NWB BANK

HALF-YEAR REPORT 2015

NEDERLANDSE WATERSCHAPSBANK N.V.

Table of contents

Headline figures

(amounts in millions of euros)	**30 June 2015**	2014	2013	2012	2011	2010
Balance sheet						
Long-term loans and advances	**49,881**	49,421	49,595	48,142	45,474	43,172
Equity [1]	**1,367**	1,303	1,256	1,226	1,188	1,135
Total assets	**90,228**	88,249	73,006	76,084	67,696	57,358
Risk-weighted assets	**1,230**	1,152	1,039	933	1,112	904
Results						
Net interest income	**79**	117	95	107	75	104
Results from financial transactions	**13**	-16	-14	-24	38	30
Operating income	**92**	101	81	83	113	134
Operating expenses [2]	**8**	16	16	14	15	13
Income tax expense	**21**	21	16	17	23	30
Bank tax [3]	**-**	15	15	12	-	-
Net profit	**63**	49	34	40	75	91
Dividend						
Dividend distribution	**0.0**	0.0	0.0	0.0	0.0	23.0
Dividend per share in euros	**0.0**	0.0	0.0	0.0	0.0	390
Ratios (%)						
Tier 1 ratio [4]	**75.3**	73.0 [5]	100.9	111.2	90.3	99.9
Operating expenses/interest ratio	**10.5**	13.8	16.9	13.1	20.0	10.6
Dividend pay-out ratio	**0.0**	0.0	0.0	0.0	0.0	25.3
Leverage ratio [6]	**1.8**	1.8	1.9			
Liquidity Coverage Ratio	**144**	144	110			
Net Stable Funding Ratio	**116**	107	107			

1) Including profit for the period (30 June 2015: 1,296 excluding profit for the period)
2) Excluding bank tax
3) Payable in the second half of 2015
4) Including profit for the period (30 June 2015: 71.8 excluding profit for the period)
5) With the Capital Requirements Regulation and Directive (CRR/CRD IV) having taken effect on 1 January 2014, the Tier 1 ratio dropped by approximately a quarter, due to the introduction of the Credit Valuation Adjustment (CVA) capital charge.
6) Including profit for the period and based on the new definition adopted by the Basel Committee in 2015

Report of the Managing Board

Report for the first half of 2015

In the first half of 2015, the signs of a slightly recovering European economy became more pronounced. Against this backdrop, money and capital market interest rates went up, after an initial further decline during the first months. However, interest rates remain historically low, which makes it attractive for NWB Bank customers to consider optimising their current loans portfolios when drawing new long-term loans and advances, prematurely repaying current high-interest-bearing loans and replacing them by longer-term fixed-interest loans with lower interest rates. NWB Bank's lending totalled €5.0 billion in the first half of 2015, including extensions of maturities, purchases of current loans and reviews of interest spreads on current loans.

The Bank was again able to maintain its market shares in Dutch public-sector financing at a good level during the preceding six months, despite the increased interest shown in the sector by other lenders. Almost 50% of total lending by the Bank was to housing corporations in the first half of 2015. The Bank's share in water-board financing grew to 29%, in part in view of the desire to extend the maturities of their loans portfolios. Furthermore, the Bank invested over €32 million in the Public-Private Partnership ("PPP") market for the first time during the first six months of 2015. This relates to a current loan provided in respect of the Delfluent project (wastewater treatment plant), which was taken over by the Bank. Additionally, the Bank for the first time provided an Export Credit Guarantee Loan backed by the Dutch government.

To fund its new lending and to refinance current loans in its balance sheet, the Bank raised a total of €5.4 billion in long-term loans during the first half of 2015, thus covering a significant portion of its funding requirement for 2015. The Bank was able to raise funds on very favourable terms, in particular during the first months of the year, also considering that the European Central Bank ("ECB") listed the Bank's bonds for its purchase programme (Quantitative Easing, "QE"). It already became known last year that the Bank's bonds qualified as High Quality Liquid Assets in terms of being required to satisfy the liquidity obligations under the Liquidity Coverage Ratio ("LCR"). The Bank primarily raised its own funding in US dollars, in view of the favourable development of the EUR/USD basis swap. As of May, financial markets became more unstable, in particular because of the crisis involving Greece. This, in turn, resulted in rising credit spreads and interest rate volatility. An amount of €8.7 billion was raised by the Bank in short-term financing at very attractive rates under the Euro Commercial Paper Programme ("ECP"), while almost €6.0 billion was raised in the market under the US Commercial Paper Programme ("USCP").

Net profit for the first half of 2015 shot up to reach €62.7 million, against €27.6 million for the first six months of 2014. This sharp rise was caused by an increase in both net interest income by over €25 million and results from financial transactions by over €21 million. The improved net interest income may in part be attributed to the higher credit margins achieved over the past few years and the attractive rates for short-term financing, in particular. A large share of the improved results from financial transactions were non-recurring and were primarily fuelled by customers making early repayments on high-interest-bearing loans while optimising current loans portfolios. This caused the Bank's financial results to be realised earlier for accounting purposes.

At €8.3 million, operating expenses virtually equalled those for the first half of 2014 (€8.2 million).

After year-end 2014, total assets increased further by approximately €2 billion to €90.2 billion as at 30 June 2015. This was primarily caused by the fall of the euro against other currencies, sending up the fair value of balance sheet items. As at 30 June 2015, the LCR at 144% 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 almost 116%. Equity, which is comprised entirely of Tier 1 capital, rose by €64 million to €1,367 million during the first half of 2015. As at 30 June 2015, the Bank's Tier 1 ratio was 75.3%, slightly up on year-end 2014 (73%). Just like at year-end 2014, the leverage ratio came to 1.8%. For the time being, the Bank assumes the minimum required leverage ratio to be 3% as at 1 January 2018. In order to satisfy this 3% leverage ratio, the Bank started raising hybrid capital from four Provinces in 2015. In September, the first tranche of €200 million will be paid, causing the leverage ratio to rise by approximately 0.25 percentage point. Owing to the said loans, and the addition of the annual net profits to the reserves, the Bank is fully confident that it will satisfy the assumed future leverage ratio.

The credit ratings granted to NWB Bank by Moody's (Aaa) and Standard & Poor's (AA+) are identical to those of the Dutch government. In 2014, Moody's gave negative outlooks in respect of the ratings of Dutch public-sector banks and 80 other European banks, in the light of an investigation into the consequences of the implementation of the Bank Recovery and Resolution Directive ("BRRD"). On 17 March 2015, the rating agency presented its findings in combination with the application of its new methodology for banks. For NWB Bank, this meant its negative outlook was changed into a stable outlook with an unchanged rating, so that it was equal to that of the State of the Netherlands. On 28 May 2015, Moody's upgraded the Bank's standalone BCA rating from "a2" to "a1", leaving the long-term credit rating (Aaa) unchanged. On 27 May 2015, Standard & Poor's changed the Bank's outlook from "stable" to "positive", following an identical action in respect of the State of the Netherlands.

Outlook for 2015

Expectations for the Dutch economy remain moderately positive for the time being, despite the recent tensions involving Greece. This also holds true for the public-sector investment climate. NWB Bank reiterates its forecast of an increase in interest income in 2015. In the second half of the year, bank tax will be levied. At approximately €19 million, it will be considerably higher than the amount of almost €15 million in 2014. This is down to the increase seen last year in total assets, which serve as an assessment base for this type of tax. Moreover, the Bank will, for the first time, contribute to the resolution fund, which was set up along with the entry into force of the BRRD. With the transition to ECB supervision, supervisory costs for banks have also risen fundamentally. However, for the full year 2015, NWB Bank expects net profit to exceed that of 2014.

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
28 August 2015

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 2015

(in millions of euros)	First half 2015	First half 2014
Interest and similar income	**884.4**	929.9
Interest and similar expense	**805.4**	876.2
Net interest income	**79.0**	53.7
Results from financial transactions	**12.9**	-8.7
Other operating income	**0.0**	0.0
Total operating income	**91.9**	45.0
Employee benefits expense	**3.7**	2.7
Other administrative expenses	**3.6**	4.5
Employee benefits expense and other administrative expenses	**7.3**	7.2
Depreciation, amortisation and value adjustments of intangible and tangible fixed assets	**1.0**	1.0
Other operating expenses	**0.0**	0.0
Total operating expenses	**8.3**	8.2
Profit from ordinary operations before tax	**83.6**	36.8
Tax on profit from ordinary operations	**20.9**	9.2
Net profit	**62.7**	27.6

Balance sheet

as at 30 June 2015

(in millions of euros)	30 June 2015	31 December 2014
Assets		
Cash, cash equivalents and deposits at the Central Bank	**4,356**	502
Banks	**8,004**	10,174
Loans and receivables	**65,260**	64,666
Interest-bearing securities	**3,940**	4,360
Intangible assets	**3**	3
Tangible fixed assets	**5**	5
Income tax	**69**	32
Other assets	**228**	65
Derivative assets	**8,362**	7,651
Prepayments and accrued income	**1**	791
Total assets	**90,228**	88,249
Liabilities		
Banks	**2,828**	1,276
Funds entrusted	**5,021**	5,325
Debt securities	**66,588**	63,178
Income tax	**-**	-
Deferred tax liabilities	**119**	69
Other liabilities	**316**	53
Derivative liabilities	**13,978**	16,302
Accruals and deferred income	**2**	734
Provisions	**9**	9
	88,861	86,946
Paid-up and called-up share capital	**7**	7
Interest-bearing securities revaluation reserve	**1**	0
Other revaluation reserves	**0**	0
Other reserves	**1,296**	1,247
Profit for the year	**63**	49
Equity	**1.367**	1.303
Total equity and liabilities	**90,228**	88,249
Irrevocable commitments	**3,584**	2,111
Contingent liabilities	**81**	75

Statement of comprehensive income

for the first half of 2015

(in millions of euros)	**First half 2015**	First half 2014
Net changes in the interest-bearing securities revaluation reserve	**1.1**	0.0
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	**0.3**	0.0
Income tax on income and expense recognised directly in equity	**-0.3**	0.0
Income and expense recognised directly in equity	**1.1**	0.0
Net profit	**62.7**	27.6
Comprehensive income	**63.8**	27.6

Statement of changes in equity

as at 30 June 2015

(in millions of euros)	Paid-up share capital	Interest-bearing securities revaluation reserve	Other revaluation reserves	Other reserves	Profit for the year	Total
As at 31 December 2014	**7**	**0**	**0**	**1,247**	**49**	**1,303**
Profit appropriation of previous year				49	-49	
Change in value of interest-bearing securities		1				1
Changes in value as part of the pension provision				0		0
Profit for the year					63	63
As at 30 June 2015	**7**	**1**	**0**	**1,296**	**63**	**1,367**
As at 31 December 2013	**7**	**0**	**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				0		0
Profit for the year					28	28
As at 30 June 2014	**7**	**0**	**0**	**1,249**	**28**	**1,284**

Condensed statement of cash flows

for the first half of 2015

(in millions of euros)	First half 2015	First half 2014
Net cash flows from operating/banking activities	**-332**	-2,621
Net cash flows from investing activities	**426**	-1,544
Net cash flows from financing activities	**3,760**	2,995
Net cash flow	**3,854**	-1,170
Cash flow	**3,854**	-1,170
Cash and cash equivalents as at 1 January	**502**	2,403
Cash and cash equivalents as at 30 June	**4,356**	1,233

Cash and cash equivalents as at 30 June 2015 and 30 June 2014 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 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 Statement of compliance

NWB Bank prepares its annual financial statements – and hence its half-year figures – in accordance with the statutory requirements contained in Part 9 of Book 2 of the Dutch Civil Code (*Burgerlijk Wetboek*) and the accounting principles generally accepted in the Netherlands (NL GAAP). NWB Bank, which consists of one single entity, prepares company financial statements.

The half-year figures have been prepared on the same basis as the 2014 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 2014.

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 matching principle is applied to costs and revenue. 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.

Continuity

The half-year report has been prepared on the basis of the going-concern assumption.

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 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 transaction costs directly attributable to these balance sheet items are taken directly to profit or loss.

The fair value is the amount for which an asset could be exchanged or a liability settled in a transaction between knowledgeable, willing and independent parties. 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.

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, 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 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.

Net interest income

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.

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 2015	First half 2014
Unrealised changes in value:		
Revaluation of hedged positions recognised in profit or loss	**-1,532,548**	2,484,248
Revaluation of hedging instruments	**1,726,667**	-2,516,005
Unrealised revaluation of interest-bearing securities	**-1,098**	-97
	193,021	-31,854
Realised changes in value:		
Realised net profit/loss	**-180,081**	23,194
Total	**12,940**	-8,660

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 2015 relate to the completion of the restructuring of the derivatives portfolio launched in the second half of 2013, and to the early repayments on high-interest-bearing loans by customers and their replacement by longer-term fixed-interest loans with lower interest rates. These extensions of maturities are non-recurring and have caused results to be shifted in time in accordance with accounting guidelines.

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 2015**	First half 2014
Profit before income tax	**83.6**	36.8
Tax on the profit for the current financial year at 25.0% (2014: 25.0%)	**20.9**	9.2
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 2015**	31 December 2014
Receivables from or under guarantee from the government	**53,931,359**	50,700,417
Other loans to and receivables from the public sector and others	**416,333**	349,237
Value adjustment for fair value hedge accounting	**10,915,500**	13,617,894
Fair value of separated derivatives embedded in loans and receivables	**-2,736**	-1,923
Total	**65,260,456**	64,665,625

Given the risk profile of NWB Bank's counterparties, a provision for uncollectibility as at 30 June 2015 is not necessary.

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

Receivables from or under guarantee from the government largely relate to receivables from the Dutch government and, to a limited extent, from German governments.

Effective 2015, accrued interest is no longer recognised under prepayments and accrued income, but under loans and receivables.

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 2015**	31 December 2014
Interest-bearing securities held to maturity	**2,963,385**	3,722,616
Other listed interest-bearing securities	**926,268**	627,782
Other unlisted interest-bearing securities	**50,177**	10,056
Total	**3,939,830**	4,360,454

Effective 2015, accrued interest is no longer recognised under prepayments and accrued income, but under interest-bearing securities.

7 Debt securities

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

	30 June 2015	31 December 2014
Bond loans	**52,208,221**	51,729,021
Short-term debt securities	**12,340,972**	8,805,920
Value adjustment for fair value hedge accounting	**2,205,069**	2,886,029
Fair value of separated derivatives embedded in debt securities	**-166,168**	-243,285
Total	**66,588,094**	63,177,685

Issue, repurchase and repayment of debt securities
In the first half of 2015, long-term debt securities were issued for an amount of €5,521 million (first half of 2014: €7,861 million) and repaid for an amount of €5,515 million (first half of 2014: €4,617 million).

The separated derivatives embedded in the debt securities are separated structured components included in the interest terms.

Effective 2015, accrued interest is no longer recognised under prepayments and accrued income, but under debt securities.

8 Dividend

The dividend proposed in the 2014 financial statements and adopted during the General Meeting of Shareholders is nil.

9 Off-balance sheet commitments

On account of imminent regulatory requirements with respect to the leverage ratio, the Bank started raising subordinated - hybrid - loans in 2015. In September, the first tranche of €200 million will be paid.

Under the Bank Recovery and Resolution Directive (BRRD), the Bank is required to pay a levy with effect from 2015. The amount of the levy will be recognised after it has been determined in the second half of the year.

10 Capital management policy

In 2014, NWB Bank complied with all the external and internal capital requirements. Effective 1 January 2014, the Basel III principles for EU banks were given a statutory basis through the amended Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR). Being EU law, the CRR has direct statutory effect in the Netherlands. With CRD IV being an EU Directive "only", having no direct statutory effect in the EU Member States, the Dutch Minister of Finance has embedded CRD IV into Dutch law.

On 4 November 2014, the Single Supervisory Mechanism (SSM) became effective for NWB Bank. The SSM encourages the use of a single set of rules and standards (single rulebook) serving as a basis for the prudential supervision of credit institutions to make the eurozone's banking industry more robust. Supervision is performed by the ECB in tandem with the national supervisory authorities of participating Member States.

CRD IV has three pillars:

Pillar 1	The minimum capital requirements for each category of risk: credit risk, market risk, operational risk and concentration risk
Pillar 2	Internal processes for risk management and setting internal capital requirements: Supervisory Review and Evaluation Process (SREP), Internal Capital Adequacy Assessment Process (ICAAP) and stress tests
Pillar 3	Publication of financial headline figure requirements: market discipline and transparency

1) Pillar 1

The standardised method for credit risk uses external ratings linked to certain risk weightings. NWB Bank uses the credit ratings of Moody's, Standard & Poor's and/or Fitch. The market risk concerns risks in the trading portfolio and currency and commodity risks. NWB Bank does not keep a trading portfolio. Since 1 January 2014, the CRR contains an additional capital requirement. This involves an additional capital charge for the risk arising from a change in the creditworthiness of counterparties with which the Bank has derivatives positions, complementing the existing capital charge for the risk of counterparties remaining in default. This Credit Valuation Adjustment (CVA) is calculated using a standard formula based on exposure, rating and average terms of derivatives positions entered into with counterparties, among other things. 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 rules limit the concentration risk of a bank. NWB Bank's large positions are mainly connected to the swap portfolio. These positions are hedged as much as possible by means of daily collateral management and netting.

Calculation of the BIS ratio:	**30 June 2015**	31 December 2014
Equity excl. revaluation reserves and profit for the year	**1,303**	1,254
Revaluation reserves (Tier 2 capital)	**1**	0
Intangible fixed assets	**-3**	-3
Qualifying capital (A)	**1,301**	1,251
Weighted credit risk	**1,230**	1,152
Capital charge under CVA	**415**	455
Weighted operational risk	**166**	173
Total weighted risks (B)	**1,811**	1,780
Tier 1 ratio (A/B)	**72%**	70%

Qualifying capital, which almost exclusively comprises Tier 1 capital, went up by €50 million to €1,301 million in 2015 (year-end 2014: €1,251 million).

2) Pillar 2

The SREP is an evaluation by the ECB, acting in its capacity as a supervisory authority, in which it attempts to establish that a bank has its solvency management, capital adequacy and ICAAP in order. Stress tests can be applied under Pillar 1 and Pillar 2. Using sensitivity or scenario analyses, banks can gain a better understanding of their risk profiles. NWB Bank applies stress tests both on a regular basis and when prompted by extraordinary events.

3) Pillar 3

Market discipline and transparency in the publication of solvency risks are important elements of the Basel rules for Pillar 3. Central to these publications is information on the solvency and the risk profile of a bank, providing disclosures on such matters as its capital structure, capital adequacy, risk management and risk measurement in line with the objective of IFRS 7. Pillar 3 disclosure requirements are based on Pillar 1 requirements. This means that they are more prescriptive than those under IFRS 7, which has a "through the eyes of management" approach to risk disclosures. Conversely, Pillar 3 has less detailed presentation requirements than IFRS. NWB Bank has documented its disclosure policies and published them on its website. The objective of NWB Bank's disclosure policies is to practise maximum transparency in a practicable manner.

Review report

To: the Managing Board and the Supervisory Board of Nederlandse Waterschapsbank N.V.

Introduction

We have reviewed the accompanying (condensed) interim financial information as at 30 June 2015 of Nederlandse Waterschapsbank N.V., The Hague, which comprises the balance sheet as at 30 June 2015, the statements of income, comprehensive income, changes in equity and cash flows for the period of 6 months ended at 30 June 2015, and the notes. The Managing Board of the Company 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 (condensed) interim financial information as at 30 June 2015 is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports.

Amstelveen, 28 August 2015

KPMG Accountants N.V.

M. Frikkee RA

Managing Board and Supervisory Board

Managing Board

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

Supervisory Board

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

Acknowledgements

Translation, editing and coordination of production:
Sarah McFedries, NWB Bank
The KEY Agency, Schiphol-Rijk
Astrid M. den Besten, EY Language & Translation Services (LTS)

Design and production:
The KEY Agency, Schiphol-Rijk

NWB Bank prepared its half-year report 2015 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 2015, the latter shall prevail.

Nederlandse Waterschapsbank N.V.
Rooseveltplantsoen 3
2517 KR The Hague, The Netherlands

P.O. Box 580
2501 CN The Hague
The Netherlands

t +31 (0)70 416 62 66
f +31 (0)70 416 62 62

info@nwbbank.com
www.nwbbank.com

NWB BANK