NWB BANK

HALF-YEAR REPORT 2013

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. Social responsibility, a strong financial position and efficient business operations are the cornerstones of NWB Bank's policy.

Contents

Report of the Managing Board

Report for the first half of 2013

NWB Bank's new lending totalled €1.7 billion in the first half of 2013, reflecting a sharp decline from the €3.5 billion achieved in the first half of 2012, while the Bank's market share in Dutch public-sector finance has remained ample. This picture emerges almost wholly as a consequence of the non-recurring large-scale finance operations NWB Bank undertook last year to convert the derivatives positions of several housing corporations into loans. If the effects of those operations are disregarded, lending in the first half of 2013 was almost level, compared to a year earlier.

Lingering economic stagnation, the need to save costs and pressure on cash flows have depressed the need for finance among the Bank's clients since 2012, a feature that is noticeable especially among social housing and healthcare institutions. Expectations are for investments and, hence, financing requirements of housing corporations to continue to be depressed over the next few years. They are weighed down mainly by the government-imposed levy on housing corporations *(verhuurdersheffing)* and rationalisation levy *(saneringsheffing)* and by the unrelenting slump in the housing market, which results in lower income from home sales. This has caused the shares of municipal authorities and water boards in new lending to rise sharply in the first six months. The social housing corporation sector nevertheless continues to account for the largest portion of the Bank's new lending, both in absolute and in relative terms. The same holds true for its 65% share in the total lending portfolio.

In addition to regular lending, almost €1 billion in securitised Dutch home mortgage loans (Residential Mortgage Backed Securities) that are government-guaranteed under the National Mortgage Guarantee (NHG) scheme were added to the existing RMBS portfolio.

Net profit for the first half of 2013 landed at €21.6 million, representing a 46% increase compared with the first six months of 2012, when net profit stood at €14.8 million. The increase was mainly fuelled by a recovery in the results from financial transactions, which are largely unrealised. A year ago, a €28.7 million loss from financial transactions had been recorded, against a €3.1 million loss in the first half of 2013. The Bank seeks to contain the potential volatility of fair value gains and losses by means of hedge accounting and by carefully matching interest rate and foreign exchange positions. Realised net interest income showed a 28% decrease to €39.6 million, instigated chiefly by shrinking interest rate discounts on the Bank's short-term funding under its Euro Commercial Paper (ECP) programme. Those discounts were higher in the first half of 2012 amid concerns over the euro's survival, allowing NWB Bank to capitalise on investors' appetite for its commercial paper in a flight to quality.

Besides the ECP programme, under which a maximum of €15 billion can be raised in revolving funding, the Bank launched a commercial paper programme in the United States ("USCP") in March, tapping into a major new category of investors in short-term funding. Testifying to the high demand for this USCP, the programme was off to a flying start, with a total amount of $4.3 billion raised in the first half of 2013. Not only does the programme increase the geographic spread of short-term funding, it also allows the Bank to capitalise on potential price differentials between the euro and US dollar markets. A total amount of €8 billion was raised on average under the CP programmes during the first six months of 2013. The Bank obtains its long-term funding primarily under its Debt Issuance Program, under which a maximum of €60 billion may be raised on a revolving basis. It raised a total of €4.4 billion in long-term funding under this programme and in other types of loans in the first half of 2013, with terms averaging nine years, covering well over half of its expected long-term funding requirement for the year. Currency-wise, emphasis was placed on the euro, accounting for 36%, and the US dollar, representing 53%. In terms of geographical spread of investors, Europe, Asia and the US remain prominent. After several years of absence, the first half of 2013 saw a return of the Australian dollar-denominated Kangaroo Programme. Of the total long-term funding the Bank raised in the first half of 2013, 18% originated from the issuance of benchmark bonds (for issues of €1 billion or more), 54% from medium-term notes and 25% from what are known as *Namensschuldverschreibungen* under German law.

Total assets edged down from €76 billion at year-end 2012 to €74 billion as at 30 June 2013, due mainly to a rise in market interest rates seen in the first half, sending down the fair value of loans portfolios and related swap portfolios that serve to hedge interest rate and foreign exchange risks. Conversely, if market rates were to fall, total assets would increase for the same reason. As total assets move in line with interest rate trends, the capital ratio, which expresses equity as a percentage of total assets, automatically changes. The slip in total assets seen in the first six month caused the capital ratio to nudge 0.1 percentage point higher, to reach 1.7%. Risk-weighted ratios decreased slightly. As equity showed a marginal €18 million increase, landing at €1,244 million, the Tier 1 ratio fell from 111% at year-end 2012 to 96% at 30 June 2013. The BIS solvency ratio revealed a similar trend. The main cause were the NHG-guaranteed RMBS transactions referred to above, which increase the amount of capital required. The Bank's equity is comprised almost entirely of core Tier 1 capital.

Under the Basel III requirements, banks will be obligated to disclose their leverage ratios, i.e. equity expressed as a percentage of total assets, with effect from 2015. The leverage ratio specifically required for NWB Bank is as yet unclear. According to the provisions of the CRD IV, the required ratio will be based in part on an institution's business model and, hence, its risk profile. As a bank of and for the Dutch public sector, NWB Bank has a permanently low risk profile. Thanks to implied support from the Dutch government and its own robust financial position, the Bank's AAA credit ratings are identical to those of the Dutch government.

Outlook for 2013

Expectations are for the Dutch economy to remain stuck in low gear for some time to come. Against that background, we do not foresee any recovery in the demand for loans from the Dutch public sector in the second half of 2013. The government is, however, studying selected options for providing a boost to various core sectors of the Dutch economy. NWB Bank is standing by to lend assistance in providing appropriate financing options that may be needed in such areas as infrastructure, social housing and healthcare. To be able to do so, the Bank has decided, with the approval of its shareholders, to amend its loans policy so as to offer scope for financing what are known as Public Private Partnerships (PPPs), subject to strict preconditions.

NWB Bank has been liable to bank tax with effect from the 2012 financial year. The bank tax expense for 2013 expected to be incurred in the second half of the year amounts to €15 million.

When the Bank disclosed its annual figures for 2012 in early April 2013, it announced that significant, potentially negative, unrealised changes in value might result from bringing its swap measurement method into line with evolved market practices and from the related modifications to hedge accounting models this year.

Given the persistent uncertainties, the Managing Board refrains from making any statements on net profit for full 2013.

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 financieel toezicht)*.

The Hague, the Netherlands
30 August 2013

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 2013

(in millions of euros)	**First half 2013**	First half 2012
Interest and similar income	**919.7**	923.9
Interest and similar expense	**880.1**	868.9
Net interest income	**39.6**	55.0
Results from financial transactions	**-3.1**	-28.7
Other operating income	**0.0**	0.0
Total operating income	**36.5**	26.3
Employee benefits expense	**2.9**	2.4
Other administrative expenses	**4.1**	3.5
Employee benefits expense and other administrative expenses	**7.0**	5.9
Depreciation, amortisation and value adjustments of tangible and intangible assets	**0.8**	0.7
Other operating expenses	**0.0**	0.0
Total operating expenses	**7.8**	6.6
Profit from ordinary operations before tax	**28.7**	19.7
Tax on profit from ordinary operations	**7.1**	4.9
Net profit	**21.6**	14.8

Balance sheet

as at 30 June 2013

(in millions of euros)	30 June 2013	31 December 2012
Assets		
Cash and cash equivalents	**149**	1,649
Banks	**6,176**	6,726
Loans and receivables	**59,630**	59,197
Interest-bearing securities	**2,290**	1,409
Intangible assets	**3**	2
Tangible fixed assets	**6**	6
Income tax	**1**	-
Deferred tax assets	**-**	-
Other assets	**64**	137
Derivative assets	**4,594**	6,144
Prepayments and accrued income	**859**	814
Total assets	**73,772**	76,084
Equity and liabilities		
Banks	**3,129**	2,525
Funds entrusted	**1,196**	1,389
Debt securities	**57,804**	58,302
Income tax	**-**	27
Deferred tax liabilities	**2**	2
Other liabilities	**91**	56
Derivative liabilities	**9,740**	11,824
Accruals and deferred income	**559**	730
Provisions	**7**	3
	72,528	74,858
Paid-up and called-up share capital	**7**	7
Interest-bearing securities revaluation reserve	**0**	1
Other revaluation reserves	**0**	0
Other reserves	**1,215**	1,178
Profit for the period	**22**	40
Equity	**1,244**	1,226
Total equity and liabilities	**73,772**	76,084
Irrevocable commitments	**2,848**	4,267
Contingent liabilities	**89**	91

Statement of comprehensive income

for the first half of 2013

(in millions of euros)	**First half 2013**	First half 2012
Net changes in the interest-bearing securities revaluation reserve	**-1.0**	-1.5
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	**-4.1**	-
Income tax on income and expense recognised directly in equity	**1.0**	0.4
Income and expense recognised directly in equity	**-4.1**	-1.1
Net profit	**21.6**	14.8
Comprehensive income	**17.5**	13.7

Statement of changes in equity

as at 30 June 2013

(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 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**
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**

Condensed statement of cash flows

for the first half of 2013

(in millions of euros)	**First half 2013**	First half 2012
Net cash flows used in operating/banking activities	**-1,609**	-3,766
Net cash flows from investing activities	**-897**	32
Net cash flows from financing activities	**1,006**	3,511
Cash flow	**-1,500**	-223
Cash flow	**-1,500**	-223
Cash and cash equivalents as at 1 January	**1,649**	276
Cash and cash equivalents as at 30 June	**149**	53

Cash and cash equivalents as at 30 June 2013 and 30 June 2012 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 2012 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 2012.

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.

Changes to accounting rules

The rules on accounting for pensions were amended with effect from 1 January 2013. Under IAS 19, which applied until 1 January 2013, actuarial gains and losses – which arise when actual outcomes differ from previous estimates or when assumptions change – were not directly taken to the balance sheet and the statement of income but spread over future years. The use of this deferral mechanism, known as the corridor approach, is no longer allowed under the new standard. Accordingly, actuarial gains and losses are directly taken to equity.

Prompted by this change to the rules, the amount of the pension provision has been raised from €2.7 million to €6.8 million.

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.

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 using 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 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 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 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 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 of these assets is recognised in profit or loss over the expected useful lives of the assets concerned.

Annual depreciation rates are:

■ Building	2.5%
■ 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 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 on derivatives are recognised directly in profit or loss as results from financial transactions. Generally accepted measurement models are used, based on the 3-month swap curve. Inspired by the credit crisis, best practices on swap measurement have evolved. The changes that manifest themselves are related to market trends which reflect the increasing factoring in of credit risks and collateral agreements and which require the use of specific yield curves. The Bank intends to implement these changes in the second half of 2013, together with the modifications to the hedge accounting models they necessitate.

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 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.

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

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 payable on demand at central banks.

The changes in loans and receivables, 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 2013	First half 2012
Unrealised changes in value:		
Revaluation of hedged positions recognised in profit or loss	-1,351,031	1,655,718
Revaluation of hedging instruments	1,364,461	-1,687,915
Unrealised revaluation of interest-bearing securities	-16,479	-1,479
	-3,049	-33,676
Realised changes in value:		
Gain/(loss) on sale	-9	4,904
Total	**-3,058**	-28,772

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.

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 2013	First half 2012
Profit before income tax	28.7	19.7
Tax on the profit for the current financial year at 25.0% (2012: 25.0%)	7.1	4.9
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 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 2013	31 December 2012
Receivables from or under guarantee from the Dutch government	**52,536,966**	49,963,561
Receivables from or under guarantee from foreign governments	**100,000**	-
Other loans to and receivables from the public sector and others	**359,886**	354,276
Value adjustment for fair value hedge accounting	**6,650,494**	8,899,530
Fair value of separated derivatives embedded in loans and receivables	**-17,325**	-20,045
Total	**59,630,021**	59,197,322

Given the risk profile of NWB Bank's counterparties, a provision for uncollectibility as at 30 June 2013 is not necessary.

Separated derivatives embedded in loans and receivables are caps and floors specified in the interest rate terms, which are separated from the host contracts.

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 2013**	31 December 2012
Interest-bearing securities held to maturity	**1,703,604**	796,721
Other listed interest-bearing securities	**546,291**	560,632
Other unlisted interest-bearing securities	**39,638**	51,167
Total	**2,289,533**	1,408,520

7 Debt securities

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

	30 June 2013	31 December 2012
Bond loans	**45,803,049**	46,222,834
Short-term debt securities	**10,235,499**	9,511,844
Value adjustment for fair value hedge accounting	**1,960,318**	2,972,894
Fair value of separated derivatives embedded in debt securities	**-194,509**	-405,102
Total	**57,804,357**	58,302,470

Issue, repurchase and repayment of debt securities

In the first half of 2013, long-term debt securities were issued for an amount of €2,932 million and repaid for an amount of €3,415 million.

Separated derivatives embedded in debt securities are caps and floors specified in the interest rate terms, which are separated from the host contracts.

8 Dividend

The dividend proposed in the 2012 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 financieel toezicht)*. These standards are based on the international solvency guidelines of the Basel Committee on Banking Supervision. Effective 1 January 2014, they will be replaced by the Capital Requirements Regulation (CRR), which contains new equity requirements that are to take effect in phases. 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 Positions rule limits the concentration risk of a bank. NWB Bank's large positions are connected to the swap portfolio. These positions 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 2012.

Calculation of the Tier 1 ratio:	**30 June 2013**	31 December 2012
Equity	**1,244**	1,226
Revaluation reserve and addition of profit to reserves	**0**	-1
Intangible assets	**-3**	-2
Total Tier 1 capital (A)	**1,241**	1,223
Weighted credit risk	**1,118**	933
Weighted operational risk	**179**	170
Total weighted risks (B)	**1,297**	1,103
Tier 1 ratio (A/B)	**96%**	111%

Review report

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 2013, the statements of income, comprehensive income, changes in equity and the condensed statement of cash flows for the period of 6 months ended at 30 June 2013, 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 2013 is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports.

Amstelveen, 30 August 2013

KPMG Accountants NV

Marco Frikkee

Headline figures

(in millions of euros)	**2012**	2011	2010	2009[1]	2008[1]
Balance sheet					
Long-term loans and advances	**48,142**	45,474	43,172	40,172	35,934
Equity	**1,226**	1,188	1,135	1,048	1,047
Total assets	**76,084**	67,696	57,358	52,422	48,396
Risk-weighted assets	**933**	1,112	904	1,721	1,561
Results					
Net interest income	**107**	75	104	92	128
Results from financial transactions	**-24**	38	30	-2[2]	-102[2]
Operating income	**83**	113	134	90	26
Operating expenses	**14**	15	11	10	10
Contribution to NWB Fonds	**0**	0	2	4	4
Income tax expense	**17**	23	30	19	3
Bank tax expense	**12**	-	-	-	-
Net profit	**40**	75	91	57	9
Dividend					
Dividend distribution	**0.0**	0.0	23.0	40.0	40.0
Dividend per share in euros	**0**	0	390	678	678
Ratios (%)					
BIS Solvency ratio	**111.2**	90.3	99.9	51.4	53.2
Operating expenses/interest ratio	**13.1**[3]	20.0	10.6	10.9	7.8
Dividend pay-out ratio	**0.0**	0.0	25.3	70.2	100.0[4]
Capital ratio	**1.6**	1.8	2.0	2.0	2.1

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) Excluding payment of €31 million charged to the general reserve

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NWB Bank prepared its half-year report 2013 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 2013, the latter shall prevail.

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P.C.G. (Peter) Glas (Deputy Chairman)
Professor A.F.P. (Age) Bakker
E.F. (Else) Bos
V.I. (Victor) Goedvolk
J.J.M. (Sjaak) Jansen
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