Responsibility statement

The Managing Board declares 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 profits, and the half-year report includes a fair review of the information required pursuant to Section 5:25d, subsection 8, of the Dutch Financial Markets Supervision Act *(Wet op het financieel toezicht)*.

The Hague, the Netherlands

31 August 2012

The Managing Board

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

Statement of income

for the first half of 2012

(in millions of euros)	First half 2012	First half 2011
Interest and similar income	**923.9**	895.4
Interest and similar expense	**868.9**	872.5
Interest	**55.0**	22.9
Results from financial transactions	**-28.7**	32.4
Other operating income	**0.0**	0.0
Total operating income	**26.3**	55.3
Employee benefits expense	**2.4**	2.4
Other administrative expenses	**3.5**	3.7
Employee benefits expense and other administrative expenses	**5.9**	6.1
Depreciation, amortisation and value adjustments of tangible and intangible assets	**0.7**	0.6
Other operating expenses	**0.0**	0.0
Total operating expenses	**6.6**	6.7
Profit from ordinary operations before tax	**19.7**	48.6
Tax on profit from ordinary operations	**4.9**	12.9
Net profit	**14.8**	35.7

Balance sheet

as at 30 June 2012

(in millions of euros)	**30 June 2012**	31 December 2011
Assets		
Cash and cash equivalents	**53**	276
Banks	**6,601**	4,331
Loans and receivables	**59,333**	53,932
Interest-bearing securities	**1,446**	1,471
Intangible assets	**2**	2
Tangible fixed assets	**6**	6
Income tax	**-**	-
Deferred tax assets	**4**	-
Other assets	**73**	68
Derivative assets	**7,300**	6,801
Prepayments and accrued income	**843**	809
Total assets	**75,661**	67,696
Equity and liabilities		
Banks	**2,644**	2,036
Funds entrusted	**2,328**	1,518
Debt securities	**57,385**	53,317
Income tax	**27**	22
Deferred tax liabilities	**-**	2
Other liabilities	**403**	61
Derivative liabilities	**11,080**	8,839
Accruals and deferred income	**589**	710
Provisions	**3**	3
	74,459	66,508
Paid-up and called-up share capital	**7**	7
Interest-bearing securities revaluation reserve	**2**	3
Other revaluation reserves	**0**	0
Other reserves	**1,178**	1,103
Profit for the period	**15**	75
Equity	**1,202**	1,188
Total equity and liabilities	**75,661**	67,696
Contingent liabilities	**5,627**	5,276
Irrevocable commitments	**211**	206

Statement of comprehensive income

for the first half of 2012

(in millions of euros)	**First half 2012**	First half 2011
Net changes in the interest-bearing securities revaluation reserve	**-1.5**	-0.4
Net changes in other revaluation reserves	**0.0**	0.0
Income tax on income and expense recognised directly in equity	**0.4**	0.1
Income and expense recognised directly in equity	**-1.1**	-0.3
Net profit	**14.8**	35.7
Comprehensive income	**13.7**	35.4

Statement of changes in equity

as at 30 June 2012

(in millions of euros)	Paid-up share capital	Interest-bearing securities revaluation reserve	Other revaluation reserves	Other re-serves	Profit for the period	Total
As at 31 December 2011	**7**	**3**	**0**	**1,103**	**75**	**1,188**
Profit appropriation of previous year				75	-75	
Change in value of interest-bearing securities		-1				-1
Profit for the period					15	15
As at 30 June 2012	**7**	**2**	**0**	**1,178**	**15**	**1,202**
As at 31 December 2010	**7**	**1**	**1**	**1,035**	**91**	**1,135**
Profit appropriation of previous year				91	-91	
Dividends				-23		-23
Change in value of interest-bearing securities		-1				-1
Profit for the period					36	36
As at 30 June 2011	**7**	**0**	**1**	**1,103**	**36**	**1,147**

Condensed statement of cash flows

for the first half of 2012

(in millions of euros)	**First half 2012**	First half 2011
Net cash flows used in operating/banking activities	**-3,766**	-2,756
Net cash flows from investing activities	**32**	169
Net cash flows from financing activities	**3,511**	2,680
Cash flow	**-223**	93
Cash flow	**-223**	93
Cash and cash equivalents as at 1 January	**276**	13
Cash and cash equivalents as at 30 June	**53**	106

Cash and cash equivalents as at 30 June 2012 and 30 June 2011 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 2011 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 2011.

2.2 Summary of significant accounting policies

General

The 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 benefits from or is bound by the obligations arising from the contract terms of the financial instrument.

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

Derecognition of financial assets and liabilities

An asset or liability presented in the balance sheet 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 rewards and all or almost all risks of the asset or liability.

Measurement

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

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 and analysed regularly. NWB Bank only uses derivate 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 currency

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 doubtful debts 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 increases 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 estimated useful life is considered to be five years and amortisation is straight-line over the useful life. The amortisation period and amortisation method will be reviewed if there is cause to do so.

Tangible fixed assets

Tangible fixed assets are property and equipment. They are stated at fair value and cost, respectively, net of straight-line depreciation. The fair value of property is assessed annually and measured regularly based on valuations conducted by independent property valuers. Depreciation 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%
■ Fixtures and installations	10%
■ Equipment, furniture and fittings, etc.:	
- furniture and fittings, etc.	10%
- office equipment	20%
■ Computer equipment:	
- personal computers	20%
- other equipment	20%
■ Cars	20%

Land is not depreciated.

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

Derivatives

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

- The value changes as a result of changes in market factors, such as a certain interest rate, 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 and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are recognised directly in profit or loss as results from financial transactions.

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 profit or loss 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 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 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.

Actuarial gains and losses are recognised as income or expense if the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous financial year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are amortised over the expected average remaining working lives of the employees participating in the plans.

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

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.

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, as well as 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 withdrawable on demand at central banks.

The changes in lending, funds entrusted and based on the bank deposit operations are stated under cash flow from operating/banking activities given the nature of the operations. Changes in interest-bearing securities not held to maturity are also stated under cash flow 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 2012	First half 2011
Unrealised changes in value:		
Revaluation of hedged positions recognised in profit or loss	1,655,718	-1,119,928
Revaluation of hedging instruments	-1,687,915	1,160,348
Unrealised revaluation of interest-bearing securities	-1,479	-9,207
	-33,676	31,213
Realised changes in value:		
Gain on sale	4,904	1,191
Total	**-28,772**	32,404

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. On the assets side of the balance sheet, the fair value of the hedging instruments is €12,552 million at 30 June 2012 (31 December 2011: €9,657 million). On the liabilities side, the fair value of the hedging instruments is €12,570 million at 30 June 2012 (31 December 2011: €9,640 million).

Among other items, the unrealised changes in value include additions to the improvements made at year-end 2011 for determining the fair value of financial instruments.

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

	First half 2012	First half 2011
Profit before income tax	19.7	48.6
Tax on the profit for the current financial year at 25.0% (2011: 25.0%)	4.9	12.2
Adjustment in prior-period taxes	-	0.7
Income tax expense	**4.9**	12.9
Effective tax rate	**25.0%**	26.5%

Deferred tax

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.

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 from 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 2012	31 December 2011
Receivables from or under guarantee from the Dutch government	**50,497,234**	46,755,740
Receivables from or under guarantee from foreign governments	**25,565**	25,565
Other loans to and receivables from the public sector and others	**377,238**	365,125
Value adjustment for fair value hedge accounting	**8,453,767**	6,803,063
Fair value of separated derivatives embedded in loans and receivables	**-20,456**	-17,164
Total	**59,333,348**	53,932,329

Given the risk profile of NWB Bank's counterparties, a provision for uncollectibility as at 30 June 2012 is not necessary.

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 2012	31 December 2011
Interest-bearing securities held to maturity	**819,177**	842,106
Other listed interest-bearing securities	**575,013**	567,994
Other unlisted interest-bearing securities	**51,348**	61,085
Total	**1,445,538**	1,471,185

7 Debt securities

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

	30 June 2012	31 December 2011
Bond loans	**46,112,823**	42,271,529
Short-term debt securities	**9,163,122**	9,461,989
Value adjustment for fair value hedge accounting	**2,517,076**	2,074,432
Fair value of separated derivatives embedded in debt securities	**-407,851**	-491,062
Total	**57,385,170**	53,316,888

Issue, repuchase and repayment of debt securities

In the first half of 2012, long-term debt securities were issued for an amount of €7,655 million and repaid for an amount of €3,992 million. As at 30 June 2012, NWB Bank had repurchased its own debt securities for an amount of €513 million.

8 Dividend

The dividend proposed in the 2011 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 Markets Supervision Act *(Wet op het financieel toezicht)*. These standards are based on the international solvency guidelines of the Basel Committee on Banking Supervision. The BIS Solvency 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 Positions rule limits the concentration risk of a bank. NWB Bank's large positions are connected to the swap portfolio. These positions are limited as much as possible by concluding Credit Support Annexes (CSAs) and 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 2011.

Calculation of the BIS solvency index ratio:	**30 June 2012**	31 December 2011
Equity excluding revaluation reserve	**1,200**	1,185
Revaluation reserve	**2**	3
Total equity (A)	**1,202**	1,188
Weighted credit risk	**1,093**	1,112
Weighted operational risk	**169**	203
Total weighted risks (B)	**1,262**	1,315
BIS Solvency index ratio (A/B)	**95.2%**	90.3%

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 2012, the statements of income, comprehensive income, changes in equity and the statement of cash flows for the period of 6 months ended at 30 June 2012, 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 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 2012 is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports.

Amstelveen, the Netherlands
31 August 2012

KPMG Accountants NV
M. Frikkee RA

Headline figures

(in millions of euros)	**2011[1]**	2010[1]	2009	2008	2007
Balance sheet					
Long-term loans and advances	**45,474**	43,172	40,172	35,934	31,992
Equity	**1,188**	1,135	1,048	1,047	1,091
Total assets	**67,696**	57,358	52,422	48,396	38,770
Risk-weighted assets	**1,112**	904	1,721	1,561	1,093
Results					
Interest	**75**	104	92	128	114
Operating income	**113**	134	90	26	107
Operating expenses	**15**	11	10	10	9
Contribution to NWB Fonds	**0**	2	4	4	4
Income tax	**23**	30	19	3	23
Profit for the year	**75**	91	57	9	71
Dividend					
Dividend payment	**0.0**	23.0	40.0	40.0	40.0
Dividend per share in euros	**0**	390	678	678	678
Ratios (%)					
BIS Solvency ratio [1]	**90.3**	99.9	51.4	53.2	68.1
Operating expenses/interest ratio	**20.0**	10.6	10.9	7.8	7.9
Dividend pay-out ratio	**0.0**	25.3	70.2	100.0[2]	56.6
Capital ratio	**1.8**	2.0	2.0	2.1	2.7

1) Based on NL GAAP; other years based on IFRS-EU
2) Excluding payment of €31 million charged to the general reserve

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NWB Bank prepared its half-year report 2012 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 2012, the latter shall prevail.

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Professor A.F.P. Bakker
E.F. Bos
V.I. Goedvolk
Dr. J.J.M. Jansen
E.H. baron van Tuyll van Serooskerken (until 26 April 2012)
B.J.M. baron van Voorst tot Voorst

Managing Board

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

NWB BANK