NWB BANK

Half-year report

2023

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KEY FINANCIALS

- Key financials

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KEY FINANCIALS

(in millions of euros)	**30 June 2023**[1]	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Balance sheet					
Long-term loans and advances (nominal value)[2]	52,707	52,167	51,888	49,844	49,436
Equity	2,007	1,995	1,902	1,827	1,796
Tier 1 capital	2,237	2,155	2,083	2,049	2,010
Total assets	88,094	73,285	96,019	106,882	96,205
Risk-weighted assets	5,054	4,792	4,641	3,833	3,277
Results					
Net interest income	124	301	286	244	213
Results from financial transactions	7	-30	-20	-55	-39
Operating income	131	271	266	189	174
Operating expenses	27	44	35	42	27
Bank tax	5	28	38	12[3]	22
Expected Credit Loss	-	-			
Extraordinary income	-	-	-	-	11[4]
Income tax	27[5]	56	72	54	41
Net profit	72	143	121	81	95
Dividend					
Dividend distribution	-	60.0	50.0	45.0	55.0
Dividend (in euros per share)	-	1,017.1	847.6	762.9	932.4

1) An explanation of the calculation of the figures shown in the key figures is included in the 'Glossary'
2) Loans including interest-bearing securities, provided to regional authorities
3) Including restitution of €15 million relating to the years 2016 through 2018
4) Extraordinary income as a result of a change in the pension scheme
5) Applying the effective tax burden taking into account the bank tax to be paid in October

(in millions of euros)	**30 June 2023**	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Ratios (in %)					
Tier 1 ratio	44.3	45.0	44.9	53.5	61.3
CET 1 ratio	37.9	38.3	38.0	45.1	51.6
Cost/income ratio[1]	20.4	16.2	13.0	22.2	15.5
Dividend pay-out ratio	-	41.9	41.2	55.9	58.2
Leverage ratio[2]	8.6	18.9	14.3[3]	13.2	15.1
Leverage ratio (not adjusted for promotional assets)[4]	2.7	3.1	2.6[5]	2.4[5]	2.3
Liquidity Coverage Ratio	320	285.1	182.5	150.1	204.5
Net Stable Funding Ratio	148	140.6	132.6	122.0	118.0
CSR					
Volume of ESG bond issuance in millions of euros	3,740	4,703	3,550	4,531	2,538
CO_2 emissions equivalents from operating activities p.p. (in tonnes)	0.4	0.9	1.2	1.5	2.8
CO_2 emissions equivalents PCAF portfolio coverage (in %)	-[6]	93.8	93.6	94.6	95.1
CO_2 emissions equivalents loan portfolio (in kton)[7]	-[6]	1,623	1,760	1,860	1,959

1) 'Cost' concerns the operating expenses and 'income' the operating income
2) Taking into account the proportional calculation for promotional banks according to CRR II as of 27 June 2019
3) 53.0 taking into account Decision (EU) 2021/1074 of 18 June 2021 on the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic (ECB/2021/27)
4) Not taking into account the proportional calculation for promotional banks
5) Taking into account Decision (EU) 2021/1074 of 18 June 2021 on the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic (ECB/2021/27)
6) Figures will be updated at the end of the financial year 2023.
7) Based on the above cover of the loan portfolio; The emission figures for 2021, 2020 and 2019 have been recalculated according to the most up-to-date methodology

REPORT OF THE MANAGING BOARD

- Report for the first half of 2023
- Outlook for 2023
- Statement of the Managing Board

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REPORT FOR THE FIRST HALF OF 2023

- Renewable energy portfolio further increases to €1.3 billion
- Total loan portfolio grows to €52.7 billion
- Net profit of €72 million

TRENDS AND DEVELOPMENTS

Growth in the Dutch and European economies slowed in the first six months of this year. In the first quarter there was even an economic contraction, mainly due to a decline in exports. Since the second quarter of 2022, the Dutch economy has more or less stagnated after growing more than 2% on average in recent years, despite the COVID-19 pandemic and the outbreak of war in Ukraine. This growth has been accompanied by high inflation and a tight labour market with increasing staff shortages. In the Netherlands, the labour market is still tighter than in many other European countries.

Inflation in the Netherlands was 7.1% in June. This is above the eurozone average of 5.4% and also well above the European Central Bank's (ECB) medium-term target of 2%. These figures refer to core inflation and thus do not include energy and food prices. High inflation puts pressure on purchasing power, which is reflected in wage negotiations and salary increases, with the risk of a wage-price spiral. Energy prices remain volatile, partly due to the ongoing war in Ukraine, and the government has imposed an energy price cap to prevent vulnerable households from being unable to pay their bills.

The ECB, as well as the Federal Reserve in the United States and the Bank of England, are all trying to rein in inflation. The ECB has already raised its key rate four times in the first half of this year and once more in July. Its key rate now stands at 3.75%. The ECB even raised rates in March, despite considerable turmoil in financial markets at the time. That month, the collapse of Silicon Valley Bank in the United States raised investor concerns about the banking sector, and the turmoil also affected the Swiss bank Credit Suisse. Equity markets ended up deep in the red and bond markets saw yields fall by dozens of basis points. Eventually, calm returned, partly as a result of UBS's takeover of Credit Suisse at the instigation of the Swiss central bank and government.

Consumers, businesses and governments are all feeling the effects of higher market interest rates; it has become more expensive for everyone to borrow money. In theory, this should reduce demand for goods and services, leading to less scarcity and lower prices. For consumers, the rise in interest rates is particularly visible in residential mortgage rates. Partly as a result, house prices in the Netherlands have slowly started to fall. The higher interest rates on the capital markets also mean higher interest costs for the government. These additional costs come on top of the aforementioned expenditure to compensate households and businesses for (temporary) higher energy prices. However, this is not stopping the government from continuing to invest. At the presentation of the spring memorandum, the government announced that it would spend extra money on immigration, defence, the handling of the childcare benefits affair and the fallout from gas extraction in the province of Groningen. In any case, the coalition agreement had opted for an expansive budgetary policy in order to work on the priorities set and to initiate the necessary transitions in the areas of climate and nature.

The Netherlands is facing key challenges when it comes to improving nature, water quality and the climate. For example, nitrogen emissions must be drastically reduced to strengthen nature and give biodiversity a chance to recover. The coalition agreement states that nitrogen emissions must be halved by 2030 compared to 2019. Agriculture in particular will have to make major adjustments, but there has been considerable resistance from the sector and some parts of society. The construction sector also faces major restrictions in order to meet the nitrogen targets. At the end of 2022, a decision by the Council of State abolished the so-called construction exemption, which meant that temporary nitrogen emissions caused during construction did not require a permit. This exemption was intended to expedite urgent social tasks such as developing heating networks and housing construction. These types of projects will now need to be assessed as well to determine whether they require an environmental permit. Almost all new construction projects will be delayed as a result, further exacerbating the housing shortage. It is expected that by the end of this year there will be a shortage of almost 400,000 houses. The government wants at least 900,000 new homes to be built by 2030, and at least two-thirds of these should be affordable rental and owner-occupied homes.

Elections for water authorities and provincial councils were held on 15 March. Against the backdrop of the nitrogen debate, there was quite a shift, with the BoerBurgerBeweging (BBB) emerging as the winner in many water authorities and provinces. At the same time, Water Natuurlijk, an alliance between Groen Links, D66 and Volt, also enjoyed a good election result among the water authorities. In The Hague, the election results created tensions within the government coalition over issues such as how to tackle the nitrogen problem. The government agreed at the end of March to renegotiate the nitrogen part of the coalition agreement but wanted to wait for the formation of an agricultural agreement and provincial governments. However, the process of reaching an agricultural agreement came to an end in late June after the largest agricultural organisation, LTO, withdrew from the talks. In July, the cabinet itself eventually fell, not over nitrogen but over the failure to reach an agreement on immigration measures.

It is not yet sufficiently clear what the fall of the cabinet will mean for our bank's clients and shareholders. New parliamentary elections are scheduled for 22 November, after which a new cabinet will be formed. Although various bodies have called for progress on key issues such as nitrogen, climate, immigration and the housing market, these are likely to be declared controversial and therefore not to be implemented in the coming months. A number of issues are known to be going ahead anyway. This has to do with implementation and deadlines set by the European Union. This applies, for example, to measures relating to the Water Framework Directive and the National Programme for Rural Areas, both of which are relevant to water authorities. In the run-up to the parliamentary elections, the water authorities are working together with the drinking water companies on water availability and quality. The umbrella organisation of housing associations, Aedes, has called on the outgoing cabinet to continue to expedite all new construction plans resulting from the National Performance Agreements for Social Housing, which it has concluded with the central government and the Association of Dutch Municipalities in 2022.

LENDING

To help our clients achieve important societal and sustainable goals, we provide them with appropriate financing at the lowest possible cost. In the first half of 2023, we provided a total of €2.8 billion in financing compared with €4.0 billion in the first half of 2022. This includes interest rate and spread resets for existing loans. The reduction in lending is mainly related to the lower (re)financing needs of our clients, who opted for longer maturities in the low interest rate environment of recent years. As redemptions were lower than new lending to our clients in the past six months, the size of our loan portfolio did grow, reaching a new record level of €52.7 billion at the end of June.

Within the first pillar of our strategy, ‘the bank of and for the public water sector’, we provided €441 million in new financing to water authorities and drinking water companies in the first six months of the year. We have as such consolidated our position in both sectors. We are and will remain the most important integrated financial services provider to water authorities, and we aim for the highest possible market share in financing these shareholders. Drinking water companies have also traditionally been an important client group for our bank, and financing these clients dovetails perfectly with the profile of the ‘sustainable water bank’.

The second pillar of our strategy is to be a ‘key player in the financing of the Dutch public sector’. This includes the financing of housing associations, municipalities and healthcare institutions. Despite strong competition, we ensure that we maintain our market share in the (semi)public sector and that our prominent presence in this market secures the availability and affordability of financing for our clients.

The third pillar of our strategy is that of 'financing partner to enhance sustainability in the Netherlands'. In the first half of the year, we provided €135 million in financing for renewable energy projects. Examples include the financing of the acquisition of the Nij Hiddum-Houw wind farm near Cornwerd in Friesland by Wetterskip Fryslân and the municipality of Súdwest-Fryslân, and the financing of the Sunspace solar farm being built by HVC in Marknesse in the Noordoostpolder. We also acquired part of the loan portfolio of Triodos Groenfonds. These are loans to operational wind and solar farms spread across the Netherlands. The total size of our renewable energy portfolio has further increased to more than €1.3 billion compared to a little over €900 million at the end of 2022. With the growth of the renewable energy portfolio, we have taken another important step towards our audacious goal of making our loan portfolio energy positive by 2035, on the way to becoming carbon neutral by 2050. Energy-positive means that the production of renewable (climate-neutral) energy by the clients and projects we finance, will exceed the consumption of fossil energy by our clients and projects from 2035 onwards.

Our portfolio of pass-through NHG RMBS (Residential Mortgage-Backed Securities) bonds has continued to grow over the last six months, from around €2.2 billion at the end of 2022 to around €2.4 billion at the end of June. These bonds are based on National Mortgage Guarantee (NHG) residential mortgages with long maturities and a favourable interest rate on the part of the mortgage used to make the home more sustainable. In this way, as a bank, we contribute to the financing, affordability and sustainability of NHG guaranteed residential mortgages.

FUNDING

Despite the uncertainty in the financial markets mentioned above, we have continued to secure attractive and sustainable funding over the past six months. This is largely due to our AAA ratings, which are the same as that of the Dutch government. We raised a total of €8.2 billion in long-term funding in the international capital markets to both finance new lending and to refinance maturing funding.

Almost half of our funding was raised with Environmental, Social & Governance (ESG) bonds. In the first months of the year, we issued a €1.5 billion Water Bond and two SDG Housing Bonds of €500 million and $1 billion respectively. We also raised over €800 million in sustainable funding through several tap issues. A tap issue is an increase of a previously issued bond. The proceeds from the Water Bonds will be used to finance the water authorities, and those from the SDG Housing Bonds will be used to finance affordable and sustainable social housing. In total, we have raised more than €25 billion with ESG bonds since our first Water Bond in 2014. As such, we are and remain the largest issuer of these bonds in the Netherlands, and more than 40% of our total outstanding bonds now consists of these ESG bonds.

In the past six months, we have raised a total of €26.5 billion in short-term funds under our Euro Commercial Paper (ECP) programme, and €31.1 billion under our US Commercial Paper (USCP) programme. We use the short-term funds raised through these programmes to make cash loans to clients, to increase our liquidity buffer, and to meet collateral obligations arising from the derivative transactions we enter into as a bank to hedge our own interest rate and foreign exchange risks.

PROFIT DEVELOPMENT

Net profit for the first half of 2023 was €72 million compared to €80 million in the first half of 2022. The profit is slightly lower than last year, which was expected as we repaid by the end of 2022 all of the TLTRO funds we previously borrowed from the ECB. Targeted longer-term refinancing operations (TLTROs) are Eurosystem operations that provide financing to credit institutions and were last used by the ECB to support economic activity at the time of the COVID-19 pandemic. In recent years, the TLTRO has had a significant temporary positive impact on our earnings. However, this will gradually diminish in the coming years as we have already passed on the advantage of the TLTRO to our clients by lending at lower interest rates. These loans generally have longer maturities than the funds we have attracted from the ECB. Following the ECB's decision to adjust the terms of the TLTRO last year, it was no longer attractive for us to maintain these funds and thus we repaid them.

Net interest income totalled €124 million (H1 2022: €142 million), a decrease of €18 million compared to the first half of 2022. In particular, this part of the income statement reflects the absence of the above-mentioned contribution from the TLTRO financing. The increase in market interest rates does not have a major impact on our interest income because, as a national promotional bank, we do not seek to maximise our profits and therefore always keep our interest margins as low as possible. The level of the interest rates we charge our clients moves almost synchronously with the interest we pay on our own funding.

The result from financial transactions in the past half year was €7 million compared to a negative result of €2 million in the first half of 2022. This positive result is largely due to the development of the credit value adjustment (CVA) for a specific derivative counterparty. The situation with this counterparty has since improved and there is now an (unrealised) positive change. Market value changes in our liquidity portfolio also had a positive impact on the result from financial transactions.

Operating expenses in the first six months were €27 million compared to €20 million in the first half of 2022. The increase is partly due to higher personnel costs as a result of the increased headcount. We are also investing in capacity, systems and knowledge in areas such as ESG and IT.

The tax burden for the first half of the year amounted to €27 million, which brings the effective tax rate to 27.6%. In addition to corporate income tax, we also pay a bank tax. The impact of the minimum capital rule for 2023 will be nil since our leverage ratio was higher than the required minimum of 9% on the reference date of 31 December 2022.

CAPITAL AND LIQUIDITY RATIOS

Our bank's equity increased in the past six months, taking into account the net profit for 2022 less dividend paid of €60 million, to €2,007 million. The Common Equity Tier 1 (CET1) ratio was 37.9% (year-end 2022: 38.3%). Including the bank's hybrid capital (AT1), total capital as at 30 June 2023 amounted to €2,237 million, resulting in a Tier 1 ratio of 44.3% (year-end 2022: 45.0%). The slight decrease of the CET 1 ratio and Tier 1 ratio is in line with the bank's strategy of increasing risk-weighted lending.

The leverage ratio as at 30 June was 8.6% (year-end 2022: 18.9%) and is well above the 3% requirement that applies under the Capital Requirements Regulation. In accordance with this regulation, as a promotional bank we are allowed to exclude our public sector lending from the calculation of the leverage ratio. If we were not to do this, then the leverage ratio would be 2.7% (year-end 2022: 3.1%).

At 320%, the Liquidity Coverage Ratio (LCR) at the end of June was well above the minimum requirement of 100% (year-end 2022: 285%). The Net Stable Funding Ratio (NSFR) at the end of June was 148% (minimum 100%, year-end 2022: 141%).

At €88 billion on 30 June 2023, our bank's balance sheet was higher than at the end of 2022 (€73.3 billion). This increase is mainly due to the fact that we hold more cash reserves at the central bank as part of our liquidity buffer.

ORGANISATIONAL DEVELOPMENT

The internal organisation of our bank has continued to develop rapidly. An important milestone was reached in March with the completion of the bank-wide change programme Lighthouse, which we started in 2021. Lighthouse was designed to strengthen the internal organisation and consisted of three work streams: 'Stable banking', which focused on sustainably and strengthening the foundation of the credit chain; 'Bank of the future', which focused on further digitalising our processes and services and further embedding ESG in our primary processes; and 'Winning work environment, great place to work', which focused on the collective effort, culture, internal communication and risk awareness within the organisation. The coordination of change management within the organisation is now the responsibility of the newly created Change & Information Management department.

The strengthening of our organisation is partly reflected in our headcount. In the first half year, 24 new colleagues joined our bank. On 30 June 2023, we had 118 employees. Attracting and retaining qualified and motivated people is and will remain a key focus. We invest heavily in the development of our employees, and pay extra attention to solidarity and empowering our 'vision quadrant', in which we clearly state why we exist, what we stand for and what we excel at. As the organisation has grown, we have also adapted our internal governance model and launched a management development programme for members of our management team.

Our Annual General Meeting (AGM) was held on 20 April. At this meeting, we bid farewell to Petra van Hoeken and Melchior de Bruijne as members of the Supervisory Board and Managing Board/CFO respectively. Petra van Hoeken stepped down, having reached the maximum term of eight years, and was succeeded by Caroline Oosterloo. The CFO role is filled temporarily by Constant Korthout. We expect to announce the new CFO later this year. Finally, we were sad to say goodbye to Supervisory Board member Lex van Overmeire. He passed away at the beginning of April. We will remember Lex as an extremely knowledgeable, committed and warm colleague. We also expect to announce his successor later this year.

OUTLOOK FOR 2023

We expect to meet the financing needs of our clients in the Dutch public sector in the remainder of the year in the same socially responsible and sustainable way as in the first six months and we foresee that the total size of our loan portfolio will continue to grow in the coming months. We are and remain cautious in expressing expectations for net profit in 2023.

STATEMENT OF THE MANAGING BOARD

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, 25 August 2023

Managing Board
Lidwin van Velden
Ard van Eijl
Frenk van der Vliet

HALF-YEAR FIGURES

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STATEMENT OF INCOME

For the first half of 2023

(in millions of euros)	Note	First half of 2023	First half of 2022
Interest and similar income		3,162.5	1,546.9
Interest and similar expenses		3,038.7	1,405.1
Net interest income	1	**123.8**	**141.8**
Results from financial transactions	2	6.5	-1.8
Other operating income		-	-
Total operating income		**130.3**	**140.0**
Employee benefits expense	3	10.4	8.0
Other administrative expenses	3	14.1	10.3
Employee benefits and other expenses		**24.5**	**18.3**
Depreciation, amortisation and value adjustments of tangible and intangible assets		2.0	1.6
Resolution levy	4	5.0	9.1
Depreciation of receivables and provisions for liabilities included in the balance sheet	5	-0.1	-
Total operating expenses		**31.4**	**29.0**
Profit from ordinary operations before tax		**98.9**	**111.0**
Tax on profit from ordinary operations	6	27.3	31.0
Net profit		**71.6**	**80.0**

BALANCE SHEET

As at 30 June 2023

(in millions of euros)	Note	30 June 2023	31 December 2022
Assets			
Cash, cash equivalents and deposits at the Central Bank		23,152	8,617
Banks		3,583	3,606
Loans and receivables	7	51,654	51,437
Interest-bearing securities	8	4,563	4,312
Intangible assets		9	8
Tangible assets	9	6	6
Income tax		-	-
Other assets		56	42
Derivative assets	10	5,056	5,245
Prepayments		16	12
Total assets		**88,095**	**73,285**

(in millions of euros)	Note	30 June 2023	31 December 2022
Liabilities			
Banks	11	1,977	1,651
Funds entrusted		7,417	6,838
Debt securities	12	71,982	57,991
Other liabilities		88	48
Derivative liabilities	13	4,225	4,410
Income tax		21	7
Accruals		37	6
Provisions		13	13
		85,760	**70,964**
Subordinated debt		**328**	**326**
Paid-up and called-up share capital		7	7
Revaluation reserves	-	-	-
Other reserves		1,928	1,845
Unappropriated profit for the year		72	143
Equity		**2,007**	**1,995**
Total liabilities		**88,095**	**73,285**
Irrevocable commitments		5,096	4,812

STATEMENT OF COMPREHENSIVE INCOME

for the first half of 2023

(in millions of euros)	**First half of 2023**	First half of 2022
Changes in the revaluation reserves	-	-
Changes in other reserves (Changes in value as part of the pension provision before income tax)	-	-
Income tax on income and expenses recognised directly in equity	-	-
Income and expenses recognised directly in equity	**-**	**-**
Net profit	71.6	80.0
Comprehensive income	**71.6**	**80.0**

STATEMENT OF CHANGES IN EQUITY

for the first half of 2023

(in millions of euros)	Paid-up share capital	Revaluation reserves	Other reserves	Unappropriated profit for the year	**Total**
As at 1 January 2023	**7**	**-**	**1,845**	**143**	**1,995**
Profit appropriation of previous year	-	-	143	-143	-
Dividend	-	-	-60	-	-60
Direct change in the value of equity	-	-	-	-	-
Profit for the year	-	-	-	72	72
As at 30 June 2023	**7**	**-**	**1,928**	**72**	**2,007**
As at 1 January 2022	**7**	**-**	**1,774**	**121**	**1,902**
Profit appropriation of previous year	-	-	121	-121	-
Dividend	-	-	-50	-	-50
Direct change in the value of equity	-	-	-	-	-
Profit for the year	-	-	-	80	80
As at 30 June 2022	**7**	**-**	**1,845**	**80**	**1,932**

CONDENSED STATEMENT OF CASH FLOWS

for the first half of 2023

(in millions of euros)	First half of 2023	First half of 2022
Profit before income tax	99	111
Adjusted for:		
Depreciation, amortisation and value adjustments of tangible and intangible assets	2	2
Unrealised change in the value of assets and liabilities for fair value hedge accounting	-	-91
Change in bank loans and receivables not available on demand	335	3,762
Change in public sector loans and receivables	-425	978
Change in funds entrusted	364	-1,039
Change in other assets and liabilities	252	1,974
Net cash flow from operating/banking activities	**627**	**5,697**
Investments in interest-bearing securities	-693	-1,270
Sale and redemptions of interest-bearing securities	512	1,300
	-181	**30**
Investments in tangible assets	-1	-1
Disposals of tangible assets	-	-
	-1	**-1**
Additions to intangible assets	-2	-2
Net cash flow from investing activities	**-184**	**27**

(in millions of euros)	First half of 2023	First half of 2022
Long-term debt securities issued	8,011	9,482
Redemption of long-term debt securities	-6,143	-5,734
Short-term debt securities issued	59,507	130,027
Redemption of short-term debt securities	-47,345	-126,539
Borrowed long-term loans Funds entrusted	120	200
Redemption long-term loans Funds entrusted	-	-85
Borrowed long-term loans Banks	-	-
Redemption long-term loans Banks	-	-33
	14,150	**7,318**
Dividend paid	-60	-50
Net cash flow from financing activities	**14,090**	**7,268**
Cash flow	**14,533**	**12,992**

(in millions of euros)	First half of 2023	First half of 2022
Cash and cash equivalents as at 1 January	8,619	10,629
Cash flow	14,533	12,992
Cash and cash equivalents as at 30 June	**23,152**	**23,621**

GENERAL NOTES TO THE HALF-YEAR FIGURES

Nederlandse Waterschapsbank N.V. (hereinafter: NWB Bank) a public limited liability company with its official place of business at Rooseveltplantsoen 3, 2517 KR in The Hague, whose shares are held by public authorities. The bank is a key player in financing the public sector and a financing partner to enhance sustainability in the Netherlands. It finances water authorities, municipalities and provincial authorities, as well as other public-sector bodies, such as housing associations, hospitals, educational institutions, drinking water companies, public-private partnership projects and renewable energy projects.

BASIS OF PREPARATION OF THE HALF-YEARLY FIGURES

STATEMENT OF COMPLIANCE

NWB Bank prepares its 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 accounting principles generally accepted in the Netherlands (NL GAAP). NWB Bank does not have any participating interests and prepares company financial statements.

The half-year figures have been prepared in accordance with the accounting policies that were applied in the 2022 annual financial statements. The half-year figures do 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 31 December 2022 of NWB Bank.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The half-year report has been prepared on the basis of historical cost, with the exception of certain interest-bearing securities and derivatives. Interest-bearing securities and derivatives are stated at fair value. Costs and revenue are recognised in the period to which they relate. The amounts in this half-year report are presented in millions of euros and all amounts in the Notes have been rounded off to the nearest thousand (€000), unless stated otherwise.

Many items used in the Financial Statements Formats Decree have been renamed, as these new names better reflect the content, according to NWB Bank.

Continuity

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

Recognition

An asset is recognised if it is probable that the future economic benefits will flow to the company and the asset can be measured reliably. A liability is recognised if 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.

Financial assets and liabilities (except for the loan principal) are recognised at the transaction date. Accordingly, 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. The loan principal is recognised at the settlement date.

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 continues to be recognised where a transaction does not result in a significant change in the economic reality with respect to such an asset or liability. Likewise, such transactions must not result in the reporting of income.

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 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 or deducting transaction costs, respectively, 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 can be exchanged or a liability settled between knowledgeable, independent parties who are willing to enter into a transaction. If 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 instruments using models.

The models use various assumptions relating to the discount rate and the timing and size of the 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, other unlisted interest-bearing securities as well as banks are stated at amortised cost. Other listed interest-bearing securities and derivative assets are subsequently 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.

Provision for uncollectible receivables

NWB Bank uses the option to apply the 'expected loss impairment methodology' of IFRS 9. The impairment model applies to all exposures held under financial assets at amortised cost, interest-bearing securities with value changes stated at fair value recorded directly in equity, and irrevocable commitments and contracts concerning financial guarantees.

Under IFRS 9, these exposures are classified into three groups based on the different stages of credit risk.

Stage 1 includes exposures that show no significant change in credit risk since their initial recognition. A 12-month expected credit loss is recognised for this group, i.e. the expected credit loss based on the probability of default within 12 months of the reporting date.

Stage 2 includes exposures that show a significant increase in credit risk since initial recognition but have not yet defaulted. A lifetime expected credit loss is recognised for these exposures, taking into account any guarantees and received collateral. This concerns the expected shortfalls on the contractual cash flows for the remaining duration of the exposure, discounted at the effective interest rate.

Stage 3 includes exposures that are credit impaired. A lifetime expected credit loss is recognised for these exposures, taking into account any guarantees and received collateral.

For exposures included in interest-bearing securities, the bank applies low credit risk exemption available under IFRS 9 to instruments that fall in the category of investment grade.

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 offset. 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 the value changes in the hedged position related to the hedged risk, value changes in 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: micro-hedging and macro-hedging. Micro-hedging relates to individual transactions that 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. While there is not always a 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 offset the fair value changes of the assets and liabilities in question, respectively, caused by interest rate fluctuations.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are valued in euros at the middle rates at the balance sheet date (published by the ECB). The use of middle rates is connected to the policy of NWB Bank, which states that all foreign currency positions are hedged one-on-one, and which effectively causes the day-to-day foreign currency denominated outflows of funds to be virtually nil.

The balance of gains or losses arising from transactions in foreign currencies are valued at the prevailing rates 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 currency swaps are valued at the fair value of the instrument ruling on the balance sheet date. The results are recorded as results from financial transactions.

Cash, cash equivalents and deposits at the Central Bank

Cash, cash equivalents and deposits at the Central Bank are stated at amortised cost based on the effective interest method less a provision for uncollectibility.

Loans and receivables, and banks

Loans and receivables and banks are stated at amortised cost using the effective interest method, reduced by a provision for uncollectible receivables. This item mainly comprises collateral held under collateral arrangements related to derivative contracts. This collateral is not at the bank's disposal.

Interest-bearing securities

Interest-bearing securities are primarily intended to be held indefinitely and may be sold to meet liquidity needs or in response to changes in the issuer's risk profile. Interest-bearing securities are initially recognised at fair value. The subsequent measurement of interest-bearing securities can be divided into two sub-categories:

Interest-bearing securities held to maturity

Interest-bearing securities purchased with fixed or determinable payments, of which NWB Bank firmly intends to hold to maturity, and in respect of which it has the contractual and economic ability to do so, are stated at amortised cost using the effective interest method reduced by a provision for uncollectibility.

Other interest-bearing securities

Other unlisted interest-bearing securities are stated in line with the securities 'held to maturity'.

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 the interest-bearing security in question is derecognised, the cumulative unrealised gain or loss on an individual asset that was 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 if 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.

Intangible assets

This item includes costs and expenditures 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 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 assets are property and equipment. Property and equipment is stated at acquisition price net of straight line depreciation. Depreciation of these assets is recognised in profit or loss over the expected useful lives of the assets concerned.

The annual depreciation rates are as follows:

Building	2.5%
Fixtures and installations	10%
Equipment, furniture and fittings, etc.:	
• furniture and fittings, etc.	10%
• office equipment	20%
ICT 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, the price of a financial instrument, exchange rates, creditworthiness or other variables (the underlying value).
- No net initial investment or only 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.
- It is settled at a future date.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into. Any discrepancies between a financial instrument's fair value and the value under the bank's measurement models are amortised over the instrument's term. Derivatives are subsequently remeasured at fair value including accrued interest. 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 under the item results from financial transactions. Generally accepted measurement models are applied, based on the most appropriate valuation curves, including the 'OIS curve'. A credit valuation adjustment and a debt valuation adjustment are also included in the measurement.

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 – with changes in value through profit or loss.
- A separate instrument having the same characteristics would be classified as a derivative.

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

Banks, Funds entrusted, Debt securities and Subordinated liabilities

All loans under banks, funds entrusted, debt securities and subordinated liabilities 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.

The bank has subscribed to the ECB's funding programmes three times, twice in 2020 and once in 2021. This financing programme has specific conditions depending on the monetary policy. The bank has accounted for this financing in the same way as it does other kinds of debt, initially at fair value. The subsequent valuation is at amortised cost. The interest charged by the ECB on the financing is assumed to be in line with market conditions and recognised as variable interest in the statement of income using the effective interest method. In November 2022, NWB Bank repaid the TLTRO facilities prematurely.

Employee benefits - defined pension plan obligations

Pursuant to Dutch Accounting Standard 271 on Employee Benefits, NWB Bank applies the IFRS-EU standard on pensions and other post-retirement benefits (IAS 19) in full. From 1 January 2020, active employees became part of a defined contribution plan. The pension plan for inactive employees concerns a defined benefit plan funded by premiums paid to an insurance company based on regular actuarial calculations.

A defined contribution pension plan is a scheme in which the employee's pension contribution (rather than the payment) is defined. 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. The defined benefit plan obligations are calculated annually by an independent actuary using the projected unit credit method.

Offsetting financial assets and financial liabilities

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 when 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 expenses are recognised in the income statement using 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 in the same period as the profit is recognised. Deferred tax assets and deferred tax liabilities are stated on an undiscounted basis.

Current tax assets and liabilities

Current tax assets and liabilitiesfor the current and prior periods are stated at the amount expected to be recovered from or paid to the Dutch Tax and Customs Administration. 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 unusedtax losses, if it is probable that taxable profit is available against which the deductible temporary differences can be offset, and the deductible temporary differences, 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 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 period when the asset is realised or the liability is settled, based on current tax rates and tax laws.

Deferred tax assets and liabilities are netted if a right to offset them exists.

Bank tax and resolution levy

The bank tax and the resolution levy are accounted for as soon as all conditions of the government levies have been met.

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 assets that can be converted into cash without restriction, including the cash available as well as balances payable on demand at banks and central banks.

The changes in loans and receivables, funds entrusted and those based on banks are stated under cash flows from operating/banking activities, given the nature of the operations.

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

Segment information

As the bank's organisation is not 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 the allocation of resources. Accordingly, no segment information is disclosed in this half-year report.

Significant assumptions and estimation uncertainties

The preparation of the financial statements requires that the Managing Board forms opinions and makes estimates and assumptions that have an impact on the application of accounting policies and the reported value of assets and liabilities and of income and expenses. The estimates and associated assumptions are based on past experience, market information and various other factors considered to be reasonable given the circumstances. The outcomes form the basis for the opinion on most of the carrying amounts of NWB Bank's assets and liabilities that cannot be easily established from other sources. The actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed regularly. Revisions of estimates are recognised in the period in which the estimate was revised if the revision only has consequences for that period, or in both the reporting period and future periods if the revision also has consequences for future periods.

Opinions formed by the Managing Board that could have a significant impact on the financial statements, and estimates containing a substantial risk of a material adjustment in a subsequent financial year, relate primarily to the measurement of financial assets and financial liabilities stated at fair value, especially to the measurement of derivatives, as well as impairments when applying the expected loss impairment methodology of IFRS 9, as well as to the interest rate of the TLTRO. Finally, the bank started a pilot with Sustainability Linked Loans in 2022. The remuneration on these loans depends partly on achieving sustainability key performance indicators. On each reporting date, the Managing Board estimates the extent to which these sustainability indicators will be achieved and the amount involved.

NOTES TO THE STATEMENT OF INCOME

1 NET INTEREST INCOME

	First half of 2023	First half of 2022
Interest income on cash, cash equivalents and deposits at the Central Bank, banks and on loans and receivables at amortised cost	1,193,358	630,968
Interest income on interest-bearing securities	25,124	10,587
Derivatives	1,942,186	845,851
Commission	1,855	1,773
Negative interest expense	-	57,696
Interest income	**3,162,523**	**1,546,875**
Interest expense on banks, funds entrusted, hybrid capital and debt securities at amortised cost	960,946	487,389
Derivatives	2,074,711	794,325
Negative interest income	3,084	123,355
Interest expense	**3,038,741**	**1,405,069**
Net interest income	**123,782**	**141,806**

Interest income consists of interest income on loans and receivables, interest-bearing securities, cash, cash equivalents and deposits at the Central Bank, as well as interest-like commission, fees received for the early redemption of financial instruments to which no hedge accounting is applied, premiums and discounts. Premiums and discounts on loans and receivables not stated at fair value are recognised using the effective interest method, together with the relevant interest income.

Interest expense consists of interest expenses on liabilities, whether or not embodied in debt securities, and derivatives, as well as paid interest-like commission, fees paid for early redemption, premiums and discounts. Premiums and discounts on debts, whether or not embodied in debt securities, not stated at fair value are recognised using the effective interest method, together with the relevant interest expense.

Negative interest income concerns the negative interest on financial assets: cash and cash equivalents and deposits at the Central Bank, banks, and loans and receivables.

Negative interest expense concerns the negative interest on financial liabilities banks, funds entrusted and debt securities. In 2022, the item negative interest expenses includes the interest on the participation in the TLTRO, which was repaid in November 2022. It should be noted that the TLTRO had a favourable interest rate for the first two years, but the loans against the TLTRO, to which the favourable interest rate was passed on, have longer maturities. Consequently, the result shifts over time.

The rise in interest income, interest expense and derivatives between 31 December 2022 and 30 June 2023 is mainly due to increased market interest rates.

2 RESULTS FROM FINANCIAL TRANSACTIONS

NWB Bank applies two types of fair value hedge accounting: micro-hedging and macro-hedging. Micro-hedging relates to individual transactions that 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. While there is not always a 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 offset the fair value changes caused by interest rate fluctuations.

The results from financial transactions can be broken down as follows:

	First half of 2023	First half of 2022
Changes in the fair value of derivatives included in macro-hedge accounting	282,340	14,053,706
Revaluation of financial assets and liabilities included in macro-hedge accounting	-283,486	-14,054,369
Macro-hedge accounting ineffectiveness	**-1,146**	**-663**
Micro-hedge accounting ineffectiveness	1,024	-1,060
Total hedge accounting ineffectiveness	**-122**	**-1,723**
Other changes in the fair value of restructured derivatives included in hedge accounting	-17,529	-14,893
Changes in the fair value of derivatives not included in hedge accounting	-1,471	5,307
Change in counterparty credit risk (CVA/DVA)	16,650	-9,643
Results from maturity extensions and early redemptions	-1,396	9,722
Other fair value changes	10,414	9,425
Total	**6,546**	**-1,805**

In 2020, the bank began investing in Green pass-through NHG RMBS (Residential Mortgage-Backed Securities), which has been continued and expanded in subsequent years. The investments are hedged with interest rate derivatives. The bank uses fair value hedge accounting for this purpose. The result of this is included under the item 'Macro-hedge accounting ineffectiveness'.

The other changes in the fair value of restructured derivatives included in hedge accounting were caused by the restructuring of the derivatives portfolio on several occasions in the past with a view to managing the interest rate risk position. As a result, the restructuring of the derivatives portfolio has a favourable effect on net interest income (due to lower interest expenses).

The change in counterparty credit risk (CVA/DVA) relates mainly to an unsecured exposure of €120 million arising from derivative contracts and the related collateral agreement. The volatility of the result on financial transactions for this item is mainly dependent on movements in the credit default swap (CDS) spread for this specific counterparty, with which no new transactions have been entered into for a long time.

The result on loan extensions and prepayments relates to adjustments to loans at the request of clients.

The other fair value changes include changes in the fair value of financial instruments after the moment of purchase or sale, and entering into or terminating the hedge relationship, changes in the fair value of derivatives entered into for asset and liability management purposes, premiums and fees received and paid upon the settlement of derivative contracts, realised revaluation gains on the sale of interest-bearing securities and commission.

The fair value of the financial instruments when applying hedge accounting was €4,337 million on the assets side of the balance sheet as at 30 June 2023 (as at 31 December 2022: €4, 462 million) and €4,543 million on the liabilities side as at 30 June 2023 (as at 31 December 2022: €4,518 million).

NWB Bank borrows significant amounts in foreign currencies. The associated risks are immediately and fully hedged by currency swaps. As a result, the currency risk incurred by NWB Bank is nil.

3 EMPLOYEE BENEFIT EXPENSES AND OTHER ADMINISTRATIVE EXPENSES

The number of employees expressed in full-time equivalents (FTEs), including the Managing Board, totalled 114.7 as at 30 June 2023 (30 June 2022: 104.2).

	First half of 2023	First half of 2022
Wages and salaries	5,880	4,668
Pension costs	940	768
Other social security costs	663	495
Other staff costs	2,935	2,089
Total	**10,418**	**8,020**

Salary costs rose mainly as a result of an increase in headcount. Other staff costs increased due to the higher cost of temporary staff.

Other administrative expenses rose from €10.3 million in the first half of 2022 to €14.1 million in the first half of 2023. The increase of other administrative costs was partly a result of higher licencing and monitoring costs, digitalisation projects, embedding ESG in the operational processes and IT management.

4 RESOLUTION LEVY

Under the Bank Recovery and Resolution Directive (BRRD), the bank is required to pay a resolution levy.

The levy for the year 2023 was paid to the Single Resolution Fund and amounted to €6.5 million (2022: €10.7 million). Of this amount, €1.5 million (2022: €1.6 million) was paid in the form of Irrevocable Payment Commitments and €5.0 million (2022: €9.1 million) was charged to the profit.

The contribution to the Single Resolution Fund is lower due to a decrease in the fund's target capital and a lower share of the contribution compared to other contributing banks.

As of 30 June 2023, a cumulative amount of €9.2 million has been paid in the form of Irrevocable Payment Commitments (2022: €7.7 million).

5 DEPRECIATION OF RECEIVABLES AND PROVISIONS FOR LIABILITIES INCLUDED IN THE BALANCE SHEET

NWB Bank uses the option to apply the expected loss impairment methodology of IFRS 9. This item can be presented as follows:

(in thousands of euros)	**First half of 2023**	**First half of 2022**
Loans and receivables	-132	-40
Interest-bearing securities	-5	-3
Total	**-137**	**-43**

A detailed explanation of the Expected Credit Loss is included in section 14.

6 INCOME TAX

	First half of 2023	First half of 2022
Profit before income tax	98,858	110,975
Income tax at 25.8% resp. 25.0%	25,505	28,632
Minimum capital rule banks (thin cap rule)	-	-
Non-deductible expenses relating to Bank Tax	1,787	2,401
Income tax expense	**27,292**	**31,033**
Effective tax rate (%)	27.6%	28.0%

A minimum capital requirement applies to banks: the thin cap rule. This rule limits the interest deduction for corporate income tax if the leverage ratio is lower than 9%. As the bank's leverage ratio for the calculation of the thin cap rule exceeds 9% for the 2022 and 2023 financial years, the charge under this rule is zero.

Mainly due to the non-deductibility of the bank tax, the effective tax rate is higher than the nominal rate of 25.8%.

NOTES TO THE BALANCE SHEET

7 LOANS AND RECEIVABLES

This item consists of loans and receivables, other than interest-bearing securities, from clients other than banks. The receivables, almost all of which relate to the Dutch public sector, are mostly long-term. Public sector loans and receivables include those to or guaranteed by Dutch public authorities, and to government-controlled public limited liability companies and other businesses or institutions with delegated government duties.

The breakdown of loans and receivables can be depicted as follows:

	30 June 2023	31 December 2022
As at 31 December	**51,436,704**	**70,249,649**
Newly granted long-term loans	3,293,747	8,545,018
Newly granted short-term loans	1,138,367	3,114,807
Redemptions	-3,951,242	-11,805,175
Value adjustment for fair value hedge accounting	-263,450	-18,668,086
Expected Credit Loss	132	491
Total	**51,654,258**	**51,436,704**

A provision for uncollectibility is determined based on the Expected Credit Loss methodology of IFRS 9. This is explained in more detail in section 14.

8 INTEREST-BEARING SECURITIES

This item can be broken down as follows:

	30 June 2023	31 December 2022
Interest-bearing securities held to maturity	-	19,768
Other listed interest-bearing securities	805,088	685,733
Other unlisted interest-bearing securities	3,758,360	3,606,901
Total	**4,563,448**	**4,312,402**

Part of the interest-bearing securities is the investment in the senior notes of a Green Pass-Through NHG RMBS (Residential Mortgage-backed Securities) in line with the third pillar of the 'financing partner to enhance sustainability in the Netherlands' strategy. The bank would therefore like to help reduce mortgage costs for owners of sustainable homes that benefit from a national mortgage guarantee. The total investment of €2,356 million (31 December 2022: €2,230 million) is included under the item 'Other unlisted interest-bearing securities'.)

A provision for uncollectibility is determined based on the Expected Credit Loss methodology of IFRS 9. This is explained in more detail in section 14.

9 TANGIBLE ASSETS

This item comprises capitalised expenses related to the office building and other equipment. Other equipment primarily concerns inventory, ICT equipment and cars.

In 2022 and 2023, (sustainability) investments were made in the property in use by the bank. The incurred expenditures (2023: €414 and 2022: €2,300) have been capitalised.

The breakdown of this item in 2023 and 2022 is as follows:

	Property in use by the bank	Other equipment	Total
Carrying amount as at 1 January 2023	**3,843**	**1,813**	**5,656**
Investments 2022	414	129	543
Disposals 2022	-	-	-
Depreciation in 2022	-211	-334	-545
Carrying amount as at 30 June 2023	**4,046**	**1,608**	**5,654**
Carrying amount as at 1 January 2022	**1,820**	**2,045**	**3,865**
Investments 2021	2,300	475	2,775
Disposals 2021	-	-3	-3
Depreciation in 2021	-277	-704	-981
Carrying amount as at 31 December 2022	**3,843**	**1,813**	**5,656**

Cumulative amounts as at 30 June 2023:	Property in use by the bank	Other equipment	Total
Investments	12,717	11,881	24,598
Depreciation	-8,671	-10,273	-18,944
Carrying amount as at 30 June 2023	**4,046**	**1,608**	**5,654**

Cumulative amounts as at 31 December 2022:	Property in use by the bank	Other equipment	Total
Additions	12,303	11,752	24,055
Depreciation	-8,460	-9,939	-18,399
Carrying amount as at 31 December 2022	**3,843**	**1,813**	**5,656**

10 DERIVATIVE ASSETS

This item consists of interest rate swaps and currency swaps, caps, floors and swaptions. These products are carried at fair value, including accrued interest. Generally accepted valuation models are applied, based on the most appropriate valuation curves, which include the OIS and €STER curves. In the breakdown of derivatives below for 30 June 2023, derivatives totalling €275,915 (31 December 2022: €264,109) were not included in hedge accounting.

Breakdown by remaining term to maturity of fair values as at 30 June 2023 and 31 December 2022,respectively:

	<3 months	3-12 months	1-5 years	>5 years	**Total**
30 June 2023					
Interest rate swaps	1,449	5,879	36,736	4,267,285	4,311,349
Currency swaps	97,700	46,144	69,644	346,356	559,844
Caps, floors and swaptions	-	-	130	184,700	184,830
Total 30 June 2023	**99,149**	**52,023**	**106,510**	**4,798,341**	**5,056,023**
31 December 2022					
Interest rate swaps	-	6,022	31,767	4,181,917	4,219,706
Currency swaps	387,858	9,868	99,687	318,926	816,339
Caps, floors and swaptions	-	-	247	208,268	208,515
Total 31 December 2022	**387,858**	**15,890**	**131,701**	**4,709,111**	**5,244,560**

11 BANKS

This item comprises - other than embedded debt securities - due to domestic and foreign banks.

This item can be broken down as follows:

	30 June 2023	**31 December 2022**
Balances payable on demand	-	-
Loans taken out at banks	1,147,040	880,154
Value adjustment for fair value hedge accounting	-98,644	-106,213
Liabilities under collateral arrangements	914,188	877,344
Exposure Central Clearing	14,150	-
Total	**1,976,734**	**1,651,285**

The collateral included in this item concerns collateral held under collateral arrangements related to derivative contracts. The 'Exposure Central Clearing' item comprises the balance of the daily offset of the derivatives against the collateral received or paid with central counterparties.

The 'loans taken out by banks' item for the financial year 2022 includes the bank's participation for the amount of €11.0 billion in targeted longer-term refinancing operations (TLTRO III.4, TLTRO III.5 and TLTRO III.7) implemented by the ECB. Participation is an operation of the Eurosystem to provide funding to banks to support their expansive lending policy. For NWB Bank, this meant that it could lend at a more attractive rate and thus contribute to keeping public sector costs as low as possible. The remuneration on the recognised amount under the TLTRO was determined retrospectively and depended on the extent to which the conditions were met. An important condition was the degree to which the bank provided loans to non-financial corporations and households, other than residential mortgages. The retroactive interest rate was, depending on whether the conditions were met, -1% or -0.5% on the amount drawn down, or lower if the ECB were to further lower the deposit interest. The bank has met all the conditions for the first special interest period, so that between 24 June 2020 and 23 June 2021 the interest rate on the funding obtained under TLTRO-III was -1.0%. The bank has also met the conditions for the interest period spanning 24 June 2021 to 23 June 2022, as a result of which the interest rate for this period on the funding obtained under TLTRO-III was -1.0%. From 24 June 2022 until maturity, the interest rate has been determined based on the average effective ECB deposit interest rate over the entire term of the financing. In the second half of 2022, the interest conditions were adjusted for the period after 23 November 2022, the date on which the bank exercised the early redemption option.

12 DEBT SECURITIES

This item comprises marketable interest-bearing securities and can be specified as follows:

	30 June 2023	31 December 2022
Bonds	62,595,760	61,303,002
Short-term debt securities	17,504,713	4,914,724
Value adjustment for fair value hedge accounting	-8,118,919	-8,226,631
Total	**71,981,554**	**57,991,095**

Issue, repurchase and repayment of debt securities

In the first half of 2023, bonds were issued for an amount of €8,011 million (first half of 2022: €9,482 million) and redeemed for an amount of €6,143 million (first half of 2022: €5,734 million). In addition, the change in bonds concerns the currency revaluation and the change allocated to accrued interest.

In the first half of 2023, short-term securities were issued for an amount of €59,507 million (first half of 2022: €130,027 million) and redeemed for an amount of €47,345 million (first half of 2022: €126,539 million). In addition, the change in short-term securities concerns the currency revaluation and the change allocated to accrued interest.

13 DERIVATIVE LIABILITIES

This item consists of interest rate swaps and currency swaps, caps, floors and swaptions. These products are carried at fair value, including accrued interest. Generally accepted valuation models are applied, based on the most appropriate valuation curves, including the OIS and €STER curves. In the breakdown of derivatives below for 30 June 2023, derivatives totalling €9,336 (2022: €16,868) were not included in hedge accounting.

Breakdown by remaining term to maturity of negative fair values as at 30 June 2023 and 31 December 2022:

	<3 months	3-12 months	1-5 years	>5 years	**Total**
30 June 2023					
Interest rate swaps	1,406	2,176	46,496	2,509,055	2,559,133
Currency swaps	19,310	120,552	784,166	558,168	1,482,196
Caps, floors and swaptions	-	-	-	183,549	183,549
Total 30 June 2023	**20,716**	**122,728**	**830,662**	**3,250,772**	**4,224,878**
31 December 2022					
Interest rate swaps	3,971	6,180	28,711	2,754,195	2,793,057
Currency swaps	221,210	82,045	599,066	507,243	1,409,564
Caps, floors and swaptions	-	-	-	207,499	207,499
Total 31 December 2022	**225,181**	**88,225**	**627,777**	**3,468,937**	**4,410,120**

OTHER NOTES TO THE HALF-YEAR FIGURES

14 EXPECTED CREDIT LOSS

NWB Bank uses the option to apply the 'expected loss impairment methodology' of IFRS 9. Under IFRS 9, NWB Bank recognises a provision for expected credit loss (ECL) for each client with a credit facility. A provision is also taken for expected losses on loan commitments and financial guarantee contracts, so-called off-balance sheet positions. It should be noted that the majority of the bank's exposures are guaranteed by the government. As a result, there is limited credit risk.

The ECL methodology used by the bank consists of a scoring and rating model, a macro-economic model, models for Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), and scenarios (macro-economic forecasts). Each of these components is used to calculate the final ECL provision.

The table below depicts the course of the expected credit loss in 2022 and the first half of 2023:

(in thousands of euros)	As per 31 December 2022	First half of 2023	Total 30 June 2023
Loans and receivables	-545	132	-413
Interest-bearing securities	-14	5	-9
Total	**-559**	**137**	**-422**

(in thousands of euros)	As per 31 December 2021	2022	Total 31 December 2022
Loans and receivables	-1,036	491	-545
Interest-bearing securities	-7	-7	-14
Total	**-1,043**	**484**	**-559**

Broken down by cause, the summary of movements is as follows:

(in thousands of euros)	2023	2022
Total as at 01 January	**-559**	**-1,043**
Updated macro-economic projections and management overlay	200	-50
Adjustments credit risk scores	-63	534
Total as at 30 June, 31 December	**-422**	**-559**

The breakdown of ECL recognised in the statement of income for the financial year is as follows:

	From 01-01-2023 to 30-06-2023			
(in thousands of euros)	Stage 1	Stage 2	Stage 3	Total
Mutation ECL in P&L				
- Increase through new loans and loans taken over	43	-	-	43
- Decrease through redemptions	-	-	-	-
- Changes by creditrisk (net)	-180	-	-	-180
Total	**-137**	**-**	**-**	**-137**

	From 01-01-2022 to 31-12-2022			
(in thousands of euros)	Stage 1	Stage 2	Stage 3	Total
Mutation ECL in P&L				
- Increase through new loans and loans taken over	43	-	-	43
- Decrease through redemptions	-14	-3	-	-17
- Changes by creditrisk (net)	-3	-507	-	-510
Total	**26**	**-510**	**-**	**-484**

The bank has reassessed and revised the macroeconomic parameters in the ECL model. Given the current economic uncertainty, in particular due to the war in Ukraine, high inflation, a looming recession and the volatile energy prices, the downside scenario was weighted more heavily than at year-end 2022. On balance, the ECL provision decreased compared to the end of 2022, mainly due to credit reviews that led to an improvement in the credit risk score (CRS) for a number of clients, resulting in a move from Stage 2 to Stage 1. Finally, as at the end of 2022, a CRS override of +2 was applied to the healthcare sector due to the impact of high inflation (which is reflected among other things in higher energy costs) and staff costs, as well as the absence of additional (COVID-19) state aid since 2022. This override applied to the healthcare sector did not lead to a change in the ECL provision.

Impairment of loans and receivables and interest-bearing securities

The following table provides a breakdown of the loans and receivables and interest-bearing securities (already provided and still to be provided) to which the ECL model is applied. It should be noted that this analysis does not take any potential guarantees into consideration.

Stage 1: These are the performing exposures without a SICR since the starting date.
Stage 2: These are the performing exposures with a SICR since the starting date.
Stage 3: These are the non-performing exposures that are credit-impaired.

as of 30 June 2023 (in thousands of euros)	Gross carrying amount	Performing Stage 1	Performing Stage 2	Non-Performing Stage 3
Loans and receivables	56,237,399	55,667,387	520,377	49,635
Interest-bearing securities	3,917,510	3,917,510	-	-
Total	**60,154,909**	**59,584,897**	**520,377**	**49,635**

as of 31 December 2022 (in thousands of euros)	Gross carrying amount	Performing Stage 1	Performing Stage 2	Non-Performing Stage 3
Loans and receivables	56,092,299	55,329,011	756,594	6,694
Interest-bearing securities	3,626,669	3,626,669	-	-
Total	**59,718,968**	**58,955,680**	**756,594**	**6,694**

The decrease in Stage 2 exposure is mainly due to a decrease in total asset value as a result of the increase in market interest rates in 2023. In addition, the credit risk score of a number of clients improved following credit reviews. This led to a change from Stage 2 to Stage 1 for these clients and a decrease in the ECL amount.

At the end of June, €49.6 million (31 December 2022: €6.7 million) was classified as 'credit impaired'. This amount concerns exposures in Stage 3 and relates to exposures to 5 (31 December 2022: 4) clients. These exposures are guaranteed by the government and will not lead to an ECL provision or to a write-off.

Following is a more detailed explanation of how the stages progress:

Stage 1: 12-month ECL

Stage 1 includes exposures that show no SICR since their initial recognition. A 12-month ECL is recognised for this group, which is the ECL based on the probability that the exposure will default within 12 months of the reporting date. The 12-month ECL is calculated for all individual exposures as a function of the EAD, PD and LGD and includes forward-looking (macro-economic) indicators. Essentially, an exposure moves from Stage 1 to Stage 2 if one of the following criteria are met:

1. A loan claim has been outstanding for more than or equal to 30 days (30-day indicator serves as a 'backstop indicator');
2. There is a significant increase in the credit risk compared with the time the loan was granted. There is a SICR if an internal rating limit has been exceeded;
3. Other qualitative indicators including information from a credit rating agency, the qualification of an exposure as 'forborne performing' or if an exposure is on the internal watch list.

The 12-month ECL is calculated for all individual exposures as a function of the EAD, PD and LGD and including forward-looking (macro-economic) indicators.

Stage 2: life-time ECL (n ot credit-impaired)

Stage 2 includes exposures that show a SICR since initial recognition but have not defaulted. A lifetime ECL is recognised for these exposures, taking into account any guarantees and received collateral. This concerns the expected shortfalls on the contractual cash flows for the remaining duration of the exposure, discounted at the effective interest rate. The lifetime ECL is calculated for all individual exposures as a function of the EAD, PD and LGD and including forward-looking (macro-economic) indicators.

To determine whether an exposure moves from Stage 2 to Stage 3, the 90-day arrears period acts as a backstop indicator.

An exposure enters stage 3 if it is credit-impaired. This may be the case when:

1. a substantial claim has been outstanding for more than 90 days;
2. the bank considers it unlikely that the client will meet its credit claims ('unlikely-to-pay' (UTP)) without recourse to remedial action such as invoking a guarantee.

Stage 3: life-time ECL (credit-impaired)
Exposures with payment arrears of 90 days or more fall under Stage 3 and are classified as default. However, Stage 3 also includes exposures that are identified as credit-impaired in line with the internally applied definition of default. Therefore, this also includes exposures that are forborne non-performing. If a client defaults, all exposures to that client are moved to Stage 3 and classified as credit-impaired.

A lifetime ECL is recognised for these exposures, taking into account any guarantees and received collateral. This concerns the expected shortfalls on the contractual cash flows for the remaining duration of the exposure, discounted at the effective interest rate. The lifetime ECL is calculated for all individual exposures as a function of EAD, PD and LGD and including forward-looking (macro-economic) indicators. Subsequently, the lifetime ECL is deducted from the outstanding gross carrying amount on the balance sheet. In other words, an impairment is taken on the exposure.

Migrating back to an earlier ECL stage
If the creditworthiness improves and the exposure no longer meets the above criteria, an exposure can migrate from Stage 2 to Stage 1 or from Stage 3 to Stage 2. This occurs according to the bank's ECL Policy, Credit Risk Management Policy and Non-Performing Loan Policy.

Determining a SICR
A SICR exists when the credit rating at the time of reporting has significantly deteriorated compared with the credit rating at origination date. Whether there is a SICR depends on the credit risk classification:

- exposures taken with a credit rating of 7 or better (i.e. ≤ 7): significant credit risk increase occurs when the credit rating shifts to 8 or worse (i.e. ≥ 8); and
- exposures taken with a credit rating of 8 or worse (i.e. ≥ 8): significant credit risk increase when the credit rating shifts a notch. For example, from 8 to 9 is a one-notch shift.

NWB Bank has an internal credit rating scale from 1 to 15. Credit ratings 1 to 7 relate to higher-creditworthy classified exposures (investment grade); ratings 8 to 14 relate to lower-creditworthy classified exposures (non-investment grade); and 15 relates to exposures in default. The internal credit rating scale is calibrated with the help of a reputable external credit rating agency. Internal credit ratings of > 7 are non-investment grade and correspond to a rating of BB+ or worse.

Rating classes

The ECL provision is based on rating classes. The following overview shows the ECL per rating class. The breakdown as at 30 June 2023 and 31 December 2022 is as follows:

30 June 2023:	Stage 1			Stage 2			Stage 3		
Rating Class	Gross carrying amount guaranteed	Gross carrying amount not guaranteed	ECL	Gross carrying amount guaranteed	Gross carrying amount not guaranteed	ECL	Gross carrying amount guaranteed	Gross carrying amount not guaranteed	ECL
1	3,326,936	2,544,031	10	-	-	-	-	-	-
2	5,095,647	4,496	-	-	-	-	-	-	-
3	5,715,155	7,819	-	-	-	-	-	-	-
4	13,579,170	1,316,521	68	7,352	-	-	-	-	-
5	13,242,622	105,929	14	323,553	-	-	-	-	-
6	9,305,104	484,713	88	10,004	-	-	-	-	-
7	3,508,526	960,512	178	77,032	-	-	-	-	-
8	122,065	142,923	48	77,563	-	-	-	-	-
9	17,450	-	-	4,401	-	-	-	-	-
10	1,500	-	-	13,231	-	-	-	-	-
11	103,779	-	16	7,242	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	49,635	-	-
Total	**54,017,954**	**5,566,943**	**422**	**520,377**	**-**	**-**	**49,635**	**-**	**-**

31 December 2022:	Stage 1			Stage 2			Stage 3		
Rating Class	Gross carrying amount guaranteed	Gross carrying amount not guaranteed	ECL	Gross carrying amount guaranteed	Gross carrying amount not guaranteed	ECL	Gross carrying amount guaranteed	Gross carrying amount not guaranteed	ECL
1	6,448,550	2,218,497	15	-	-	-	-	-	-
2	2,479,435	7,262	-	-	-	-	-	-	-
3	5,808,903	5,783	-	-	-	-	-	-	-
4	9,121,032	1,097,469	80	-	-	-	-	-	-
5	6,858,437	306,996	57	299,799	-	-	-	-	-
6	14,706,631	261,930	62	7,735	-	-	-	-	-
7	7,829,852	1,124,241	296	43,791	-	-	-	-	-
8	420,631	120,959	47	231,769	-	-	-	-	-
9	23,888	-	-	114,744	-	-	-	-	-
10	8,093	-	-	48,897	-	-	-	-	-
11	107,091	-	-	9,859	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	6,694	-	-
Total	**53,812,543**	**5,143,137**	**557**	**756,594**	**-**	**-**	**6,694**	**-**	**-**

Rating classes 1 to 7 are classified as 'investment grade', while rating classes 8 to 14 are 'non-investment grade'. Finally, rating class 15 concerns the classification 'default'. The guaranteed exposures have an LGD of 0%.

Analysis of the 'performing exposures' according to maturity date

The following table shows the amounts that have become due but have not yet been received at reporting date, which have not been included in Stage 3.

(in thousands of euros)	30 June 2023	31 December 2022
Less than or equal to 30 days	413	24,014
Greater than 30 days and less than or equal to 60 days	-	-
Total	**413**	**24,014**

Parameters and assumptions used

The ECL of a financial asset is determined on the basis of 12 months or its entire term, depending on whether there has been a significant increase in credit risk. The total ECL is determined based on the product of the PD, LGD and EAD, discounted to reporting date.

Probability of Default (PD)

The PD is used to determine the ECL and the SICR. The bank has developed PD models for its lending for which no external rating is available, which are largely based on expert judgement combined with accepted mathematical techniques.

Loss Given Default (LGD)

The LGD concerns the loss in case of non-payment. The majority of the bank's portfolio consists of loans guaranteed by the Dutch government.

Exposure at Default (EAD)

The EAD concerns the expected value of the exposure at the moment when the counterparty defaults. This value includes the principal amount, the accrued interest, the premium/discount, the value adjustment resulting from the application of fair value hedge accounting and any amount due but not yet received. The effect of potential early redemptions is minimal and therefore not included in the EAD.

Low credit risk exemption

For exposures included in the item interest-bearing securities, the bank applies a 'low credit risk exemption' (LCRE) in accordance with IFRS 9. IFRS 9 allows the bank to assume, without further analysis, that the credit risk on a financial instrument has not increased significantly since its initial recognition if it is determined that the financial instrument has a low credit risk at the reporting date. An external rating of investment grade is an example of a financial instrument that can be considered low credit risk.

From credit risk score per client to PD rating per exposure

NWB Bank assigns an (internal) PD rating to each exposure at the time of origination. The PD rating is derived from the Master Scale of the ECL model. An important input for the ECL model is the Credit Risk Score (CRS) established by the Risk Management department. The bank assigns a CRS to each client to calculate the ECL per exposure. CRSs have a scale of best to worst scores ranging from 1 to 21. The internal credit ratings from the Master Scale are used in accordance with IFRS guidelines. The Master Scale links CRSs with default rates and the final credit rating. The Master Scale developed by the bank is calibrated with the help of a reputable external credit rating agency and has been validated. The CRS is reviewed periodically in accordance with the credit management cycle to determine whether it is a SICR under ECL IFRS guidelines.

Macro-economic variables

Macro-economic variables are taken into account for the determination of the ECL. This implies taking into account forward-looking developments that may affect potential credit losses. The macro-economic variables that the bank's internally developed models have taken into account are unemployment and inflation. In June 2023, the bank updated the projections for inflation and unemployment. This was done using input data from the Netherlands Bureau for Economic Policy Analysis (Centraal Planbureau, CPB) and the ECB's scenarios on inflation and unemployment for all of Europe respectively. In view of the current economic uncertainty, caused in particular by the war in Ukraine, high inflation, a looming recession and the volatile energy prices, the weighting of the scenarios has been maintained at 60-30-10% (31 December 2022: 60-30-10%) for the downward, basis and upward scenarios respectively.

The following breakdown provides an overview of the macro-economic variables and their weighting.

Macro-economic variable	Scenario	Weighting as at 30 June 2023	Weighting as at 31 December 2022
Unemployment	Base scenario	0.30	0.30
	Upward scenario	0.10	0.10
	Downward scenario	0.60	0.60
		-	-
Inflation	Base scenario	0.30	0.30
	Upward scenario	0.10	0.10
	Downward scenario	0.60	0.60

The following breakdown provides an overview of the macro-economic variables and the percentages used in the baseline scenario.

Macro-economic variable	Year	% as at 30 June 2023	% as at 31 December 2022
Unemployment	2023	4.00	3.90
	2024	4.15	4.40
	2025	4.30	4.40
Inflation	2023	3.05	4.50
	2024	2.70	1.90
	2025	2.20	2.30

Sensitivity analysis

The following analysis was carried out to measure the ECL's sensitivity to the various factors. The calculation of the ECL is partly determined by the assumed macro-economic variables. The following overview shows the impact on the ECL in different scenarios.

Breakdown of the ECL by economic scenarios

30 June 2023		2023	2024	2025	Probability-weighting scenario	Weighted ECL	Total ECL
Scenario 1: Down market	Inflation NL	2.60	2.06	1.56	0.60	276	
	Unemployment NL	4.51	4.93	5.08	0.60		
Scenario 2: Stable	Inflation NL	3.05	2.70	2.20	0.30	115	422
	Unemployment NL	4.00	4.15	4.30	0.30		
Scenario 3: Up market	Inflation NL	3.47	3.36	2.86	0.10	31	
	Unemployment NL	3.51	3.31	3.46	0.10		

31 December 2022		2023	2024	2025	Probability-weighting scenario	Weighted ECL	Total ECL
Scenario 1: Down market	Inflation NL	2.24	1.26	1.66	0.60	379	
	Unemployment NL	4.13	5.18	5.18	0.60		
Scenario 2: Stable	Inflation NL	4.50	1.90	2.30	0.30	145	559
	Unemployment NL	3.90	4.40	4.40	0.30		
Scenario 3: Up market	Inflation NL	2.68	2.56	2.96	0.10	35	
	Unemployment NL	3.76	3.56	3.56	0.10		

Analysis 1: Sensitivity of the ECL if 100% of the individual scenarios were to be applied

The table below shows the sensitivity of the ECL if 100% of the individual scenarios (downward, basis and upward) were to be applied to all exposures as at 30 June 2023. Given the limited size of non-government guaranteed exposures, the sensitivity to the different scenarios is limited.

Sensitivity Analysis - scenarios (in thousands of euros) as per 30 June 2023	100% Downward scenario	100% Basis scenario	100% Upward scenario
ECL	463	382	313

Sensitivity Analysis - scenarios (in thousands of euros) as per 31 December 2022	100% Downward scenario	100% Basis scenario	100% Upward scenario
ECL	632	483	350

Analysis 2: All Credit Risk Scores deteriorate by 1 step (CRS+1)

In this analysis, the most important factor in the calculation of the ECL, Credit Risk Scores (CRS), is shifted with a deterioration of plus 1. The impact of this shift on the ECL is an increase of approximately €3.2 million (31 December 2022: €5.2 million). As a result, the ECL would be approximately €3.6 million (31 December 2022: €6 million) instead of the amount of €0.4 million (31 December 2022: €0.6 million) reported on 30 June 2023.

15 DIVIDEND

The dividend of €60 million proposed in the 2022 financial statements and adopted by the General Meeting of Shareholders was paid out in 2023 and is recognised in other reserves.

16 TIER 1 CAPITAL RATIO

NWB Bank applies the Standardised Approach (SA) in calculating risk-weighted assets.

	30 June 2023	31 December 2022
Equity excluding profit for the current financial year	1,935	1,852
Intangible assets	-9	-8
Prudential filters	-10	-9
CET 1 capital	**1,916**	**1,835**
Additional Tier 1 capital	321	321
Tier 1 capital (A)	**2,237**	**2,156**
Weighted credit risk (SA)[1]	3,364	3,064
Capital requirement pursuant to CVA (SA)[1]	1,237	1,335
Weighted operational risk (SA)[1]	453	393
Risk-weighted assets (B)	**5,054**	**4,792**
Tier 1 ratio (A/B)	**44%**	**45%**

1) Standardised Approach

Visible equity stood at €1,935 million (excluding profit for the current financial year) at the end of June 2023, compared with €1,852 (excluding profit for the financial year) at the end of 2022. CET 1 capital including Additional Tier 1 capital amounted to €2,237 (excluding profit for the financial year) at the end of June 2023 compared with €2,156 million (excluding profit for the current financial year) at the end of 2022. The bank's total risk-weighted assets rose from €4,792 million at the end of 2022 to €5,054 million at the end of June 2023. This rise is primarily the result of an increase in the risk-weighted loan portfolio.

17 EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after the balance sheet date that need further explanation.

OTHER INFORMATION

GLOSSARY

CET 1 capital ratio
The bank's core capital as a percentage of total risk exposure.

Tier 1 capital ratio
Core capital including Additional Tier 1 capital of the bank expressed as a percentage of total risk exposure.

Cost/income ratio
Operating expenses (excluding bank tax, resolution levy and Expected Credit Loss) compared to operating income.

Dividend pay-out ratio
Dividend pay-out relative to net profit.

Leverage ratio (adjusted for promotional assets)
The ratio between the Tier 1 capital and the (adjusted) total assets of the bank. The promotional assets are not included in the total assets.

Leverage ratio (not adjusted for promotional assets)
The ratio between the Tier 1 capital and the (unadjusted) total assets of the bank. The promotional assets are included in the total assets.

Promotional asset
A loan granted directly or through an intermediary credit institution on a non-competitive, not-for-profit basis by a public development credit institution or an entity set up by the central government, regional government or local government of a Member State of the European Union to promote the policy objectives of the central government, regional government or local government of a Member State.

Liquidity Coverage Ratio
The Liquidity Coverage Ratio (LCR) is an indicator that shows whether there are sufficient liquid assets to absorb a 30-day period of stress.

Net Stable Funding Ratio
The aim of the Net Stable Funding Ratio (NSFR) is to determine the extent to which longer-term assets are financed with more stable forms of funding.

INDEPENDENT AUDITOR'S REVIEW REPORT

TO: THE SHAREHOLDERS, SUPERVISORY BOARD AND MANAGING BOARD OF NEDERLANDSE WATERSCHAPSBANK N.V.

Our conclusion

We have reviewed the interim financial information included in [the accompanying half-yearly financial report of Nederlandse Waterschapsbank N.V. (NWB Bank) based in The Hague for the period from 1 January 2023 to 30 June 2023.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of NWB Bank for the period from 1 January 2023 to 30 June 2023 is not prepared, in all material respects, in accordance with Richtlijn voor de Jaarverslaggeving 394 “Tussentijdse berichten” (Dutch Accounting Standard 394 on Interim Reports).

The interim financial information comprises:

- the balance sheet as at 30 June 2023;
- the statement of income, statement of comprehensive income, the statement of changes in equity and the condensed statement of cash flows for the period from 1 January 2023 to 30 June 2023;
- the notes comprising of a summary of accounting policies and selected other information.

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, “Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit” (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the Our responsibilities for the review of the interim financial information section of our report.

We are independent of NWB Bank in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of the Managing Board for the interim financial information

The Managing Board is responsible for the preparation and presentation of the interim financial information in accordance with Richtlijn voor de Jaarverslaggeving 394 “Tussentijdse berichten” (Dutch Accounting Standard 394 on Interim Reports). Furthermore, the Managing Board is responsible for such internal control as it determines is necessary to enable the preparation of the interim financial information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing NWB Bank's financial reporting process.

Our responsibilities for the review of the interim financial information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a review engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with Dutch Standard 2410.

Our review included among others:

- updating our understanding of NWB Bank and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the interim financial information where material misstatements are likely to arise due to fraud or error, designing and performing analytical and other review procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion;
- obtaining an understanding of internal control as it relates to the preparation of interim financial information;
- making inquiries of the Managing Board and others within NWB Bank;
- applying analytical procedures with respect to information included in the interim financial information;
- obtaining assurance evidence that the interim financial information agrees with, or reconciles to, NWB Bank's underlying accounting records;
- evaluating the assurance evidence obtained;
- considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle;
- considering whether the Managing Board has identified all events that may require adjustment to or disclosure in the interim financial information;
- considering whether the interim financial information has been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement.

Amsterdam, 25 August 2023

Ernst & Young Accountants LLP

Signed by R. Koekkoek

MANAGING BOARD AND SUPERVISORY BOARD

Managing Board

Lidwin van Velden
Ard van Eijl
Constant Korthout (acting CFO)
Frenk van der Vliet

Supervisory Board

Joanne Kellermann
Toon van der Klugt
Frida van den Maagdenberg
Caroline Oosterloo
Annette Ottolini
Manfred Schepers

The Hague, 25 August 2023

NWB Bank prepared this half-year report in the Dutch language. The English translation was made for information purposes only. In the event of any inconsistencies or differences between the English translation and the original Dutch version of the half-year report 2023, the latter will prevail.