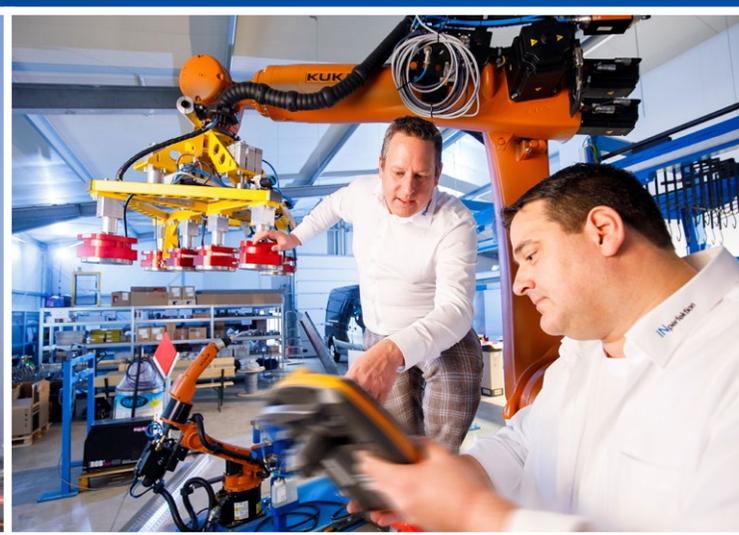




Annual Report 2020

Acting Energetically



The following symbols are used for navigation within this Annual Report:

-  Show first page of Annual Report
-  Show table of contents
-  Show previous page
-  Show next page

Contents

| | |
|-----------|-----------------------------|
| 3 | Editorial |
| 4 | Acting Energetically |
| 13 | Financial Report |

This is an unofficial translation of the Geschäftsbericht 2020 (German Annual Report 2020) and is provided for convenience purposes only. In the event of any ambiguity, the German text will prevail.



Dear Readers,

The coronavirus pandemic has not only changed the way we live together, it is being felt in all areas of our society. It has impacted health and education, the economy, administration, society and families in a previously unimaginable way. The pandemic reveals our weaknesses and challenges our strengths. And it once again underlines the special importance of sustainability and digitalisation.

Since the beginning of the pandemic, we at NRW.BANK have therefore had three goals in mind: first, to mitigate the acute impact; second, to support the recovery of the economy; and third, to drive North Rhine-Westphalia's development also during the crisis – towards an ecologically and socially sustainable, digitally and structurally modernised economy and society.

In direct response to the coronavirus pandemic, we provided much more direct advice, ensured the on-lending of federal funds, suspended repayments and provided liquidity in 2020. With a view to supporting a timely recovery of the economy, we have expanded our product portfolio.

In all the above, we continue to focus on sustainability and digitalisation. After all, the transformation of the economy and society remains as important as before the pandemic. It can be the key to sustainable corporate success. Companies that are ecologically innovative now have good opportunities. The same applies to digitalisation. It makes companies more crisis-resilient – this is something the pandemic has made very clear. And we as a promotional bank have also been able to react so quickly to the crisis not least because our processes were already largely digitised before the pandemic began.

In any case, it is a fact that 2021 will be another year of great challenges. The fact that we have been so successful in mastering the challenges to date is something that we owe to you – our customers, our partners, our owner, the state of North Rhine-Westphalia, and our employees. This makes us confident that together we will be able to help mastering this special situation and strengthening North Rhine-Westphalia.

The Managing Board of NRW.BANK

Eckhard Forst

Eckhard Forst
Chairman of the
Managing Board

Gabriela Pantring

Gabriela Pantring
Member of the
Managing Board

Michael Stöltzing

Michael Stöltzing
Member of the
Managing Board

Dietrich Suhlrie

Dietrich Suhlrie
Member of the
Managing Board

We Accelerate Digitalisation

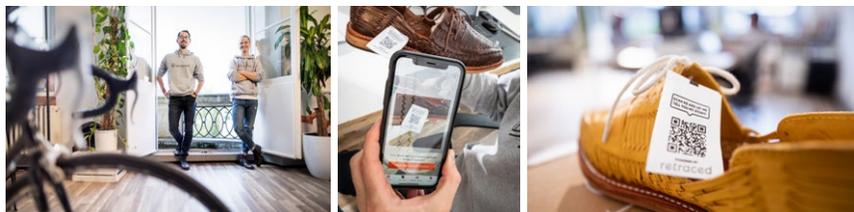
The pandemic has clearly highlighted the importance of investing in digital transformation; according to a study conducted by Bitkom, Germany's digital association, in November 2020, digitally well-positioned companies master the crisis better. They benefit from the fact that digitalisation ensures production, energy and resource efficiency and that it allows trade to continue. This saves costs and time and creates competitive advantages. Digital transformation is thus now more important than ever and secures the future and growth. NRW.BANK promotes the corresponding investments across all sectors. This ranges from promotional loans for the development of broadband networks to low-cost loans for investments in digital technologies and services to equity capital for digital start-ups.



Automotive supplier Fischer & Kaufmann has recognised the role that digitalisation plays for SMEs. Established in Finnentrop over 70 years ago, the family-owned company used the NRW.BANK.Digitalisierungskredit to invest in a new fully automated production line for lamellae carriers used in hybrid engines. With this digital update, managing directors Tobias Heutger (left) and Jürgen Bischopink strengthen the company's long-term competitiveness – in keeping with Industry 4.0.

We Help Start-ups Kick Off

Good ideas are always in demand, as they provide answers to economic, environmental and social questions. In times of the coronavirus pandemic, they are more important than ever. For on the one hand, the pandemic sent the economy into freefall, but on the other hand, it has accelerated industrial change and shown that the ecological and digital transformation remains just as important as before and can be a key to corporate success. This is why NRW.BANK provides venture capital and advice to technology-driven start-ups to ensure that every good idea receives the right funding – thus giving founders the start-up support they need.



retroced, a start-up from Düsseldorf, combines digitalisation and sustainability. Company founders Philipp Mayer (front) and Lukas Pünder have developed a digital platform on which manufacturers and suppliers in the fashion industry make their commitment to environmental protection

and fair working conditions transparent. The Bank's "NRW.Start-up akut" programme helped the founders to push their business forward during lockdown and to win new customers.

We Help Secure the Future

Industry 4.0 opens up great opportunities for manufacturing SMEs, but also for innovative start-ups. It optimises production and expands the business model. When it comes to making the corresponding investments, NRW.BANK offers both appropriate promotional programmes and individualised promotional advice to help businesses find the right solution even during the difficult times of the pandemic. After all, NRW.BANK promotes every good idea from North Rhine-Westphalia.

Automating specialised processes – that’s the highly innovative business model of INperfection GmbH from Wegberg in the Heinsberg district. Managing directors Ralf Aldenhoven (front) and Carsten Finke were among the first entrepreneurs that NRW.BANK advised in the pandemic. Within next to no time, the Bank’s promotional advisors developed a customised financing solution. The investments were secured by Bürgschaftsbank NRW, which takes economic risks for and with companies.



We Get Sustainability Rolling

The issue of sustainability has not lost its importance even in times of the coronavirus pandemic. Right on the contrary, businesses that operate sustainably have proven to be particularly crisis-resilient – similar to digitalised companies. Crucial here are investments in the sustainable orientation of the business model such as resource efficiency, climate protection, alternative mobility or in the development of sustainable products. This enables small and medium-sized enterprises to secure their competitiveness in the long term and also to respond to changing consumer behaviour. NRW.BANK supports them on their way to increased sustainability by offering promotional and advisory services.



Kick-start for sustainability: it's only a few minutes' drive from the production plant to the warehouse of Friedrich Wenner Vermolder Vollpappen-Verarbeitungswerk GmbH. A diesel truck transported cardboard packaging back and forth between the two locations about 30 times a day. Inspired by the electric shuttle buses operating at airports, an e-truck has been used since summer 2020. The electricity comes from the company's own photovoltaic system, which includes a storage solution. The e-truck and the charging stations were financed with help from the "NRW.BANK.Elektromobilität" programme.



We Keep NRW Running

Düsseldorf Airport and Cologne/Bonn Airport

Being the largest airports in North Rhine-Westphalia, Düsseldorf and Cologne/Bonn are essential for mobility in Germany; return flights from risk areas or cargo flights with medical supplies are just two reasons why both airports were not allowed to close even during lockdown – although their fixed costs were overwhelmingly high. Promotional loans from the “NRW.BANK.Infrastruktur Corona” programme in the amount of EUR 250 million for Düsseldorf Airport and EUR 100 million for Cologne/Bonn Airport helped to keep the airports operating.

Public and social infrastructures are the lifelines of society. In the pandemic, many sponsors and shareholders of facilities such as hospitals, airports and event locations experienced high losses. To support them, NRW.BANK has adapted its product range and launched new promotional programmes, e.g. NRW.BANK.Infrastruktur Corona, under which the Bank makes available low-interest working capital loans. The “NRW.BANK.Gemeinnützige Organisationen” loan is used to stabilise the social infrastructure of players that are essential for society and secures their liquidity. A selection:

Westfalenhallen Unternehmensgruppe GmbH

All of the divisions of Westfalenhallen Unternehmensgruppe GmbH were affected by the pandemic. The trade fair operations as well as the congresses and events division were among the sectors that had to restrict their operations massively or entirely because of the ban on events. As a result, 80% less in revenues were generated between March and December 2020. NRW.BANK provided support by making available EUR 10 million under the “NRW.BANK.Infrastruktur Corona” programme.

Katholische Kliniken im Märkischen Kreis

Intensive care beds had to be kept free, operations that were not urgently needed had to be postponed – the pandemic led to high revenue losses across Germany’s hospital sector. After the expiry of the compensation payments and the allowances paid for free beds, Katholische Kliniken im Märkischen Kreis took advantage of the “NRW.BANK.Gemeinnützige Organisationen” and “NRW.BANK.Infrastruktur Corona” programmes to secure their liquidity. Their facilities – St. Elisabeth Hospital Iserlohn and St. Vincenz Krankenhaus Menden – received a total amount of EUR 4 million.

MESSE DORTMUND

We Strengthen the Digital School Infrastructure



The coronavirus pandemic has made it very clear that digitalisation and education belong together and are becoming increasingly important. Offering pupils in North Rhine-Westphalia better and, above all, digital learning conditions is therefore of particular importance. Modern, well-equipped schools need fibre optic connections, their own network and whiteboards. NRW.BANK offers attractive promotional programmes to support municipalities in mastering the digital transformation in North Rhine-Westphalia's education system.



The City of Gelsenkirchen has been investing heavily in the digitalisation of its 73 schools for several years. According to IT Team Manager Thomas Sowa (top), all facilities are connected to the fibre optic network. A WDR ranking shows that the municipality is above the North Rhine-Westphalian average and among the top five in terms of digital equipment. With the help of NRW.BANK, the digital classrooms have recently been funded with EUR 14 million.

We Promote Affordable Housing

Affordable and attractive housing is always in demand – but especially so during the coronavirus pandemic; on the one hand, because most people in North Rhine-Westphalia spend much more time at home. On the other hand, because some are very much feeling the impact of the pandemic financially. NRW.BANK uses North Rhine-Westphalia's housing promotion funds to create affordable, modern housing. For the investors, the promotional loans are profitable; for the residents, they ensure quality of life.



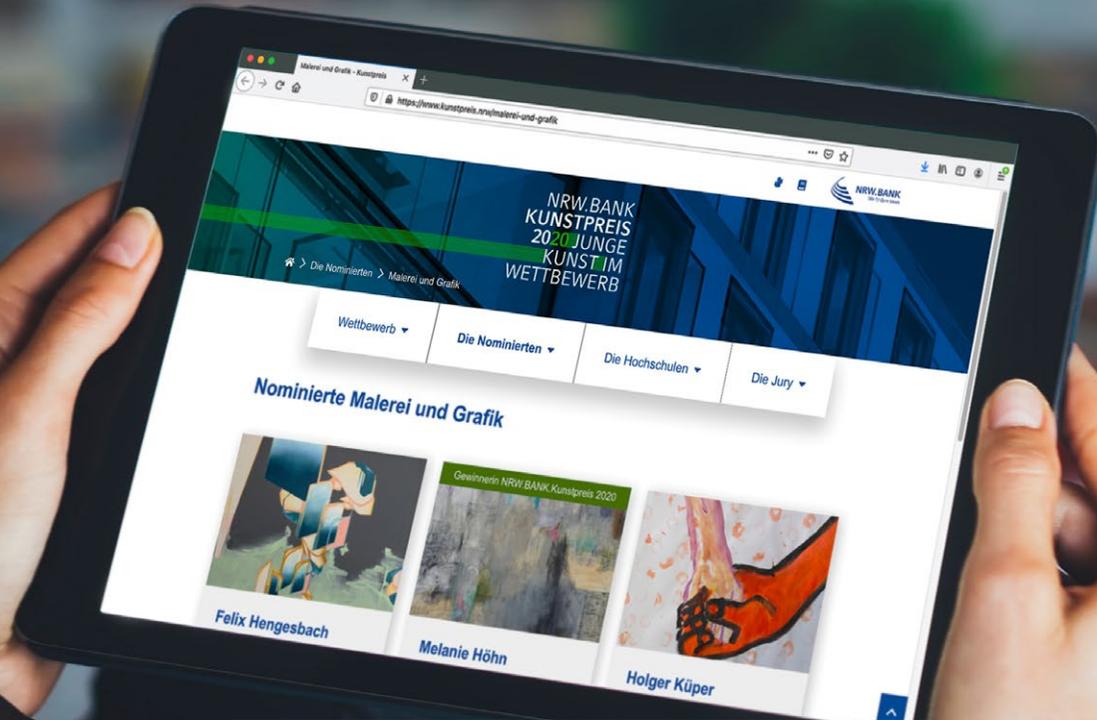
Solidarity in action – this can be found in the intergenerational housing project in Kronenstraße in Bochum, where six of the 21 flats were publicly funded. The residents use a chat to exchange shopping lists, arrange child care or organise balcony concerts. Everyone looks after everyone else – a great example of successful neighbourly help in times of the pandemic.

We Provide Guidance

During the first lockdown, NRW.BANK's Service Centre was contacted by numerous people who were worrying about the continued existence of their business – from kiosk operators to high-tech start-ups to established SMEs. The inquiries were handled by a seven-strong team, who were supported by up to 20 employees from other departments during peak times. Initially, the focus was primarily on the liquidity problems caused by the pandemic and on inquiries about allowances and subsidies as well the promotional programmes offered by the federal and state governments. The phones at the Service Centre were also ringing off the hook with regard to the new promotional loans developed in the context of the pandemic as well as the tried-and-tested commercial programmes.

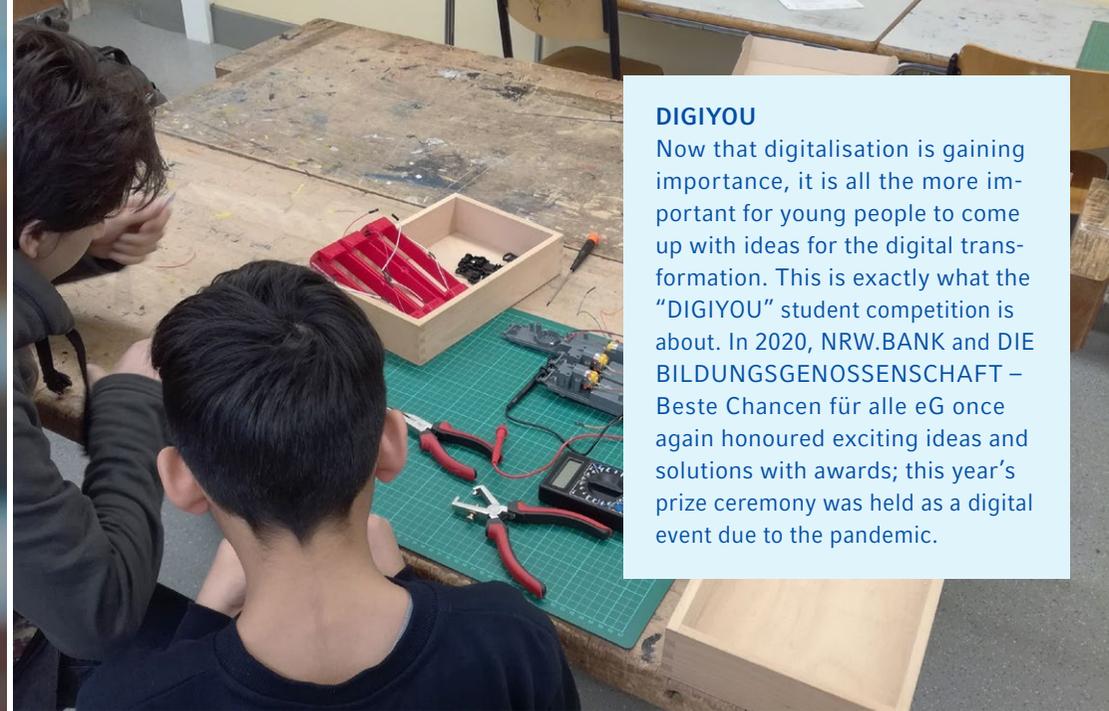
On March 25, 2020 alone, the Service Centre received 2,458 calls – compared to some 150 on normal days.

We are Committed to Society



NRW.BANK.Kunstpreis

Art allows us to question seemingly certain knowledge and to take on new perspectives. With the NRW.BANK.Kunstpreis, which this year was awarded digitally due to the pandemic, the promotional bank makes up-and-coming artists visible in times of closed exhibition spaces and supports them with a total of EUR 33,000. At the same time, NRW.BANK increased its sponsorship of the "Düsseldorf Festival!" and "Klavier-Festival Ruhr" series to EUR 20,000 each to continue offering creative artists a perspective.



DIGIYOU

Now that digitalisation is gaining importance, it is all the more important for young people to come up with ideas for the digital transformation. This is exactly what the "DIGIYOU" student competition is about. In 2020, NRW.BANK and DIE BILDUNGSGENOSSENSCHAFT – Beste Chancen für alle eG once again honoured exciting ideas and solutions with awards; this year's prize ceremony was held as a digital event due to the pandemic.

Responsibility is the very foundation of our society. As a promotional bank, we are committed to public life in North Rhine-Westphalia beyond our business activities. In 2020, we supported 85 non-profit organisations and initiatives – from young artists and volunteer projects to individuals who roll up their sleeves for culture, education, the environment and equal living conditions. A selection:



Tafel Nordrhein-Westfalen e. V.

The coronavirus pandemic and its consequences are also affecting the food banks in North Rhine-Westphalia, as fewer food donations from restaurants and volunteers who stay at home out of concern for their health or because they belong to the at-risk group pose great challenges. To ensure that the aid organisation is able to continue its invaluable work even in times of crisis, NRW.BANK donated EUR 25,000 to Landesverband Tafel Nordrhein-Westfalen.



Financial Report 2020 of NRW.BANK

| | |
|------------|---|
| 14 | The Promotional Business of NRW.BANK |
| 20 | Report on Public Corporate Governance |
| 33 | Declaration of Conformity |
| 34 | Report of the Supervisory Board |
| 36 | Management Report |
| 81 | Balance Sheet |
| 85 | Income Statement |
| 87 | Notes |
| 134 | Cash Flow Statement |
| 135 | Statement of Changes in Equity |
| 136 | Reproduction of the Auditor's Report |
| 143 | Responsibility Statement |
| 144 | Members of the Advisory Board for Housing Promotion |
| 147 | Members of the Advisory Board |
| 152 | Members of the Parliamentary Advisory Board |
| 154 | Organisational Chart |
| 156 | NRW.BANK at a Glance |

The following symbols indicate important information:

-  Further information is available online.
-  Further information is provided in this annual report.

The Promotional Business of NRW.BANK

1 Overview

As the promotional bank and main promotional platform of North Rhine-Westphalia, NRW.BANK supports its owner and guarantor, the State of North-Rhine Westphalia, in the fulfilment of its structural and economic policy tasks and in the efficient implementation of promotional programmes in North Rhine-Westphalia with a view to minimising the impact of these activities on the state budget. To fulfil its promotional mission, NRW.BANK draws on a wide range of promotional instruments and contributes its lending expertise to the promotional process. The instruments used include, in particular, promotional loans with low interest rates and/or long-term fixed-interest options, the provision of equity and mezzanine capital, risk sharing with house banks as well as advisory services.

In the promotional business, NRW.BANK provides monetary and non-monetary services – also referred to as “Förderleistung” – in order to fulfil its promotional mandate and to support the structural policy objectives of its owner. The use of own income for reduced interest rates on promotional loans is a key component of this “Förderleistung”. Moreover, NRW.BANK refrains from putting its equity capital in alternative investments yielding higher interest and, hence, income by using this capital to refinance promotional loans granted at reduced interest rates. Risk assumptions and advisory services are further components of the “Förderleistung”.

The supply of the “Förderleistung” specifically enables NRW.BANK to make available attractive promotional products to its respective target groups.

NRW.BANK takes into account the existing offers by the Federal Institutes in the arrangement of its promotion and supports the extensive use of Federal and EU promotional funds in the State of North Rhine-Westphalia. In its capacity as the central institution of the North Rhine-Westphalian savings banks, the Bank serves as a conduit for the federal promotional programmes of KfW Bankengruppe and Landwirtschaftliche Rentenbank. In addition to the international capital market, NRW.BANK also uses funds made available to it by KfW Bankengruppe, Landwirtschaftliche Rentenbank, the European Investment Bank (EIB) as well as the Council of Europe Development Bank (CEB) to refinance its promotional activities.

NRW.BANK’s promotion is governed by the principles adopted by the Board of Guarantors as well as by NRW.BANK’s promotional strategy, which is based thereon.

NRW.BANK’s promotional business is theme-oriented. This is reflected in the subdivision into the promotional fields Economy, Housing and Infrastructure/Municipalities, which in turn contain different promotional themes. Each promotional offering is assigned to a specific

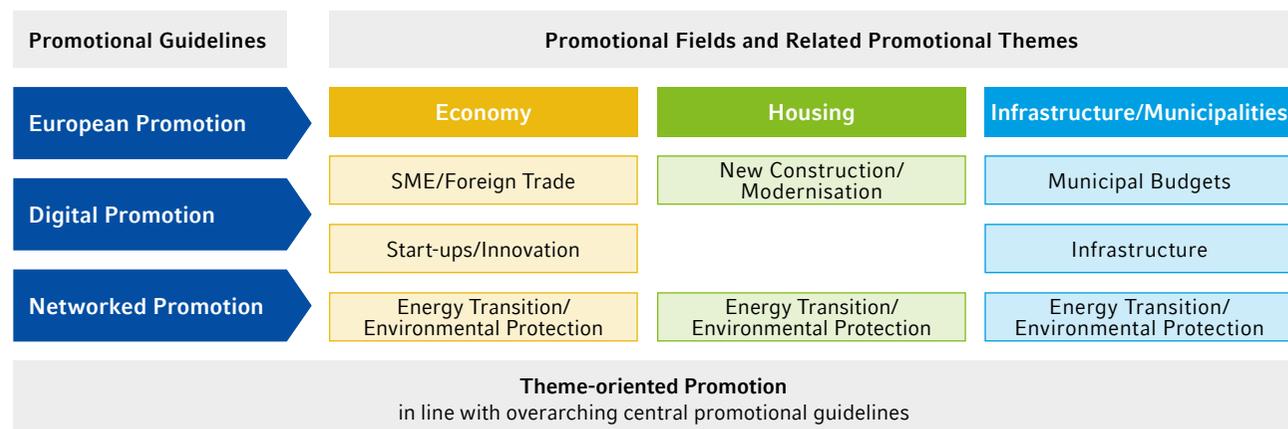
promotional theme. The implementation of the energy transition and the consideration of environmental protection relate to all three promotional fields of NRW.BANK, albeit with different facets.

The promotional strategy complements NRW.BANK’s focus on specific promotional themes and provides additional guidelines for the Bank’s promotional business. These promotional guidelines consider selected aspects covering all promotional fields to secure the efficiency and effectiveness of promotion. In 2020, the promotional strategy comprised three guidelines: “European Promotion”, “Digital Promotion” and “Networked Promotion”. While the “European Promotion” guideline focuses on the acquisition of (additional) EU funds for promotional projects in North Rhine-Westphalia, the “Digital Promotion” guideline takes into account the increasing requirements to be met by NRW.Bank for the further digitalisation of its promotional business. The “Networked Promotion” guideline describes the Bank’s positioning as an active partner in promotional networks to increase the visibility of the funding portfolio and to generate ideas for promotion and synergies.

In the further development of the contents of its promotional offerings, NRW.BANK always takes current challenges for North Rhine-Westphalia into account. In 2020, these activities were primarily influenced by

the economic and social consequences of the coronavirus pandemic. Besides a clear orientation towards market requirements, the complementarity with the offerings of the European Union, the federal government and the federal state served as the guiding principle for the Bank. In this context, existing programmes were expanded on the one hand, while on the other hand new promotional offerings were created for special target groups and financing needs that had previously not been addressed. In addition, specific protective shield programmes were launched for enterprises, infrastructure providers and municipalities, which the State of North Rhine-Westphalia supports with back-up guarantees vis-à-vis NRW.BANK. The focus was also placed on the expansion of risk assumptions by NRW.BANK – e.g. in the form of risk sharing with house banks as well as offers to strengthen equity capital – with the aim of satisfying the financing requirements of the economy and the public sector in particular.

Promotional architecture of NRW.BANK



In 2020, NRW.BANK recorded a volume of new commitments of € 17.0 billion. The on-lending business of KfW Bankengruppe and Landwirtschaftliche Rentenbank accounted for a total share of around 37% of this amount (previous year: 17%). The high share is primarily attributable to KfW Bankengruppe's coronavirus-in-

duced special programmes, which met with high demand. There was also strong demand for its promotional programmes for energy-efficient building and refurbishment.

The table below shows a breakdown of the volume of new commitments by promotional fields:

Volume of new commitments

| Breakdown by promotional fields | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions | Change € millions |
|---------------------------------|-----------------------------|-----------------------------|----------------------|
| Economy | 5,642 | 2,737 | 2,905 |
| Housing | 3,728 | 2,624 | 1,104 |
| Infrastructure/Municipalities | 7,645 | 4,929 | 2,715 |
| Total | 17,015 | 10,290 | 6,725 |

2 Promotional Field Economy

NRW.BANK's economic promotion activities comprise a wide range of financing instruments such as low-interest promotional loans, risk sharing with house banks as well as equity strengthening solutions. The various promotional solutions in this promotional field allow NRW.BANK to cover the entire lifecycle of a company. The Bank's economic promotion offerings are complemented by advisory services.

With its extensive range of economic promotion products, NRW.BANK helps lay the foundations for a prospering economy by supporting creative action, economically sound investments and technological progress. In doing so, the Bank acts as a reliable partner to both businesses and the federal state.

Besides the general promotion of SMEs, a focus of NRW.BANK's activities in the promotional field "Economy" lies on the funding of start-up and innovation projects. NRW.BANK thus acknowledges the fact that business start-ups and innovations play a key role for the dynamic development of the North Rhine-Westphalian economy. Moreover, investments in the protection of resources and in increased energy efficiency have gained importance for the corporate sector in recent years. The corresponding offerings have therefore been pooled in a separate promotional theme.

Promotional Theme SME/Foreign Trade

This promotional theme comprises the two anchor programmes of NRW.BANK in the field of economic promotion, i.e. the NRW.BANK.Universalkredit and the NRW.BANK.Mittelstandskredit. These two programmes offer small and medium-sized enterprises low-interest loans for working capital requirements and investments that can be used for a broad range of purposes. Subject to certain conditions, optional liability releases for the on-lending house banks may be applied for as an additional promotional component. At the end of 2020, the Bank additionally launched its first fully automated promotional programme. If the funding requirements are met, immediate funding commitments to the house bank are possible. In addition, NRW.BANK's low-interest global loans offer banks and savings banks favourable refinancing loans to fund their own SME lending activity. NRW.BANK may also join syndicates extending loans for small and medium-sized enterprises.

As a complement to traditional loans, NRW.BANK offers SMEs mezzanine finance and open equity investments to strengthen their equity base. The Bank supports capital reorganisation and restructuring exercises of small and medium-sized enterprises as a co-investor in commercial investment companies.

In the context of the coronavirus pandemic, the promotional offerings for SMEs were further developed in line with their actual requirements. For example, the maximum amount of liability releases for house banks in the NRW.BANK.Universalkredit was raised to 80% to provide a protective shield for the corporate sector. To accompany the activities of house banks, additional risks are also consciously and purposefully assumed within the framework of syndicated loans in order to support the SME sector.

Advisory services are available to SMEs both with regard to the full range of NRW.BANK's promotional products and regarding the support offered by other institutions. NRW.BANK additionally supports small and medium-sized enterprises in change processes by way of individual advice for the optimisation of their financing structures using public funds.

Specifically for the promotion of foreign trade, NRW.BANK offers advice on the use of public promotional funds and public financing for foreign projects.

Promotional Theme Start-ups /Innovation

The NRW.BANK.Gründungskredit is the central anchor programme in this promotional theme and offers low-interest loans for start-up and consolidation financing. These loans are partly combinable with

liability releases for the on-lending house bank depending on the age of the company. In addition, micro start-ups benefit from a separate NRW.BANK programme, under which not only low interest rates are offered but also no collateral is required. Applications for promotional funds under this programme are channelled through the STARTERCENTERS in North Rhine-Westphalia. The offerings for smaller start-up projects and newly established companies were supplemented in 2020 by a promotional offering that enables a combination of crowdfunding and promotional loans.

The special needs of newly established companies in innovative sectors are met by NRW.BANK through a fund-of-funds initiative for seed financings. To stimulate seed investments, this initiative acts as a fund investor providing regional seed funds in North Rhine-Westphalia with capital. In addition, NRW.BANK supports newly established companies through open equity investments, which are made in parallel with investments by business angels – i.e. wealthy individuals with extensive entrepreneurial experience in the seed or start-up phase. In response to the coronavirus pandemic, NRW.BANK has additionally been offering convertible loans to innovative companies in the seed or start-up phase since mid-2020. NRW.BANK also acts as a co-investor in venture capital financings for companies at somewhat more advanced stages of their

life. To promote innovation among young enterprises, the Bank offers an in-house advisory centre for technologically oriented up-and-coming business founders from universities and research institutions as well as new innovative start-ups. NRW.BANK also supports investments by business angels in innovative, newly established or young companies through advisory, support and mediation activities.

A lack of available collateral often makes it difficult for fast-growing and/or innovative SMEs to raise loans. NRW.BANK therefore supports this target group via a separate complementary offering. Apart from favourable terms and conditions, this programme offers a 70% liability release for the on-lending house banks.

Special offerings with attractive conditions are available to established SMEs for their innovation projects, e.g. the addition of new, technologically advanced products to their product ranges or the adoption of high-tech production processes or digitalisation projects.

Promotional Theme Energy Transition/ Environmental Protection

The aim of the German energy transition is to improve energy efficiency and reduce the energy consumption of companies. NRW.BANK supports companies' efforts in this respect through a promotional programme with especially favourable conditions. The same applies to

the purchase of electric, fuel cell and hydrogen vehicles, the conversion of vehicles to electric drives or investments in charging infrastructure.

3 Promotional Field Housing

The activities in this promotional field are designed to improve housing and living standards. NRW.BANK's products help enhance the housing supply in North Rhine-Westphalia by promoting the construction of new housing as well as the modernisation of the existing housing stock. Its promotional offerings also support efforts aimed at increasing energy efficiency and implementing environmental and climate protection targets in residential properties.

Public housing promotion under the Law on the Promotion and Use of Housing for the State of North Rhine-Westphalia (WFNG NRW) represents an indispensable element in reaching these targets. Its purpose is to ensure a sufficient supply of quality and affordable housing in North Rhine-Westphalia. The relevant promotional loans of NRW.BANK are applied for with the local governments and disbursed directly to the recipients. The promotional activities reflect the State of North Rhine-Westphalia's housing promotional programme (Wohnraumförderungsprogramm, WoFP) as well as the respective development guidelines.

Promotional Theme New Construction/ Modernisation

NRW.BANK's public housing promotion programmes are designed to support, in particular, the creation of affordable, high-quality housing for households that are unable to obtain adequate housing in the market. In this context, the programme for the promotion of rent-controlled and occupancy-controlled housing construction and the support in the construction, acquisition or modernisation of owner-occupied housing for this target group plays an important role. NRW.BANK additionally promotes the removal of barriers in owner-occupied and rented residential buildings and encourages investors to build homes for students and people with disabilities. To create additional incentives for investors also in 2020, the Bank continued to offer the publicly funded debt relief scheme under which a pro-rated part of the principal repayment is waived subject to certain conditions.

In the field of "Housing Promotion", NRW.BANK provides complementary offerings for private homeowners whose household income exceeds the limits of the WFNG NRW. For example, NRW.BANK extends loans for the construction and purchase of privately used residential properties with fixed-interest terms of up to 30 years. A social component in this new offer is ensured by basing the income thresholds for eligible

applicants on the federal government's child-related construction grants. Measures for building refurbishment, the modernisation of sanitary installations, the reduction of barriers or the protection against burglary benefit from special promotion in the form of low-interest loans, regardless of income.

Promotional Theme Energy Transition/ Environmental Protection

NRW.BANK provides targeted support for efforts to save energy and improve energy efficiency in public housing construction.

4 Promotional Field Infrastructure/Municipalities

A functioning infrastructure is an important precondition for economic growth in individual regions and in North Rhine-Westphalia as a whole. The expansion of the educational infrastructure, which is a key success factor for the future development of North Rhine-Westphalia, and the active fostering of the energy transition with the help of appropriate measures are of special importance for society. NRW.BANK therefore supports projects designed to improve the technical and social infrastructure both publicly and privately.

Promotional theme Municipal Budgets

NRW.BANK is aware that a functioning community relies on solidly funded municipalities and therefore

provides the municipalities in North Rhine-Westphalia with municipal loans and liquidity loans. Promotional funds totalling € 2.6 billion were made available to North Rhine-Westphalian municipalities in 2020. To cover any coronavirus-induced additional liquidity requirements of the municipalities, NRW.BANK, in cooperation with the State of North Rhine-Westphalia, has also launched a protective shield programme for municipal budgets on the basis of a state guarantee.

In addition to its financial offerings, NRW.BANK provides the North Rhine-Westphalian municipalities with advisory services regarding promotional offerings as well as economic and financial issues. The latter comprise both financial management support for municipalities and advice on projects, e.g. for the development and implementation of municipal action plans or public private partnership projects.

Promotional Theme Infrastructure

In the context of its infrastructure promotion activities, NRW.BANK offers the North Rhine-Westphalian municipalities, their enterprises and municipal cooperatives low-interest and long-term investment loans, which are extended directly. Municipalities may use these loans for investment measures without limitation to any specific purpose. Under this promotional offering, essentially all investments in municipal infrastructure,

including projects for municipal air pollution control or the improvement of water supply and sewage disposal, are co-financed.

NRW.BANK offers municipal school operators and school associations in North Rhine-Westphalia long-term loans at highly attractive terms with maturities of up to 30 years for the construction and refurbishing of school buildings. From 2017 to the end of 2020, NRW.BANK also made available a total of € 2 billion at preferential terms and conditions under a separate joint action with the federal state to provide additional support for investments in schools. The federal state takes care of the due principal payments.

To expand and maintain North Rhine-Westphalia's infrastructure not only public funds are required but increasingly also private capital. NRW.BANK therefore offers favourable terms and conditions to encourage corporate investment in social and public infrastructure projects. In summer 2020, this programme was complemented by liability releases based on a partial guarantee from the State of North Rhine-Westphalia in view of the effects of the coronavirus pandemic. The Bank additionally supports infrastructure projects by way of customised corporate and project loans in the context of syndicates with other banks.

These broad-based promotional offerings are complemented by a number of special programmes with especially attractive terms for selected investment projects to provide stimulation in certain infrastructure sub-segments. Examples include special offerings for the maintenance and refurbishment of buildings listed as public monuments or for the promotion of sports facilities. In response to the coronavirus pandemic, a special promotional offering was launched in summer 2020 for the benefit of non-profit organisations. Under this offering, NRW.BANK supplements an 80% liability release granted by the federal government with its own liability release of 20% to ensure that non-profit organisations have access to preferential promotional loans.

Through its advisory services, NRW.BANK assists the public sector's efforts in this area, in particular by promoting and supporting private investment as well as conducting economic feasibility studies for infrastructure measures.

Promotional Theme Energy Transition/ Environmental Protection

NRW.BANK supports investments in the energy infrastructure by way of both low-interest promotional programme loans and customised company and project

financings within the framework of syndicates with other banks. The Bank thus promotes, for example, power generation plants, the construction of energy storage capacities or the construction and maintenance of networks. Special promotional solutions for flood management and other selected water management measures as well as for investments in the resource-efficient disposal of waste water primarily serve to advance environmental protection in the context of infrastructure promotion.

Report on Public Corporate Governance in the Year 2020

1 General

NRW.BANK reports annually on the corporate governance efforts undertaken by NRW.BANK on the basis of its own Public Corporate Governance Code (PCGC), which reflects the specific requirements of the Bank. Since its amendment in 2014, it has been based on the Code of the State of North Rhine-Westphalia but also takes into account the specific public mission and the particularities of a competition-neutral public-law promotional bank that is almost entirely budget-independent. Besides legal and statutory provisions, it also includes recommendations and suggestions that go beyond the legal and statutory requirements. Against the background of changes in the legal environment, NRW.BANK's PCGC was last updated on July 1, 2019.

For the fiscal year, the Managing Board and the Supervisory Board declare that the Bank has complied with the recommendations of the Code with one exception, which is disclosed and explained in accordance with Section 29 Para. 8 of NRW.BANK's Statutes as well as Clauses 1.3.5 and 1.4 of NRW.BANK's PCGC in the following Declaration of Conformity.

2 Guarantor and Board of Guarantors

The State of North Rhine-Westphalia is the guarantor of NRW.BANK. The State has assumed permanent

institutional and guarantor liability for NRW.BANK and has issued the Bank with an explicit funding guarantee.

The State of North Rhine-Westphalia exercises its rights in line with its legal powers at the Board of Guarantors, where it exercises its voting right. The Board of Guarantors is composed of five members. The Board of Guarantors is chaired by the State Minister for Economics. The voting right is exercised unanimously by the "voting agent", i.e. a member of the Board of Guarantors appointed by the guarantor. For the composition of the Board of Guarantors, please refer to [page 130](#).

The Board of Guarantors performed the tasks imposed on it by the Act on NRW.BANK and its Statutes and discussed, among other things, the strategy of NRW.BANK for the years 2021 to 2024 presented by the Managing Board and adopted the principles of the business, promotional and risk policy contained therein at the recommendation of the Supervisory Board. In the reporting year, the Board of Guarantors also resolved to renew the existing directors' and officers' liability insurance policy (D&O insurance) for the members of the Managing Board, the Supervisory Board and the Board of Guarantors for 2021. The agreed deductible

amounts to 10% of each damage for each body but to no more than 1.5 times the fixed annual remuneration.

Increasing requirements in the banking environment and constant amendments of the regulatory conditions require continuous further training. For this purpose, NRW.BANK constantly refines the training concept for the members of the bodies, also with respect to the implementation format. A training budget is available to the members of NRW.BANK's bodies, which may be used in consultation with the Public Corporate Governance Adviser of NRW.BANK.

3 Managing Board

The Managing Board is responsible for independently managing NRW.BANK according to commercial principles taking the public benefit into account.

The Managing Board of NRW.BANK is composed of four members, one of whom is appointed Chairman. One fourth of the Managing Board members are women, while three fourths are men. In the reporting year, Mr Eckhard Forst's appointment as Chairman of the Managing Board and Ms Gabriela Pantring's appointment as member of the Managing Board were extended until January 31, 2026 and October 31, 2026, respectively. For the composition and the allocation of

powers and responsibilities, please refer to the organisational chart on [page 154 et seq.](#)

When filling management positions at NRW.BANK, the Managing Board aims for diversity and an appropriate consideration of both genders. As of December 31, 2020, 33.2% of the management positions at the second to fifth level of the Bank were held by women, while 66.8% were held by men (2018: 34.3% women and 65.7% men).

The evaluation of the Managing Board performed in the fiscal year by the Supervisory Board in accordance with Section 25d Para. 11 No. 3 and 4 KWG was supported by an independent position within NRW.BANK's Compliance Department. The Managing Board was evaluated with regard to the knowledge, skills and experience of its individual members and the body as a whole as well as with regard to its structure, size, composition and performance. The evaluation confirmed the good results of the previous year.

The members of the Managing Board are committed to the interest of the Bank and fulfil their tasks in virtue of their office in an independent, unbiased and selfless manner. No member of the Managing Board pursued personal interests when making decisions; no gifts,

other benefits or promises thereof were solicited or accepted neither personally nor on behalf of third parties. Potential conflicts of interest that may occur in the context of other mandates are managed in a forward-looking manner in the meaning of the PCGC.

Secondary activities on Supervisory Boards or comparable controlling bodies of enterprises are performed only after they have been approved by the Supervisory Board. The respective approvals of the Supervisory Board for the existing mandates have been obtained. The remuneration received has been disclosed to the Bank and the Supervisory Board and is shown in the Financial Report.

NRW.BANK granted no individual loans to Managing Board members or their relatives. There was no need to obtain any approval of the Risk Committee for permissible promotional loans made available in connection with promotional programmes of NRW.BANK.

The Managing Board is committed to ongoing further training, especially in the field of regulatory amendments and requirements in the banking environment; Managing Board members undertake appropriate further training measures at their own initiative.

4 Supervisory Board

The Supervisory Board of NRW.BANK oversees the management activities of the Managing Board of NRW.BANK, also with respect to regulatory requirements.

The Supervisory Board is composed of 15 members as well as three permanent representatives. In accordance with Clause 4.5.1 of NRW.BANK's PCGC, the 40% minimum recommendation for both genders on the Supervisory Board was met in the reporting year.

At the beginning of the fiscal year, a replacement was appointed as of January 1, 2020, following the resignation of a staff representative on the Supervisory Board with effect from December 31, 2019. In addition, two members of the Supervisory Board were re-appointed for the full term of five years with effect from October 1, 2020 during the reporting year. The Supervisory Board is chaired by the Minister for Economics. For the composition of the Supervisory Board, please refer to [page 131 et seq.](#) In addition, the current brief CVs of the members of the Supervisory Board as well as the permanent representatives can be found on the website of NRW.BANK.

In order to ensure an efficient division of labour and to obtain advice and support in the performance of its tasks, the Supervisory Board forms committees from among its members, which focus on discussing and debating upcoming issues. The members were appointed to the individual committees based on their personal expertise as well as committee-specific requirements.

The Supervisory Board and its committees performed the tasks imposed on them by the Statutes and the applicable rules of procedure. The number and the duration of the meetings held by the Supervisory Board and the committees in the fiscal year were in line with the Bank's requirements. Against the background of the coronavirus pandemic, not all meetings could be held as physical meetings, but some were held as video conferences. No member of the Supervisory Board attended fewer than half of the meetings.

In analogy to the evaluation of the Managing Board, the Supervisory Board carried out a self-evaluation with support from an independent position within NRW.BANK's Compliance Department in the fiscal year. The good overall result of the previous year was confirmed. The Supervisory Board also addressed the

recommendations adopted as a result of the evaluation carried out in 2019, which could be implemented only in part due to coronavirus-related restrictions. In addition, the Supervisory Board identified new recommendations, which are mostly of a processual nature.

One potential conflict of interest was disclosed to the Supervisory Board in the fiscal year. No member of the Supervisory Board pursued personal interests when making decisions. The members of the Supervisory Board ensured that they had enough time to fulfil their mandates. The limits for the number of permissible mandates and chairs on supervisory bodies pursuant to the PCGC were met by the members.

NRW.BANK granted no individual loans to Supervisory Board members or their relatives. There was no need to obtain any approval of the Risk Committee for permissible promotional loans made available in connection with programmes of NRW.BANK.

No business or personal relations that give rise to a material and not only temporary conflict of interest exist between the members of the Supervisory Board and NRW.BANK. Potential conflicts of interest that may occur in the context of other mandates are

managed in a forward-looking manner in the meaning of the PCGC.

The members of the Supervisory Board undergo regular training in order to ensure that they have the expert knowledge required under statutory regulations as well as under the Bank's own governance principles. NRW.BANK considers it its duty to support the members of the Bank's bodies through constant improvement of its training concept, also with respect to the implementation format. A training budget is available to the members of NRW.BANK's bodies, which may be used in consultation with the Public Corporate Governance Adviser of NRW.BANK.

5 Cooperation between the Managing Board and the Supervisory Board

The Managing Board and the Supervisory Board cooperate closely to the benefit of the Bank. In this context, the regular communication of detailed information by the Managing Board to the Supervisory Board – either at meetings or in the form of written reports – on all relevant issues and changes regarding the business development, planning, the risk situation, risk management, compliance and the economic environment plays an important role. This is complemented

by an ongoing exchange, especially between the Chairmen of the Managing Board and the Supervisory Board but also between the Managing Board and the Chairmen of the committees. The scope and the form of the committee meetings, of the reports and of the exchanges are continuously checked against the economic and legal framework and adjusted as necessary.

6 Transparency

NRW.BANK attaches great importance to creating transparency towards the public, the guarantor, the supervisory body, investors, customers and employees. Transparent and open communication forms the basis for trusting cooperation and sustainable corporate governance with the aim to promote the State of North Rhine-Westphalia.

The Financial Report and the financial calendar are published on the website of NRW.BANK. In the context of its investor relations activities, the Bank regularly reports the latest corporate news with a focus on the capital market. Press releases and further publications supplement the comprehensive range of information offered by the Bank. Pursuant to Section 2 Para. 9i KWG as applicable on December 31, 2020, NRW.BANK is longer required to publish a Disclosure Report.

The Report on Public Corporate Governance as well as the Declaration of Conformity are published both as part of the Financial Report and as a separate document on the website of NRW.BANK.

7 Accounting

The annual financial statements of NRW.BANK were prepared by the Managing Board and audited by the auditor in accordance with the provisions of the German Commercial Code (HGB), the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV), the Act on NRW.BANK and the Statutes of NRW.BANK. The obligations regarding immediate notification in accordance with the PCGC have been agreed with the auditor. The Audit Committee as well as the Supervisory Board discuss the results of the audit with the auditor. The Board of Guarantors resolves on the approval of the annual financial statements, formulates a profit appropriation proposal and appoints an auditor. At the recommendation of the Audit Committee and the proposal of the Supervisory Board and in consultation with the North Rhine-Westphalian Court of Audit, the Board of Guarantors appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditors of NRW.BANK's financial statements for the period ended December 31,

2020. The auditor's statement of independence has been submitted and filed.

8 Remuneration Report

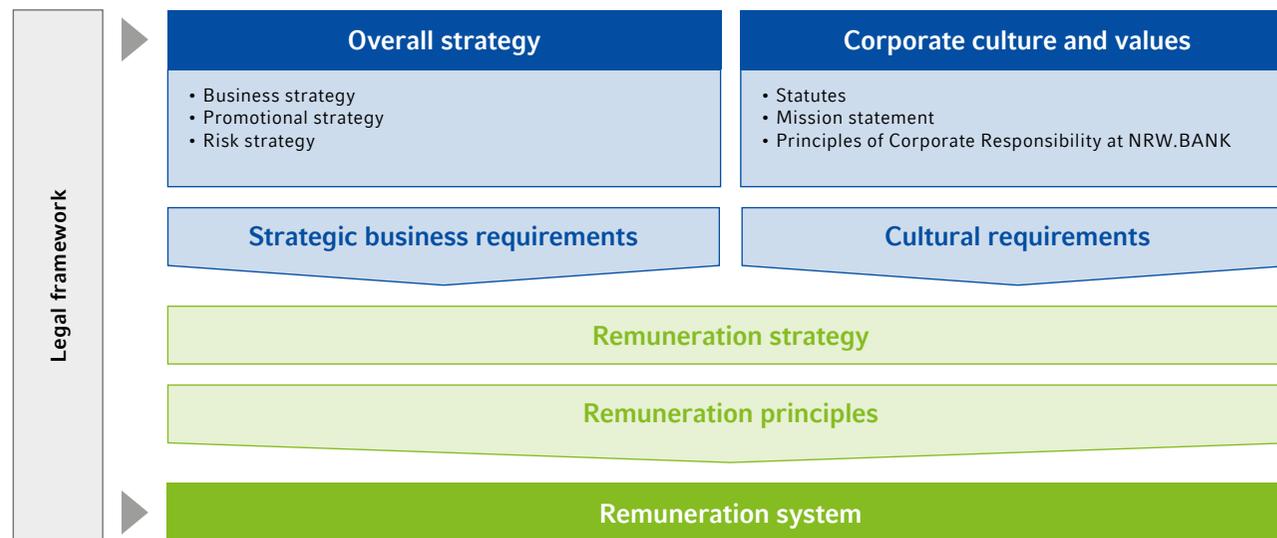
In this report, NRW.BANK comprehensively describes the key elements of the remuneration systems for its executive and controlling bodies and its employees. This is based on the requirements of the Bank's internal PCGC, the North Rhine-Westphalian Transparency Act, the Management Remuneration Act and the Remuneration Ordinance for Institutions (InstitutsVergV) and is therefore in line with the inclusion of sustainability risks under the Disclosure Regulation 2019/2088.

Following the changeover to purely fixed remuneration in 2017, only the earned portions of the deferred variable remuneration determined until 2016 have been or will be paid out until 2022.

8.1 Remuneration Strategy and Control

The State of North Rhine-Westphalia is the sole owner of NRW.BANK. Every year, NRW.BANK's Board of Guarantors adopts the principles of the business, promotional and risk policy within the meaning of Section 10 No. 9 of NRW.BANK's Statutes. These principles form the basis of the strategic orientation of

NRW.BANK in its capacity as the promotional bank for North Rhine-Westphalia and, together with the business, promotional and risk strategy derived from them, constitute the Bank's overall strategy including the strategic business requirements. The remuneration strategy is derived from the above as well as from the corporate culture and values of NRW.BANK. It formulates the remuneration principles of NRW.BANK and defines measures for their implementation. The remuneration strategy thus provides the basis for NRW.BANK's remuneration system.



The above sources result in the following principles for NRW.BANK's remuneration strategy, which serve to secure the Bank's sustainable performance:

- **Target-oriented incentives implementing the strategy**

The remuneration system supports the implementation of the targets and objectives defined in the Bank's overall strategy. Incentives that help achieve the targets are supported, while those that are opposed to the targets are prevented.

- **Risk orientation**

The remuneration system supports NRW.BANK's consistent conservative risk policy and does not encourage undesirable risk-taking.

- **Resource efficiency**

Being the central promotional platform, NRW.BANK's main task consists in designing the promotional products efficiently and with a minimum impact on the state budget. In the context of its conservative capital market strategy, NRW.BANK generates surpluses which are mainly used for the promotional business and to secure the Bank's performance. The remuneration system considers these principles of a cautiously operating public-law promotional bank. At the same time, NRW.BANK is subject to all banking-specific

requirements and requires employees with the corresponding qualifications.

- **Long-term motivation**

NRW.BANK pursues a long-term, sustainable business model and is a future-oriented public-law employer acting in a socially responsible manner. The Bank aims to strengthen the ties with its employees as well as to support their health, their ability to work and their motivation. NRW.BANK is particularly committed to a responsible human resources policy and fair dealings with each other. The motto "internal promotion is preferable to external hiring" underlines the Bank's sustainable and respectful human resources policy. The remuneration system supports this human resources policy, which is aimed at trusting, long-lasting cooperation and creates incentives for the necessary long-term motivation of the workforce.

These strategic requirements derived from the Bank's overall strategy form the framework for NRW.BANK's remuneration strategy, taking the corporate culture and values into account. This results in the following remuneration principles:

- All elements of NRW.BANK's remuneration system must meet the requirements of the conservative

remuneration policy of a competition-neutral promotional bank whose primary objective is not the generation of profits.

- A total remuneration geared to the respective requirements and market environment forms the basis of NRW.BANK's remuneration system to secure the livelihood of its employees and to ensure that NRW.BANK remains staffed with qualified employees to meet its bank-specific requirements at all times.
- NRW.BANK's remuneration system comprises consistent and transparent remuneration rules.

These remuneration principles must be fulfilled by all components of NRW.BANK's remuneration system. Amendments to NRW.BANK's remuneration system and their implementation are agreed with an in-house "Remuneration Commission" once a year as well as on special occasions. This Commission is composed of the Heads of Internal Audit, Human Resources, Credit Management (back office) and Risk Control as well as the Compliance Officer. To review the Bank's remuneration policy, the meetings of the Remuneration Commission are additionally attended by the Heads of the Legal and Strategy / Communications / Board Office units. The Head of Finance and two representatives of the overall Staff Council complement the Remuneration

Commission as guests. The tasks and the composition of the Remuneration Commission have been laid down in NRW.BANK's internal written instructions.

Based on the statement by the Remuneration Commission, the Managing Board decides on amendments to the remuneration system for the Bank's employees. No external advisory services were used in the definition of NRW.BANK's remuneration policy.

The Supervisory Board of NRW.BANK is the responsible main controlling body with regard to the remuneration systems. It decides on the contents and the appropriateness of the remuneration systems for the members of the Managing Board based on a review and recommendation by the Remuneration Committee. The same applies to the supervision of the appropriateness of the remuneration systems for the Bank's employees and to the assessment of the effects of the remuneration systems on the Bank's risk, capital and liquidity situation.

At its March 2020 meeting, the Supervisory Board of NRW.BANK addressed remuneration-related issues. The same applies to the Remuneration Committee as defined in Section 15 InstitutsVergV and Section 25d Para. 12 KWG. As of December 31, 2020, this Committee was composed of the following members:

- Minister Prof. Dr. Andreas Pinkwart (Chairman), Ministry of Economic Affairs, Innovation, Digitali-

zation and Energy of the State of North Rhine-Westphalia

- Minister Lutz Lienenkämper (Deputy Chairman), Ministry of Finance of the State of North Rhine-Westphalia
- Minister Ina Scharrenbach (Deputy Chairwoman), Ministry of Home Affairs, Municipal Affairs, Construction and Equality of the State of North Rhine-Westphalia
- Authorised officer (Prokurist) Matthias Elzinga (representative of the employees of NRW.BANK)
- Director Frank Lill (representative of the employees of NRW.BANK)
- Dr. Birgit Roos (Chairwoman of the Managing Board of Sparkasse Krefeld)

In accordance with Section 12 Para. 2 of the Statutes, the above ministers may appoint one permanent representative each and invite the latter to take part in the meetings. As of December 31, 2020, the following permanent representatives had been appointed:

- Assistant Secretary Gerhard Heilgenberg, Ministry of Finance of the State of North Rhine-Westphalia
- Assistant Secretary Dr. Christian von Kraack, Ministry of Home Affairs, Municipal Affairs, Construction and Equality of the State of North Rhine-Westphalia
- Senior Principal Dr. Johannes Velling, Ministry of Economic Affairs, Innovation, Digitalization and Energy of the State of North Rhine-Westphalia

8.2 General Conditions for Appropriate Remuneration

Ever since its inception, NRW.BANK has, in agreement with its guarantor, geared its remuneration systems and remuneration parameters towards its promotional tasks and has based its remuneration structure exclusively on regionally and/or nationally used remuneration parameters to ensure that the amounts of its remuneration do not exceed the market level for comparable positions. This is examined applying external standards:

- The fixed salary for employees under collective agreements is based on the "Manteltarifvertrag für das private Bankgewerbe und die öffentlichen Banken" (basic collective agreement for private sector and public-sector banks). Two consecutive wage groups are allocated to each position under collective agreement. The lower group represents the entry into the position, while the upper group represents the final target position. In addition, individualised extra pay is possible for each position, which is capped at 1 euro below the next higher group. This means that in individual cases, the fixed remuneration may be up to 10% above the respective collective wage group.
- For positions not covered by collective agreements, remuneration comparisons of two consultancy firms, Willis Towers Watson, Frankfurt am Main, and hkp, Frankfurt am Main, are used to determine market indicators for NRW.BANK, which supply benchmarks for the remuneration possibilities.

These benchmarks are based on the median of a peer group of German banks previously defined by the Managing Board. The market data obtained are adjusted for obvious extremes, checked against comparable positions within the Bank and reviewed for adequate differentiation from the next higher and lower reporting levels. Salary increases may be decided by the managers only within the limits of these benchmarks. Salaries exceeding these limits are decided by the Managing Board on a case-to-case basis. In accordance with NRW.BANK's Company Car Directive, business unit and department heads of the Bank may be granted a company car (also for private use in compliance with applicable tax regulations).

The variable component last paid for the fiscal year 2016 has been replaced by an annual fixed bonus which is paid out on April 1 of the following fiscal year. The annual fixed bonus is not linked to collective agreements and does not increase the recipient's pension entitlement.

Sustainable developments (seniority, expertise, skills and work experience) are a precondition for the first-time granting and any future increases of the annual fixed bonus. Outstanding individual achievements are exclusively recognised within the – non-monetary – motivation concept developed in parallel by NRW.BANK,

which focuses on the following three fields of action: promote autonomy, permit development and give recognition. For this purpose, the Bank has implemented diverse measures, e.g. special development policies, a planning and assessment instrument (PUR) with intensified involvement of the employees concerned up to a revision of the organisational principles.

The PUR process is also the central component of NRW.BANK's internal management system. A consistent top-down process ensures that the corporate objectives are communicated to employees at the downstream levels. To this end, the Managing Board breaks down NRW.BANK's strategic targets adopted by the Supervisory Board to the Bank's individual business units and operationalises them. The business unit heads and all senior managers are responsible for transferring these strategic objectives to the employees in an adequate manner.

8.3 Conditions for the Deferral and Payment of Variable Remuneration Components

For the fiscal years 2015 and 2016, NRW.BANK has deferred variable remuneration components until April 2022 and successively reviews their conditions for payment when they become due. For the principles laid down in this respect in accordance with Sections 18 et seq. of the Remuneration Ordinance for Institutions (InstitutsVergV), please refer to the reports until 2017.

The deferred remuneration components that were up for review in April 2020 were paid out in full as all relevant criteria were fully met.

8.4 Composition of the Managing Board Remuneration

The remuneration of the Managing Board is regularly reviewed for appropriateness. For this purpose, NRW.BANK participates in an annual comparison of Managing Board salaries performed by an external remuneration consulting firm. This comparison covers the market data of Germany's top 30 banks, with the data of the banks directly participating in the remuneration comparison complemented by additional information taken from the annual and remuneration reports. Based on the total remuneration received by the Managing Board members of this peer group, the remuneration received by the Managing Board of NRW.BANK is clearly below the median. Compared to other large promotional banks the Managing Board remuneration of NRW.BANK is at a medium level.

Since the fiscal year 2017, all Managing Board members of NRW.BANK have exclusively received fixed remuneration. However, variable remuneration components that have been deferred in accordance with Section 20 InstitutsVergV may still have to be paid out if they are approved.

The partial amounts of the variable remuneration for the fiscal years 2014 to 2016 that were subject to the sustainability and malus arrangement reserve and due in April 2020 were approved for payment following the respective review by the responsible bodies on March 16, 2020. For a detailed presentation of the remuneration received by the individual Managing Board members, refer to [page 108](#) in the notes.

The re-appointment of Mr Suhlrie as member of the Managing Board approved in September 2019 took effect on June 1, 2020 on unchanged terms. His contract runs until he reaches the age of 65.

At its meeting on December 7, 2020, the Supervisory Board approved the re-appointment of Mr Forst as Chairman of the Managing Board and of Ms Pantring as member of the Managing Board, both with effect from November 1, 2021. Mr Forst's contract was extended until he reaches the standard retirement age and Ms Pantring's for another five years.

In both contracts, the former clause requiring a salary review after three years at the latest to compensate for any loss of purchasing power was deleted. In return, a salary adjustment on the re-appointment date was contractually agreed for both Ms Pantring and Mr Forst. No other material changes to the contractual commitments were made.

In the event of an inability to work caused by an accident or illness, all four Managing Board members are entitled to their fixed annual salary for an indefinite period but no longer than up to the end of their employment. Thereafter, a benefit for invalidity will be paid depending on the individual pension commitment for the respective member. The members of the Managing Board are not entitled to pension if the Bank terminates the employment relationship for reasons attributable to the Managing Board members.

In case of a premature resignation without serious cause, the total payments to Mr Forst and Ms Pantring including potential fringe benefits are limited to the remaining contractual term and to a maximum of two annual remunerations, respectively.

After the end of the employment relationship, Mr Stölting and Mr Suhlrie will receive a life-long pension, in analogy to the pension granted in the event of invalidity.

All members of the Managing Board are entitled to pension benefits as they reach the age of retirement or in case of invalidity. In the event of their death their dependants are also entitled to benefits.

All commitments are contractually unforfeitable or unforfeitable by law because of the number of years served. Mr Forst, Mr Suhlrie and Ms Pantring benefit

from a contribution-linked pension commitment. In the context of this pension commitment, personal pension accounts, some with a starting component, have been set up for them, into which annual pension components are paid. The pension component is calculated at an individual contribution rate on the basis of 69% of the fixed annual salary (equivalent to the fixed remuneration less annual fixed bonus, benefits in money's worth and benefits in kind). Each pension account carries an individual interest rate. At the time the insured event occurs, the pension capital built-up in the account – in the event of invalidity, plus additional components, if applicable – is actuarially converted into a pension.

Mr Stölting benefits from a pension commitment pursuant to the German Civil Servant's Pension Act (Beamtenversorgungsgesetz) as amended from time to time. Depending on the number of pensionable service years, the maximum pension entitlement is 71.75% of the pensionable salary reachable at the age of 65. The pensionable salary is 69% of the fixed annual salary defined above. The amount of the pension in the event of invalidity depends on the entitlement achieved as well as on the additionally agreed attributable period credited at the time the insured event occurs. In the case of Mr Stölting, the pension from the statutory pension insurance and the pension from additional pension insurance will be counted towards the pension from the time they are granted.

After the death of a Managing Board member, their dependants receive a reduced pension (up to 60% of the pension). Children are entitled to 20% of the pension if they are orphans and to 12% if they are half-orphans.

While the pension benefits paid out to Mr Forst, Mr Suhlrie and Ms Pantring will be increased by 2.0% p. a., the pension paid to Mr Stölting will be adjusted in accordance with the linear changes applicable to pensions paid by the state of North Rhine-Westphalia. As Mr Stölting benefits from commitments that are similar to those for civil servants, he is exempted from statutory pension insurance but will receive benefits as defined in the North Rhine-Westphalian “Beihilfenverordnung” in the event of illness. Ms Pantring will receive benefits in the event of illness on the same basis.

The expenses for the pensions of the Managing Board members and the present values of the obligations are shown in the notes on [page 109](#).

8.5 Remuneration of the Members of the Supervisory Board

The remuneration paid to the members of the Supervisory Board is based on a general resolution by the Board of Guarantors and is paid regardless of the business performance. This remuneration structure

very well reflects the underlying idea according to which the generation of profits is not the primary business objective. The remuneration of the Supervisory Board and its committees consists of a work remuneration that is unrelated to the meetings held depending on committee membership and an additional meeting-related fee. No distinction is made between a member, the vice chairperson or the chairperson. Besides this remuneration, travel expenses incurred by mandate holders are adequately refunded. The payment of value added tax depends on the respective tax status of the individual members. Besides the remuneration paid to the members of the Supervisory Board, the members of the Board of Guarantors, the Advisory Board for Housing Promotion, the Advisory Board and the Parliamentary Advisory Board also receive individual remuneration on the basis of the resolution passed by the Board of Guarantors. The respective remuneration complies with the principles

above, but the absolute amount varies based on the different tasks and specific responsibilities. An itemised disclosure of the remuneration received by the individual members of the Supervisory Board, the Board of Guarantors and the Advisory Board can be found in the notes to the Financial Report ([page 111 et seq.](#)).

8.6 Disclosure Pursuant to Section 16 InstitutsVergV of July 25, 2017

Since the fiscal year 2017, all employees of NRW.BANK, including the Managing Board, have exclusively received fixed remuneration components. The total fixed compensation is paid in cash and, on a small scale, in the form of benefits in money’s worth (e.g. for the private use of company cars). There is no compensation in the form of shares or similar instruments.

8.6.1 Quantitative Information Regarding the Remuneration of the Risk Takers on the Managing Board

Composition of the Remuneration for the Year 2020

| Fixed remuneration ¹⁾ | Other benefits ²⁾ | Total remuneration | Remuneration for mandates ³⁾ | Number of risk takers |
|----------------------------------|------------------------------|--------------------|---|-----------------------|
| € 2,548,745 | € 1,462,634 | € 4,011,379 | € 91,410 | 4 |

¹⁾ Including benefits in money’s worth and benefits in kind.

²⁾ Employer contributions to social security insurance, benefit payments and allocations to the provision for old-age pensions incl. interest expenses.

³⁾ Remuneration received in 2020 for mandates / shown incl. VAT.

Complementary Information Regarding Deferred Variable Remuneration Components from Previous Years

| | Amount ¹⁾ | Number of risk takers |
|---|----------------------|-----------------------|
| Deferred variable amounts from the years 2014 – 2016 | € 279,075 | 4 |
| – thereof vested by 2020 and paid out in 2020 | € 154,050 | 4 |
| – thereof vested in 2020 but not paid out because of sustainability arrangement | € 61,875 | 4 |
| – thereof not yet vested in 2020 | € 63,150 | 4 |
| – thereof reduced in 2020 | € – | 0 |

¹⁾ Including variable remuneration for Managing Board members who have resigned from the organisation.

Information Regarding Other Remuneration Benefits

| | Amount | Number of risk takers |
|---|-------------|-----------------------|
| Guaranteed payments pursuant to Section 5 Para 5 IVV made in 2020 | € – | 0 |
| Severance payments made in 2020 | € – | 0 |
| – thereof single highest amount | € – | 0 |
| Persons whose remuneration in 2020 exceeded € 1.0 million | € 3,390,849 | 3 |

For a breakdown of the payments to the Managing Board members by names, please refer to [page 108](#) of the notes.

8.6.2 Quantitative Information Regarding the Remuneration of All Employees below the Managing Board

Composition of the Remuneration for the Year 2020

| Segment | Number ¹⁾ | Fixed remuneration ²⁾ | Other benefits ³⁾ | Total remuneration | Remuneration for mandates ⁴⁾ |
|---|----------------------|----------------------------------|------------------------------|----------------------|---|
| Programme-based Promotion | 609 | € 41,063,379 | € 25,673,076 | € 66,736,455 | € 40,372 |
| – risk taker | 21 | € 3,400,188 | € 1,601,988 | € 5,002,176 | € 12,372 |
| – no risk taker | 588 | € 37,663,191 | € 24,071,088 | € 61,734,279 | € 28,000 |
| Other Promotion/Liquidity Management | 56 | € 6,985,411 | € 3,434,650 | € 10,420,061 | € 1,133 |
| – risk taker | 33 | € 5,471,801 | € 2,558,067 | € 8,029,868 | € 1,133 |
| – no risk taker | 23 | € 1,513,610 | € 876,583 | € 2,390,193 | € – |
| Staff/Services | 947 | € 66,251,982 | € 33,390,970 | € 99,642,952 | € 100,148 |
| – risk taker | 43 | € 7,327,833 | € 3,842,767 | € 11,170,600 | € 99,748 |
| – no risk taker | 904 | € 58,924,149 | € 29,548,203 | € 88,472,352 | € 400 |
| Total | 1,612 | € 114,300,772 | € 62,498,696 | € 176,799,468 | € 141,653 |

¹⁾ Including employees who departed in the course of the year (pro-rated remuneration for the term of employment); apprentices / trainees are included in the data for Staff / Services.

²⁾ Including benefits in money's worth and benefits in kind. The total amount includes severance payments of € 438,246. In the context of NRW.BANK's purely fixed remuneration scheme, this was presented to BaFin in accordance with the Interpretation Guide to the Remuneration Ordinance for Institutions (InstitutsVergV), to the extent necessary in individual cases.

³⁾ Employer contributions to social security insurance, benefit payments and allocations to the provision for old-age pensions incl. interest expenses.

⁴⁾ Including VAT.

Complementary Information Regarding Deferred Variable Remuneration Components of Risk Takers from Previous Years

| | Amount ¹⁾ | Number of risk takers |
|---|----------------------|-----------------------|
| Deferred variable amounts from the years 2015 and 2016 | € 757,697 | 32 |
| – thereof vested by 2020 and paid out in 2020 | € 564,853 | 32 |
| – thereof vested in 2020 but not paid out because of sustainability arrangement | € 192,844 | 32 |
| – thereof not yet vested in 2020 | € – | 0 |
| – thereof reduced in 2020 | € – | 0 |

¹⁾ Including deferred amounts for risk takers who have resigned or retired from the organisation.

Information on Further Remuneration Benefits to Risk Takers

| | Amount | Number of risk takers |
|---|--------|-----------------------|
| Hiring bonuses paid or guaranteed payments made in 2020 | € – | 0 |
| Severance payments made in 2020 | € – | 0 |
| – thereof single highest amount | € – | 0 |
| Persons whose remuneration in 2020 exceeded € 1.0 million | € – | 0 |

8.6.3 Quantitative Information Regarding the Remuneration of the Risk Takers on the Supervisory Board

Composition of the Remuneration for the Year 2020 for Persons Identified as Risk Takers on Account of Their Membership of the Supervisory Board

| | Non-performance-linked remuneration | Performance-linked variable remuneration | Total remuneration | Number of risk takers |
|--|-------------------------------------|--|--------------------|-----------------------|
| Members of the Supervisory Board pursuant to Section 12 Para. 1 Letters a – d, Para. 2 of the Statutes | € 258,200 | € – | € 258,200 | 13 |
| Members of the Supervisory Board pursuant to Section 12 Para. 1 Letter e of the Statutes (staff representatives) | € 92,800 | € – | € 92,800 | 5 |

Where staff representatives have been identified as risk takers, the remuneration they receive for this activity is shown in the tables under point 8.6.2. For a breakdown of the remuneration by names, please refer to the Notes, [page 111 et seq.](#)

Declaration of Conformity

The Managing Board and the Supervisory Board of NRW.BANK jointly declare that the Bank complied with the recommendations of the Public Corporate Governance Code (PCGC) of NRW.BANK in 2020 save for the following exception. The latter is made transparent and justified in accordance with Sections 1.3.5 and 1.4 of the PCGC of NRW.BANK.

Submission of Resolution Proposals to the Supervisory Board

In deviation from Clause 5.1.5, documents required for decisions were, in exceptional cases, submitted to the members of the Supervisory Board less than 14 days prior to the meeting. This was mainly due to current developments. Thanks to the availability of the Managing Board for answering questions, the preparation of the Supervisory Board meetings by the Executive and Nomination Committee and the possibility for extensive consultations at the meetings, it was nevertheless ensured that all issues were addressed in sufficient detail.

The Managing Board and the Supervisory Board of NRW.BANK remain committed to the Public Corporate Governance Code and intend to comply with its recommendations also in future unless transparent and justified exceptions appear sensible and necessary.

NRW.BANK
March 2021

The Managing Board
The Supervisory Board

Report of the Supervisory Board

In compliance with the tasks imposed on it by the law, the Statutes and the Public Corporate Governance Code, the Supervisory Board monitored the proper conduct of the business and obtained regular reports on the latest business developments and the risk situation in the fiscal year 2020. It discussed and approved all transactions requiring its approval in accordance with legal or statutory provisions and addressed important matters of business policy in detail.

The Supervisory Board dealt with the evaluation of NRW.BANK's Managing Board and with its self-evaluation. It also repeatedly addressed digitisation and sustainability issues. In addition, the effects of the coronavirus pandemic on NRW.BANK's risk situation and promotion activities were discussed.

The Executive and Nomination Committee prepared the meetings of the Supervisory Board and the Board of Guarantors. It furthermore decided on the budget for NRW.BANK's corporate citizenship activities.

The Remuneration Committee primarily supervised the appropriateness of the remuneration systems for the Managing Board and the employees of NRW.BANK.

The Risk Committee mainly assisted the Supervisory Board in monitoring the Bank's risk situation and monitored the effectiveness of the risk management

system. A special focus in this context was also placed on the effects of the coronavirus pandemic.

The Promotional Committee primarily addressed various aspects of the promotional policy and the promotional business, also against the background of the effects of the coronavirus pandemic.

In accordance with regulatory requirements and the provisions in the Statutes, the Supervisory Board addressed the business, promotional and risk strategy for the years 2021 to 2024, which had previously been discussed by the Promotional Committee and the Risk Committee.

The principles of the business, promotional and risk policies were submitted for approval to the Board of Guarantors, which is the competent body under the Bank's Statutes. At its meeting on December 7, 2020, the Board of Guarantors acted on the proposed resolution.

The Audit Committee mainly supervised the accounting process, the performance of the audit as well as the independence of the auditor. It also approved the permissible non-audit services.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft carried out the audit of the financial statements for

2020 and the management report and issued an unqualified audit opinion.

The Supervisory Board and the Audit Committee formed from among its members discussed in detail the financial statements of NRW.BANK and the report of the external auditors on the results of their audits.

At its meeting on March 15, 2021, the Supervisory Board approved the financial statements and the management report established by the Managing Board and proposed that the Board of Guarantors approve the financial statements for the year 2020. The Non-Financial Report 2020 was subjected to a voluntary review to obtain limited assurance by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft and deemed lawful and appropriate in light of the result of the audit. As in the previous years, no consolidated financial statements were prepared for the year 2020, as the Bank is not obliged to do so under commercial law.

The Supervisory Board held four meetings and passed one resolution by written vote in the fiscal year. Another 15 meetings were held by the Committees composed of the members of the Supervisory Board; the Executive and Nomination Committee held four meetings, the Risk Committee held four meetings, the Audit Committee held two meetings, the Promotional Committee

held four meetings and the Remuneration Committee held one meeting. In addition, the Executive and Nomination Committee, the Remuneration Committee, the Promotional Committee and the Risk Committee each passed one resolution by written vote.

Governmental control over NRW.BANK continues to be exercised by the Ministry of the Interior of the State of North Rhine-Westphalia, with respect to public housing promotion in cooperation with the Ministry responsible for housing. The purpose of this control was to ensure the lawfulness of the activities of NRW.BANK.

Düsseldorf/Münster, March 2021

A handwritten signature in blue ink, appearing to read 'Andreas Pinkwart', with a large, stylized flourish above the name.

Prof. Dr. Andreas Pinkwart
Chairman of the Supervisory Board

Management Report

of NRW.BANK for the Fiscal Year 2020

1 Fundamental Information about NRW.BANK as the Promotional Bank of North Rhine-Westphalia

NRW.BANK is the promotional bank of North Rhine-Westphalia (NRW). It has the public mission to support its owner and guarantor, the State of North Rhine-Westphalia, in the completion of its structural and economic policy tasks. NRW.BANK conducts its activities in accordance with commercial principles, taking into account the public welfare on a non-competitive and non-profit-oriented basis. To fulfil its promotional mission, NRW.BANK draws on a wide range of promotional instruments and, in particular, contributes its lending expertise to the promotional process.

1.1 Business Model

NRW.BANK's business model is that of a largely budget-independent promotional bank and supports the sustained fulfilment of its public promotional mission. According to the "Act on NRW.BANK", it is a legally independent promotional bank engaging in competition-neutral promotional business which permanently benefits from institutional and guarantor liability as well as from an explicit statutory funding guarantee from its guarantor. This enables NRW.BANK to make available the required liquidity at short notice

at any time. To complete its mission, NRW.BANK uses the resulting possibilities for funding in the international capital market, where the Bank has established itself as a reliable market participant. NRW.BANK generates its own income within the parameters of its conservative investment strategy. This income is used to finance the promotional business, to secure the viability of the Bank, also with regard to the creation of its own, non-interest-bearing provisions and reserves, and to finance the banking operations. The use of own resources, e.g. to reduce the interest rates on promotional loans, is a key aspect of NRW.BANK's business model. The promotional instruments used include, in particular, loans with below-market interest rates and/or long-term fixed-interest options, the provision of equity and mezzanine capital, risk sharing with house banks as well as advisory services. NRW.BANK takes into account the existing offers by the Federal Institutes in the arrangement of its promotion and supports the extensive use of federal and European promotional funds in the State of North Rhine-Westphalia.

1.2 Objectives and Strategies

The Bank's overall strategy is composed of the principles adopted by the Board of Guarantors according

to the Statutes and of the strategy defined by the Managing Board pursuant to the Minimum Requirements on Risk Management (MaRisk). The principles of the business, promotional and risk policy define the framework of strategic action. The business, promotional and risk strategy puts the strategic positioning of the Bank which is defined in the principles into more concrete terms and leads to a multi-year quantitative budget.

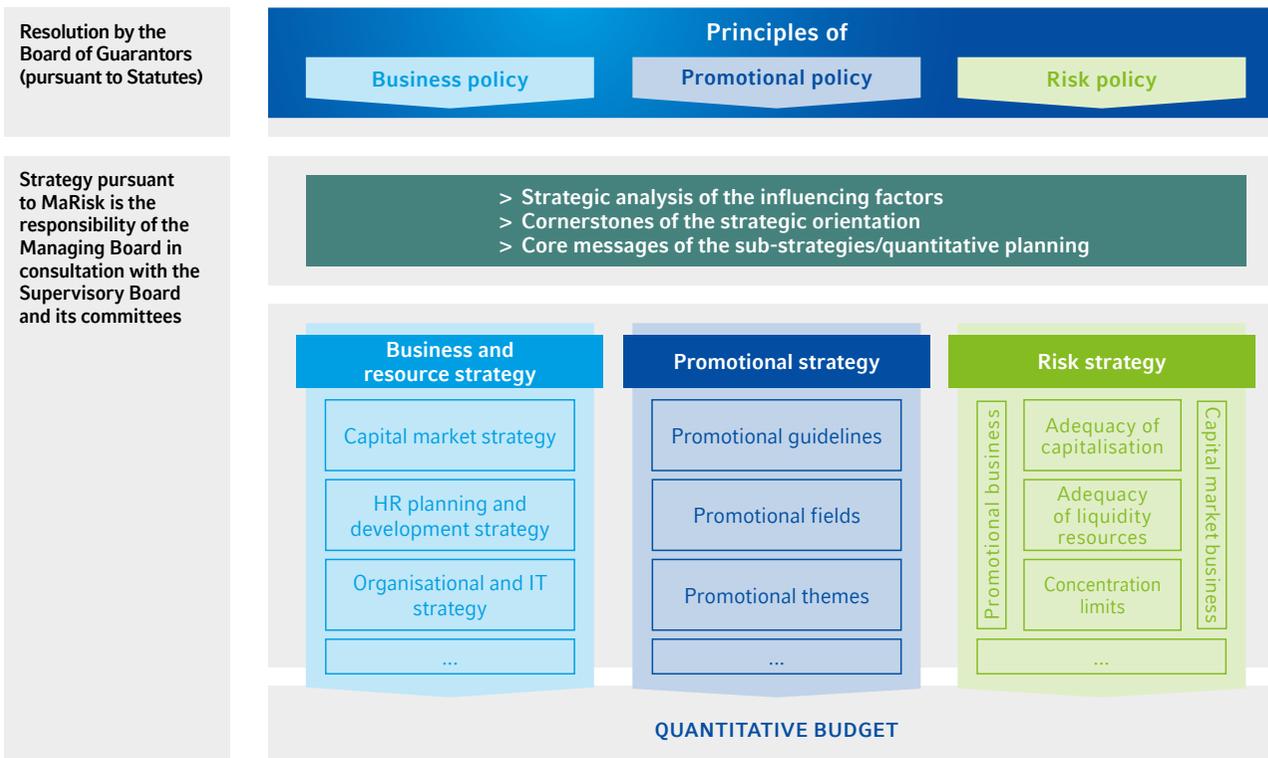
The Managing Board of NRW.BANK liaises closely and constantly with the Bank's executive bodies and ensures the appropriate degree of transparency in implementing and refining its tasks and strategy.

Sustainability is a central guiding principle and a key criterion for NRW.BANK's decisions on business policy. Details can be found in NRW.BANK's Sustainability Guidelines and in the Sustainability Report published annually around the middle of the following year.

NRW.BANK's Non-financial Report is available at <https://www.nrwbank.com/en/press/publications.html>

The promotional strategy is at the heart of the Bank's overall strategy, which reflects the special importance of the promotional business. The business and resource strategy defines the capital market strategy as well as its sub-strategies, i.e. cash management strategy, funding strategy and investment/trading strategy, as well as resource-related aspects such as human resources and IT. The risk strategy addresses the risk-relevant aspects of the strategy and is closely linked with the promotional and business strategies.

The Bank's overall strategy is geared to NRW.BANK's public mission to support the State of North Rhine-Westphalia and its municipal corporations in the fulfilment of their tasks and to serve as the first port of call for the state government with regard to financial and promotional issues. Material business activities as defined in the Minimum Requirements on Risk Management (MaRisk) are the promotional business and the capital market business, which supports the promotional activities ("Förderhilfsgeschäft").



The promotional strategy provides central guidelines for the promotional business. These promotional guidelines contain selected aspects to secure the efficiency and effectiveness of promotion. In 2020, the promotional strategy comprised three guidelines, “European Promotion”, “Digital Promotion” and “Networked Promotion”, for each of which specific objectives have been defined.

The “European Promotion” guideline is designed to ensure that the potential opened up by the new promotional period (2021–2027) of the European Union (EU) is leveraged. It focuses on obtaining (additional) EU funds for promotion projects in North Rhine-Westphalia. In this context, it is particularly important for NRW.BANK to make maximum use of the EU’s new InvestEU programme to enhance its promotional portfolio. The “Digital Promotion” guideline explicitly addresses the growing demands made on promotional banks to further digitalise their promotional business. The “Networked Promotion” guideline describes the Bank’s positioning as an active partner in promotional networks to increase the visibility of the funding portfolio and to generate ideas for promotion and synergies.

NRW.BANK’s promotional business is theme-oriented. The promotional services are provided in the three promotional fields Economy, Housing as well as Infrastructure/Municipalities, which, in turn, are divided into individual promotional themes. Specific objectives have been defined for the promotional themes, in analogy to the promotional guidelines.

Theme-specific objectives include, in particular, improving the financing situation for small and medium-sized enterprises, promoting corporate innovation and digitalisation projects, creating affordable housing as well as promotional activities to the benefit of the technical and social infrastructure. Besides this, supporting the North Rhine-Westphalian municipalities in maintaining, expanding and modernising the educational infrastructure is a key objective of NRW.BANK. In view of its importance, the promotion of sustainability projects is an objective in all three promotional fields.

1.3 Internal Management System

For its internal management, NRW.BANK generally uses controlling concepts and methods which have proven their worth and are commonly used in the banking sector. NRW.BANK’s objectives are primarily

geared to providing its guarantor, the State of North Rhine-Westphalia, with long-term support in performing its structural and economic tasks.

The preservation of the Bank’s net asset value has been designated as a key condition for the Bank’s internal management. NRW.BANK defines the net asset value as the equity capital shown in the balance sheet with all its components plus allowance reserves.

The key indicators for internal management purposes are the volume of new commitments in the promotional business and the “Förderleistung” as well as operating income, administrative expenses, total assets and business volume. The corresponding budget values are regularly subjected to plan/actual comparisons as well as scenario and forecast analyses in order to provide appropriate control stimuli.

The volume of new commitments comprises the commitments for promotional funds made in the current fiscal year. The term “Förderleistung” covers the monetary and non-monetary services provided by NRW.BANK to fulfil its promotional mission and to support the economic and structural policy objectives

of its owner. Operating income comprises net interest income and net commission income as well as net income from trading operations and the other operating result. Administrative expenses comprise personnel expenses as well as operating expenses. The business volume comprises total assets, contingent liabilities, other commitments as well as administered funds.

2 Report on Economic Position

2.1 Economic Climate

2.1.1 The German Economy

In 2020, the German economy experienced one of the deepest recessions of the post-war period. However, declining by -5.0% (adjusted for the number of working days: -5.3%), the gross domestic product (GDP) did not drop quite as sharply as during the financial crisis in 2009 (-5.7%).

Overall, the economic trend was very much influenced by the coronavirus pandemic. As the pandemic broke out in the spring, many economic activities had to be suspended at short notice. The contact-intensive service sectors were hit particularly hard. As the virus spread across the globe and even more extensive

restrictions were imposed in some countries, the foreign trade environment also deteriorated. As a result, GDP declined by a historically high 9.8% in the second quarter of 2020 compared to the previous quarter. At 15.1% and 20.5%, respectively, spending on plant and equipment as well as exports dropped particularly sharply. Private consumer spending also declined by a strong -11.1%. By contrast, government consumption increased by 2.2%.

As the acute regulatory measures were lifted, a strong recovery started in many sectors of the economy in summer 2020. In the third quarter, the economy grew by an exceptionally strong 8.5%, thus returning to about 96% of the pre-pandemic level in the final quarter of 2019. Value added increased particularly strongly in those sectors of the economy that had previously suffered the most from the government's infection control measures, i.e. the hospitality sector and service providers in the arts, entertainment and recreational sectors. But the recovery in the manufacturing industry was also above average.

The recovery process was stopped in the autumn by a second wave of coronavirus infections and a renewed

lockdown. However, the adverse effects were not quite as pronounced as in the spring. While momentum in the industrial sector remained upward, economic activity declined again especially in the contact-intensive service sectors. Manufacturers of capital goods were not hit as hard this time as their production facilities remained open, supply chains were largely undisturbed and output markets stabilised. Demand from abroad also remained robust. According to an initial estimate by the Federal Statistical Office, economic output failed to expand further in the fourth quarter because of the renewed lockdown but a decline has probably been prevented thanks to the positive performance of the industrial sector.

The public sector supported the corporate sector in the pandemic with substantial direct transfers and the possibility of tax deferrals. At the same time, the state allowance for short-time work provided companies with a very high degree of flexibility in adjusting their activities to the pandemic, thereby stabilising their cash position. Moreover, the historically unprecedented use of short-time work has probably prevented major job losses. Compared to the sharp drop in GDP, the number of unemployed increased only moderately.

Moreover, to mitigate the threatening consequences of the economic crash for companies, regulations were adopted to suspend the obligation to file for insolvency until December 31, 2020; these were extended again at the end of the year for a limited group of persons until the end of January 2021. The federal government's support measures were complemented by specific programmes at the level of the federal states.

In view of only minor restrictions on the supply side and only slightly weaker demand, spending on housing construction proved to be relatively resilient against the pandemic in the course of 2020. Even the second wave hardly affected the sentiment in the construction sector. Also, the crisis has so far left hardly any marks on price momentum in the housing market, as demand for housing declined only temporarily in conjunction with the pandemic.

The general price trend, in turn, was characterised by the trend in energy costs and the temporary VAT reduction. As a result of the reduced VAT rates, inflation has been in negative territory since July and stood at -0.3% in December. This and the oil price-related slump in energy prices in the first half of the year

resulted in an average annual rate of inflation of 0.5%, the lowest level since 2016.

2.1.2 The North Rhine-Westphalian Economy

North Rhine-Westphalia is not only by far the most populous German state but also holds a leading economic position in the country, as reflected in a contribution of about one fifth to GDP and to employment.

The North Rhine-Westphalian economy, too, was materially influenced by the coronavirus pandemic in 2020. This was also reflected in the NRW.BANK.ifo Business Climate, which hit a new all-time low in April. On balance, the regional gross domestic product contracted by 6.2% in the first half of 2020 compared to the same period of the previous year. Never before in the history of the federal state has economic output slumped more strongly in just six months. However, the decline was somewhat lower than in Germany as a whole, where GDP shrank by 6.6%. In the other three large territorial states of Baden-Württemberg, Bavaria and Lower Saxony, value added even dropped by more than 7.0% each. As the lockdown was quite similar across Germany, the differences are attributable to the economic structures of the federal states. In those

federal states in which the trade, logistics, hospitality and industrial sectors account for a disproportionate share of value added, the recession tended to be somewhat more severe. In North Rhine-Westphalia, these sectors, which have been hit particularly hard by the pandemic, account for 38.5%, which is slightly below the national average of 40.1%.

Moreover, North Rhine-Westphalia's manufacturing sector as such was less affected by the pandemic than in Germany as a whole. This is attributable to motor vehicle construction, whose production in the first half of the year was down by 34.5% on the previous year. While the automotive sector accounts for one quarter of the industrial value added in Germany as a whole, the share in North Rhine-Westphalia is only just under one tenth. Moreover, the chemical industry has a relatively high share of 13% in the federal state (Germany: 8.0%). As this industry was hardly affected by the coronavirus pandemic, its output declined by only just under 3.0%. At the bottom line, total production in North Rhine-Westphalia's industrial sector was reduced by about 10.0% in the first half of 2020, almost 5 percentage points less than in Germany as a whole.

What is more, the North Rhine-Westphalian construction industry turned out to be a general anchor of stability for the economy. As the industry was hardly affected by the coronavirus restrictions, construction activity was expanded steadily over the course of the year.

All in all, economic output in North Rhine-Westphalia is likely to have contracted noticeably in the full year 2020 due to the very weak first six months. However, the contraction is likely to be somewhat lower than in Germany as a whole (–5.0%), for which a first official estimate is already available.

2.1.3 Financial Markets

As a result of the pandemic, serious dysfunctions threatened to arise in the financial system primarily in March 2020. The yield on ten-year Bunds weakened noticeably as of mid-February 2020. At that time, the DAX also lost about one third. However, extensive fiscal and monetary as well as regulatory measures were immediately initiated in response to the considerable real economic and financial risks caused by the pandemic. Thereupon, the ten-year Bund yield fully recovered within a very short time as of mid-March. As the year progressed, however, it failed to stay at

this level and declined again. Share prices successively recovered until June and then moved sideways at the prior year level, save for a temporary decline at the end of October.

Germany's public sector granted extensive guarantees so as not to jeopardise lending to the corporate sector. The federal government, for instance, guaranteed up to 100% of the loan amount for promotional loans granted by KfW Bankengruppe. In addition, the government acquired stakes in a few large corporations. In fact, there was no evidence of a noticeable deterioration in credit access across the board during this first phase of the coronavirus pandemic. Right on the contrary, the volume of loans granted surged in the first months of the pandemic.

The European Central Bank (ECB) also supported the functioning of the credit market by playing a key role in stabilising the financial system and massively expanding its activities in the pandemic. It was not the only central bank to do this, as many other central banks such as the US Fed and the Bank of England also implemented expansionary monetary policy measures.

Monetary policy in the eurozone had been very accommodative already before the pandemic. To supply liquidity and stimulate lending to businesses and households, the ECB improved the terms of Targeted Longer-Term Refinancing Operations upon the outbreak of the pandemic and immediately offered additional refinancing operations to banks. The ECB also expanded the current asset purchase programme in response to the distortions in the financial markets. In addition, the central bank launched its own pandemic emergency purchase programme. Ultimately, however, the ECB did not decide the frequently discussed interest rate cut.

In regulatory terms, the ECB responded, upon the outbreak of the pandemic, by granting banks the flexibility provided for in the regulatory framework with regard to meeting capital and liquidity requirements. This gave banks the accounting scope they needed to extend loans. To somehow make up for the easing, however, the supervisory authority advised the banks to temporarily refrain from distributing profits and repurchasing shares.

In retrospect, the ECB's unprecedented use of the monetary and regulatory measures described above – in

combination with the extensive fiscal policy measures taken by the government – largely succeeded in resolving the financial market tensions temporarily caused by the coronavirus pandemic.

2.2 Course of Business

The social and economic effects of the coronavirus pandemic made 2020 an exceptionally challenging fiscal year for NRW.BANK.

In the promotional business, NRW.BANK recorded a very high volume of new commitments of € 17.0 billion (2019: € 10.3 billion). In 2020, the Bank developed the promotional portfolio in line with actual needs with a view to the specific requirements of the coronavirus pandemic. The focus was placed on the expansion of risk sharing with house banks. In this context, the State of North Rhine-Westphalia supported NRW.BANK by granting special default guarantees. In response to tight liquidity conditions, especially in the SME sector, NRW.BANK also suspended repayments for existing loans. In addition, the Bank assumed responsibility for on-lending the coronavirus-induced aid programmes of KfW Bankengruppe in its capacity as the central institution for the North Rhine-Westphalian savings banks.

The effects of the pandemic were felt particularly strongly in the promotional field “Economy”. Demand for the coronavirus-induced aid programmes of KfW Bankengruppe, which are on-lent by the Bank, alone amounted to € 3.5 billion. The established high-volume NRW.BANK anchor programmes (NRW.BANK.Universalkredit, NRW.BANK.Mittelstandskredit and NRW.BANK.Gründungskredit) contributed € 1.3 billion (2019: € 1.8 billion) to the volume of new commitments. By launching new promotional offerings and further developing existing ones, the Bank additionally addressed the corona-induced funding requirements, e.g. of start-ups, non-profit organisations and social and municipal infrastructure providers, thus generating additional new commitment volume.

An amount of € 1,037 million (2019: € 938 million) was committed for public housing promotion programmes under the Law on the Promotion and Use of Housing for the State of North Rhine-Westphalia (WFNG NRW). Commitments under the NRW.BANK.Gute Schule 2020 programme reached € 810 million (2019: € 461 million). Since the start of the programme in 2017, a total of € 2.0 billion has been invested in the modernisation and digitalisation of the school infrastructure in North

Rhine-Westphalia. This means that the municipalities have drawn the full amount of funds made available. Funds totalling € 4.3 billion (2019: € 1.6 billion) were committed for the promotional theme Energy Transition/Environmental Protection, of which € 1.6 billion alone was used for the renaturation of the rivers Emscher and Lippe.

Both total assets, at € 155.8 billion (2019: € 149.2 billion), and the business volume, at € 178.0 billion (2019: € 167.6 billion), were slightly higher than expected due to the increased demand for promotional loans and higher liquidity reserves.

At € 580.2 million (2019: € 457.7 million), operating income clearly exceeded expectations, primarily due to the fact that refinancing conditions remained favourable.

As expected, administrative expenses rose to € –272.5 million (2019: € –263.1 million), mainly due to the occupation of the third building in Düsseldorf as well as slightly higher personnel expenses.

The result of operations by segments breaks down as follows:

| | Programme-based Promotion | | Other Promotion/ Liquidity Management | | Staff/Services | | NRW.BANK Total | |
|--|-----------------------------|-----------------------------|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
| Result of Operations by Segments | | | | | | | | |
| Net interest income | 241.3 | 246.5 | 389.5 | 326.8 | 88.3 | 84.9 | 719.1 | 658.2 |
| Net commission income | 21.0 | 15.7 | 65.3 | 66.1 | -3.4 | -3.2 | 82.9 | 78.6 |
| Net result from trading operations | 0.0 | 0.0 | 0.4 | 1.0 | 0.0 | 0.0 | 0.4 | 1.0 |
| Other operating result | 7.4 | 5.0 | 0.1 | -19.4 | -229.7 | -265.7 | -222.2 | -280.1 |
| Operating income | 269.7 | 267.2 | 455.3 | 374.5 | -144.8 | -184.0 | 580.2 | 457.7 |
| Personnel expenses | -44.5 | -42.7 | -7.3 | -7.4 | -102.4 | -101.5 | -154.2 | -151.6 |
| Operating expenditure | -47.9 | -45.4 | -28.6 | -28.1 | -41.8 | -38.0 | -118.3 | -111.5 |
| Administrative expenses | -92.4 | -88.1 | -35.9 | -35.5 | -144.2 | -139.5 | -272.5 | -263.1 |
| Operating result before risk provisions/revaluation adjustments | 177.3 | 179.1 | 419.4 | 339.0 | -289.0 | -323.5 | 307.7 | 194.6 |
| Risk provisions/revaluation adjustments | -64.4 | -76.6 | -67.3 | -48.1 | -157.9 | -56.3 | -289.6 | -181.0 |
| thereof: allocation to fund for general banking risks | -50.0 | -50.0 | 0.0 | 0.0 | 0.0 | 0.0 | -50.0 | -50.0 |
| Taxes on income and revenues | -2.0 | -3.0 | -4.4 | -0.4 | -4.8 | -2.0 | -11.2 | -5.4 |
| Net income/loss for the year | 110.9 | 99.5 | 347.7 | 290.5 | -451.7 | -381.8 | 6.9 | 8.2 |
| Number of employees* | 570 | 559 | 56 | 54 | 848 | 815 | 1,474 | 1,428 |

* Excl. Managing Board, trainees, apprentices, interns and employees on parental leave and similar leave.

The segment report provides further insight into management control and is derived from the internal management information system. The segmentation is based on the Bank's organisational structure.

The Programme-based Promotion segment comprises the business units Housing Promotion, Promotion Programmes, Special Finance, Equity Finance as well as Promotion Programme Advisory Services & Customer Service.

The Other Promotion/Liquidity Management segment includes the capital market business, which supports the promotional activities ("Förderhilfsgeschäft"), as well as Municipal Direct Financing in North Rhine-Westphalia.

The Staff/Services segment comprises the Service and Staff business units such as IT/Organisation/Internal Services, Risk Control, Finance as well as Strategy/Communications/Board Office including the participations in the public interest.

2.3 Net Assets, Financial Position and Results of Operations

2.3.1 Results of Operations

Net Interest Income

At € 719.1 million, NRW.BANK's net interest income was higher than in the previous year (2019: € 658.2 million). This is mainly attributable to higher margin income in the long-term capital market business and continued favourable conditions for liquidity management, especially in the context of the USD issues.

Net Commission Income

The main contribution to net commission income of € 82.9 million (2019: € 78.6 million) was made by income from surrogate loan transactions. In these transactions, NRW.BANK acts as hedge provider (seller).

Net Income from Trading Operations

NRW.BANK's trading book contains short-term trading transactions with interest rate products. In the fiscal year 2020, this resulted in net income from trading operations of € 0.4 million (2019: € 1.0 million).

Other Operating Result

The other operating result amounted to € -222.2 million (2019: € -280.1 million) and was mainly influenced by the further reduced discount rate used for the valuation of provisions for pensions, provisions for additional benefits and other personnel provisions. Total interest-related expenses amounted to € -224.1 million, which was below the prior year level of € -244.0 million. At € -9.2 million, non-interest expenses for provisions for pensions and additional benefits for employees and pensioners of Portigon AG who are entitled to a pension under the laws relating to civil servants were also much lower than in the previous year (2019: € -26.4 million). The fact that no more annual contribution to the European Restructuring Fund was fixed in 2020 also had a positive effect.

Administrative expenses

At € -272.5 million (2019: € -263.1 million), NRW.BANK's administrative expenses were higher than in the previous year.

Personnel expenses amounted to € -154.2 million, which slightly exceeded the previous year's € -151.6 million, mainly due to a moderate increase in the number of employees in connection with the performance of new tasks as well as to collective pay rises. Expenses for pensions declined primarily because of lower average benefit expenditures.

Operating expenses rose by € -6.8 million to € -118.3 million (2019: € -111.5 million). Expenses for land and buildings increased, especially because of the new third building in Düsseldorf. These also include additional expenses for building management relating to pandemic-related infection control and hygiene measures.

Risk Provisions/Revaluation Adjustments

Risk provisions/revaluation adjustments amounted to € -289.6 million in the fiscal year 2020 (2019: € -181.0 million).

Risk provisions for the lending business amounted to € -56.2 million in 2020 (2019: € 14.2 million). On the one hand, SME exposures had to be written down. On the other hand, NRW.BANK prudentially increased the general value adjustments by € 25.0 million in view of the coronavirus-related extraordinary uncertainty in the assessment of credit risks on the basis of stress test-based assumptions.

The result from equity investments amounted to € 12.9 million (2019: € -22.5 million).

A net result of € -19.6 million (2019: € -5.6 million) related to the results of sales and revaluations in the securities and derivatives business.

As in the previous years, NRW.BANK used its operating result to allocate an amount of € 226.7 million (2019: € 167.1 million) to allowance reserves. This included € 50.0 million for the fund for general banking risks.

Net Income

NRW.BANK posted net income of € 6.9 million (2019: € 8.2 million) in the fiscal year 2020. As in the previous years, net income is exactly identical with the federal interest expenses pursuant to Section 14 of the Act on NRW.BANK.

Segment Results

Net interest income in the Programme-based Promotion segment comprises the results of the promotional business units and amounted to € 241.3 million (2019: € 246.5 million).

As in the previous year, the Housing Promotion business unit again accounted for the biggest portion of net interest income, at € 180.1 million (2019: € 196.1 million). In view of the long phase of low interest rates, many borrowers took advantage of their contractual right to repay their loans in full or in part at any time without having to pay a prepayment penalty. These unscheduled repayments led to reduced receivables and, consequently, to reduced interest income.

In the Promotion Programmes, the “Förderleistung” used in the form of reduced interest rates was significantly lower than in the previous year due to the low interest rates. No promotional programme loans with negative interest rates were granted.

Net interest income in the Equity Finance and Special Finance unit picked up slightly.

At € 21.0 million (2019: € 15.7 million), net commission income exceeded the previous year’s level.

The segment’s risk provisions/revaluation adjustments amounted to € –64.4 million (2019: € –76.6 million).

Risk provisions in the lending business of € –30.1 million (2019: € 12.8 million) are primarily characterised by the need for additional allowances in the SME business.

Risk provisions in the equity investment business were positive at € 12.3 million (2019: € –22.5 million), primarily due to proceeds from the disposal of an investment in the venture capital portfolio. The negative prior year result was primarily attributable to the valuation effect resulting from the transfer of the legally independent investment companies to NRW.BANK’s balance sheet.

In 2020, NRW.BANK allocated a total amount of € –47,7 million (2019: € –66.9 million) to allowance reserves for the promotional business units.

Net interest income in the Other Promotion/Liquidity Management segment climbed to € 389.5 million (2019: € 326.8 million), mainly due to the fact that funding conditions remained favourable as well as due to higher margins.

Net commission income amounted to € 65.3 million (2019: € 66.1 million) and essentially included the result from the surrogate loan business.

At € 0.1 million, the other operating result was almost balanced. The previous year’s result was € –19.4 million and mainly included the annual contribution to the European Restructuring Fund.

The segment’s risk provisions/revaluation adjustments amounted to € –67.3 million (2019: € –48.1 million).

The withdrawal and the termination of own issues resulted in net losses of € –116.4 million (2019: € –80.5 million). The voluntary repurchases of own issues is exclusively made at the request of the investor. Reasons for investors to return the securities include, for instance, the desire to change their maturity profiles and nominal interest rates as well as to optimise existing lines. In the long term, this will improve the Bank’s funding base and strengthen its profitability, as the Bank may make new issues at current conditions.

By contrast, the management of the overall portfolio resulted in net gains from securities and (hedging) derivatives in the amount of € 94.2 million (2019: € 74.9 million).

For the Other Promotion/Liquidity Management segment, NRW.BANK allocated € –46.6 million to the allowance reserves (2019: € –42.5 million).

Net interest income in the Staff/Services segment amounted to € 88.3 million (2019: € 84.9 million) and mainly included earnings contributions from participations held in the public interest and from the investment of personnel provisions.

The high burden resulting from the other operating result in the amount of € –229.7 million (2019: € –265.7 million) primarily resulted from interest expenses in conjunction with the valuation of provisions for pensions and additional benefits.

Risk provisions/revaluation adjustments in the Staff/Services segment in the amount of € –157.9 million (2019: € –56.3 million) was attributable to allocations to the allowance reserves for general banking risks and the special allocations to the general value adjustments made with a view to the coronavirus pandemic.

2.3.2 Financial Position

Being the state's promotional bank and benefiting from institutional liability, guarantor liability and an explicit funding guarantee from its guarantor, NRW.BANK shares the same excellent rating with the State of North Rhine-Westphalia.

Like every year, rating agencies Fitch Ratings, Moody's and Standard & Poor's reviewed NRW.BANK's creditworthiness and reconfirmed the Bank's good ratings.

List of current ratings

| | Fitch Ratings | Moody's | Standard & Poor's |
|-------------------|---------------|---------|-------------------|
| Long-term rating | AAA | Aa1 | AA |
| Short-term rating | F1+ | P-1 | A-1+ |
| Outlook | stable | stable | stable |

The Other Promotion/Liquidity Management segment is responsible for the funding of NRW.BANK. As a state-guaranteed promotional Bank, NRW.BANK continued to experience strong demand for its debt in the fiscal year. NRW.BANK catered to investors' need for state-guaranteed, liquid bonds and again consolidated its market presence with further benchmark issues.

In 2020, the Bank issued a € 1.0 billion euro benchmark bond, a USD benchmark bond in the amount of \$ 1.0 billion, an AUD bond in the amount of AUD 625 million, a GBP bond in the amount of GBP 300 million and three NOK bonds in the amount of NOK 3 billion. In addition, the Bank issued a 10-year Green Bond with an issue volume of

€ 500 million as well as its first Social Bond in 2020. The latter has a term of 15 years and an issue volume of € 1 billion. All bonds met with very high demand from investors. The net funding volume totalled € 12.7 billion (2019: € 13.9 billion), with the euro (79.2%) and the US dollar (13.2%) being the most important currencies.

The funding transactions with domestic investors are dominated by bearer bonds, note loans and registered bonds. NRW.BANK also used its international funding programmes for its funding operations. These programmes essentially include the Debt Issuance Programme and the Australian and New Zealand Medium Term Note Programme (Kangaroo/Kauri Programme) for medium-term to long-term maturities as well as the Global Commercial Paper (GCP) Programme for maturities of up to twelve months. As in the previous years, the GCP Programme was a favourable and stable source of funding for NRW.BANK throughout the fiscal year. In the past fiscal year, NRW.BANK for the first time participated in the ECB's Targeted Longer-Term Refinancing Operations (TLTRO III) programme. In this context, NRW.BANK secured funds

in the amount of € 6.5 billion. The decisive factors were the significantly improved conditions and the associated premiums. Other sources of refinancing were the Council of Europe Development Bank (CEB) and programme-linked funds from KfW Bankengruppe and Landwirtschaftliche Rentenbank for the on-lending business.

2.3.3 Net Assets

As of December 31, 2020, NRW.BANK's total assets amounted to € 155.8 billion (2019: € 149.2 billion).

The two tables below show the condensed balance sheet.

Assets

| | Dec. 31, 2020 € billions | Dec. 31, 2019 € billions |
|---|-----------------------------|-----------------------------|
| Cash | 4.3 | 1.9 |
| Receivables from banks | 46.3 | 43.1 |
| Receivables from customers | 60.4 | 59.1 |
| Bonds and other interest-bearing securities | 38.6 | 39.6 |
| Equity investments in non-affiliated and affiliated companies | 2.4 | 2.4 |
| Other assets | 3.8 | 3.1 |
| Total assets | 155.8 | 149.2 |

The increase in cash is essentially attributable to a pandemic-related temporary expansion of the liquidity reserve.

Receivables from banks increased by € 3.2 billion to € 46.3 billion (2019: € 43.1 billion). The portfolio of promotional loans granted under the house bank principle stood at € 34.2 billion (2019: € 32.6 billion). Under the house bank procedure, customers file an application for promotional funds with the house bank, which passes it on to NRW.BANK. NRW.BANK then makes the funds available to the customer through their house bank. The portfolio of registered instruments and note loans amounted to € 6.0 billion (2019: € 5.5 billion).

Totalling € 60.4 billion, receivables from customers also exceeded the previous year's level (2019: € 59.1 billion). The promotional business was characterised by contrary developments. On the one hand, the portfolio of promotional loans in the Housing Promotion unit declined to € 14.5 billion (2019: € 15.3 billion), mainly due to unscheduled repayments. On the other hand, receivables in the other promotional segments increased to € 22.1 billion (2019:

€ 20.8 billion), primarily due to the NRW.BANK.Gute Schule 2020 and NRW.BANK.Grüne Emscher-Lippe programmes. In the securities business, the portfolio of registered instruments increased to € 8.0 billion (2019: € 7.7 billion), while the portfolio of note loans declined to € 11.6 billion (2019: € 11.2 billion).

At € 38.6 billion, bonds and other interest-bearing securities were below the previous year's € 39.6 billion.

The book values of NRW.BANK's equity investments in non-affiliated and affiliated companies remained unchanged from the previous year at € 2.4 billion.

Liabilities

| | Dec. 31, 2020 € billions | Dec. 31, 2019 € billions |
|--------------------------------|-----------------------------|-----------------------------|
| Liabilities to banks | 40.5 | 33.7 |
| Liabilities to customers | 11.4 | 12.7 |
| Certificated liabilities | 75.1 | 75.9 |
| Provisions | 3.1 | 2.9 |
| Subordinated liabilities | 1.6 | 1.7 |
| Fund for general banking risks | 1.0 | 1.0 |
| Equity capital | 18.0 | 18.0 |
| Other liabilities | 5.1 | 3.3 |
| Total liabilities | 155.8 | 149.2 |
| Contingent liabilities | 14.2 | 14.4 |
| Other commitments | 8.0 | 4.0 |
| Business volume | 178.0 | 167.6 |

Liabilities to banks increased by a total of € 6.8 billion to € 40.5 billion (2019: € 33.7 billion), mainly due to participation in a longer-term ECB tender (TLTRO III). Moreover, € 22.7 billion (2019: € 21.3 billion) related to promotional loans funded through KfW Bankengruppe or Landwirtschaftliche Rentenbank, which are paid out on the assets side according to the house bank principle. This balance sheet item also comprises global loans in the amount of € 5.2 billion (2019: € 5.1 billion), mostly of KfW Bankengruppe as well as of the European Investment Bank (EIB), the Council of Europe Development Bank (CEB) and Landwirtschaftliche Rentenbank, for general refinancing.

Liabilities to customers decreased by a total of € 1.3 billion to € 11.4 billion (2019: € 12.7 billion). This item primarily comprises registered instruments, which declined to € 10.7 billion (2019: € 11.9 billion).

At € 75.1 billion, the certificated liabilities item was almost on a par with the previous year (2019: € 75.9 billion).

Equity capital as defined in the German Commercial Code (HGB) remained unchanged at € 18.0 billion.

The regulatory capital requirements were complied with at all times in the fiscal year 2020. At 43.9% (2019: 43.5%), the CET1 capital ratio reflects the Bank's high capitalisation, which mainly serves to fund the promotional loans and is therefore necessary for the promotional business. For more information on the regulatory performance indicators, see Chapter 5.4.1 of the Risk and Opportunity Report.

3 Report on Post-Balance Sheet Date Events

No events of special importance occurred after the end of the fiscal year.

4 Report on Expected Developments

4.1 General Information

This Report of Expected Developments contains forward-looking statements relating to the overall economic environment as well as to NRW.BANK's business, net assets, financial and earnings position. Such statements are based on expectations and assumptions derived from information available at the time of preparation. They include risks and uncertainties that are beyond NRW.BANK's sphere of influence and that have become even more pronounced against

the backdrop of the coronavirus pandemic. These include, in particular, the economic development and the condition of the financial markets. This means that the actual events occurring in the future may deviate from these statements, expectations and assumptions.

4.2 Development of the Economic Environment

4.2.1 The German Economy

Economic developments in Germany continue to be materially influenced by the coronavirus pandemic, and the complex epidemiological situation provides the framework for the current economic assessment. The first quarter of 2021 is marked by further tightening of the lockdown measures that were extended again at the beginning of the year. A decline in first-quarter GDP is therefore very likely. It is still uncertain whether the measures taken so far to contain the pandemic will permanently reduce the incidence of infection. The approval of new vaccines, combined with the start of vaccination campaigns among the population and the development of new medicines, create confidence that it will be possible to contain the pandemic in the medium term, though.

The economy is expected to return to growth as of the second quarter as the wave of infection gradually subsides. Against this backdrop, economic output should increase by around 3% to 4% in 2021 after the sharp slump. Driven by the recovery of the world economy and the economic revival in key partner countries, exports should rapidly gain momentum and provide solid support for economic growth.

As soon as the economy recovers permanently, business investment should also gain momentum with a certain time lag. The pre-crisis level will probably be reached only gradually, however, as an expansion of production is not expected to lead to capacity bottlenecks for the time being. Spending on housing construction should also pick up again as of the spring, following a slight decline in the winter half-year. A particular boost will be provided by the improvement in the labour market and the gradually stronger pay rises. Due to the continued upward pressure on prices in the housing market, the momentum is likely to weaken going forward. In this context, demand for affordable housing should remain high, however. With more and more people working from home, it is also possible that demand for housing will shift to the out-

skirts of the larger cities, where it is easier to increase the supply of housing.

Private consumption remains strongly dependent on the pandemic. As soon as the general health situation improves and the coronavirus-related restrictions are eased, private consumption should recover very dynamically. As time progresses, a major portion of the savings that were involuntarily formed during the pandemic is likely to be spent on consumption. Support will come from the anticipated decline in unemployment in the course of the year.

Because of the high unemployment figures at the end of 2020, however, the jobless rate will probably still average just under 6% in 2021, which roughly corresponds to the level of the previous year (5.9%). Based on the assumption that the restrictions will be eased in the second quarter, short-time work, which increased again in the winter months, should decline noticeably, with the number of short-time workers dropping to an average of just under one million in 2021.

Having significantly expanded its activities in relation to the gross domestic product in 2020 due to the

coronavirus pandemic, the government will curtail them again only gradually over the rest of the forecast period. The government deficit is likely to be reduced to around € 140 billion or 4% of GDP (2020: -4.8% of GDP). Tax revenues should increase noticeably due to the overall economic recovery and the return to the old VAT rates. This will be offset, however, by reduced revenues resulting from the partial abolition of the solidarity surcharge.

While inflation should pick up somewhat next year, the underlying trend of price increases will remain subdued. Both aggregate demand and wage growth will remain weak for the time being and will be reflected in the inflation rate with a certain time lag. Moreover, the costs incurred in connection with the containment measures will become less relevant. However, the subdued underlying trend will be overshadowed by the reversal of the VAT reduction. Also, the introduction of carbon tax in the transport and heat sectors will increase consumer prices. Against this background, the inflation rate should be around 1.5%.

The overall outlook for the German economy with regard to economic activity and consumer prices will

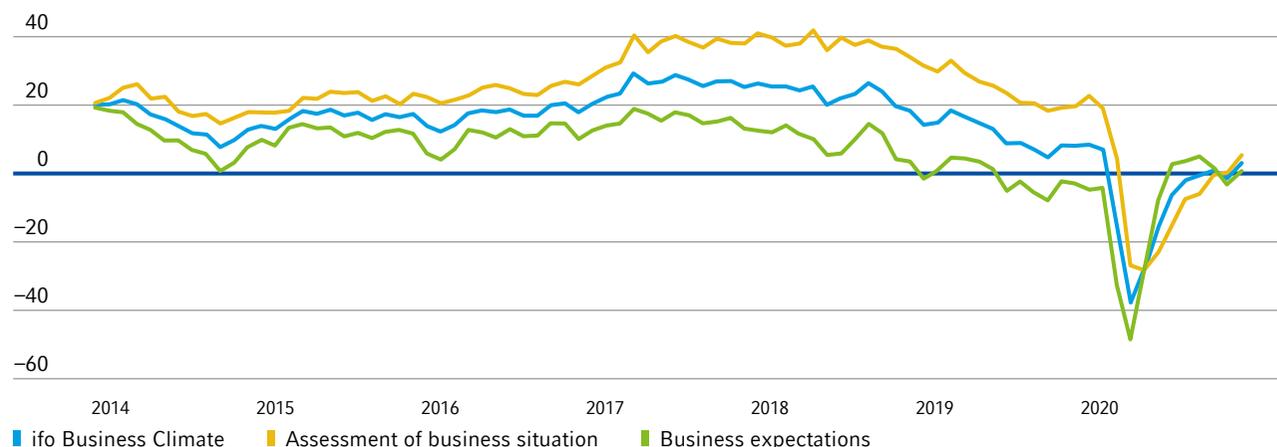
remain unusually uncertain. Although much more is now known about the virus, about the measures against its spread and about the effects on the behaviour of economic players and the economy itself than was the case in spring 2020, the further course of the pandemic and the macroeconomic consequences remain difficult to assess. It is possible, for instance, that further mutations of the virus will have an adverse effect on the infection situation. In this case, the measures against the pandemic would have to be maintained for longer and a recovery in the sectors affected would take much more time. Also, the longer the time during which companies are unable to generate revenues, the higher the risk of further insolvencies.

4.2.2 The North Rhine-Westphalian Economy

Due to the renewed lockdown, the North Rhine-Westphalian economy started the year 2021 in a weaker state. A sustainable increase in economic activity is not likely before the restrictions imposed are lifted at least in part. This is currently not foreseeable, though. This means that the recovery of the North Rhine-Westphalian economy is likely to be delayed until the second

and third quarters of 2021, once sufficient vaccination capacity is available. At the beginning of the year, a majority of the company managers were optimistic about the first six months of 2021.

NRW.BANK.ifo Business Survey
Balances, seasonally adjusted



Source: NRW.BANK, ifo Business Survey

Based on the assumption that the pandemic will subside as the year progresses, all economic sectors should contribute to the economic recovery. Private consumption in particular is likely to be expanded noticeably due to catch-up effects and tax relief. Spending on plant and equipment is also expected to pick up, all the more so as capacity utilisation in North Rhine-Westphalia's manufacturing sector is almost back to pre-crisis levels. What is more, the agreement on an orderly Brexit supports the export industry, which in North Rhine-Westphalia is more dependent on trade with the United Kingdom than in the other federal states.

Against this backdrop, economic output in North Rhine-Westphalia should increase noticeably in 2021, similar to Germany as a whole. The size of the increase will depend, however, on how quickly the pandemic-related restrictions will be overcome. Unlike the recession in 2009, there are no structural imbalances to be addressed this time. By contrast, the pandemic represents a purely exogenous shock, which is why a rapid return of the economy to pre-crisis levels technically seems possible.

4.2.3 Financial Markets

While the immediate, short-term economic effects of the pandemic have been contained thanks to the

extensive fiscal, monetary and regulatory measures, the medium-term risks for the financial markets have not been averted.

A central danger lies in the risk of over-indebtedness of the public and private sectors, which has grown noticeably in the course of the pandemic. The euro countries alone took on more than € 1 trillion in new debt between January and September 2020. The debt-to-GDP ratio in mid-2020 was around 190% in Greece, 150% in Italy and 130% in Portugal. In France, Belgium and Spain it was between 110% and 120%. Private sector debt is particularly high in the Netherlands at almost 250% of GDP and in Ireland at 200%. In Germany, public debt is heading towards 70%, and the ratio of private sector's debt-to-GDP has grown to about 120%.

The enormous debt has made the eurozone much more vulnerable to future economic distortions. Growth potential could also suffer permanently, as increasing debt undermines the ability to make investments, e.g. in infrastructure or new equipment. Difficulties may also arise in the foreseeable future with regard to the necessary follow-up financing, as many eurozone borrowers have recently raised loans with only short maturities.

Against the backdrop of the rapidly growing debt, policy-makers are faced with a certain dilemma, however; as government borrowing should not get out of hand, an exit from the aid measures is imperative but if this were to happen too quickly, the economic recovery might be severely impaired and the insolvencies among companies and private households may skyrocket. To avoid an abrupt termination with negative consequences for the financial markets, a cautious and gradual exit seems to be on the cards.

The size of the loan defaults resulting from the pandemic is impossible to predict at this stage. So far, impairments have hardly increased in spite of the economic downturn. However, a first wave of loan defaults is expected to emerge in Germany upon expiry of the special regulation on insolvency law. Consequently, the banking system will probably have to demonstrate its ability to absorb losses already in 2021. The many regulatory adjustments implemented in the wake of the financial and sovereign debt crisis and the credit guarantees issued by the government suggest that the banking system should generally be prepared for this. It is possible that, because of a lower equity cover, banks will show greater lending restraint and raise their standards for the granting of loans in the medium term.

In the foreseeable future, banks should be required to rebuild their capital buffers. The financial market supervisory authority will probably also have to limit the danger of excessive risk appetite on the part of investors and the emergence of price bubbles in some asset classes. After the strong recovery of asset prices, a scenario of noticeable corrections with self-reinforcing effects is well possible.

While the apparently successful management of the short-term consequences of the pandemic should make the ECB believe that it has taken the right action, the general review of the ECB's monetary policy strategy, which was announced in 2019 and postponed until April 2021 because of the pandemic, is still pending. On the agenda of the review are the adequacy of the medium-term inflation target of close to 2% and of the current measures of inflation and inflation expectations. The demand to make the ECB's monetary policy more responsible for actively promoting environmental and climate protection is also likely to be reviewed. This might be reflected, for example, in an increased purchase of green bonds in the context of the appropriate ECB asset purchase programmes.

Regardless of the outcome of the strategy review, the ECB is likely to maintain its expansionary monetary

policy for several more years. The Fed is likely to pursue a similarly loose monetary policy approach for the US. The current fragile environment makes an early end to the central banks' asset purchases highly unlikely. In the eurozone, a further reduction in the deposit facility is also virtually impossible in view of the banks' moderate earnings.

The hope is that with a broad-based vaccination campaign, at least part of the risk of a setback can be averted and that lockdowns will no longer be needed as of the second quarter, so that the government will be able to scale back the aid measures going forward. However, other issues remain on the agenda that could cause uncertainty in the financial markets. New US President Joe Biden has said he will initially stick to the present trade policy with China, which is likely to weigh on the world economy overall. In this environment of underlying uncertainty and extremely expansionary monetary policy, safe investment havens should remain in high demand and the yield on ten-year Bunds should remain in negative territory for the foreseeable future.

4.3 Development of the Bank

By developing and providing market-oriented solutions for all promotional themes, NRW.BANK will continue

to play a key role in the economic and structural development of North Rhine-Westphalia and combine financing and advisory services in a target-oriented manner.

In 2021, NRW.BANK will again be required to help mitigate the effects of the pandemic. To this end, it will continue the newly established promotional offerings and readjust its promotional portfolio as needed.

The persistently low interest rates constitute another major challenge for the Bank's promotional business. The prevailing market conditions make it more difficult for NRW.BANK to set impulses with its promotional policy. To be able to continue offering attractive promotional products, NRW.BANK will further develop its instruments for providing price incentives in the promotional business. Alternative options for securing an attractive promotional portfolio such as long-term fixed-interest options, the provision of equity and mezzanine capital and risk sharing with house banks will be used regardless of this.

The objectives defined for each of the promotional themes are put into practice using individual promotional offers and taking the promotional guidelines into account. This implies ongoing optimisation of the

product portfolio with a view to the actual promotional requirements. NRW.BANK's agenda provides for the expansion of its promotional offerings with regard to key topics of the future, especially in the context of sustainability and digitalisation. Starting points include, for example, the improved promotion of sustainable construction in the private and commercial sectors as well as the development of promotional offerings to strengthen the climate resilience of municipalities.

According to current estimates, the exceptionally high volume of new commitments in 2020 is unlikely to be reached in 2021. While a return of economic growth and thus increased investment spending is expected, it is safe to assume that the acute liquidity needs of companies, which made a material contribution to the high demand for promotional loans in 2020, will be noticeably lower.

NRW.BANK expects total assets and the business volume to increase slightly as demand for promotional loans remains high.

The Bank projects noticeably declining operating income for 2021, as narrowing spreads suggest that capital market conditions will be less favourable and the promotional conditions in certain sub-areas have been improved further. Moreover, the Bank expects

the expenses for benefit obligations towards employees and pensioners of Portigon AG, who are entitled to a pension under the laws relating to civil servants, to increase to the level prior to the reporting year.

NRW.BANK's administrative expenses are expected to rise moderately in 2021.

Personnel expenses are likely to grow mainly due to collectively agreed and individual salary adjustments as well as higher allocations to the provisions for benefits.

Moreover, operating expenses are expected to rise slightly as a result of further increased spending on digitalisation.

At the bottom line, NRW.BANK projects a clearly lower operating income before risk provisions/revaluation adjustments for 2021 than in the past fiscal year.

In 2021, risk provisions/revaluation adjustments will again be influenced primarily by the allocation of general allowance reserves. Moreover, the strategic focus will be placed on increased risk assumption in the promotional business.

Pursuant to Section 14 of the Act on NRW.BANK, only the interest amounts to be paid by the state due to the utilisation of loans from the federal government for the promotion of housing construction and modernisation (subsidies pursuant to Article 104a, Para. 4 of the German Constitution in the version effective until August 31, 2006) which become due in the year following the respective fiscal year must be paid directly to the federal government from the net income for the year of NRW.BANK upon request by the state government. The potentially remaining net income for the year will be allocated to the reserves. Further profit distributions are not permitted under NRW.BANK's Statutes.

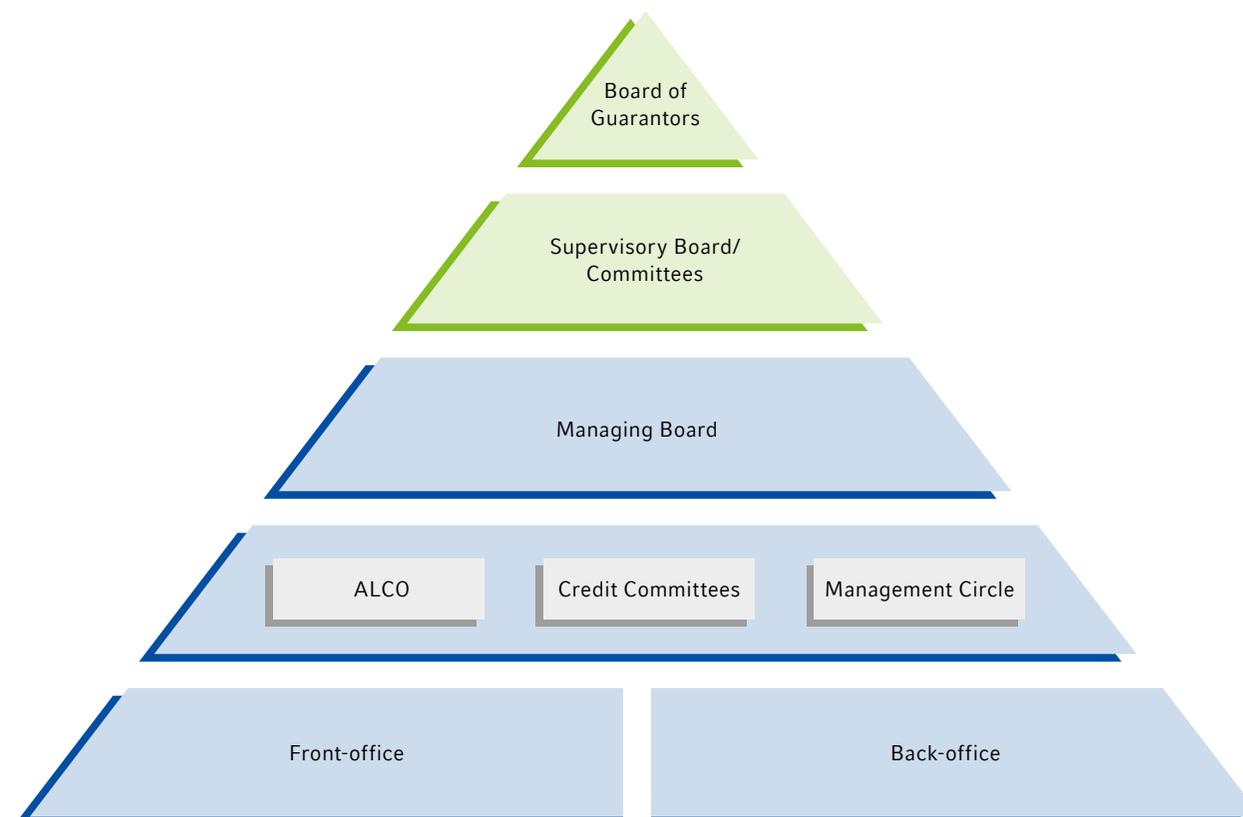
5 Risk and Opportunity Report

Due to its specialised business model as a promotional bank, NRW.BANK does not engage in all lines of banking business. NRW.BANK uses a comprehensive set of risk monitoring and management tools to manage the risks to which it is exposed. The Bank has implemented a framework of guidelines, organisational structures and processes, which ensure that risks are identified, measured, aggregated and managed in accordance with the Bank's risk-bearing capacity.

Against the background of the economic consequences of the coronavirus pandemic, NRW.BANK has expanded its promotional portfolio with a view to strengthening the economy and growth in North Rhine-Westphalia. The main focus is on commercial enterprises, public/social infrastructure companies, non-profit organisations and municipalities. This is associated with a deliberate and targeted assumption of additional risk in the promotional business.

Like all legally independent promotional banks in Germany, NRW.BANK is specifically excluded from the scope of the Capital Requirements Directive (CRD). Pursuant to Section 1a Para. 1 of the German Banking Act (KWG), however, it is still subject to the provisions of the Capital Requirements Regulation (CRR). This means that it is supervised by the Federal Financial Supervisory Authority (BaFin) and Deutsche Bundesbank under national jurisdiction.

Organisational Structure of Bank Steering



5.1 Organisation of Risk Management

The Managing Board of NRW.BANK is responsible for the risk management system. This includes, in particular, the proper organisation of risk management, the

risk strategy, the risk-bearing capacity concept as well as risk monitoring. In the context of the general reporting process, the Managing Board is regularly informed about the Bank-wide risk situation.

The Supervisory Board monitors the Managing Board's conduct of the Bank's affairs. The Risk Committee, a committee of the Supervisory Board, regularly addresses the Bank's risk situation. The committee receives reports on the risk profile for the various risk categories on a quarterly basis minimum.

The Board of Guarantors decides, among other things, on the principles of the business, promotional and risk policies and on the release of liability of the members of the Supervisory Board and the Managing Board.

The Asset Liability Committee (ALCO) is responsible for the Bank's asset/liability management. This includes, in particular, responsibility for the Bank-wide allocation of financial resources to the Bank's operating units as well as Bank-wide risk management. The ALCO's tasks include market risk and liquidity risk management, Bank-wide risk management, profit management as well as balance sheet structure management.

There is one Credit Committee each for the promotional business and the capital market business. They prepare credit decisions to be made by the Managing Board and take their own credit decisions based on predefined levels of competence. In addition, they address issues of a general nature relating to credit

risks as well as current macroeconomic, political and regulatory developments and their potential effects on individual exposures.

The management circle, which is composed of the Managing Board and all business unit Heads, addresses issues of strategic relevance. The main focus is on the further development of the Bank's overall strategy and on assessing its consistency with the principles of the business, promotional and risk policies and the overall components of the promotional policy objectives of the federal state.

In accordance with the MaRisk requirements, risk monitoring and risk reporting are managed independently of the front-office business units. While the front-office business units are responsible for managing risks within the defined limits, Risk Control is in charge of risk monitoring, especially compliance with the limits defined by the Managing Board. Functional separation between the business units is ensured up to Board level. This also applies to the separation of functions required in the credit process with regard to the back office areas.

The Bank has exclusively entrusted the Head of Risk Control with the risk control function as defined by the MaRisk. He participates in all important management

decisions relating to the risk policy, especially through his involvement in the ALCO and other committees.

The Risk Control business unit performs all tasks of the risk control function. These primarily include the development of the risk strategy, the determination of the risk-bearing capacity (incl. Bank-wide stress tests), the monitoring of limits, risk reporting, the daily valuation of trades, the management of the rating procedures, responsibility for compliance and money laundering prevention as well as the coordination of the processes for the launch of new products.

The Credit Management business unit is one of the back-office units and is mainly in charge of voting, loan processing and ongoing monitoring in the promotional and capital market business as well as the preparation of the watchlist (for high-risk exposures). In addition, the Credit Management business unit is responsible for coordinating the meetings of the Credit Committee.

Acting as an independent body on behalf of the Managing Board, Internal Audit regularly reviews the effectiveness and appropriateness of the risk management structures and processes.

On balance, NRW.BANK's risk management instruments and processes again proved their worth in the fiscal year 2020.

5.2 Risk Policy and Strategy

Being a promotional bank, NRW.BANK has a focused business model in the context of which risks are taken on a limited scale. According to its risk strategy, the promotional business takes precedence over the "Förderhilfsgeschäft" when it comes to the allocation of risk capital. Avoiding defaults takes precedence over profit generation in all of the capital market activities which are undertaken to support the promotional business. New business with a sub-investment grade rating is permitted only in the promotional business.

Along with the promotional and business strategy, the risk strategy is part of NRW.BANK's overall strategy, which is updated annually for a planning period of four years. It builds on the promotional and business strategies and aims to ensure balanced risk management within NRW.BANK. It puts the risk policy principles adopted by the Board of Guarantors into more concrete terms by way of adequate limits as part of the operational controlling process. These limits are defined on the basis of the overall risk profile and the existing capital and cash resources and define NRW.BANK's risk appetite.

The Managing Board of NRW.BANK defines the strategy and submits it to the responsible bodies. The Risk Committee consults on the risk strategy, which is finally discussed at the year-end meetings of the Supervisory Board and the Board of Guarantors.

5.3 Risk Inventory

Effective risk management and monitoring hinge on the precise identification and assessment of risks. In the context of Group-wide risk inventory taking, NRW.BANK systematically examines whether the overall risk profile fully reflects all risks which may potentially influence the net worth, earnings or liquidity position. This is done at a Bank-wide level on an annual basis and whenever required on special occasions. On this basis, risks are classified as material or non-material, respectively.

The material risks identified are the credit and the market risk as well as the liquidity, operational and pension risk. The three latter risk types rank behind the credit and the market risk, however, as they are less important.

The risk inventory also includes the sustainability risk, which is taken into account as a risk relating to and covering all risk types.

Complemental to the risk inventory, new products to be added to the product portfolio of NRW.BANK are subjected to a cross-divisional process for the introduction of new products to ensure that the risks of new products are identified, measured and limited.

5.4 Risk Management

The overriding objective of risk management is to ensure the Bank's ability to continue as a going concern by means of adequate capital and liquidity. This is assessed in the context of internal processes – the ICAAP (Internal Capital Adequacy Assessment Process) and the ILAAP (Internal Liquidity Adequacy Assessment Process). Here, NRW.BANK distinguishes between a normative and an economic perspective.

In both perspectives, the institutional liability, the guarantor liability and the explicit refinancing guarantee are not regarded as risk-mitigating.

5.4.1 Normative Perspective

The normative perspective is geared to compliance with all material regulatory requirements. At NRW.BANK, these include the following performance indicators: CET1 capital ratio, total capital ratio, leverage ratio, utilisation of the large exposure limit, liquidity coverage ratio (LCR) and, once it becomes

mandatory, net stable funding ratio (NSFR). The table below shows the normative perspective at Bank-wide level as at December 31:

Performance Indicators of the Normative Perspective

| | Dec. 31, 2020 | Dec. 31, 2019 |
|-------------------------------------|---------------|---------------|
| CET1 capital ratio | 43.9% | 43.5% |
| CET1 capital (€ billions) | 18.5 | 18.2 |
| Total amount at risk (€ billions) | 42.3 | 41.7 |
| Total capital ratio | 44.2% | 47.1% |
| Own funds (€ billions) | 18.7 | 19.6 |
| Leverage ratio | 11.2% | 11.1% |
| Utilisation of large exposure limit | 13.1% | 12.4% |
| Liquidity coverage ratio | 260% | 221% |

NRW.BANK's own funds are made up of CET1 capital and Tier-2 capital. Given that a subordinated loan from the state of North Rhine-Westphalia has no longer been taken into account in the Tier-2 capital since September 2020, the Bank's own funds are largely determined by CET1 capital.

All performance indicators are determined in accordance with the CRR regulatory requirements, using standard procedures exclusively.

Taking into account the minimum requirements under the CRR, the capital buffer requirements under the

KWG and the additional capital requirement (SREP surcharge), the regulatory minimum capital ratios are 9.00% (2019: 9.31%) for the CET1 capital and 12.50% (2019: 12.81%) for the total capital. NRW.BANK's capitalisation exceeds the requirements by a wide margin.

As of mid-2021, the leverage ratio must not fall below 3%. It should be noted that, by definition, a low ratio implies high leverage. NRW.BANK's leverage ratio exceeds the expected minimum requirement by far.

The utilisation of the large exposure limit is derived from the maximum risk exposure value of all large exposures in relation to the large exposure limit, with a regulatory requirement (maximum limit) of no more than 100%. Utilisation at NRW.BANK was far below the maximum limit.

The regulatory requirement for the liquidity coverage ratio – which is an indicator of short-term liquidity – is at least 100%. NRW.BANK's short-term liquidity position was far above this requirement.

The risk strategy defines limits for all performance indicators. In addition, the early warning thresholds (which are defined in consideration of a management buffer) serve to indicate an imminent limit violation at an early stage. The limits and early warning thresholds were complied with at all times during the fiscal year.

In addition to the reporting date analysis, a forward-looking assessment over a period of several years is made. For this purpose, a capital plan for four years is prepared – annually as part of the risk strategy – which comprises a base scenario (business planning) and two adverse scenarios. This also takes into account those risks that are not included in the reporting-date analysis. These include risks of the economic perspective, which only become apparent in the normative perspective over time. This may be caused by changes in the income statement (and the resulting own funds) and by changes in the total risk amount.

In addition, capital planning is updated quarterly in the course of the year in a rolling three-year view and a multi-periodic view of liquidity based on the scenarios on which capital planning is based.

The limits of the normative perspective were complied with in all scenarios over the respective period under review both in strategic capital planning and in its update in the course of the year.

5.4.2 Economic Perspective

The economic perspective is an essentially mark-to-market view, which serves to secure economic losses through disposable capital (capital cover). In contrast to the normative perspective, internal bank procedures are used here.

The capital cover is derived from commercial law equity, with additional mark-to-market corrections. For instance, hidden charges and reserves, in particular from securities, are deducted if they are negative when balanced. Positive own credit risk effects are not accepted as mitigating factors on the liabilities side. In addition, the expected annual result (viewed on a rolling basis) is deducted if it is negative – a positive result occurring in the course of the year is ignored. As at the reporting date, the capital cover amounted to € 21.0 billion (2019: € 21.0 billion).

The capital cover is compared with the economic capital. It is determined for all the risks identified as material according to the risk inventory and, additionally, for the business and cost risk. Economic capital is the relevant risk management parameter of NRW.BANK across all risk types and business units. It forms the basis on which risks are comprised into a Bank-wide figure using a consistent methodology.

NRW.BANK uses a value-at-risk (VaR) concept covering a risk horizon of one year to quantify the individual risks and aggregate them into an overall ratio. A risk horizon of one year is covered here, with a confidence level of 99.9%.

Besides the market risk, the credit risk is one of the key risks at Bank-wide level. It is determined using a credit VaR approach based on the unexpected loss. Expected losses are included as standard risk costs in the expected annual result.

The calculation of economic capital for the market risk is based on a mark-to-market VaR approach. The sensitivities used for the VaR calculation take into account

general and specific interest rate risks, currency risks and volatility risks (in particular also the mark-to-market general interest rate risks from housing promotion and the specific interest rate risks in the capital investment business). Market risks that take effect under HGB accounting are largely secured except for dispositive peaks.

The liquidity risk takes into account changes in NRW.BANK's funding spread that are relevant for the HGB income statement, as an increase in funding costs leads to higher expenses. The risk is derived from the change in the funding spread.

Economic capital for operational risk is determined in accordance with the Basel basic indicator approach, taking into account gross earnings of the last three years. It is calculated once a year and then remains unchanged for the entire year.

The pension risk is determined by means of a scenario analysis, which takes into account changes in the statistical assumptions regarding invalidity and mortality which could lead to an increase in pension obligations. It is calculated once a year and then remains unchanged

for the entire year. Interest rate risks relating to pension obligations are incorporated into the market risk.

For the business and cost risk, a general risk amount is determined on the basis of a simplified method. The economic capital is derived conservatively by considering negative deviations from the planned result for the year. It is calculated once a year and then remains unchanged for the entire year.

More detailed information on the individual risk types and the methods used for their calculation under the economic perspective is provided on the following pages of the Risk and Opportunity Report.

Bank-wide economic capital is determined by way of an addition of the economic capital of the risk types without taking diversification effects into account. It totalled € 9.1 billion (2019: € 9.0 billion) as at the reporting date.

The limit for the economic capital at Bank-wide level is equivalent to the capital cover. It is allocated to the main risk types and business units as part of the annual strategy process, less a limit reserve. This ensures that

risk capital is available to achieve the planned income and that the risks are limited at the same time. Utilisation of the limits is determined daily (for individual risk types) and monthly (across all risk types). The limits were met at all times in the fiscal year.

In addition to capital management, liquidity management is carried out using the liquidity gap analysis, which covers future cash flows in individual maturity ranges.

In order to minimise the uncertainties resulting from the models of the economic perspective, especially the statistical processes of the value-at-risk approach, NRW.BANK takes various measures to validate the data used as well as the risk results that are determined. In addition, the normative perspective validates the adequate forecasting quality of the capital planning process.

5.4.3 Stress Tests

The risk management concept is supplemented by Bank-wide stress and scenario analyses that take into account the interplay between the normative and economic perspectives. The analyses are carried out

quarterly as well as on an ad-hoc basis. The analyses are designed to review the individual risk potential of the Bank with regard to unusual but plausible possible events in order to ensure the adequacy of the capital and liquidity position and thus the continued existence of the Bank even in the event of adverse developments.

An integrated approach is applied, which consistently interlinks the material risks and takes into account the main Bank-specific features, such as the composition of the portfolio and risk concentrations. The stress scenarios examine the combined effects of a deterioration in borrowers' creditworthiness (rating downgrades, increases in probabilities of default and loss given default) and of changes in market data (interest rates, credit spreads). Pension and operational risks are additionally taken into consideration. Usually one historical and three hypothetical scenarios are analysed.

Historical scenarios translate past crises to the current portfolio. For this purpose, NRW.BANK uses a scenario that reflects changes in risk parameters during the European government finance crisis of 2011.

Hypothetical scenarios are developed by the Bank on the basis of market analyses and expert estimates. The

scenarios analysed include, for instance, an assumed increase in the risk factors relevant to the sovereign portfolio or a severe economic downturn.

The scenario analyses are complemented by inverse stress tests. Inverse stress tests examine which events could potentially jeopardise the Bank's ability to survive.

The effects of the scenarios are quantified for the indicators of the normative and the economic perspective. According to the definition of the perspectives, changes in risk parameters occur over a three-year scenario horizon in the normative perspective and on an ad-hoc basis in the economic perspective.

In the normative perspective, changes in the capital ratios in all scenarios are essentially due to an increase in the total risk amount as a result of rating downgrades. The impact of simulated effects on the income statement can be offset by the high allowance reserves, avoiding a reduction in own funds.

Under the economic perspective, credit risks and market risks play an equally important role in the stress tests. Under stress, the capital cover reacts very sensitively to changes in market data.

As part of the ILAAP, the liquidity ratios "LCR" and "NSFR" are included in the stress tests. They vary little in the scenarios as a result of the assumed deterioration in market data and rating downgrades.

Current topics are taken up within the framework of event-related stress tests. In the past fiscal year, the focus here was on the coronavirus pandemic and climate risks. The coronavirus stress test examined the economic impact of a severe economic downturn triggered by an intensification of the pandemic. In another event-related stress test, the transitory and physical risks posed by climate change were analysed for three alternative scenarios. The scenarios were based on regulatory publications and varied in their impact on different countries and sectors.

On balance, the adverse scenarios analysed do not indicate any additional capital or liquidity requirements.

5.4.4 Capital and Liquidity Adequacy

NRW.BANK has sufficient risk-bearing capacity both under the economic and the normative perspective. The Bank-wide limits for risk-bearing capacity agreed between the Managing Board and the Bank's responsible bodies in the context of the strategy process have been

met. Overall, the Bank's risks are manageable and are within the Bank's defined risk appetite. NRW.BANK's business performance is currently not subject to any special risks. The adverse scenarios analysed do not indicate any additional capital requirements in the future. This means that the Bank's business model is sustainable also over multi-year periods of stress. The capitalisation of NRW.BANK is adequate under both perspectives.

Liquidity is adequate both under the economic and the normative perspective. The liquidity limits have been complied with. There are no signs of restrictions even in stress scenarios. On balance, the liquidity risks are manageable.

5.5 Credit Risk

5.5.1 Definition

The credit risk describes the risk of a counterparty being partly or fully unable to meet their contractual obligations towards NRW.BANK. There is the risk of a loss or reduced profit resulting from the full or partial default of a counterparty. This comprises the credit risk from loans, issuers and counterparties, risks result-

ing from equity holdings, migration and concentration risks including the country risk.

NRW.BANK defines the credit risk from loans as the risk of a contractual partner failing to meet its obligations to repay liquid funds (e.g. loans or money market transactions).

The issuer risk describes the risk of payment inability of an issuer (e.g. in the case of securities) or a reference counterparty (e.g. credit derivatives).

Counterparty risk means that the default of a contractual partner under a derivatives contract makes it impossible for the Bank to realise an unrealised gain from pending transactions (i.e. up to contractual maturity) if the market conditions have changed in the meantime or that the Bank will face increased replacement costs.

The risk from equity holdings results from the risk of incurring losses from the provision of equity capital to enterprises. NRW.BANK's equity holdings comprise investments which are primarily held in the public interest and were essentially transferred to the Bank

upon its inception as well as investments entered into as part of the Bank's mission as a promotional bank.

The migration risk shows potential value losses resulting from a deterioration in the creditworthiness of a debtor / counterparty. The migration risk partly overlaps with the credit spread risk, which forms part of the market risk.

Concentration risks arise from an uneven distribution of receivables, for example from individual borrowers or in geographical regions. This includes the country risk, in particular. In NRW.BANK's view, a country risk exists where the Bank has an exposure to customers headquartered outside Germany. This definition covers all aspects of the country risk (creditworthiness, transfer and economic risks).

5.5.2 Methods

Factors playing a key role in the calculation of the credit risk include the amount of the exposure, the probability of default and the loss given default of each debtor. These parameters form the basis for managing the risk at the level of each individual exposure and at a Bank-wide level.

- The amount of the exposure is the sum total of all relevant amounts that are subject to a risk of default. In the case of loans, this is the remaining capital plus binding payment obligations; in the case of securities, it is the higher of the amortised cost price and the nominal value. Credit equivalents are recognised to calculate counterparty risks from derivatives, taking netting and collateral pursuant to standardised framework agreements into account. In addition, credit derivatives are recognised at their nominal value; thereby the purchase of protection reduces the exposure of the respective reference counterparty, while the sale of protection increases it. The total exposure (the credit risk-related amount of the exposure) thus differs from the business volume.
- The probability of default is derived from the debtor's internal rating. For this purpose, NRW.BANK uses differentiated risk classification methods. The portfolios of corporates, financials and real estate clients are classified using rating procedures meeting the requirements of the internal rating based (IRB) approach of the CRR. The ratings for exposures to foreign governments

are determined on the basis of external agency ratings and structured internal plausibilisation. In view of the joint liability scheme and the fiscal equalisation scheme, uniform ratings are used in particular for savings banks and domestic municipalities, respectively. Simplified internal risk classification methods are used for smaller portfolios. Depending on the type of debtor, each rating is assigned a probability of default based on a 26-step scale, so that all debtors are included as risk-relevant in the calculation of the economic capital on a staggered basis.

- The loss given default (LGD) describes the portion of the exposure which would irrecoverably be lost in the case of insolvency proceedings after realisation of potential collateral. Differentiated LGDs are assigned to the exposures depending on the type of debtor. They are determined for housing promotion exposures based on an analysis of own historical data. For other asset classes, they are primarily determined on the basis of external data sources, as there is no statistically significant number of defaults in the Bank's portfolio.

NRW.BANK determines the economic capital for the credit risk on the basis of a credit value-at-risk. The risk horizon is one year, the confidence level is 99.9%.

The credit value-at-risk is calculated according to the formula of the IRB approach under the CRR. Initially, there is only a methodological difference made between the treatment of defaulted and non-defaulted debtors. Through an additional maturities adjustment rating migrations that may lead to additional capital requirements are then also taken into account.

As the IRB approach is based on the assumption of an indefinitely granular portfolio, an additional concentration surcharge is determined on the basis of a simulation process and reflected in the economic capital. As a result, high exposures which either exist separately or are composed of different exposures within an economic grouping make a disproportionate contribution to the risk, which means that the surcharge takes concentrations into account.

In order to further limit concentrations – not only with regard to risks but also regarding income – single

name concentration limits at Group level and cross-borrower concentration limits, especially at country level, are defined for the amount of the exposure.

Besides the economic capital (unexpected loss), standard risk costs (expected loss) are generally taken into account when defining the terms and conditions. This is to ensure upon the closing of a transaction that the expected losses are compensated by corresponding income. Going forward, potential rating migrations in existing business resulting from the coronavirus pandemic will be reflected in a premium.

In the context of the Bank-wide stress tests, various historical and hypothetical scenarios are analysed, which assume deteriorations in the rating quality that are differentiated by asset classes.

The above risk management methods allow NRW.BANK to appropriately monitor credit risks, to identify unbalanced portfolio developments and risk concentrations and to take any measures that may be required at an early stage.

5.5.3 Validation

The risk classification procedures and probabilities of default as well as the loss given defaults are validated at least once per year.

In addition, the methodological assumptions that serve as the basis for the calculation of economic capital are also reviewed annually. For instance, the maturity adjustments implemented to reflect rating migrations are checked for plausibility.

The reviews serve to ensure that the risk calculation remains adequately conservative.

5.5.4 Risk Assessment and Limitation

NRW.BANK uses limits and processes to ensure that the credit risk is limited. On the one hand, there are concentration limits which limit the exposures, especially at individual debtor level, at Group level and at country level as well as at sub-portfolio level. The respective limit utilisation is determined by the amount of the exposure, with new transactions being immediately counted against the limits. On the other hand, there is a Bank-wide and a business unit-specific

limitation of the economic capital under the going concern perspective. The limits take into account both the Bank's risk-bearing capacity and the budgets prepared by the individual business units as part of the strategy process.

Key elements used to monitor the credit risk:

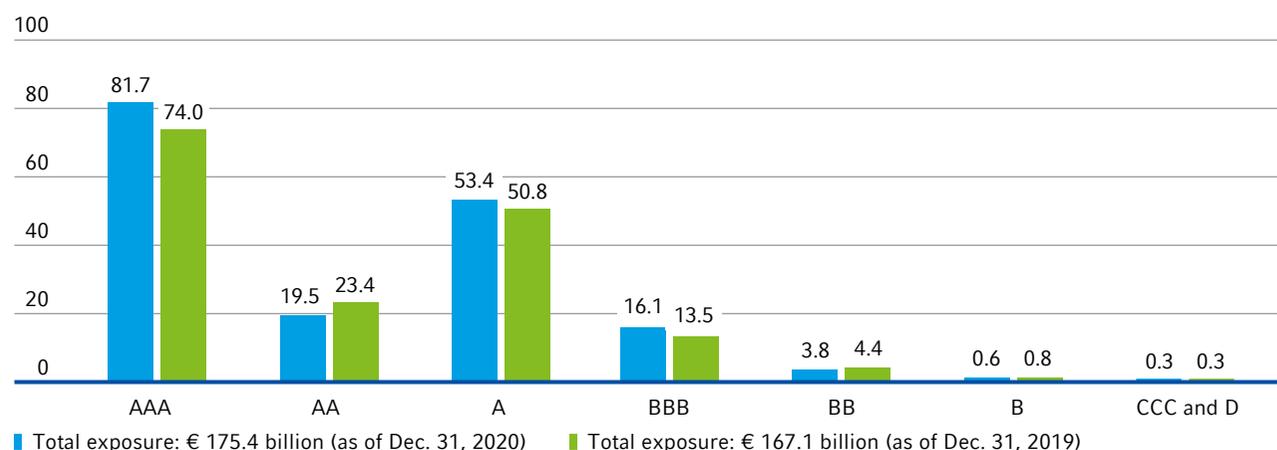
- Event-related bad news process including immediate analysis and decision on individual measures (e.g. rating review, limit adjustments)
- Daily monitoring of single name, group, country and economic capital limits
- Daily monitoring of capital market investments in the context of an early warning system (e.g. changes in credit spreads and ratings)
- At least annual monitoring of individual credit exposures
- Ongoing monitoring of the exposures on the watchlist, which contains intensive care and problem exposures

Suitable escalation processes have been defined for cases where limits are exceeded.

The promotional funds extended by NRW.BANK are either secured or granted according to the house bank principle, which means that the respective portfolio is a low-risk portfolio. Sub-investment grade exposures may be entered into only if this is required by the public promotional mission, e.g. in the promotion of small and medium-sized enterprises, public housing promotion and in the context of the coronavirus aid programmes.

In addition, the Bank holds a portfolio of securities/receivables and derivatives and engages in money market transactions. Derivative contracts are concluded with counterparties with good credit ratings on the basis of standard contracts. New business in this portfolio must always be of investment-grade quality (this corresponds to internal rating AAA to BBB).

Total exposure by internal rating classes incl. derivatives, in € billions



NRW.BANK's total exposure amounts to € 175.4 billion, which represents an increase by € 8.3 billion from the previous year's € 167.1 billion.

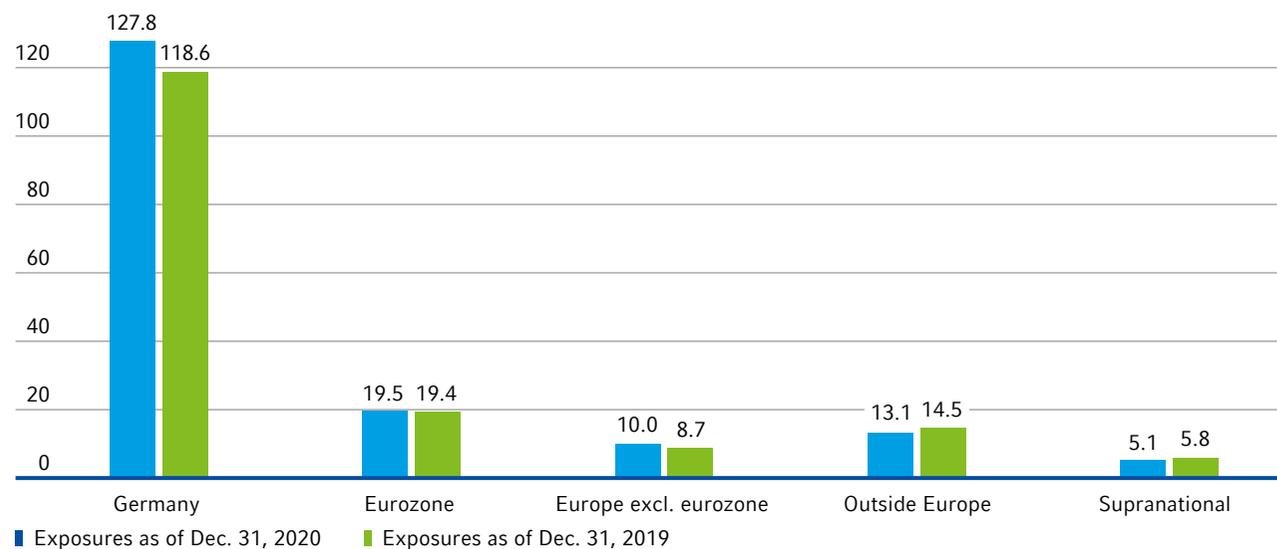
Due to the high proportion of government and domestic municipal loans, most of the ratings remain within the internal rating class AAA. 97.3% of the portfolio (2019: 96.8%) are investment grade exposures.

At € 127.8 billion (2019: € 118.6 billion), exposures in Germany account for the biggest portion of the portfolio (72.9% of the total exposure; 2019: 71.0%). Of this amount, € 84.1 billion (2019: € 77.2 billion) relates to North Rhine-Westphalia; this amount includes direct exposures to municipalities of € 18.6 billion (2019: € 17.7 billion). This concentration is the result of the public promotional mission, because of which the Bank has a special responsibility towards the municipalities and provides them with reliable funding.

As a largely independent promotional bank, NRW.BANK uses the income from its international exposures to fulfil its promotional mission. The international exposure totals € 47.6 billion (27.1% of the total exposure; 2019: € 48.5 billion) and is composed of exposures to European countries in the amount of € 29.4 billion (2019: € 28.1 billion) and of exposures to non-European countries as well as supranational organisations in the amount of € 18.2 billion (2019: € 20.4 billion). The international exposure is focused exclusively on investment-grade countries.

The European exposure comprises investments in the eurozone in the amount of € 19.5 billion (2019: € 19.4 billion) and investments outside the eurozone of € 10.0 billion (2019: € 8.7 billion). The non-European exposures focus on North America with € 7.0 billion (2019: € 8.0 billion), Australia / New Zealand with € 3.3 billion (2019: € 3.6 billion) and Asia with € 2.6 billion (2019: 2.7 billion). Supranational organisations account for a total of € 5.1 billion (2019: € 5.8 billion).

Geographic breakdown of exposures incl. derivatives, in € billions



There are no sub-investment-grade country exposures. As a general rule, no new capital investments are made in these rating classes. The total exposure in countries with lower investment grade ratings (BBB) declined in the course of the fiscal year; a material exposure in this rating category is Italy (€ 1.5 billion;

2019: € 1.8 billion). New burdens faced by the governments or a more pronounced economic slowdown could put the ratings under renewed pressure.

As of the balance sheet date, the securitisation exposures – mostly of investment-grade quality – amounted

to € 3.4 billion (2019: € 3.9 billion). A major portion of the portfolio (62.2%) additionally benefits from a comprehensive state guarantee (e.g. from the US Department of Education). NRW.BANK constantly monitors the credit risk associated with the underlying reference pools of securitisation exposures.

The equity investment business comprises participations in the public interest which are primarily held on behalf of the Federal State of North Rhine-Westphalia and were essentially transferred to the Bank upon its inception as well as investments entered into as part of the Bank's promotional mission. The credit risks arising from the investments are largely based on strategic and operational risks, which are primarily analysed using the corporate data made available for investment controlling purposes. As part of the controlling of investments, results are controlled and plans monitored on a regular basis; in addition, investments are checked for risk-relevant issues. As such, risk management is a systematic and continuous process that enables rapid adaptation to changing conditions. At some of these investments, the Bank is represented through mandates on bodies such as advisory councils, supervisory boards or investment committees and/or attends their shareholder meetings. Moreover, the

investment contracts usually contain regulations which reserve a veto/approval right for NRW.BANK in specific cases.

For some equity investments, the credit risk is reduced due to a strong involvement of the public sector. The promotional business, for instance, has an investment portfolio with a total exposure of € 147.5 million (2019: € 108.9 million) whose credit risk is reduced by a guarantee from the Federal State of North Rhine-Westphalia, which covers 49% of the capital invested in each case.

The € 2.2 billion book value of the investment in Portigon AG, which is held on behalf of the Federal State of North Rhine-Westphalia, is secured by a guarantee from the federal state.

Equity investment exposures are included in economic capital management and reflected in the credit risk.

5.5.5 Economic Capital

As at the reporting date, the economic capital set aside for credit risks amounted to € 2.6 billion (2019: € 2.6 billion).

5.5.6 Risk Provisions

Defined criteria are used to determine whether risk provisions need to be established for credit claims and sureties. Where they are needed, the amount of the required individual allowances or provisions is determined in a timely manner in the course of the year. Thereby, existing collateral is taken into account. In evaluating collateral, the usual methods applied for the valuation of real estate are used for public housing promotion loans. The result is reduced by a discount calculated on the basis of historical data. By contrast, generalised individual allowances are established in public housing promotion as part of managing the Bank's exposure to non-performing loans in the owner-occupier segment (remaining capital of less than € 750 thousand). For latent credit risks, a general value adjustment is made in accordance with IDW RS BFA 7.

In the securities business, the risk provision is calculated on the basis of market information, mathematical models and individual creditworthiness estimates.

Equity investments of NRW.BANK are also regularly checked for the need to establish risk provisions. Where these are required, the book value is written down.

5.5.7 Opportunities

In accordance with its business model and the risk strategy principles, NRW.BANK takes risks only within clearly defined limits. This means that unexpected opportunities arising from potential future developments or events which may lead to a positive deviation from forecasts or targets exist only to a very limited extent.

Opportunities arise, for instance, from rating upgrades of the exposures, which means that less rating-related economic capital needs to be set aside for credit risks. This opens up further investment opportunities with additional income potential.

NRW.BANK determines anticipated losses on the basis of probabilities of default and loss given default and incorporates them in the planning and extrapolation for its result under HGB. There is a possibility that the actual defaults are lower than the anticipated losses. In these cases higher allocations to reserves may be made – as in the previous years – which helps strengthen the capital cover and the risk-bearing capacity.

5.6 Market Risk

5.6.1 Definition

The market risk refers to a potential loss resulting from unfavourable changes in market prices or price-influencing parameters. This definition covers interest rate, foreign exchange rate and volatility risks. Equity risks are assumed by the Bank only temporarily and on a case-by-case basis in the context of its promotional business. As far as the interest rate risk is concerned, a distinction is made between the general and the specific interest rate risk. It comprises both changes in general interest rates and changes in the credit spread of issuer classes and changes in the credit spread of individual issuers (residual risk).

5.6.2 Methods

NRW.BANK manages market risks both for net interest income (income-oriented perspective) and for the economic value of the Bank (value-oriented perspective). In both perspectives, market risks are limited and monitored daily, independent of trading.

NRW.BANK manages the market risks for the economic value using a stress VaR approach. Stress VaR is calculated for daily management at a 95% confidence level for a one-day holding period and takes into account all

risk factors relevant for the portfolio, such as interest rates, foreign exchange rates, implicit volatilities and credit spreads. The observation period is 250 days, with a greater weight placed on incidents in the more recent past.

The EU government financial crisis of 2011 is primarily used as a stress period. This way, the Bank ensures that unfavourable market phases are also taken into consideration. In the investment book and the trading book, the stressed VaR is monitored across all levels from the Bank as a whole down to individual sub-portfolios. The stress VaR for the trading book is fully calculated on the basis of a Monte Carlo simulation. Non-linear products are taken into account via new valuation.

Under this value-oriented perspective, the general interest rate risks from the equity-funded social housing promotional business as well as the specific interest rate risks (credit spreads) are considered in the investment portfolio.

The mark-to-market analysis is complemented by other instruments for managing the HGB income statement (income-oriented perspective), which take more extensive account of the Bank's buy-and-hold strategy and its

focus on HGB net interest income (net interest income based on HGB sensitivities).

Under this approach, all market risks which may influence the HGB income statement are taken into account. In the investment portfolio, this may include potentially open interest or foreign exchange rate positions resulting from assets and liabilities with different fixed interest periods or currencies which have not yet been hedged on a nominal value basis in the context of asset/liability management. For the trading portfolio and the liquidity reserve, all relevant risk types are additionally measured on a mark-to-market basis. Accordingly, temporary fluctuations in market value are taken into account in the HGB income forecast for the trading portfolio and the liquidity reserve.

In contrast to a mark-to-market VaR concept, the focus is not on the mark-to-market sensitivities but on the sensitivities of the HGB result. To limit the risks to the result under commercial law, HGB market risks are limited on the basis of HGB sensitivities and HGB stress tests.

Above and beyond the day-to-day management of the interest-bearing business, strategic interest rate risks from pension obligations (incl. benefit obligations) and

participations in the public interest are considered. Strategic interest rate risks from pension obligations result from the Bank's strategic decisions regarding the capital investment of pension provisions in cases where the maturity of the investment does not exactly match the payment profile. There is a risk that the interest income generated from the investment needs to be complemented by other operating income to meet all pension obligations. In addition, strategic interest rate risks include risks from participations in the public interest if the term of the refinancing differs from the assumed term of the investment.

Under both perspectives, the calculation of the key figures is supplemented with daily stress scenario computations. In this context, hypothetical scenarios are considered for interest rates, foreign exchange rates, implicit volatilities and credit spreads. In addition, the effects of changes in interest rates and credit spreads are examined for historical scenarios. The standardised stress scenarios are supplemented if needed with individual, situational considerations tailored to the risk structure of the Bank's portfolio. Moreover, the analysis of the sensitivities and risk concentrations from the above risk factors is an integral element of daily market risk measurement.

5.6.3 Validation

Daily backtesting is used to check the quality of the VaR projection. In this context, the losses projected by the VaR model are compared with the changes in the result. Here, the Bank uses clean backtesting without ageing. This means that only changes in the result that are due to changes in market data are taken into account.

When the backtesting approach for internal market risk models accepted by the regulatory authorities pursuant to the CRR is applied to NRW.BANK's backtesting, the model is generally within the statistically expected range. The regular daily, monthly and annual processes conducted to review the parameters and assumptions confirmed the validity of the model.

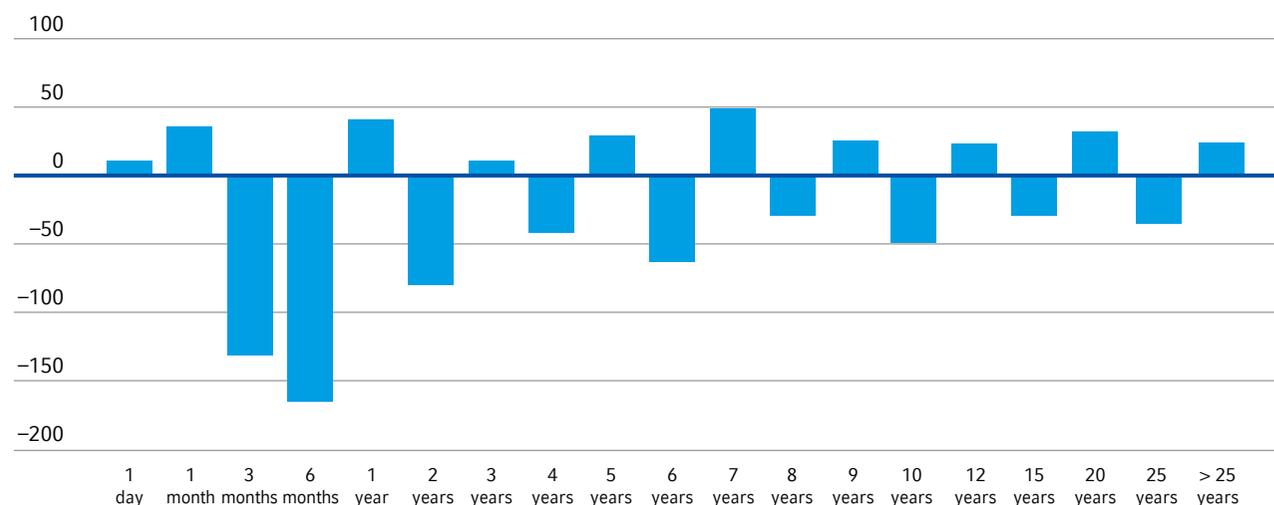
5.6.4 Risk Assessment and Limitation

The focus of the market risks under a mark-to-market perspective is on general and specific interest rate risks in the investment portfolio. The resulting market value fluctuations are not reflected in profit/loss in the HGB income statement, provided there is no permanent impairment. As investments in the investment portfolio are made with the intention of being held to maturity, the hedges used by the Bank relate to the nominal value at maturity. Accordingly, there are only minor

fixed-interest-period and currency mismatches under the income-oriented perspective with daily management, which are limited by the HGB sensitivities for the risks of all future fiscal years as well as for the current and the next three fiscal years. This is complemented by mark-to-market VaR limitation. The Bank also has minor active positions in the trading portfolio. These are limited by a separate limit for the trading portfolio. All limits were met at all times in the fiscal year.

Due to the hedges in place, there are no material fixed-interest-period mismatches at Bank-wide level under the income-oriented perspective (the following graph shows sensitivities of max. € 49 thousand and min. € -165 thousand).

HGB interest rate sensitivities (excl. strategic interest rate risks, all periods) to a 1 bp interest rate hike in € thousands as of Dec. 31, 2020



In addition, HGB interest rate sensitivities from strategic interest rate risks for pension obligations and participations in the public interest for the current and the next three fiscal years in the amount of € +103 thousand were considered in the risk measurement as of December 31, 2020.

Currency risks also play only a minor role for the HGB result. They are extensively hedged using derivatives, which means that the HGB result is essentially exposed only to the currency risk on the interest margin generated.

The table below shows the stress test results (based on regulatory stress tests) for market risks under the income-oriented perspective over the course of the year.

HGB stress tests for market risks – total

| | March 2020 € millions | June 2020 € millions | September 2020 € millions | December 2020 € millions |
|------------------------------------|--------------------------|-------------------------|------------------------------|-----------------------------|
| Short-term downward shock | 52 | 44 | 36 | 15 |
| Short-term upward shock | -59 | -114 | -100 | -54 |
| Steepening | -1 | 29 | 28 | 15 |
| Flattening | -6 | -69 | -59 | -43 |
| Parallel downward shift | 51 | 44 | 36 | 15 |
| Parallel upward shift | -181 | -158 | -143 | -43 |
| FX +30% (depreciation of the euro) | 33 | 29 | 24 | 19 |
| FX -30% (appreciation of the euro) | -33 | -29 | -24 | -19 |

The results of the stress tests show the potential impact on the Bank's current results over the next four fiscal years. The effects are minor due to the limited interest rate and currency mismatches on a nominal value basis.

5.6.5 Economic Capital

In calculating economic capital, market risks are taken into account on a mark-to-market basis with a uniform

confidence level of 99.9%. Moreover, a risk horizon with a holding period of 125 days is considered, which results from the differentiated analysis of different holding periods per asset class and the corresponding liquidity. The latter reflects the possibility to take risk management measures, e.g. by reducing risk positions in the event of an unfavourable market trend. The economic capital for market risks is determined from a stress VaR with stressed correlations and volatilities.

This way, the Bank ensures that the calculation of economic capital also reflects unfavourable market phases.

The economic capital for market risks results, in particular, from general interest rate risks of the housing promotion loans. These are funded with own equity funds. To comply with MaRisk, the own equity funds used to fund housing promotion loans may not be taken into account in the risk calculation. In calculating the mark-to-market market risk, the MaRisk thus imply that housing promotion loans are funded fully mismatched with overnight deposits. This results in a high assumption-based interest position. In addition, economic capital includes all mark-to-market strategic interest rate risks and all credit spread risks of the investment portfolio, although any resulting fluctuations in the market value are usually not recognised in profit/loss in NRW.BANK's HGB income statement. As at the reporting date, the economic capital set aside for market risks amounted to € 6.0 billion (2019: € 6.1 billion).

5.6.6 KWG Interest Rate Shock

The potential effect of a sudden and unexpected interest rate change in the investment book defined by BaFin circular 6/2019 (regulatory interest rate shock) of currently +/-200 basis points as well as the other six interest rate shock scenarios as early warning indicators are dominated by the above-mentioned

assumption-based interest position of the housing promotion loans. As of December 31, 2020, the negative change in the present value of the Bank's investment book resulting from an assumed +200 bp interest rate shock amounted to 19.2% of the regulatory equity capital (2019: 20.9%).

The interest rate sensitivity of the housing promotion loans that dominates the stress calculations results from the fact that they are funded with equity. When assessing the Bank's potential sensitivity to the postulated interest rate shock, equity funds must be modelled as maturity mismatched refinancing funds payable on demand according to regulatory requirements.

Besides calculating the effects of the interest rate shocks on the present value, the Bank also calculates the effects of interest rate changes on the HGB result under the income-oriented perspective. In contrast to the above-described particularities of housing promotion under the mark-to-market perspective, interest rate risks under the income-oriented perspective are negligible at 0.7% of the Bank's own funds.

5.6.7 Opportunities

The aim of NRW.BANK's asset/liability management is to generate a fixed interest and commission margin with regard to the HGB income statement. This entails low market risks, which limit the respective opportuni-

ties in the investment portfolio. The biggest opportunities therefore lie in the development of the rates for future new business on the asset and the liability side and not in additional gains from mismatched interest and currency positions. In the trading portfolio, further opportunities are also ruled out due to the existing limit. This means that opportunities for generating additional HGB income from market risk positions play only a minor role. From a mark-to-market point of view, market price fluctuations lead to changes in unrealised profit and losses. In the investment portfolio, these are regarded as temporary value fluctuations – provided that they are not permanently impaired. Because of the buy-and-hold strategy, realised net gains in the investment portfolio exclusively result from portfolio-enhancing measures.

5.7 Liquidity Risk

5.7.1 Definition

The liquidity risk as part of the ILAAP includes, in particular:

- the risk of being unable to meet payment obligations at maturity (liquidity risk in the narrower sense)
- the risk of being unable to provide sufficient liquidity at the anticipated conditions (funding risk) when needed and

- the risk of being unable to unwind or liquidate transactions or to do so only at a loss because of insufficient market depth or market disruptions (market liquidity risk)

5.7.2 Methods

The liquidity risk is managed centrally at NRW.BANK to ensure liquidity across the entire Bank at all times.

The risk of insolvency and the funding risk are monitored daily on the basis of a liquidity gap analysis and its limitation. The liquidity gap analysis (in EUR and foreign currency) is prepared and analysed each day independently of trading units. It reflects the contractually agreed (deterministic) inflows and outflows of cash for each day until the final cash flow occurs (incl. interest cash flow and off balance sheet transactions).

For stochastic cash flows (e.g. termination rights or early redemption), conservative assumptions are made in such a way that negative effects are assumed for NRW.BANK. Moreover, no (fictitious) new business is reflected or modelled in the liquidity gap analysis; e.g. there is no prolongation of unsecured and secured funding.

In 2020, the funding risk as the income risk for the HGB result was complemented by a further component. Besides the risks from planned issuing activities, long-

term liquidity mismatches are also taken into account in the ICAAP and limited within the framework of the risk-bearing capacity. In the ICAAP, the funding risk is now based on the planned issue volume of the next twelve months as well as on existing and required long-term refinancing funds with a (remaining) term of more than ten years. For these positions, the funding risk is derived from an increase in the own credit spread. The Bank's existing liquidity buffer means that funding risks are mitigated as it permits secured funding independent of the Bank's own credit spread.

In addition, the funding base is diversified in terms of investor groups, regions and products, which helps minimise the funding risk.

The market liquidity risk is of minor importance for NRW.BANK, as the investment portfolio only consists of positions held in accordance with the buy-and-hold strategy. Accordingly, temporary market liquidity fluctuations are not relevant for the HGB income statement, as the focus is not on short-term profit generation by way of a sale. Sales of investments held in the investment portfolio serve to optimise the portfolio in the context of portfolio management and are not directly related to the generation of liquidity.

According to the risk inventory, the market liquidity risk from securities held in the liquidity reserve and the trading portfolio is not material, as the securities holdings are relatively small.

An analysis of the market liquidity risk that goes beyond the analysis of the market risk is performed in the form of a regular analysis of the short-term liquidity to be generated from the securities portfolio. In addition, it is reflected in the liquidity risk limitation in the form of haircuts on the calculated liquidity potential.

5.7.3 Risk Assessment and Limitation

Because of the explicit funding guarantee extended by NRW.BANK's guarantor and its correspondingly good rating, the Bank can generate the required liquidity at short notice. The Bank usually funds itself in the money and capital markets.

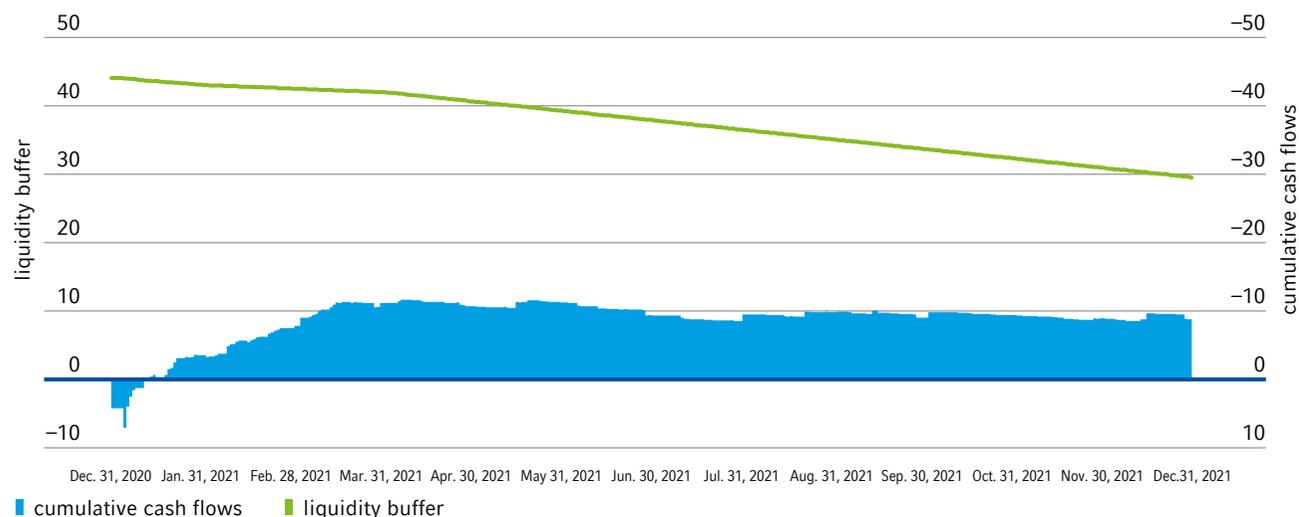
To ensure it is able to meet its payment obligations at all times, the Bank additionally holds a substantial portfolio of liquid ECB/repo-eligible securities as well as ECB-eligible credit receivables. Regardless of the buy-and-hold strategy, the securities may be used in the repo market or for ECB open-market transactions with a view to generating liquidity. Sales of securities

in the investment portfolio are therefore not required for this purpose.

To limit liquidity gaps, a limit system graded according to maturities is in place, which is based on the MaRisk requirements for assets to be held as liquidity buffer even in a stress scenario (up to one week: highly liquid securities that can be liquidated in private markets without significant losses at any time and that are ECB-eligible; up to one month: unencumbered ECB-eligible securities and unencumbered securities deposited with the Bundesbank). The limit system also requires liquid securities for observation periods of more than one month. The liquidity buffer is thus an important element of the system for liquidity gap limitation. In addition, there are further funding possibilities of the money and capital markets, which are reflected in the limit system in a second step, with haircuts being applied.

Due to the above-mentioned limit system, NRW.BANK's ability to meet its payment obligations is secured by the freely available portfolio of ECB-eligible receivables and the unused ECB line even without external capital market funding. Netted with cash inflows and outflows, there is a significant liquidity buffer for the 1-year period that is most relevant for risk management.

Liquidity gap analysis of NRW.BANK in € billions



The limit system ensures that liquidity gaps are at all times covered by the liquidity buffer, especially in the short-term segment.

Idiosyncratic, market-wide and combined stress tests are also performed in the context of liquidity management. These stress tests take into account crisis-specific effects on payments, the liquidity buffer maintained by the Bank as well as the limit utilisation. The following is simulated in the context of the stress tests:

- defaults of material borrowers,
- outflows under collateralisation agreements,
- reduced liquidity potential from ECB-eligible securities due to rating changes and
- reduction in the collateral value of ECB-eligible securities and credit receivables.

The results are analysed at least on a monthly basis. Even assuming these stress scenarios, NRW.BANK is able to meet its payment obligations at all times. In

addition, the HGB result is subjected to stress tests in the form of rising costs from USD exchange rate hedges.

Liquidity risk management also incorporates compliance both with the German Liquidity Regulation and with the regulatory requirements regarding the minimum reserve. These conditions were met at all times in the fiscal year.

5.7.4 Economic Capital

The economic capital for liquidity risks amounted to € 174.1 million as at the reporting date (thereof € 29.0 million for the planned issue volume, 2019: € 15.7 million, as well as € 145.0 million for the long-term funding risks considered for the first time).

The parameters and assumptions of the model are reviewed regularly in the context of various daily, monthly and annual processes.

5.7.5 Funding Structure

As a state-guaranteed promotional Bank, NRW.BANK continued to experience strong demand for its debt in the fiscal year. NRW.BANK catered to investors' need for state-guaranteed, liquid bonds and again consolidated its market presence with further benchmark issues. The issues were subscribed by a broad base of national and international investors.

The funding transactions with domestic investors are dominated by bearer bonds, note loans and registered bonds.

NRW.BANK also used its international funding programmes for its funding operations. These essentially comprise the Debt Issuance Programme, which covers medium and long-term maturities, and the Global Commercial Paper Programme, which covers maturities of up to twelve months. The GCP Programme constituted a particularly favourable source of funding for NRW.BANK throughout the fiscal year. In addition, NRW.BANK used the European Central Bank's Targeted Longer-Term Refinancing Operations (TLTRO III) for the first time.

5.7.6 Opportunities

NRW.BANK continues to attract strong demand from investors thanks to its status as a promotional bank and the funding guarantee granted by the Federal State of North Rhine-Westphalia. It therefore expects the funding environment to remain favourable in 2021 for the planned long-term funding volume of € 11 to 14 billion. Additional opportunities may arise for the coverage of short-term liquidity, which may take place in different money market segments, depending on the financial market situation.

5.8 Operational Risk

5.8.1 Definition

Operational risk comprises risks in systems or processes, specifically resulting from human or technical failure, external events or legal risks resulting from contractual agreements or applicable law.

5.8.2 Methods

The framework for operational risk management at NRW.BANK incorporates both qualitative and quantitative aspects. Quantitative management of the economic capital is based on the basic indicator approach, while qualitative management is based on the MaRisk requirements.

By using a combination of decentralised and centralised risk management and risk monitoring, the Bank ensures that management can respond promptly as needed and that the Managing Board can simultaneously take the necessary decisions based on the Bank's overall risk profile.

Since 2004, NRW.BANK has collected information on losses and loss-free risk events in a central risk event database and categorised them in accordance with the Basle event categories. The data collection serves

as the basis for the assessment of operational risks at NRW.BANK. The results of the annual forward-looking self-assessments and the findings resulting from scenario analyses and from the monitoring of risk indicators are also included in the overall assessment of the risk situation.

Comprehensive, business process-oriented emergency plans exist for particularly mission-critical events such as a major loss of staff, breakdown of a bank building or a computing centre. The contingency plans cover all areas and are designed to prevent high financial and reputational risks.

The Bank's insurance cover is reviewed regularly to ensure that it is appropriate.

NRW.BANK uses standardised contracts to minimise legal risks from transactions. Deviations from standardised contracts and individual transactions are approved by the Legal business unit. The Bank is currently not involved in any significant pending proceedings.

Operational risks are mitigated by, among other things, the instructions in the written orders as defined in the internal control system (ICS). These comprise all processes, methods and control measures ordered by the

Managing Board which serve to ensure the proper and safe functioning of the operational processes. The ICS comprises general principles and requirements for working and behavioural practices, e.g. the four-eye principle, but also specific process-related instructions. In the event of material changes in the structural and operational organisation as well as in the IT systems, the business units involved in the downstream workflows as well as the Risk Control function, the Compliance function and Internal Audit analyse the effects on the control procedures and the intensity of control.

Human resources risks are initially managed in the context of regular human resources planning. HR-related measures are implemented in close consultation between the respective business units and the Human Resources business unit. As part of the observation of risk indicators, indicators, e.g. regarding staff turnover or further training, are monitored in order to respond to undesirable developments at an early stage.

Operational risks in NRW.BANK's IT environment are managed on the basis of the IT strategy. The written instructions include rules for the use, procurement and development of hardware and software, with the main emphasis on compliance with the necessary security standards and business continuity. Appropriate autho-

risation concepts and processes additionally have a risk-mitigating effect. Contingency plans exist for the breakdown of all critical IT systems. In addition, extensive security measures are in place to protect the Bank against cyber risks, i.e. the unauthorised access to computers or network systems (e.g. hacking, data theft, virus attacks).

Risks that may result from the outsourcing of material business activities are mitigated by an established audit and monitoring process, which primarily consists of a detailed risk analysis as the basis for a possible outsourcing decision to limit outsourcing risks.

In addition, the Bank effectively mitigates potential risks related to (MaRisk and WpPHG) compliance, money laundering and financing terrorism as well as other criminal acts. Bank-wide security procedures, processes for the reporting of suspicions, regular risk analyses as well as self-assessments serve to manage and limit the potential risks arising in conjunction with these topics.

5.8.3 Risk Assessment and Limitation

In the context of the identification and assessment of risks, all losses and risk events are analysed for their causes (including the observation of early warning indicators). Regardless of the current amount of the

risk or the risk potential, this is done to ensure that countermeasures can be taken at an early stage if similar events occur.

NRW.BANK performs self-assessments of all operational risks to which the Bank may be exposed. Risks are assessed separately for relevance (probability of occurrence) and frequency.

Neither the operational risk losses and loss-free risk events identified in the reporting year nor the findings from the self-assessments and the observation of early warning indicators have revealed any risks that could jeopardise the existence of the Bank.

The economic capital for operational risks is determined annually in accordance with the basic indicator approach. As the economic capital allocated to cover potential losses thus remains constant throughout the year, no distinction is made between limit and utilisation.

5.8.4 Economic Capital

As at the reporting date, economic capital set aside for operational risks amounted to € 110 million (2019: € 110 million).

5.9 Pension Risk

5.9.1 Definition

Pension risk relates to the risk that there is a need to increase the pension provisions.

Pension obligations may increase primarily as a result of changes in the statistical assumptions regarding invalidity and mortality. This is considered as the pension risk in the calculation of economic capital. Strategic interest rate risks related to pension obligations are included in the market risk. In addition, risks resulting from a change in interest rates are considered in the capital cover.

5.9.2 Methods

The calculation of the pension provisions requires the actuarial determination of cash flows reflecting future changes in payment obligations over time.

With regard to the period during which pensions are received, invalidity and death must be modelled in the cash flows. This is done on the basis of actuarial mortality tables (acc. to Heubeck), which are generally accepted for Germany and approved by the tax authorities.

For the mortality tables, no historical changes covering sufficiently long periods are available from which the volatilities required for a VaR model can be derived. This is why the risk of changes in the statistical assumptions regarding invalidity and death is quantified using a scenario analysis in which the cash flows increase based on the assumption of a growing life expectancy. In addition, the probabilities of invalidity are modified as well. To quantify the risk, the scenario showing the strongest impact on the Bank is applied.

5.9.3 Risk Assessment and Limitation

The pension risk comprises the obligations towards both NRW.BANK's own employees and the employees of Portigon AG employed under a dual contract.

Economic capital is calculated once a year. As this means that it is constant throughout the year, the Bank makes no distinction between limit and utilisation.

5.9.4 Economic Capital

As at the reporting date, economic capital set aside for pensions risks amounted to € 140 million (2019: € 110 million).

5.10 Business and Cost Risk

5.10.1 Definition

Business risk describes the risk of changes in the economic environment (market and/or demand) or the legal (incl. tax) environment as a result of which income may be reduced. Cost risk means that the planned personnel and operating expenses are exceeded or that unplanned costs become effective. A cost risk could arise, for instance, as a result of projects that are not foreseeable today, e.g. in the context of the national and European banking supervision or accounting.

The business and cost risk was classified as non-material in the risk inventory. This risk is nevertheless backed by economic capital to ensure comprehensive management of the risk-bearing capacity.

5.10.2 Methods

A general risk amount is defined on the basis of a simplified procedure for a one-year risk horizon, which is consistent with other risk types. For this purpose, the deviations from the projected balance of income and administrative expenses are determined for the fiscal years since the inception of the Bank. From the negative deviations, mean and standard deviations are

determined, from which the economic capital at the chosen confidence level is derived.

5.10.3 Risk Assessment and Limitation

Developments from which business and cost risks may arise are analysed on a regular basis. This includes, in particular, a review of the internal and external premises on which the strategy of NRW.BANK is based. If required, adjustments are implemented in the context of the strategy process, for which the Managing Board is directly responsible.

Economic capital is calculated once a year. As this means that it is constant throughout the year, the Bank makes no distinction between limit and utilisation.

5.10.4 Economic Capital

Economic capital set aside for the business and cost risk amounted to € 60 million as at the reporting date. No changes have occurred compared to the previous year.

5.11 Sustainability Risk

5.11.1 Definition

The sustainability risk is defined as the risk of financial losses or reputational damage due to events or condi-

tions that have occurred in the environmental, social or governance fields. The sustainability risk comprises both negative impacts of NRW.BANK's business activities on the environment and society ("inside-out") and possible impacts on NRW.BANK's risk positions due to environmental, social and governance challenges ("outside-in").

5.11.2 Risk Assessment and Limitation

Being a risk relating to and covering all risk types, the sustainability risk is not a risk type in its own right, but can be summarised as a risk driver under the aforementioned material risk types and thus be reflected through the latter. In the Bank's Sustainability Guideline, the sustainability risk is already reflected in criteria for the granting of and exclusion from promotional loans and capital market investments.

5.12 Reporting

In accordance with the MaRisk provisions, the Risk Control business unit ensures market-independent and regular reporting to the Managing Board and the Risk Committee.

Daily reports are produced for the Managing Board both on Bank-wide level and for the capital market business. These include risk positions and trading

results as well as all cases where limits for market risks and liquidity risks as well as counterparty and issuer limits are exceeded.

As a general standard, the monthly risk report – which was complemented by a weekly reporting format during the first phase of the coronavirus pandemic – covers the following topics: Bank-wide risk management, credit risks, market risks, liquidity risks, operational risks and profit performance. It forms the basis for the discussion of the risk situation in the ALCO and the Credit Committee. Besides the standardised content, the report covers risk-relevant special topics as required. Every quarter, it covers the Bank-wide stress tests across all risk types as well as sustainability risks.

The quarterly reports to the Risk Committee are based on the monthly reports that are relevant for the quarter; while the level of detail is reduced with a view to the recipients, all material aspects are addressed. In addition, the Risk Committee is currently informed on a monthly basis about the Bank's current risk situation in the context of the coronavirus pandemic. In addition, extraordinary events which are material from a risk perspective immediately trigger an (ad-hoc) report.

6 Internal Control System Relevant for the Financial Reporting Process

NRW.BANK's internal control system (ICS) is to ensure that the financial statements present a true and fair view of the net worth, financial position and result of operations of the Bank in accordance with applicable legal provisions and standards. It primarily comprises regulations governing the organisational and operational structure and makes a clear distinction between responsibilities as well as processes, procedures and measures to ensure the appropriateness and reliability of internal and external accounting.

The Managing Board of NRW.BANK is responsible for the creation and effective maintenance of an appropriate accounting-related internal control system. Responsibility for implementation rests with the Finance business unit in cooperation with Business Support and Risk Control.

Accounting-related business events are mostly handled locally. All accounting-relevant events are initiated in IT systems. The respective business units are responsible for full and proper capture and for implementing and documenting the required controls. Bank-wide functional responsibility for the accounting rules, the booking system, accounting and the definition of the

valuation principles rests with the Finance business unit. This ensures that consistent accounting and valuation principles are applied within NRW.BANK even where business transactions are recorded locally. Risk Control is responsible for the trading-independent valuation and results analysis.

In the context of the Management Information System, a standardised report on the income statement, the cost centre statement, total assets, the business volume and the planning process is usually sent to the Managing Board each month to ensure timely reporting. The Managing Board regularly informs the Supervisory Board and its committees about the current business situation.

The financial statements are prepared by the Finance business unit and drawn up by the Managing Board. In accordance with the Statutes, the financial statements are endorsed by the Board of Guarantors. The accounting documents for the 2020 reporting year will be the first to be disclosed on the Bank's website in accordance with the European Single Electronic Format (ESEF) for annual financial reports. In addition, they will be published in the electronic Federal Gazette within the statutory periods.

On the basis of legal standards, especially of the German Commercial Code (HGB) and the "Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute" (Ordinance on accounting by banks and financial institutions – RechKredV), NRW.BANK's accounting process is described and laid down in manuals and work instructions. These written orders are updated on a regular basis. All employees have direct access to the corresponding manuals via NRW.BANK's intranet. Compliance with the manuals is mandatory.

The Finance business unit examines all new legislation for its potential relevance to the Bank's accounting process. Necessary adjustments to processes and manuals are implemented in a timely manner. The management and monitoring of new products are coordinated by the Risk Control business unit in a standardised process. In this context, an accounting-related analysis of the products and the associated risks is carried out with a view to ensuring accurate accounting.

The front-office business units are functionally and organisationally separated from the business units responsible for settlement, monitoring and control as well as accounting. This separation is also reflected in

the responsibilities of the individual Managing Board members. The authorities and responsibilities are laid down in detail in the individual specialist units. Employees involved in accounting-relevant processes have the knowledge and experience required for their respective tasks. Where required, external experts are called in for certain calculations, e.g. the measurement of pension obligations.

Besides the minimum requirements of the four-eye principle, the use of standard software is a key element of the accounting-related internal control system. The software is protected against unauthorised access by means of authorisations reflecting users' competence levels. In addition, system-immanent plausibility checks, standardised coordination routines and target/actual comparisons serve to check completeness and avoid and identify errors. For instance, the figures determined in the accounting process are additionally checked for plausibility on a monthly basis by means of comparisons with prior-year figures and planning figures and on the basis of the actual business trend. Inconsistencies are addressed jointly by the external and internal accounting departments.

The Supervisory Board establishes an Audit Committee from among its members. In accordance with the Statutes and the Public Corporate Governance Code of NRW.BANK, the Audit Committee addresses matters such as accounting-related issues, the selection of the auditors and the verification of their independence, the commissioning of the auditors to carry out the audit, the definition of focal points for the audit, the auditor's fee and the approval of the permissible non-audit services of the auditor.

The auditor is appointed by the Board of Guarantors at the recommendation of the Supervisory Board/Audit Committee.

The auditor participates in the Supervisory Board's and the Board of Guarantors' consultations regarding the financial statements and reports on the key results of the audit.

In addition, Internal Audit regularly audits the functionality of the accounting-related ICS in a process-independent manner and provides the Managing Board and the Audit Committee with adequate information about the results of the audit.

Balance Sheet

of NRW.BANK at December 31, 2020

Assets

| | see Notes No. | € | € | € | Dec. 31, 2019 |
|--|-----------------------------|-------------------|--------------------------|---------------------------|---------------|
| | | | | | € thousands |
| 1. Cash | | | | | |
| a) cash on hand | | | 9,809.72 | | 19 |
| b) balances with central banks | | 4,301,342,655.12 | | | 1,917,916 |
| thereof: with Deutsche Bundesbank € 4,301,342,655.12 | | | | | (1,917,916) |
| | | | 4,301,352,464.84 | | 1,917,935 |
| 2. Receivables from banks | 1, 11, 23, 26, 27 | | | | |
| a) payable on demand | | | 4,969,641,401.24 | | 3,584,180 |
| b) other receivables | | | 41,367,880,025.36 | | 39,546,139 |
| | | | 46,337,521,426.60 | | 43,130,319 |
| 3. Receivables from customers | 2, 11, 23, 26, 27 | | | 60,410,488,946.70 | 59,133,097 |
| thereof: secured by mortgages € 1,029,827.22 | | | | | (2,082) |
| loans to public authorities and entities under public law € 42,293,289,044.83 | | | | | (39,832,598) |
| 4. Bonds and other interest-bearing securities | 3, 8, 12, 23, 26, 27 | | | | |
| a) bonds and notes | | | | | |
| aa) of public institutions | | 21,135,124,615.09 | | | 18,471,460 |
| thereof: eligible as collateral for Deutsche Bundesbank advances € 17,758,378,494.29 | | | | | (14,968,862) |
| ab) of other issuers | | 17,480,583,443.23 | | | 21,162,738 |
| thereof: eligible as collateral for Deutsche Bundesbank advances € 14,380,987,992.44 | | | | | (17,782,210) |
| | | | 38,615,708,058.32 | | 39,634,198 |
| | | | 38,615,708,058.32 | | 39,634,198 |
| | | | To be carried forward: | 149,665,070,896.46 | 143,815,549 |

see Notes No.

Dec. 31, 2019

| | | € | € thousands |
|--|----------------------|---------------------------|--------------------|
| | | Carried forward: | 149,665,070,896.46 |
| | | | 143,815,549 |
| 5. Shares and other non-fixed-income securities | 4, 8 | 16,962,952.88 | – |
| 5a. Trading portfolio | 5 | 0.00 | 25,008 |
| 6. Equity investments in non-affiliated companies | 6, 8 | 2,390,321,201.26 | 2,387,929 |
| thereof: equity investments in banks € 2,243,772,546.20 | | | (2,243,773) |
| 7. Equity investments in affiliated companies | 6, 8 | 28,286,751.46 | 28,287 |
| 8. Trust assets | 7 | 1,894,704,232.19 | 1,286,504 |
| thereof: trust loans € 1,836,473,817.13 | | | (1,228,979) |
| 9. Intangible assets | 8 | 3,407,177.43 | 3,745 |
| 10. Tangible assets | 8 | 258,993,676.42 | 74,244 |
| 11. Other assets | 9, 23, 32, 34 | 999,244,700.46 | 1,090,438 |
| 12. Deferred items | 10, 23, 34 | 529,805,162.46 | 523,226 |
| Total assets | | 155,786,796,751.02 | 149,234,930 |

Liabilities

| | see Notes No. | € | € | Dec. 31, 2019 € thousands |
|--|-----------------------|-------------------|--|------------------------------|
| 1. Liabilities to banks | 13, 23, 26, 27 | | | |
| a) payable on demand | | 1,156,496,494.91 | | 1,518,532 |
| b) with agreed maturity or period of notice | | 39,308,174,747.52 | | 32,159,794 |
| | | | 40,464,671,242.43 | 33,678,326 |
| 2. Liabilities to customers | 14, 23, 27 | | | |
| a) other liabilities | | | | |
| aa) payable on demand | | 336,065,948.96 | | 268,060 |
| ab) with agreed maturity or period of notice | | 11,126,569,761.59 | | 12,458,106 |
| | | | 11,462,635,710.55 | 12,726,166 |
| 3. Certificated liabilities | 15, 23, 27 | | | |
| a) bonds and notes issued by the bank | | 75,109,691,382.70 | | 75,912,935 |
| | | | 75,109,691,382.70 | 75,912,935 |
| 3a. Trading portfolio | 16 | | 97,236.31 | – |
| 4. Trust liabilities | 17 | | 1,894,704,232.19 | 1,286,504 |
| thereof: trust loans € 1,836,473,817.13 | | | | (1,228,979) |
| 5. Other liabilities | 18, 23, 34 | | 2,243,458,437.40 | 1,310,615 |
| 6. Deferred items | 19, 23, 34 | | 970,164,819.04 | 801,076 |
| 7. Provisions | 20 | | | |
| a) provisions for pensions and similar obligations | | 2,372,547,252.00 | | 2,225,494 |
| b) tax reserves | | 752,337.18 | | 1,866 |
| c) provisions for interest rate reductions | | 139,596,025.18 | | 154,157 |
| d) other | | 585,325,911.90 | | 540,701 |
| | | | 3,098,221,526.26 | 2,922,218 |
| 8. Subordinated liabilities | 21 | | 1,550,020,207.00 | 1,654,620 |
| thereof: due in less than two years € 119,000,000.00 | | | | (119,200) |
| | | | To be carried forward: 136,793,664,793.88 | 130,292,460 |

see Notes No.

Dec. 31, 2019

| | € | € | € thousands |
|---|-------------------|---------------------------|-------------|
| | Carried forward: | 136,793,664,793.88 | 130,292,460 |
| 9. Fund for general banking risks | | 1,008,095,000.00 | 958,054 |
| thereof: special item pursuant to Section 340e Para. 4 HGB € 3,095,000.00 | | | (3,054) |
| 10. Equity capital | 22 | | |
| a) subscribed capital | 17,000,000,000.00 | | 17,000,000 |
| b) capital reserves | 729,289,828.72 | | 728,669 |
| c) reserves from retained earnings | | | |
| ca) reserves required by NRW.BANK's Statutes | 36,100,000.00 | | 36,100 |
| cb) other reserves | 219,647,128.42 | | 219,647 |
| d) profit for the year | 0.00 | | – |
| | | 17,985,036,957.14 | 17,984,416 |
| Total liabilities | | 155,786,796,751.02 | 149,234,930 |
| 1. Contingent liabilities | 23, 24, 33 | | |
| Liabilities from guarantees and indemnity agreements | | 14,199,039,698.20 | 14,361,551 |
| 2. Other commitments | 23, 25 | | |
| Irrevocable loan commitments | | 7,979,824,018.83 | 4,024,893 |
| 3. Administered funds | | 20,096,867.28 | 22,252 |

Income Statement

of NRW.BANK for the Period January 1 – December 31, 2020

| | see Notes No. | € | € | Jan. 1 – Dec. 31, 2019 |
|--|---------------|------------------|------------------------|------------------------|
| | | | | € thousands |
| 1. Interest income from | | | | |
| a) lending and money market transactions | | 2,657,886,364.84 | | 3,394,935 |
| b) interest-bearing securities and book-entry securities | | 449,017,757.09 | | 526,629 |
| thereof: | | | 3,106,904,121.93 | 3,921,564 |
| from negative interest € 81,892,829.12 | | | | (50,549) |
| 2. Interest expenses | | | 2,399,479,960.58 | 3,271,218 |
| thereof: from positive interest € 124,430,629.23 | | | | (107,723) |
| | | | 707,424,161.35 | 650,346 |
| 3. Income from | | | | |
| a) equity investments in non-affiliated companies | | | 8,328,930.76 | 4,165 |
| b) equity investments in affiliated companies | | | 3,080,842.55 | 3,505 |
| | | | 11,409,773.31 | 7,670 |
| 4. Income from profit pooling, profit transfer and partial profit transfer agreements | | | 229,869.50 | 156 |
| 5. Commission income | 28 | | 91,144,180.59 | 86,855 |
| 6. Commission expenses | | | 8,250,912.52 | 8,247 |
| | | | 82,893,268.07 | 78,608 |
| 7. Net profit from trading portfolio | | | 361,381.44 | 980 |
| 8. Other operating income | 29 | | 13,192,838.38 | 11,871 |
| 9. General administrative expenses | | | | |
| a) personnel expenses | 35 | | | |
| aa) wages and salaries | | 115,895,495.88 | | 110,008 |
| ab) social security contributions and expenses for pensions and other employee benefits | | 38,314,202.32 | | 41,566 |
| thereof: | | | 154,209,698.20 | 151,574 |
| for pensions € 19,105,546.85 | | | | (17,214) |
| b) other administrative expenses | 31, 36 | | 113,912,614.45 | 107,496 |
| | | | 268,122,312.65 | 259,070 |
| 10. Depreciation and value adjustments on intangible and tangible assets | | | 4,340,982.44 | 3,995 |
| 11. Other operating expenses | 30 | | 235,164,161.52 | 291,798 |
| | | | To be carried forward: | 194,768 |
| | | | 307,883,835.44 | |

see Notes No.

Jan. 1 – Dec. 31, 2019

| | € | € | € thousands |
|---|------------------|----------------|-------------|
| | Carried forward: | 307,883,835.44 | 194,768 |
| 12. Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions | | 399,486,013.03 | 228,728 |
| thereof: allocations to fund for general banking risks € 50,000,000.00 | | | (50,000) |
| 13. Income from write-ups of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as tangible assets | | 109,914,244.01 | 47,649 |
| 14. Expenses from the assumption of losses | | 0.00 | 6 |
| 15. Result from normal operations | | 18,312,066.42 | 13,683 |
| 16. Taxes on income and revenues | 11,235,565.33 | | 5,382 |
| 17. Other taxes not shown under other operating expenses | 137,495.07 | | 137 |
| | | 11,373,060.40 | 5,519 |
| 18. Net income | | 6,939,006.02 | 8,164 |
| 19. Designated payout due to legal requirements | 37 | 6,939,006.02 | 8,164 |
| 20. Profit for the year | | 0.00 | – |

Notes

of NRW.BANK for the Fiscal Year 2020

Information for the Identification of the Bank

The following information is provided to identify NRW.BANK in accordance with Section 264 Para. 1a of the German Commercial Code (Handelsgesetzbuch – HGB):

Company Name

NRW.BANK

Institution under public law

Head Office

Düsseldorf

Kavalleriestraße 22

40213 Düsseldorf

Münster

Friedrichstraße 1

48145 Münster

Commercial Register

Commercial Register A 15277 District Court Düsseldorf

Commercial Register A 5300 District Court Münster

Preparation of NRW.BANK's Annual Accounts

The annual accounts of NRW.BANK are prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB), the Ordinance Regarding Accounting for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV), the Act on NRW.BANK

(Gesetz über die NRW.BANK – NRW.BANK G) and NRW.BANK's Statutes. Information that may appear either on the balance sheet or in the notes is included in the notes. Amounts in the notes are generally given in € millions.

As in the previous year, assets and liabilities in the present annual accounts are recognised at amortised cost in accordance with Sections 252 et seq. HGB.

The subsidiaries in the NRW.BANK Group are not of material importance either individually or collectively. Consolidated financial statements are not prepared.

Accounting and Valuation Principles

Assets, liabilities and open contracts are valued in accordance with Sections 340 et seq. HGB in conjunction with Sections 252 et seq. HGB.

1. General Information

Receivables are reported at their amortised cost less any discounts where appropriate. Premiums and discounts from notes and bonds are released by the end of the term. Liabilities are carried at their settlement amount with any related discounts reported under deferred items. Premiums on receivables and liabilities are reported under deferred items as an asset or liability, respectively. These items are released

on a straight-line basis. The proportionate amount of accrued interest on a receivable or liability at year-end is generally included with the receivable or liability to which it applies. Non-interest-bearing loans to employees are reported at their amortised cost in accordance with tax regulations. Zero-coupon bonds are carried as liabilities at their issue price plus interest accrued as of the reporting date.

According to a decision made by the Specialist Committee on Banking (Bankenfachausschuss – BFA) of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) on June 23, 2015, negative interest included in net interest income has to be shown separately in the income statement. The Specialist Committee on Banking justifies this by saying that negative interest is an unusual phenomenon in money and capital markets. NRW.BANK therefore discloses negative interest by open deduction as a sub-item of "Interest income" (reduction in interest income on the assets side) and "Interest expenses" (reduction in interest expenses on the liabilities side) in the income statement. Negative interest from swap transactions is netted and therefore not included in this item.

Repurchase agreements and reverse repurchase agreements are combinations of a spot purchase or sale of securities with a simultaneous forward sale or repurchase transaction entered into with the same

counterparty. Securities purchased with an obligation to sell (reverse repurchase agreements), and securities sold with an obligation to repurchase (repurchase agreements), are generally regarded as collateralised financial transactions. The securities pledged under repurchase agreements (spot sale) are still recognised as part of the securities portfolio. The cash deposit received as part of the repurchase agreement, including accrued interest, is recognised as a liability. In the case of reverse repurchase agreements, a corresponding receivable is recognised, including accrued interest. The underlying securities received in pledge (spot purchase) are not recognised on the balance sheet.

In securities lending transactions, the lender transfers securities held in its portfolio to the borrower for a certain period of time. The borrower undertakes to retransfer the same type and the same amount of securities at the end of the lending period. According to prevailing legal opinion, this is a non-cash loan. The lender is obliged to assign the securities to the borrower; the borrower assumes all rights associated with the securities. Regardless of this, the lender remains the beneficial owner of the lent securities according to prevailing legal opinion. Consequently, the securities are not recognised in the borrower's balance sheet but continue to be recognised in the lender's balance sheet, as the latter remains the beneficial owner.

Discernible risks in the lending business were adequately covered by individual value adjustments (Einzelwertberichtigungen – EWB) and provisions.

The previous procedure for determining general value adjustments (Pauschalwertberichtigungen – PWB) for latent risks of receivables, contingent liabilities and loan commitments on the basis of tax calculation methods was changed in the 2020 financial statements with the early application of the IDW statement on accounting "Risk provisioning for foreseeable, not yet individually specified credit risks in the lending business of credit institutions ('general value adjustments')" ("Risikovorsorge für vorhersehbare, noch nicht individuell konkretisierte Adressenausfallrisiken im Kreditgeschäft von Kreditinstituten ('Pauschalwertberichtigungen') (IDW RS BFA 7)"). NRW.BANK now applies a two-step procedure, which improves the presentation of the net assets, financial position and results of operations. In this context, the Bank uses the simplified procedure for valuation in accordance with IDW RS BFA 7 to determine the general value adjustments. According to this procedure, the twelve-month probability of default (without consideration of creditworthiness premiums) may be used for credit transactions if a balance between creditworthiness premiums and risk expectation can be assumed at the time the loan is granted and there is no significant increase in

the credit risk on the reporting date. If the credit risk of the loan portfolio in question has increased noticeably over time, it must be assessed whether a higher amount should be recognised. Here, NRW.BANK's concept provides for certain downgrade constellations in the credit rating as an assessment criterion. In these cases, the calculation is then based on the expected loss over the entire remaining term.

In view of the coronavirus-related extraordinary uncertainty in the assessment of credit risks, NRW.BANK has prudentially increased the general value adjustments by an additional amount determined on the basis of stress test-based assumptions.

The value adjustments were deducted from the respective receivables item on the assets side of the balance sheet in the longest residual maturity band. Non-performing loans were written off. The off-balance sheet contingent liabilities and other commitments were reduced by the provisions for potential losses established for these items.

The principles of the IDW statement on accounting "On Uniform or Separate Accounting under Commercial Law for Structured Financial Instruments" ("Zur einheitlichen oder getrennten handelsrechtlichen Bilanzierung strukturierter Finanzinstrumente (IDW

RS HFA 22)”) are incorporated in the current financial statements. According to these principles, each structured financial instrument held in the investment book including securities issued is generally recognised as an integral asset or an integral liability. In those cases where the structured financial instrument has much higher or additional risks or opportunities than the basic instrument due to an embedded derivative, each individual component of the asset or liability is recognised separately as an underlying transaction and a derivative in accordance with the relevant HGB principles. In those cases where the recognition as an integral asset or an integral liability gives a fair view of the net assets, financial position and result of operations, such recognition is applied.

In the context of the determination of the fair value, NRW.BANK applies mark-to-market valuation provided that an active market exists for a given security. In this case, the valuation is based on the liquid prices provided by respected market data providers (such as Reuters or Bloomberg). In addition, the discounted cash flow method is used for mark-to-model valuation. Under the discounted cash flow method, the contractually agreed cash flows of an instrument (without options) are discounted using risk-adjusted interest rates (use of spread curves). To the extent possible, interest curves based on liquid curves quoted in the market

are used. In exceptional cases, the spreads used for discounting are taken from research publications or, alternatively, provided by external market participants and verified independently by the Risk Control business unit.

Structured derivatives and other structured products are valued on the basis of generally accepted models (Black 76, Normal-Black 76, Normal-Black 76 with extension for CMS spread instruments, One Factor Models of Interest Rates, Hazard Rate Model). Here, too, valuation parameters based on standard market data sources are used (such as Reuters or Markit).

When using models, standard model assumptions are made. Valuation uncertainties primarily result from uncertainties of the parameters used and the assumptions on which the models are based.

Due to the EU Benchmark Regulation, all critical reference interest rates are replaced by new risk-free interest rates. The one-off compensation payments for the conversion of interest on cash collateral for collateralised derivatives are recognised directly in the income statement in accordance with the pronouncement of the Banking Committee of the IDW for derivatives in the non-trading portfolio.

2. Promotional Loans of the Housing Promotion Business Unit

The Housing Promotion business unit’s promotional loans to customers and banks, most of which are at no interest or below-market interest, are carried at their nominal value. This recognises the fact that these loans are funded at matching maturities from equity capital and takes into account the interest balance guarantee under which the State of North Rhine-Westphalia would compensate for any negative interest balance for all promotional loans granted by the Housing Promotion business unit up to December 31, 2009. No negative interest balance existed for these receivables as of the balance sheet date.

All loans granted by the Housing Promotion business unit after December 31, 2009 are not covered by the interest balance guarantee of the State of North Rhine-Westphalia. Up to the balance sheet date, the Bank exclusively used equity capital to finance these non-guaranteed loans.

3. Loss-Free Valuation of the Banking Book

According to the IDW statement on accounting “Individual Aspects of the Loss-Free Valuation of Interest-Related Transactions in the Banking Book (Interest Book)” (“Einzelfragen der verlustfreien

Bewertung von zinsbezogenen Geschäften des Bankbuchs (Zinsbuchs) (IDW RS BFA 3 new version)“), a provision for contingent losses must be established for a surplus of obligations resulting from the banking and interest book in an overall view of the transactions. NRW.BANK performed the corresponding calculations in the 2020 financial statements, for which a P&L-oriented (periodic or period-related) view was taken. The present value of the future interest result of the banking book was reduced by pro-rated risk and administrative costs for the total term. The calculation did not result in a surplus of obligations, which means that there was no need to establish a provision for contingent losses.

4. Securities and Derivatives in the Investment Portfolio

Securities treated as fixed assets (financial investment portfolio) are valued at amortised cost. If an impairment is expected to be permanent, they are written down to the lower fair value. Where securities in the financial investment portfolio are recognised at values which exceed the current market or stock exchange values in accordance with the mitigated lower of cost or market principle, these differences are stated in the notes. This information is subject to change over time due to portfolio changes as well as interest rate-induced movements and/or risk-induced movements.

For securities held in the financial investment portfolio with a carrying value of € 1,708,412,049.58 a lower market value of € 1,699,319,605.83 was determined.

Because these securities have been funded and/or hedged at matching maturities and interest rates, and because none of the issuers' credit ratings indicated sustained weakening (no permanent impairment in value expected), it was not necessary to write the securities down to market or stock exchange value.

Revaluation adjustments relating to derivative transactions in the financial investment portfolio are not recognised. These derivatives are microhedges and/or macrohedges in the form of interest rate and currency derivatives, which serve to hedge individual risk positions or to manage the Bank's overall exposure to interest rate risk, as well as credit default swaps (CDS), which are used as credit substitute transactions.

5. Securities Held in the Liquidity Reserve

Securities held in the liquidity reserve are valued according to the strict lower of cost or market principle. If the carrying value exceeds the fair value, they are recognised at the lower fair value on the reporting date.

6. Financial Instruments of the Trading Portfolio

In accordance with Section 340e Para. 3 HGB, financial instruments in the trading portfolio are measured at fair value less a risk discount for trading assets of € 0.1 million (2019: € 0.3 million). As this risk discount would lead to a negative balance sheet entry in the trading portfolio (asset) due to the low level of financial instruments as at December 31, 2020, the risk discount is shown as a risk premium in the trading portfolio (liability).

The risk discount was calculated on the basis of the value-at-risk (VaR) model, which the Risk Control business unit also uses for internal monitoring of the market price risks of the trading book. The regulatory requirements of a confidence level of 99% and a holding period of ten days were applied. The historical observation period for the determination of the statistical parameters is 250 days, with a greater weight placed on incidents in the more recent past.

The internally defined criteria for the inclusion of financial instruments in the trading portfolio remained unchanged in the past fiscal year.

According to Section 340e Para. 4 HGB, an amount of at least 10% of the net profits from the trading portfolio must be allocated to the "Fund for general banking

risks” pursuant to Section 340g HGB and be stated separately under this special item in each fiscal year. The amount of the allocation to the special item is limited and the allocation must be made until the special item amounts to 50% of the average of the last five annual net profits from the trading portfolio generated before the calculation date. In the 2020 financial statements, NRW.BANK therefore allocated an amount of € 41.0 thousand (2019: € 110.0 thousand) from the net result of the trading portfolio to the “Fund for general banking risks” pursuant to Section 340g HGB and stated the accumulated allocations in a separate sub-item.

7. Equity Investments in Non-Affiliated and Affiliated Companies

Equity investments in non-affiliated and affiliated companies are carried at cost taking existing collateral into account; where a loss of value is expected to be permanent, they are written down to the lower fair value.

With regard to the equity investment in Portigon AG, the State of North Rhine-Westphalia has issued an indefinite value guarantee to NRW.BANK to hedge the equity investment risk. In the case of a sale, the difference between the proceeds and a value of € 2,200.0 million is guaranteed.

NRW.BANK treats the equity investment in Portigon AG and the value guarantee as a hedge relationship as defined in Section 254 HGB, which is accounted for using the net hedge presentation method. Accordingly, the equity investment in Portigon AG was recognised at an amount of € 2,190.8 million as of December 31, 2020.

8. Tangible and Intangible Assets

Tangible and purchased intangible assets with a limited useful life are depreciated in accordance with the applicable tax regulations. They are written down for impairment where such impairment is likely to be permanent.

9. Provisions

Provisions have been made for contingent liabilities and anticipated losses from open contracts in the amount of the settlement amount that will be required according to prudent commercial judgment.

Provisions for pension obligations with a remaining maturity of more than one year are discounted at the average market rate of the past ten fiscal years as appropriate for the respective remaining maturity in accordance with Section 253 Para. 2 Sentence 1 HGB. By contrast, other provisions with a remaining maturity of more than one year are discounted using the average

market rate of the past seven years as appropriate for the respective remaining maturity.

In accordance with the option granted under Section 253 Para. 2 Sentence 2 HGB, NRW.BANK has discounted provisions for pension obligations or comparable long-term obligations using the average market rate for an assumed remaining maturity of fifteen years. The interest rate of 2.30% (2019: 2.71%) used for discounting was stipulated by Deutsche Bundesbank.

The difference arising from the recognition of pension provisions using the average market rate of the past ten fiscal years and the recognition of pension provisions using the average market rate for the past seven years in the amount of € 269.0 million (2019: € 258.3 million), which is determined in accordance with Section 253 Para. 6 Sentence 1 HGB, is subject to a payout restriction pursuant to Section 253 Para. 6 Sentence 2 HGB, according to which profits may be distributed only if the free reserves remaining after the profit distribution plus a profit carried forward and minus a loss carried forward are equivalent to at least the amount of the difference.

Pension, benefit and other personnel provisions are measured by using the internationally accepted pro-

jected unit credit method, taking the future development of wages and pensions into account. Based on the "Heubeck tables 2018 G" published by Heubeck-Richttafeln-GmbH in Cologne, average salary and pension increases of 2.5% were applied for this purpose.

The assessment of the provisions for benefit payments was calculated using an annual cost increase of 3.5% for healthcare benefits. The average rate of the benefit payments over the past three years was taken as the basis.

Interest rate effects from the valuation of pension, benefit and other personnel provisions are recognised in the other operating result in the income statement.

As in the previous years, NRW.BANK used reduced interest rates for certain loans in order to fulfil its state promotional tasks. When the loan is extended, the interest rate reduction is provisioned for in the amount of the present value.

The option pursuant to Article 67 Para. 1 Sentence 2 of the Introductory Act to the Commercial Code (Einführungsgesetz zum Handelsgesetzbuch – EGHGB) was exercised in the fiscal year 2010 in such a way that the existing provisions are maintained due to ex-

cess cover, as the amount to be released in the context of a required release would have to be reallocated by December 31, 2024 at the latest. As of December 31, 2020, excess cover of € 1.2 thousand (2019: € 3.1 thousand) exists for these provisions.

10. Currency Translation

Foreign currency amounts are translated in accordance with Section 256a HGB in conjunction with Section 340h HGB as well as the IDW statement on accounting "Special Aspects of Currency Translation at Institutions under Commercial Law" ("Besonderheiten der handelsrechtlichen Fremdwährungsumrechnung bei Instituten (IDW RS BFA 4)"). Assets, liabilities and pending transactions denominated in foreign currencies are translated into euros using the spot exchange rate on the reporting date. In this context, NRW.BANK uses the reference rates of the European System of Central Banks (ESCB). In case of foreign exchange forwards, the forward rate is split into a spot rate and a swap rate.

For the translation of foreign currencies, NRW.BANK determines the foreign currency positions by offsetting the claims and obligations of all foreign currency assets, liabilities and pending transactions in the respective foreign currency. In accordance with Section 256a HGB in conjunction with Section 340h HGB, these trans-

actions are classified and valued as being specifically covered in all currencies. Accordingly, all income and expenses from foreign currency translation are stated in the income statement pursuant to Section 340h HGB and shown as "Foreign currency result" in "Net expenses from trading portfolio" or "Net profit from trading portfolio".

In deviation from this general procedure, non-monetary assets are converted into euros at the time of addition and carried in euros in accordance with Section 256a HGB.

Negative revaluation adjustments resulting from the currency translation of foreign exchange forwards as at December 31, 2020 are recognised as "Adjustment item from currency translation pursuant to Section 340h HGB" under "Other liabilities".

11. Deferred Tax Assets

Due to NRW.BANK's exemption from income tax, deferred taxes relate to investments in commercial partnerships held as part of the public mission. In accordance with Section 274 Para. 1 Sentence 2 HGB, no deferred taxes were recognised for the deductible temporary differences which result in a tax reduction.

Balance Sheet

Receivables from Banks (1)

| Breakdown by maturity | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|-------------------------------------|-----------------------------|-----------------------------|
| Payable on demand | 4,969.6 | 3,584.2 |
| Other receivables | | |
| – up to 3 months | 2,280.9 | 2,256.6 |
| – between 3 months and 1 year | 3,649.0 | 3,907.2 |
| – between 1 and 5 years | 16,061.0 | 14,316.9 |
| – more than 5 years | 19,377.0 | 19,065.4 |
| Total receivables from banks | 46,337.5 | 43,130.3 |

The receivables from companies in which equity investments are held totalled € 87.3 million (2019: € 88.9 million).

Receivables from Customers (2)

| Breakdown by maturity | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|---|-----------------------------|-----------------------------|
| – up to 3 months | 3,558.5 | 2,974.9 |
| – between 3 months and 1 year | 3,983.2 | 3,395.1 |
| – between 1 and 5 years | 17,571.0 | 17,848.6 |
| – more than 5 years | 35,297.8 | 34,914.5 |
| Total receivables from customers | 60,410.5 | 59,133.1 |

The receivables from companies in which equity investments are held totalled € 6.2 million (2019: € 7.2 million).

Bonds and Other Interest-Bearing Securities (3)

| Marketability | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|--|-----------------------------|-----------------------------|
| Bonds and other interest-bearing securities | | |
| – listed on a stock exchange | 35,222.1 | 36,309.6 |
| – not listed on a stock exchange | 3,393.6 | 3,324.6 |
| Total bonds and other interest-bearing securities | 38,615.7 | 39,634.2 |

Of the bonds and other interest-bearing securities, an amount of € 5,724.1 million (2019: € 5,895.4 million) is due in the following year.

The bonds and other interest-bearing securities from companies in which equity investments are held totalled € 75.0 million (2019: € 75.0 million).

Of the total bonds and other interest-bearing securities, € 0.1 million (2019: –) are held as part of the liquidity reserve and € 38,615.6 million (2019: € 39,634.2 million) are held in the financial investment portfolio.

Shares and Other Non-fixed-income Securities (4)

| Marketability | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|---|-----------------------------|-----------------------------|
| Shares and other non-fixed-income securities | | |
| – listed on a stock exchange | 17.0 | – |
| – not listed on a stock exchange | – | – |
| Total shares and other non-fixed-income securities | 17.0 | – |

All shares and other non-fixed-income securities are attributable to the financial investment portfolio.

Trading Portfolio (Assets) (5)

| Breakdown of trading portfolio (assets) | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|---|-----------------------------|-----------------------------|
| Derivative financial instruments | – | 0.1 |
| Receivables | – | 5.0 |
| Bonds and other interest-bearing securities | – | 20.2 |
| Risk discount pursuant to Section 340e Para. 3 Sentence 1 HGB | – | –0.3 |
| Total trading portfolio | – | 25.0 |

Derivative financial instruments include futures with a positive market value of € 83.5 thousand. This market value was offset against the opposite variation margin received from futures.

Equity Investments in Non-Affiliated and Affiliated Companies (6)

NRW.BANK holds € 2,390.3 million (2019: € 2,387.9 million) in equity investments in non-affiliated companies and € 28.3 million (2019: € 28.3 million) in equity investments in affiliated companies. Of the equity investments in non-affiliated companies, € 2,201.4 million (2019: 2,204.2 million) are securitised by marketable securities. However, none are listed on a stock exchange.

An itemised list of NRW.BANK's investments pursuant to Section 285 No. 11 and 11a HGB is shown separately in the "Miscellaneous" paragraph.

NRW.BANK holds more than 5% of the voting rights in the following major corporations:

- Chronext AG
- Investitionsbank des Landes Brandenburg (ILB)
- Portigon AG

Trust Assets (7)

Trust assets comprise the following:

| Breakdown by asset type | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|---|-----------------------------|-----------------------------|
| Receivables from banks | 690.2 | 33.5 |
| Receivables from customers | 1,146.3 | 1,195.5 |
| Equity investments in non-affiliated and affiliated companies | 58.2 | 57.5 |
| Total trust assets | 1,894.7 | 1,286.5 |

The increase in trust assets is almost exclusively attributable to the promotional programme "KfW-Schnellkredit 2020".

Changes in Fixed Assets (8)

| Schedule of fixed assets | Bonds and other interest-bearing securities forming part of fixed assets € millions | Shares and other non-fixed-income securities forming part of fixed assets € millions | Equity investments in non-affiliated companies € millions | Equity investments in affiliated companies € millions | Intangible assets € millions | Land and buildings € millions | Office equipment € millions |
|--|--|---|--|--|---------------------------------|----------------------------------|--------------------------------|
| Acquisition cost/ production cost | | | | | | | |
| As of Jan. 1, 2020 | 39,343.2 | – | 3,964.8 | 53.8 | 75.8 | 73.1 | 33.3 |
| Additions | | | | | 0.9 | 185.6 | 2.3 |
| Retirements | | | | | – | – | –1.2 |
| As of Dec. 31, 2020 | | | | | 76.7 | 258.7 | 34.4 |
| Write-downs | | | | | | | |
| As of Jan. 1, 2020 | Net change pursuant to Section 34 Para. 3 Sentence 2 RechKredV: € –2,560.9 million | | | | –72.1 | –13.7 | –18.4 |
| Write-downs | | | | | –1.2 | –1.6 | –1.5 |
| Change in total write-downs from retirements | | | | | – | – | 1.2 |
| As of Dec. 31, 2020 | | | | | –73.3 | –15.3 | –18.7 |
| Remaining carrying amounts | | | | | | | |
| As of Dec. 31, 2020 | 38,365.3 | 17.0 | 2,390.3 | 28.3 | 3.4 | 243.4 | 15.7 |
| As of Dec. 31, 2019 | 39,343.2 | – | 2,387.9 | 28.3 | 3.7 | 59.4 | 14.9 |

The additions to land and buildings essentially relate to the acquisition of the property at Kavalleriestraße 22, 40213 Düsseldorf.

Of the land and buildings, € 243.4 million (2019: € 59.4 million) is used for business purposes.

Other Assets (9)

| Breakdown by individual items | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|--|-----------------------------|-----------------------------|
| Interest receivables from the State of North Rhine-Westphalia under the value guarantee for the equity investment in Portigon AG | 559.6 | 559.6 |
| Option premiums not yet received | 191.5 | 226.2 |
| Option premiums paid | 176.7 | 223.7 |
| Compensation claims to Helaba Landesbank Hessen-Thüringen relating to pension provisions for "dual contract holders" | 43.7 | 39.8 |
| Cash collateral furnished in the context of the EU bank levy | 12.3 | 12.3 |
| Tax prepayments for subsidiaries | 3.4 | 6.4 |
| Compensation claims to Portigon AG relating to service cost of "dual contract holders" | 1.2 | 1.3 |
| Adjustment item from currency translation pursuant to Section 340h HGB | – | 14.1 |
| Other | 10.8 | 7.0 |
| Total other assets | 999.2 | 1,090.4 |

Deferred Items (Assets) (10)

| Breakdown of deferred items (assets) | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|--------------------------------------|-----------------------------|-----------------------------|
| Prepaid swap fees | 231.5 | 257.3 |
| Prepaid CDS fees | 159.2 | 157.9 |
| Discounts from underwriting business | 119.6 | 85.4 |
| Premiums from lending business | 16.3 | 18.1 |
| Other | 3.2 | 4.5 |
| Total deferred items | 529.8 | 523.2 |

Subordinated Assets (11)

Subordinated assets are included in:

| Breakdown by asset type | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|----------------------------------|-----------------------------|-----------------------------|
| Receivables from banks | 0.8 | 0.8 |
| Receivables from customers | 76.4 | 76.5 |
| Total subordinated assets | 77.2 | 77.3 |

Pledged Assets (12)

Of the assets reported, NRW.BANK pledged € 4.0 million (2019: € 193.1 million) under repurchase agreements.

Liabilities to Banks (13)

| Breakdown by maturity | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|-----------------------------------|-----------------------------|-----------------------------|
| Payable on demand | 1,156.5 | 1,518.5 |
| Other liabilities | | |
| – up to 3 months | 2,734.3 | 2,640.6 |
| – between 3 months and 1 year | 2,091.0 | 2,013.2 |
| – between 1 and 5 years | 19,082.8 | 11,935.0 |
| – more than 5 years | 15,400.1 | 15,571.0 |
| Total liabilities to banks | 40,464.7 | 33,678.3 |

The liabilities to companies in which equity investments are held totalled € 0.4 million (2019: € 0.6 million).

Liabilities to Customers (14)

| Breakdown by maturity | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|---------------------------------------|-----------------------------|-----------------------------|
| Payable on demand | 336.1 | 268.1 |
| Other liabilities | | |
| – up to 3 months | 374.4 | 757.9 |
| – between 3 months and 1 year | 340.5 | 812.0 |
| – between 1 and 5 years | 1,855.8 | 3,445.2 |
| – more than 5 years | 8,555.8 | 7,443.0 |
| Total liabilities to customers | 11,462.6 | 12,726.2 |

The liabilities to companies in which equity investments are held totalled € 6.4 thousand (2019: € 0.4 thousand).

Certificated Liabilities (15)

| Breakdown of certificated liabilities | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|---------------------------------------|-----------------------------|-----------------------------|
| Notes issued | | |
| – mortgage bonds | 0.6 | 0.6 |
| – municipal bonds | 305.8 | 290.7 |
| – other bonds | 74,803.3 | 75,621.6 |
| Total certificated liabilities | 75,109.7 | 75,912.9 |

Of the notes issued, € 25,656.9 million (2019: € 30,316.2 million) are due in the following year.

Trading Portfolio (Liabilities) (16)

| Breakdown of trading portfolio (liabilities) | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|---|-----------------------------|-----------------------------|
| Derivative financial instruments | – | – |
| Risk discount pursuant to Section 340e Para. 3 Sentence 1 HGB | 0.1 | – |
| Total trading portfolio | 0.1 | – |

Derivative financial instruments include futures with a negative market value of € –6.4 thousand (2019: –). This market value is offset against the opposite variation margin provided for futures.

Trust Liabilities (17)

Trust liabilities comprise the following:

| Breakdown by liability type | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|--------------------------------|-----------------------------|-----------------------------|
| Liabilities to banks | 673.2 | 4.2 |
| Liabilities to customers | 1,221.5 | 1,282.3 |
| Total trust liabilities | 1,894.7 | 1,286.5 |

Other Liabilities (18)

| Breakdown by individual items | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|---|-----------------------------|-----------------------------|
| Adjustment item from currency translation pursuant to Section 340h HGB | 1,039.8 | – |
| Liabilities owed to the State of North Rhine-Westphalia from repayment discounts granted for housing promotional programmes | 796.4 | 825.8 |
| Option premiums not yet paid | 191.5 | 226.2 |
| Option premiums received | 176.7 | 223.7 |
| Liabilities owed to employees of NRW.BANK from the fixed bonus | 12.9 | 12.9 |
| Liabilities owed to the State of North Rhine-Westphalia | 6.9 | 8.2 |
| Other | 19.3 | 13.8 |
| Total other liabilities | 2,243.5 | 1,310.6 |

Deferred Items (Liabilities) (19)

| Breakdown of deferred items (liabilities) | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|--|-----------------------------|-----------------------------|
| Premiums from underwriting business | 556.4 | 389.9 |
| Swap fees received in advance | 353.7 | 338.2 |
| Transfer of salaries for employees of Portigon AG under "dual contracts" | 36.7 | 40.6 |
| CDS fees received in advance | 23.1 | 30.4 |
| Discounts from lending business | 0.1 | 0.1 |
| Other | 0.2 | 1.9 |
| Total deferred items | 970.2 | 801.1 |

Provisions (20)

The provisions for pensions reported in the amount of € 2,372.5 million (2019: € 2,225.5 million) include € 1,516.3 million (2019: € 1,458.7 million) in pension obligations to employees of Portigon AG who have claims for or are entitled to a pension under the laws relating to civil servants. Pursuant to Article 1 Section 4 Para. 1 Sentence 4 of the Bank Redefining Act (Neuregelungsgesetz) of July 2, 2002, these obligations passed from the former Westdeutsche Landesbank Girozentrale to NRW.BANK. Pursuant to the regulations of the assessment dated August 1, 2002, Portigon AG and NRW.BANK agreed in the fiscal year 2013 to settle NRW.BANK's claims resulting from the compensation entitlement for good, with the exception of the future service cost, by means of a one-time payment. With this one-time payment, responsibility for managing and handling the pension payments has passed to NRW.BANK. The provisions for pensions additionally include pension obligations in

the amount of € 43.7 million (2019: € 39.8 million) towards employees of Helaba Landesbank Hessen-Thüringen who also have contractual claims or are entitled to a pension under the laws relating to civil servants. NRW.BANK is entitled to reimbursement from Helaba Landesbank Hessen-Thüringen in the same amount, which is shown in "Other assets". An additional € 812.5 million (2019: € 727.0 million) has been set aside for pension claims that employees of NRW.BANK have for their retirement.

NRW.BANK's provisions for additional benefits are at € 435.7 million (2019: € 414.8 million). This amount includes € 339.3 million (2019: € 326.7 million) in obligations to persons covered under the former pension agreement of the former Westdeutsche Landesbank Girozentrale, for which NRW.BANK has assumed the additional benefit payments since the spin-off from the former Westdeutsche Landesbank Girozentrale. An additional € 96.4 million (2019: € 88.1 million) has been set aside for claims to additional benefits that employees of NRW.BANK have for their retirement.

Provisions in an unchanged amount of € 76.7 million exist for potential compensation claims under the value guarantee.

Subordinated Liabilities (21)

The subordinated liability as described below exceeds 10% of the total subordinated liabilities of € 1,550.0 million (2019: € 1,654.6 million).

The State of North Rhine-Westphalia has to make repayments towards the Federal Government in conjunction with the use of housing promotional loans granted by the Federal Government. Under applicable federal state law, NRW.BANK has to transfer the required funds from the repayment of housing promotional loans to the state budget. This transfer duty takes the form of a non-interest-bearing subordinated loan in an amount of € 2,413.9 million granted by the State of North Rhine-Westphalia to NRW.BANK, which has to be repaid by the year 2044 in accordance with a defined repayment plan. Based on the repayments made to date, the subordinated loan was stated in an amount of € 1,390.0 million as of December 31, 2020.

The other subordinated liabilities of € 160.0 million have original maturities between 20 and 30 years and carry interest rates between 0.0% and 4.72%. These subordinated liabilities carry an average interest rate of 1.2% (2019: 3.4%). There is no early redemption obligation. The other subordinated liabilities carried by NRW.BANK comply with the requirements of Article 63 of the Capital Requirements Regulation (CRR).

Subordinated liabilities include liabilities with a remaining term of less than two years in an amount of € 119.0 million (2019: € 119.2 million).

There are no existing agreements or plans to convert these funds into capital or into another form of debt.

Interest expenses of € 2.2 million (2019: € 4.0 million) were incurred for subordinated liabilities.

Equity Capital (22)

As of December 31, 2020, NRW.BANK's subscribed capital remained unchanged at € 17,000.0 million. The reserves totalled € 985.0 million (2019: € 984.4 million).

NRW.BANK's capital and reserves as reported on the balance sheet are made up of the following:

| Equity capital pursuant to the German Commercial Code (HGB) | Dec. 31, 2020 € millions | Dec. 31, 2019 € millions |
|---|-----------------------------|-----------------------------|
| Subscribed capital | 17,000.0 | 17,000.0 |
| Capital reserves | 729.3 | 728.7 |
| Reserves from retained earnings | | |
| – reserves required by NRW.BANK's Statutes | 36.1 | 36.1 |
| – other reserves | 219.6 | 219.6 |
| Profit for the year | – | – |
| Total equity capital | 17,985.0 | 17,984.4 |

Once the annual accounts are approved, the capital of NRW.BANK required for regulatory purposes under Section 10 of the German Banking Act (Kreditwesengesetz – KWG) will total € 18,730.8 million (2019: € 19,722.7 million).

Foreign Currency Assets and Foreign Currency Liabilities (23)

At the reporting date, NRW.BANK had foreign currency assets valued at € 7,136.4 million (2019: € 8,126.5 million) and foreign currency liabilities valued at € 31,794.2 million (2019: € 35,628.4 million). Contingent liabilities and other commitments denominated in foreign currencies totalled € 10,075.3 million (2019: € 10,220.9 million).

Contingent Liabilities (24)

Contingent liabilities totalled € 14,199.0 million (2019: € 14,361.6 million) and incorporate € 13,129.1 million (2019: € 13,385.3 million) for credit derivatives and € 1,069.9 million (2019: € 976.3 million) for other guarantees and indemnity agreements.

The credit derivatives are credit default swaps, in which NRW.BANK acts as protection seller. Against receipt of a premium from the protection buyer, NRW.BANK has taken the risk that a credit event agreed between the two parties with regard to the reference debtor occurs. The credit default swaps of NRW.BANK are primarily referenced to countries and are almost exclusively of very good and good investment grade quality. No claims are expected to be raised at present.

The other guarantees and indemnity agreements primarily comprise liability releases in favour of house banks for loans granted in the context of various promotional programmes as well as working capital loans with changing utilisation as well risk sub-participations held to reduce the risk of SME financing. Claims under these guarantees would potentially be raised in the event of the non-fulfilment of contractual obligations of the main borrower towards the beneficiary. This would arise, for instance, in the event of the delayed (or non-)repayment of loans or the improper

completion of promised services. NRW.BANK considers the overall risk of future claims being raised because of such non-fulfilment by the main borrower to be low. In those cases where claims are likely to be raised, adequate provisions have been established.

Other Commitments (25)

Other commitments comprise irrevocable loan commitments in an amount of € 7,979.8 million (2019: € 4,024.9 million). Of this total, € 1,523.7 million (2019: € 1,424.8 million) relate to commitments of the Housing Promotion business unit.

The irrevocable loan commitments result from transactions in which NRW.BANK has made a binding commitment towards its customers and is therefore exposed to a future credit risk from loans. Based on historical experience from the previous years, it is expected that the irrevocable loan commitments will be utilised with a probability of almost 100%. In individual cases where a loss is likely to arise from anticipated claims, adequate provisions have been established for the risk arising from these claims.

Assets Used as Collateral (26)

Receivables in the nominal amount of € 662.6 million (2019: € 668.9 million) were assigned as collateral for liabilities to banks.

Bonds and notes with a nominal amount of € 11,260.1 million (2019: € 5,294.1 million) were pledged to Deutsche Bundesbank as collateral for refinancing facilities. In addition, municipal loans, registered securities and note loans with a nominal amount of € 26,419.1 million (2019: € 25,038.4 million) were submitted to Deutsche Bundesbank via the KEV successor procedure "Mobilisation and Administration of Credit Claims" (MACCs).

Securities in a nominal amount of € 21.2 million (2019: € 27.9 million) were deposited for the Eurex (electronic futures and options exchange) as collateral for forward transactions. In addition, securities in a nominal amount of € 10.1 million (2019: € 154.3 million) were submitted as collateral to compensate for exchange rate fluctuations in Eurex repurchase agreements. Furthermore, securities in a nominal amount of € 84.0 million (2019: € 146.6 million) were transferred to secure off-exchange derivatives and were deposited as collateral with the counterparty.

In the previous year, securities in a nominal amount of € 2.0 million had additionally been assigned as rent deposit for an existing rental agreement.

Cover Calculation (27)

All issues of NRW.BANK requiring cover were covered in accordance with the statutory provisions and in accordance with the Bank's Statutes.

On December 31, 2020, the nominal amounts of the cover calculation are as follows:

| Cover calculation | Dec. 31, 2020 Municipal bonds (cover register II) € millions | Dec. 31, 2019 Municipal bonds (cover register II) € millions |
|------------------------------------|---|---|
| Municipal bonds issued | 1,498.3 | 1,520.4 |
| Liabilities requiring cover | 1,498.3 | 1,520.4 |
| Municipal loans | 2,158.7 | 2,439.3 |
| Excess cover | 49.6 | 49.6 |
| Capital cover | 2,208.3 | 2,488.9 |
| Excess cover | 710.0 | 968.5 |

The cover calculation only includes the cover register for municipal bonds (cover register II), as NRW.BANK currently holds no mortgage bonds (cover register I) and currently does not issue new mortgage bonds.

Income Statement

Services Rendered for Third Parties (28)

The net commission income includes € 8.8 million (2019: € 6.0 million) from the trust and administered activities.

Other Operating Income (29)

The principal contributions towards other operating income are composed of € 5.7 million (2019: € 4.1 million) in income from the writeback of provisions, € 1.5 million (2019: € 1.5 million) in income from compensation payments and cash payments relating to the improper use of publicly subsidised housing as well as € 1.2 million (2019: € 1.3 million) in income from the reimbursement of the service cost of Portigon AG.

Other Operating Expenses (30)

The principal contributions towards other operating expenses are composed of € 224.1 million (2019: € 244.0 million) in interest effects from the valuation of pension, benefit and other personnel provisions, € 10.8 million (2019: € 28.2 million) for non-interest allocations to pension and benefit provisions for employees of Portigon AG who have claims for or are entitled to a pension under the laws relating to civil servants as well as € 0.0 million (2019: € 19.5 million) in expenses for the EU bank levy.

Fee Paid to Auditor of the Annual Accounts (31)

In the fiscal year 2020, the auditor charged a total fee of € 1.5 million (2019: € 1.6 million). Of this amount, € 1.2 million (2019: € 1.2 million) related to audit services and € 0.3 million (2019: € 0.4 million) related to other certification services.

Services Provided to NRW.BANK or Its Subsidiaries by the Auditor in Addition to the Audit

In the fiscal year 2020, the auditor provided permitted non-audit services within the meaning of Art. 5 Para. 3 of the EU Audit Regulation to NRW.BANK and its subsidiaries. These services essentially comprised the voluntary annual audits of the legally dependent NRW.BANK.Fonds, the issue of a Comfort Letter, the preparation of audit reports and audit procedures according to ISAE 3000, such as, inter alia, the execution of an audit to obtain limited assurance regarding the non-financial statement as well as the execution of a pillar assessment in conjunction with the InvestEU programme. In addition, agreed review procedures pursuant to ISRS 4400, an audit in accordance with ISAE 3000, an audit in accordance with ISAE 3402 Type 2 as well as voluntary annual audits were performed for subsidiaries.

Miscellaneous

Other Financial Obligations (32)

NRW.BANK has long-term obligations in the amount of € 132.1 million (2019: € 210.6 million) up to the end of the contractual term. Thereof obligations in the amount of € 18.3 million relate to the fiscal year 2021. The remaining other financial obligations in the amount of € 113.8 million relate to the fiscal years 2022 to 2030. In addition, there are other annual financial obligations with an indefinite remaining term after the balance sheet date in the amount of € 3.9 million (2019: € 2.4 million). Other financial obligations primarily result from building leases, software maintenance agreements as well as maintenance and IT service agreements.

As in the previous year, there is another financial obligation in the amount of the irrevocable payment obligation of € 12.3 million in the context of the EU bank levy. The cash collateral paid in the same amount is included in the balance sheet item "Other assets".

In the equity investment business, NRW.BANK additionally has other financial obligations from outstanding payment obligations and subscription commitments towards equity investments and funds in the amount of € 147.2 million (2019: € 125.2 million).

Other Obligations (33)

NRW.BANK has other obligations pursuant to Article 1 Section 3 Sentence 1 of the Bank Redefining Act of July 2, 2002.

In addition to its capital contribution of € 55.0 million, NRW.BANK remains liable for Investitionsbank des Landes Brandenburg (ILB) in the amount of an additional € 110.0 million.

As in the previous year, there is an obligation to make additional contributions in the amount of € 16.0 million to the European Investment Fund (EIF).

Both the liability assumed for Investitionsbank des Landes Brandenburg (ILB) and the obligation to make additional contributions to the European Investment Fund (EIF) are included in other guarantees and indemnity agreements shown under the balance sheet item "Contingent liabilities".

Derivative Transactions (34)

As of December 31, 2020, the total nominal value of the derivative transactions is € 183,845 million (2019: € 175,859 million).

Derivative transactions are mostly used as hedges against fluctuations in interest rates, exchange rates and market prices and almost entirely relate to the banking book.

| | Nominal values Dec. 31, 2020 € millions | Nominal values Dec. 31, 2019 € millions | Market values positive Dec. 31, 2020 € millions | Market values negative Dec. 31, 2020 € millions |
|---|---|---|--|--|
| Banking book | | | | |
| Interest rate derivatives | | | | |
| Interest rate swaps | 139,635 | 130,344 | 7,408 | -9,974 |
| Interest rate options | | | | |
| – bought (long) | 3,024 | 3,830 | 15 | – |
| – written (short) | 3,452 | 4,243 | – | -8 |
| Stock market contracts | | | | |
| – bought (long) | – | – | – | – |
| – written (short) | – | 150 | – | – |
| Other interest rate forwards | 125 | 207 | 9 | -3 |
| Total interest rate derivatives | 146,236 | 138,774 | 7,432 | -9,985 |
| Currency derivatives | | | | |
| Foreign exchange forwards, swaps | 19,694 | 18,946 | 1 | -416 |
| Currency swaps/ interest rate currency swaps | 17,911 | 18,111 | 310 | -1,301 |
| Total currency derivatives | 37,605 | 37,057 | 311 | -1,717 |
| Total banking book | 183,841 | 175,831 | 7,743 | -11,702 |

| | Nominal values Dec. 31, 2020 € millions | Nominal values Dec. 31, 2019 € millions | Market values positive Dec. 31, 2020 € millions | Market values negative Dec. 31, 2020 € millions |
|--|---|---|--|--|
| Trading book | | | | |
| Interest rate derivatives | | | | |
| Interest rate swaps | – | 20 | – | – |
| Stock market contracts | | | | |
| – bought (long) | 4 | – | – | 0 |
| – written (short) | – | 8 | – | – |
| Total interest rate derivatives | 4 | 28 | – | 0 |
| Total trading book | 4 | 28 | – | 0 |

| | Nominal values Dec. 31, 2020 € millions | Nominal values Dec. 31, 2019 € millions | Market values positive Dec. 31, 2020 € millions | Market values negative Dec. 31, 2020 € millions |
|--|---|---|--|--|
| Banking book and trading book | | | | |
| Total interest rate derivatives | 146,240 | 138,802 | 7,432 | –9,985 |
| Total currency derivatives | 37,605 | 37,057 | 311 | –1,717 |
| Total banking book and trading book | 183,845 | 175,859 | 7,743 | –11,702 |

The presentation of derivative transactions also reflects embedded derivative instruments that have to be separated of a nominal value of € 3,347 million (2019: € 4,352 million). In addition, there are embedded equity risk based derivatives from convertible loans with a nominal value of € 7.2 million (2019: € 0.9 million) and a positive market value of € 1.9 million (2019: € 0.2 million) in the promotional business unit Equity Finance.

The average nominal value of the derivative transactions and other forward transactions entered into by NRW.BANK for the period from January 1 to December 31, 2020 amounted to € 189,018 million (2019: € 185,471 million).

The market values of the derivative transactions are shown without accrued interest.

To the extent available, stock exchange or market prices are used for valuing the derivative financial instruments. If stock exchange or market values are not available or cannot be reliably determined, the fair value is determined on the basis of standard pricing models or discounted cash flows.

Option premiums paid/received are reported under the balance sheet items “Other assets” and “Other liabilities”; prepaid swap fees and swap fees received in advance are included in the respective deferred item.

The breakdown of derivative transactions by counterparty is as follows:

| | Nominal values Dec. 31, 2020 € millions | Nominal values Dec. 31, 2019 € millions | Market values positive Dec. 31, 2020 € millions | Market values negative Dec. 31, 2020 € millions |
|-----------------------------|---|---|--|--|
| Banking book | | | | |
| OECD banks | 171,573 | 160,892 | 6,653 | –10,159 |
| OECD public-sector entities | 5,325 | 5,728 | 1,004 | –1,206 |
| Other counterparties | 6,943 | 9,211 | 86 | –337 |
| Total banking book | 183,841 | 175,831 | 7,743 | –11,702 |

| | Nominal values Dec. 31, 2020 € millions | Nominal values Dec. 31, 2019 € millions | Market values positive Dec. 31, 2020 € millions | Market values negative Dec. 31, 2020 € millions |
|---------------------------|---|---|--|--|
| Trading book | | | | |
| OECD banks | 4 | 28 | – | 0 |
| Total trading book | 4 | 28 | – | 0 |

| | Nominal values Dec. 31, 2020 € millions | Nominal values Dec. 31, 2019 € millions | Market values positive Dec. 31, 2020 € millions | Market values negative Dec. 31, 2020 € millions |
|--|---|---|--|--|
| Banking book and trading book | | | | |
| Total banking book and trading book | 183,845 | 175,859 | 7,743 | –11,702 |

Interest rate derivatives that are not assigned to the trading book are used as micro-hedges for specific transactions or as macrohedges for overall exposure, exclusively in the Bank's proprietary business. Their result is recognised in net interest income.

The interest rate contracts are spread across the entire spectrum of maturities, with approx. 49% (2019: 48%) of the interest rate contracts having a remaining time to maturity of more than five years.

| | Interest rate derivatives Dec. 31, 2020 € millions | Interest rate derivatives Dec. 31, 2019 € millions | Currency derivatives Dec. 31, 2020 € millions | Currency derivatives Dec. 31, 2019 € millions |
|--------------------------------|--|--|---|---|
| Banking book | | | | |
| Nominal values | | | | |
| Residual maturity | | | | |
| – up to 3 months | 8,683 | 8,905 | 20,124 | 15,848 |
| – more than 3 months to 1 year | 13,950 | 11,913 | 5,081 | 6,820 |
| – more than 1 to 5 years | 51,241 | 51,673 | 10,270 | 11,983 |
| – more than 5 years | 72,362 | 66,283 | 2,130 | 2,406 |
| Total banking book | 146,236 | 138,774 | 37,605 | 37,057 |

| | Interest rate derivatives Dec. 31, 2020 € millions | Interest rate derivatives Dec. 31, 2019 € millions | Currency derivatives Dec. 31, 2020 € millions | Currency derivatives Dec. 31, 2019 € millions |
|---------------------------|--|--|---|---|
| Trading book | | | | |
| Nominal values | | | | |
| Residual maturity | | | | |
| – up to 3 months | 4 | 8 | – | – |
| – more than 5 years | – | 20 | – | – |
| Total trading book | 4 | 28 | – | – |

| | Interest rate derivatives Dec. 31, 2020 € millions | Interest rate derivatives Dec. 31, 2019 € millions | Currency derivatives Dec. 31, 2020 € millions | Currency derivatives Dec. 31, 2019 € millions |
|--|--|--|---|---|
| Banking book and trading book | | | | |
| Nominal values | | | | |
| Total banking book and trading book | 146,240 | 138,802 | 37,605 | 37,057 |

Number of Employees

| Employees on an annual average ¹⁾ | 2020 Women | 2020 Men | 2020 Total | 2019 Women | 2019 Men | 2019 Total |
|--|---------------|-------------|---------------|---------------|-------------|---------------|
| Full-time employees | 333 | 533 | 866 | 338 | 541 | 879 |
| Part-time employees | 412 | 181 | 593 | 391 | 141 | 532 |
| Total employees on an annual average | 745 | 714 | 1,459 | 729 | 682 | 1,411 |

¹⁾ Excl. Managing Board, trainees, apprentices, interns and employees on parental leave and similar leave.

| Active employees as at Dec. 31 | 2020 Women | 2020 Men | 2020 Total | 2019 Women | 2019 Men | 2019 Total |
|--|---------------|-------------|---------------|---------------|-------------|---------------|
| Full-time employees | 340 | 554 | 894 | 339 | 547 | 886 |
| thereof employees under limited employment contracts | 17 | 17 | 34 | 9 | 17 | 26 |
| Part-time employees | 406 | 174 | 580 | 399 | 143 | 542 |
| thereof employees under limited employment contracts | 8 | 15 | 23 | 7 | 7 | 14 |
| Total active employees as at Dec. 31 | 746 | 728 | 1,474 | 738 | 690 | 1,428 |
| In addition as at Dec. 31 | | | | | | |
| Managing Board | 1 | 3 | 4 | 1 | 3 | 4 |
| Apprentices and trainees | 16 | 36 | 52 | 20 | 32 | 52 |
| Employees employed outside of NRW.BANK (leave, secondments, employee assignments) | 12 | 23 | 35 | 14 | 23 | 37 |

Managing Board Remuneration (35)

Non-performance-linked and performance-linked components of the Managing Board remuneration as well as the remuneration for mandates received by the Managing Board members in 2020 and 2019:

| | Non-performance-linked remuneration | | | | | | Total remuneration | | Remuneration for mandates ⁴⁾ | |
|-----------------------------|-------------------------------------|------------------|----------------------------------|---------------|--------------------------------------|------------------|--------------------|------------------|---|---------------|
| | Fixed remuneration ¹⁾ | | Other remuneration ²⁾ | | Company pension scheme ³⁾ | | 2020 € | 2019 € | 2020 € | 2019 € |
| | 2020 € | 2019 € | 2020 € | 2019 € | 2020 € | 2019 € | | | | |
| Eckhard Forst | 769,574 | 750,776 | 14,355 | 13,949 | 183,579 | 169,511 | 967,508 | 934,236 | 33,988 | 34,153 |
| Gabriela Pantring | 544,856 | 528,085 | 16,819 | 13,327 | 150,265 | 143,073 | 711,940 | 684,485 | 0 | 0 |
| Michael Stölting | 605,594 | 622,400 | 6,992 | 5,707 | 558,190 | 603,918 | 1,170,776 | 1,232,025 | 54,022 | 62,877 |
| Dietrich Suhlrie | 628,721 | 626,548 | 14,244 | 13,856 | 518,190 | 913,739 | 1,161,155 | 1,554,143 | 3,400 | 1,800 |
| Total Managing Board | 2,548,745 | 2,527,809 | 52,410 | 46,839 | 1,410,224 | 1,830,241 | 4,011,379 | 4,404,889 | 91,410 | 98,830 |

¹⁾ Amounts incl. benefits in money's worth and benefits in kind.

²⁾ Employer's statutory social security contributions and benefit payments.

³⁾ Direct commitment, shown is the allocation to provisions including interest expenses for the year 2020.

⁴⁾ Amounts incl. VAT, where applicable.

Commitments in case of premature or regular termination of the activity:

In case of a premature resignation not attributable to an extraordinary termination for serious cause, the members of the Managing Board will receive the agreed remuneration until the end of their contractual term. For Mr Forst and Ms Pantring, this payment is capped at an amount equivalent to the remuneration for a maximum of two years. Thereafter, Mr Stölting and Mr Suhlrie will receive an early pension based on the pension that would be paid in case of invalidity until they reach the age of retirement.

The members of the Managing Board are entitled to pension benefits as they reach the age of retirement or in case of invalidity. In the event of their death their dependants are also entitled to benefits. All commitments are contractually unforfeitable or unforfeitable by law because of the number of years served. As a result of his previous employment, Mr Stölting has an entitlement to a civil-service-type pension taking into account entitlements from the public pension scheme as well as entitlements under a pension enhancement policy. Mr Forst, Ms Pantring and Mr Suhlrie benefit from a contribution-linked pension commitment. In the context of this pension commitment, a personal pension account with a starting component has been set up for them, into which annual pension components are paid.

In the fiscal year 2020, there were no changes in the commitments for old-age/invalidity and dependants' pension for any Managing Board member.

Expenses and present values of the benefits promised to the members of the Managing Board in case of regular termination of their activity:

| | Expenses ¹⁾ 2020 € | Expenses ¹⁾ 2019 € | Present value of the obligation 2020 € | Present value of the obligation 2019 € |
|-----------------------------|-------------------------------------|-------------------------------------|--|--|
| Eckhard Forst | 183,579 | 169,511 | 613,139 | 429,560 |
| Gabriela Pantring | 150,265 | 143,073 | 508,820 | 358,555 |
| Michael Stölting | 558,190 | 603,918 | 5,423,666 | 4,865,476 |
| Dietrich Suhlrie | 518,190 | 913,739 | 3,810,339 | 3,292,149 |
| Total Managing Board | 1,410,224 | 1,830,241 | 10,355,964 | 8,945,740 |

¹⁾ The expenses shown here comprise personnel and interest expenses.

Payments to retired and resigned Managing Board members and present values of their retirement benefits:

| | Payments from active employment ¹⁾ 2020 € | Payments from active employment ¹⁾ 2019 € | Payments from pension claims 2020 € | Payments from pension claims 2019 € | Present value of the obligation 2020 € | Present value of the obligation 2019 € |
|-------------------------------|--|--|---|---|--|--|
| Former Managing Board members | 50,250 | 69,150 | 1,557,575 | 1,509,296 | 31,146,159 | 29,674,037 |

¹⁾ Payments of deferred variable remuneration components from previous years.

Remuneration of the Members of the Board of Guarantors, the Supervisory Board and Its Committees as well as the Advisory Board (36)

The tables below show the remuneration of the members of the Board of Guarantors, the Supervisory Board and its Committees as well as the Advisory Board in itemised form. The remuneration of the members of the Supervisory Board varies depending on their committee membership.

Disclosure of the Remuneration Paid to Members of the Board of Guarantors

| | Total remuneration € |
|---|-------------------------|
| Members Pursuant to Section 8 Para. 1 Letters a to c of the Statutes | |
| Prof. Dr. Andreas Pinkwart Chairman Minister for Economic Affairs, Innovation, Digitalization and Energy of the State of North Rhine-Westphalia | 5,600 |
| Lutz Lienenkämper, MdL Deputy Chairman Minister of Finance of the State of North Rhine-Westphalia | 5,300 |
| Ina Scharrenbach Deputy Chairwoman Minister of Home Affairs, Municipal Affairs, Construction and Equality of the State of North Rhine-Westphalia | 5,600 |

| | Total remuneration € |
|---|-------------------------|
| Members Pursuant to Section 8 Para. 1 Letter d of the Statutes | |
| Nathanael Liminski State Secretary as well as Head of the State Chancellery of the State of North Rhine-Westphalia | 5,000 |
| Mathias Richter State Secretary Ministry for School and Further Education of the State of North Rhine-Westphalia | 5,600 |
| Permanent Guests | |
| Matthias Elzinga Staff representative NRW.BANK | 600 |
| Frank Lill Staff representative NRW.BANK | 600 |

1. On the basis of the rules adopted by the Board of Guarantors, turnover tax and travel expenses are refunded by the Bank upon request.
2. The labour remuneration for members who join or leave the Advisory Board during the year is paid on a pro-rata temporis basis for each calendar month.
3. Potential duties of payment of the mandate holders and/or payments made are not taken into account.

Disclosure of the Remuneration Paid to Members of the Supervisory Board and Its Committees

| | Total remuneration € |
|---|-------------------------|
| Members Pursuant to Section 12 Para. 1 Letters a to c of the Statutes | |
| Prof. Dr. Andreas Pinkwart Chairman Minister for Economic Affairs, Innovation, Digitalization and Energy of the State of North Rhine-Westphalia | 22,900 |
| Lutz Lienenkämper, MdL Deputy Chairman Minister of Finance of the State of North Rhine-Westphalia | 29,100 |
| Ina Scharrenbach Deputy Chairwoman Minister of Home Affairs, Municipal Affairs, Construction and Equality of the State of North Rhine-Westphalia | 29,400 |

| | Total remuneration € |
|---|-------------------------|
| Permanent Representatives Pursuant to Section 12 Para. 2 of the Statutes | |
| Dr. Johannes Velling Senior Principal Ministry of Economic Affairs, Innovation, Digitalization and Energy of the State of North Rhine-Westphalia | 20,900 |
| Gerhard Heilgenberg Assistant Secretary Ministry of Finance of the State of North Rhine-Westphalia | 26,200 |
| Dr. Christian von Kraack Assistant Secretary Ministry of Home Affairs, Municipal Affairs, Construction and Equality of the State of North Rhine-Westphalia | 26,200 |

| | Total remuneration € |
|---|-------------------------|
| Members Pursuant to Section 12 Para. 1 Letter d of the Statutes | |
| Martin Börschel, MdL Member of the SPD Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 17,700 |
| Ute Gerbaulet General Partner Bankhaus Lampe KG | 17,700 |
| Ursula Heinen-Esser Minister for Environment, Agriculture, Conservation and Consumer Affairs of the State of North Rhine-Westphalia | 12,400 |
| Bernd Krückel, MdL Member of the CDU Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 17,100 |
| Dr. Birgit Roos Chairwoman of the Managing Board Sparkasse Krefeld | 20,300 |
| Dirk Wedel State Secretary Ministry of Justice of the State of North Rhine-Westphalia | 6,200 |
| Hendrik Wüst, MdL Minister of Transport of the State of North Rhine-Westphalia | 12,100 |

| | Total remuneration € |
|--|-------------------------|
| Members Pursuant to Section 12 Para. 1 Letter e of the Statutes | |
| Matthias Elzinga Staff representative NRW.BANK | 20,300 |
| Tanja Gossens Staff representative NRW.BANK | 18,000 |
| Frank Lill Staff representative NRW.BANK | 17,900 |
| Yvonne Rohde Authorised officer NRW.BANK | 18,000 |
| Torben Wittenberg Staff representative NRW.BANK | 18,600 |

1. On the basis of the rules adopted by the Board of Guarantors, turnover tax and travel expenses are refunded by the Bank upon request.
2. The labour remuneration for members who join or leave the Advisory Board during the year is paid on a pro-rata temporis basis for each calendar month.
3. Potential duties of payment of the mandate holders and/or payments made are not taken into account.

**Disclosure of the Remuneration Paid to Members of the Advisory Board
for Housing Promotion of NRW.BANK**

| | Total remuneration € |
|--|-------------------------|
| Member Pursuant to Section 23 Para. 1 Letter a of the Statutes | |
| Ina Scharrenbach Chairwoman Minister of Home Affairs, Municipal Affairs, Construction and Equality of the State of North Rhine-Westphalia | 3,600 |
| Members Pursuant to Section 23 Para. 1 Letter b of the Statutes | |
| Günther Bongartz Assistant Secretary Ministry of Finance of the State of North Rhine-Westphalia | 3,600 |
| Dr. Michael Henze Assistant Secretary Ministry for Economic Affairs, Innovation, Digitalization and Energy of the State of North Rhine-Westphalia | 3,300 |
| Sven-Axel Köster Senior Principal Ministry of Work, Welfare and Social Integration of the State of North Rhine-Westphalia | 3,600 |
| Members Pursuant to Section 23 Para. 1 Letter c of the Statutes | |
| Roger Beckamp, MdL Member of the AfD Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 3,600 |
| Andreas Becker, MdL Member of the SPD Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 3,600 |

| | Total remuneration € |
|--|-------------------------|
| Members Pursuant to Section 23 Para. 1 Letter c of the Statutes | |
| Martin Börschel, MdL Member of the SPD Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 3,600 |
| Arndt Klocke, MdL Chairman of the Bündnis 90/Die Grünen Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 3,600 |
| Jochen Ott, MdL Deputy Chairman of the SPD Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 3,600 |
| Stephen Paul, MdL Member of the FDP Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 3,600 |
| Fabian Schruppf, MdL Member of the CDU Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 3,600 |
| Daniel Sieveke, MdL Deputy Chairman of the CDU Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 3,300 |
| Klaus Vossemer, MdL Member of the CDU Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 3,600 |

| | Total remuneration € |
|--|-------------------------|
| Members Pursuant to Section 23 Para. 1 Letter d of the Statutes | |
| Ass. jur. Erik Amaya Association Director Haus & Grund Rheinland Westfalen | 3,600 |
| Elisabeth Gendziorra, lawyer Managing Director BFW Landesverband Nordrhein-Westfalen e. V. | 3,600 |
| Alexander Rychter Association Director Verband der Wohnungs- und Immobilienwirtschaft Rheinland Westfalen e. V. | 3,300 |
| Members Pursuant to Section 23 Para. 1 Letter e of the Statutes | |
| Rudolf Graaff Deputy Mayor Städte- und Gemeindebund Nordrhein-Westfalen e. V. | 3,600 |
| Thomas Hendele President Landkreistag Nordrhein-Westfalen e. V. | 3,300 |
| Hilmar von Lojewski Deputy Mayor for Urban Development, Construction, Housing and Transport Städtetag Nordrhein-Westfalen | 3,600 |
| Stefan Raetz Mayor (until October 31, 2020) City of Rheinbach | 3,600 |

| | Total remuneration € |
|--|-------------------------|
| Member Pursuant to Section 23 Para. 1 Letter f of the Statutes | |
| Hans-Jochem Witzke 1st Chairman of the Managing Board Deutscher Mieterbund Nordrhein-Westfalen e. V. | 3,300 |
| Member Pursuant to Section 23 Para. 1 Letter g of the Statutes | |
| Dipl.-Ing. Ernst Uhing President Chamber of Architects of North Rhine-Westphalia | 3,600 |
| Permanent Representative of the Chairing Member Pursuant to Section 23 Para. 2 of the Statutes | |
| Sigrid Koeppinghoff Assistant Secretary Ministry of Home Affairs, Municipal Affairs, Construction and Equality of the State of North Rhine-Westphalia | 3,600 |

1. On the basis of the rules adopted by the Board of Guarantors, turnover tax and travel expenses are refunded by the Bank upon request.
2. The labour remuneration for members who join or leave the Advisory Board during the year is paid on a pro-rata temporis basis for each calendar month.
3. Potential duties of payment of the mandate holders and/or payments made are not taken into account.

Disclosure of the Remuneration Paid to Members of the Advisory Board of NRW.BANK

| | Total remuneration € |
|--|-------------------------|
| Members Pursuant to Section 25 of the Statutes | |
| Prof. Dr. Andreas Pinkwart Chairman Minister for Economic Affairs, Innovation, Digitalization and Energy of the State of North Rhine-Westphalia | 2,300 |
| Kai Abruszat Mayor Stemwede local community | 2,300 |
| Michael Ackermann Managing Director Klinikum Bielefeld gem. GmbH | 2,000 |
| Uwe Berghaus Member of the Managing Board DZ BANK AG Deutsche Zentral-Genossenschaftsbank | 2,300 |
| Dr.-Ing. Heinrich Bökamp President and Board member Chamber of Engineers in North Rhine-Westphalia | 2,300 |
| Michael Breuer President Savings Banks and Giro Association of the Rhineland | 2,300 |
| Prof. Dr. Liane Buchholz President Savings Banks and Giro Association of Westphalia-Lippe | 2,000 |

| | Total remuneration € |
|---|-------------------------|
| Members Pursuant to Section 25 of the Statutes | |
| Dr. Andre Carls Chairman of the Managing Board Bankenverband Nordrhein-Westfalen e.V. | 2,300 |
| Pit Clausen Deputy Chairman of the Managing Board Städtetag Nordrhein-Westfalen | 2,300 |
| Heinrich Otto Deichmann Chairman of the Supervisory Board Deichmann SE | 2,000 |
| Paolo Dell' Antonio Chairman of the Managing Board Wilh. Werhahn KG | 2,300 |
| Andreas Ehlert President Chamber of Handicrafts Düsseldorf | 2,300 |
| Thomas Eiskirch Lord Mayor City of Bochum | 2,000 |
| Dorothee Feller District President Münster Regional Government | 2,300 |

| | Total remuneration € |
|---|-------------------------|
| Members Pursuant to Section 25 of the Statutes | |
| Heinz Fiege FIEGE Logistik Holding Stiftung & Co. KG | 2,000 |
| Prof. Dr. Ursula Gather Chairwoman of the Board of Trustees Alfried Krupp von Bohlen und Halbach-Stiftung | 2,300 |
| Dieter Gebhard Chairman Regional Assembly of Westphalia-Lippe | 2,300 |
| Dr. iur. Antonius Hamers, pastor Director Catholic Office North Rhine-Westphalia | 2,300 |
| Thomas Hendele President Landkreistag Nordrhein-Westfalen e. V. | 2,300 |
| Anne Henk-Hollstein Chairwoman Regional Assembly of the Rhineland | 2,300 |
| Thomas Hunsteger-Petermann Lord Mayor (until October 31, 2020) City of Hamm | 2,300 |

| | Total remuneration € |
|---|-------------------------|
| Members Pursuant to Section 25 of the Statutes | |
| Dipl.-Wirtsch.-Ing. Arndt G. Kirchhoff Managing Partner and CEO KIRCHHOFF Holding GmbH & Co. KG | 2,300 |
| Prof. Dr. Lambert T. Koch Chairman Directors Conference of the Universities in North Rhine-Westphalia | 2,000 |
| Stefan Koetz Chairman of the Management Board Ericsson GmbH | 2,300 |
| Daniel Krahn Chief Executive Officer Urlaubsguru GmbH | 2,000 |
| Dr. Arne Kupke Legal Vice President Evangelical Church of Westphalia | 2,300 |
| Markus Lewe Lord Mayor City of Münster | 2,300 |

| | Total remuneration € |
|--|-------------------------|
| Members Pursuant to Section 25 of the Statutes | |
| Matthias Löb Director of LWL Regional Association of Westphalia-Lippe | 2,300 |
| Ulrike Lubek Director of LVR Regional Association of the Rhineland | 2,300 |
| Wolfgang Lubert Managing Director EnjoyVenture Management GmbH | 2,300 |
| Dr.-Ing. Hinrich Mählmann Personally liable Managing Partner Otto Fuchs KG | 2,300 |
| Prof. Dr.-Ing. Wolfgang Marquardt Chairman of the Board of Directors Forschungszentrum Jülich GmbH | 2,300 |
| Thomas Meyer President IHK NRW – Die Industrie- und Handelskammern in Nordrhein-Westfalen e. V. | 2,300 |
| Roland Oetker Managing Partner ROI Verwaltungsgesellschaft mbH | 2,300 |

| | Total remuneration € |
|---|-------------------------|
| Members Pursuant to Section 25 of the Statutes | |
| Prof. Dr. Uli Paetzel Chairman of the Managing Board EMSCHERGENOSSENSCHAFT und LIPPEVERBAND | 2,300 |
| Dr. Paul-Josef Patt Chairman of the Managing Board eCAPITAL entrepreneurial Partners AG | 2,300 |
| Guntram Pehlke Chairman of the Managing Board Verband kommunaler Unternehmen e. V. – Regional Group North Rhine-Westphalia – | 2,300 |
| Judith Pirscher (since April 1, 2020) District President Detmold Regional Government | 1,800 |
| Birgitta Radermacher District President Düsseldorf Regional Government | 2,300 |
| Henriette Reker Lord Mayor City of Cologne | 2,300 |
| Roland Schäfer President Städte- und Gemeindebund Nordrhein-Westfalen e. V. | 2,300 |

| | Total remuneration € |
|--|-------------------------|
| Members Pursuant to Section 25 of the Statutes | |
| Carola Gräfin von Schmettow Chairwoman of the Management Board HSBC Trinkaus & Burkhardt AG | 2,300 |
| Prof. Dr. Christoph M. Schmidt President RWI – Leibnitz-Institut für Wirtschaftsforschung | 2,300 |
| Dr. Rolf Martin Schmitz Chairman of the Managing Board RWE AG | 2,300 |
| Prof. Dr. Uwe Schneidewind (until March 31, 2020) President and Academic Managing Director Wuppertal Institut für Klima, Umwelt, Energie gGmbH | 500 |
| Frank Sportolari District Manager United Parcel Service LLC & Co. OHG | 2,300 |
| Hans-Josef Vogel District President Arnsberg Regional Government | 2,300 |
| Gisela Walsken District President Cologne Regional Government | 2,300 |

| | Total remuneration € |
|--|-------------------------|
| Members Pursuant to Section 25 of the Statutes | |
| Anja Weber District Chairwoman Deutscher Gewerkschaftsbund NRW | 2,300 |
| Matthias Zachert Chairman of the Managing Board LANXESS AG | 2,000 |
| Bernd Zimmer Chairman of the Managing Board Verband Freier Berufe im Lande Nordrhein-Westfalen e. V. | 2,300 |

1. On the basis of the rules adopted by the Board of Guarantors, turnover tax and travel expenses are refunded by the Bank upon request.
2. The labour remuneration for members who join or leave the Advisory Board during the year is paid on a pro-rata temporis basis for each calendar month.
3. Potential duties of payment of the mandate holders and/or payments made are not taken into account.

Disclosure of the Remuneration Paid to Members of the Parliamentary Advisory Board of NRW.BANK

| | Total remuneration € |
|---|-------------------------|
| Members Pursuant to Section 26 of the Statutes | |
| Dr. Marcus Optendrenk, MdL Chairman Deputy Chairman of the CDU Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 250 |
| Ralf Witzel, MdL Deputy Chairman Deputy Chairman of the FDP Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 250 |
| Ralph Bombis, MdL Member of the FDP Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 250 |
| Marc Herter, MdL Deputy Chairman of the SPD Parliamentary Group NRW (until October 31, 2020) State Assembly of North Rhine-Westphalia | 0 |
| Olaf Lehne, MdL (since November 11, 2020) Member of the CDU Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 0 |
| Nadja Lüders, MdL Member of the SPD Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 125 |

| | Total remuneration € |
|---|-------------------------|
| Members Pursuant to Section 26 of the Statutes | |
| Arne Moritz, MdL (until November 11, 2020) Member of the CDU Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 125 |
| Mehrdad Mostofizadeh, MdL Deputy Chairman of the Bündnis 90/Die Grünen Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 250 |
| Elisabeth Müller-Witt, MdL Member of the SPD Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 250 |
| Dr. Patricia Peill, MdL Member of the CDU Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 0 |
| Romina Plonsker, MdL (since November 11, 2020) Member of the CDU Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 0 |
| Herbert Strotebeck, MdL Member of the AfD Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 250 |

| | Total remuneration € |
|--|-------------------------|
| Members Pursuant to Section 26 of the Statutes | |
| Marco Voge, MdL (until November 11, 2020) Member of the CDU Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 125 |
| Petra Vogt, MdL Deputy Chairwoman of the CDU Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 250 |
| Markus Herbert Weske, MdL Member of the SPD Parliamentary Group NRW State Assembly of North Rhine-Westphalia | 250 |

1. On the basis of the rules adopted by the Board of Guarantors, turnover tax and travel expenses are refunded by the Bank upon request.
2. Potential duties of payment of the mandate holders and/or payments made are not taken into account.

Itemised List of NRW.BANK's Investments Pursuant to Section 285 No. 11 and 11a HGB

| Name and head office of the company | Direct (D)/ Indirect (I) | Capital share in % | Equity in thousands | Net income/ loss for the year in thousands | Currency | As at |
|---|-----------------------------|-----------------------|------------------------|--|----------|---------------|
| Equity investments in affiliated companies | | | | | | |
| Bremer Spielcasino GmbH & Co. KG, Bremen | D/I | 51.00% | 8,553 | 3,713 | EUR | Dec. 31, 2019 |
| Casino Duisburg GmbH & Co. KG, Duisburg | I | 100.00% | 10,000 | 13,766 | EUR | Dec. 31, 2019 |
| Nordwestlotto in Nordrhein-Westfalen GmbH, Münster | D | 100.00% | 156 | 0 | EUR | Dec. 31, 2019 |
| NRW.BANK.Fonds Beteiligungs-GmbH i. L., Düsseldorf | D | 100.00% | 68 | 0 | EUR | Sep. 25, 2019 |
| Unterstützungseinrichtungen GmbH der Westdeutsche Lotterie GmbH & Co. OHG, Münster | D/I | 100.00% | 26 | -2,701 | EUR | Dec. 31, 2019 |
| Westdeutsche Lotterie GmbH & Co. OHG, Münster ¹⁾ | D | 100.00% | 129,891 | 9,983 | EUR | Dec. 31, 2019 |
| Westdeutsche Lotto-VertriebsGmbH, Münster | I | 100.00% | 21 | -2 | EUR | Dec. 31, 2019 |
| Westdeutsche Spielbanken GmbH, Duisburg | D | 100.00% | 36 | 10 | EUR | Dec. 31, 2019 |
| Westdeutsche Spielcasino Service GmbH, Duisburg | D | 100.00% | 1,052 | 527 | EUR | Dec. 31, 2019 |
| WestEvent GmbH & Co. KG, Münster | I | 100.00% | 1,890 | 360 | EUR | Dec. 31, 2019 |
| WestSpiel Entertainment GmbH, Duisburg | I | 100.00% | 25 | 0 | EUR | Dec. 31, 2019 |
| WestSpiel VerwaltungsGmbH, Duisburg ³⁾ | I | 100.00% | | | | |
| Equity investments in non-affiliated companies | | | | | | |
| 4TEEN4 Pharmaceuticals GmbH, Henningsdorf | D | 3.58% | 4,440 | -1,274 | EUR | Dec. 31, 2019 |
| ABALOS THERAPEUTICS GmbH, Essen | D | 24.96% | 405 | -1,121 | EUR | Dec. 31, 2019 |
| Algix Pharmaceuticals GmbH, Erkrath | D | 8.89% | 959 | -1,557 | EUR | Dec. 31, 2019 |
| AMEPA Angewandte Messtechnik und Prozessautomatisierung GmbH, Würselen | D | 16.67% | 7,383 | 2,191 | EUR | Dec. 31, 2019 |
| AYOXXA Biosystems GmbH, Cologne | D | 18.00% | -5,519 | -7,625 | EUR | Dec. 31, 2019 |
| BE Beteiligungen Fonds GmbH & Co. geschlossene Investmentkommanditgesellschaft, Cologne | D | 4.08% | 89,335 | 12,408 | EUR | Dec. 31, 2019 |
| BGB Ges. Bankenkonsortium ZENIT GmbH, Mülheim an der Ruhr | D | 33.40% | 2,815 | -143 | EUR | Dec. 31, 2019 |
| BLSW Seedfonds GmbH & Co. KG, Wuppertal | D | 48.20% | 5,116 | -1,363 | EUR | Dec. 31, 2019 |

| Name and head office of the company | Direct (D)/ Indirect (I) | Capital share in % | Equity in thousands | Net income/ loss for the year in thousands | Currency | As at |
|--|-----------------------------|-----------------------|------------------------|--|----------|---------------|
| Equity investments in non-affiliated companies | | | | | | |
| Bomedus GmbH, Bonn | D | 22.80% | -1,038 | -290 | EUR | Dec. 31, 2019 |
| Bright Capital SME Debt Fund I GmbH & Co. KG, Frankfurt am Main | D | 3.86% | 18,114 | -3,420 | EUR | Dec. 31, 2019 |
| btov Industrial Technologies SCS SICAR, Munsbach | D | 5.19% | 13,306 | -1,795 | EUR | Dec. 31, 2019 |
| Bürgschaftsbank Brandenburg GmbH, Potsdam | D | 19.85% | 31,024 | 1,188 | EUR | Dec. 31, 2019 |
| Bürgschaftsbank NRW GmbH – Kreditgarantiegemeinschaft, Neuss | D | 15.75% | 38,223 | 1,463 | EUR | Dec. 31, 2019 |
| Capnamic United Venture Fund I GmbH & Co. KG, Cologne | D | 7.69% | 11,637 | 12,092 | EUR | Dec. 31, 2019 |
| Capnamic Ventures Fund II GmbH & Co. KG, Cologne | D | 4.35% | 45,652 | -237 | EUR | Dec. 31, 2019 |
| Capza 5 Private Debt SCSp-RAIF, Luxembourg | D | 0.23% | 393,288 | 2,270 | EUR | Dec. 31, 2019 |
| CellAct Pharma GmbH, Dortmund | D | 38.56% | 405 | -470 | EUR | Dec. 31, 2019 |
| CEVEC Pharmaceuticals GmbH, Cologne | D | 18.04% | 4,086 | -2,565 | EUR | Dec. 31, 2019 |
| Cherry Ventures Fund III GmbH & Co. KG, Berlin | D | 4.98% | 7,449 | -4,267 | EUR | Dec. 31, 2019 |
| Chronext AG, Zug | D | 6.24% | 8,521 | -14,922 | EUR | Dec. 31, 2019 |
| citadelle systems AG, Essen | D | 8.02% | 235 | -470 | EUR | Dec. 31, 2019 |
| CMP German Opportunity Investors Fund II (SCA) SICAR, Luxembourg | D | 1.71% | 76,982 | 6,396 | EUR | Dec. 31, 2019 |
| CMP German Opportunity Investors Fund II (SCS) SICAR, Luxembourg | D | 1.68% | 104,722 | 10,007 | EUR | Dec. 31, 2019 |
| CMP German Opportunity Investors Fund III SCSp, Luxembourg | D | 2.00% | 81,442 | -12,328 | EUR | Dec. 31, 2019 |
| Creathor Venture Fund IV (SCSp) SICAR, Luxembourg | D | 13.85% | 18,482 | 3,191 | EUR | Dec. 31, 2019 |
| CryoTherapeutics SA, Awans | D | 15.37% | 17,663 | -1,118 | EUR | Dec. 31, 2019 |
| DBAG Expansion Capital Fund GmbH & Co. KG, Frankfurt am Main | D | 9.79% | 33,447 | 1,811 | EUR | Dec. 31, 2019 |
| DEINZER Holding GmbH, Munich | D | 35.56% | 3,206 | -668 | EUR | Mar. 31, 2020 |
| Deutsche Arzt AG, Essen | D | 11.32% | -2,430 | -2,450 | EUR | Dec. 31, 2019 |

| Name and head office of the company | Direct (D)/ Indirect (I) | Capital share in % | Equity in thousands | Net income/ loss for the year in thousands | Currency | As at |
|--|-----------------------------|-----------------------|------------------------|--|----------|---------------|
| Equity investments in non-affiliated companies | | | | | | |
| DIMATE GmbH, Bochum | D | 8.55% | 284 | -231 | EUR | Dec. 31, 2019 |
| DIREVO Industrial Biotechnology GmbH, Cologne | D | 25.45% | 379 | -773 | EUR | Dec. 31, 2019 |
| Earlybird GmbH & Co. Beteiligungs KG 2012, Munich | D | 3.33% | 60,088 | -10,204 | EUR | Dec. 31, 2019 |
| Earlybird Health GmbH & Co. Beteiligungs KG, Cologne | D | 8.54% | 22,910 | -39 | EUR | Dec. 31, 2019 |
| eCAPITAL Cybersecurity Fonds GmbH & Co. KG, Münster | D | 10.00% | 6,115 | -18 | EUR | Dec. 31, 2019 |
| ELS Fonds GmbH & Co. KG i. L., Recklinghausen | D | 32.33% | 1,645 | -205 | EUR | Dec. 31, 2019 |
| Emergence Therapeutics AG, Duisburg | D | 11.19% | 309 | -380 | EUR | Dec. 31, 2019 |
| Enerthing GmbH, Cologne | D | 20.40% | 674 | -550 | EUR | Dec. 31, 2019 |
| EOS Beteiligungs GmbH & Co. KG, Munich | D | 2.50% | 6,563 | -827 | EUR | Dec. 31, 2019 |
| European Investment Fund (EIF), Luxembourg | D | 0.44% | 1,990,071 | 175,668 | EUR | Dec. 31, 2019 |
| femtos GmbH, Bochum | D | 13.89% | -258 | -477 | EUR | Dec. 31, 2019 |
| FLEX Capital Fund II GmbH & Co. KG, Berlin | D | 2.50% | 14,502 | -275 | EUR | Dec. 31, 2019 |
| FRONTASTIC GmbH, Münster | D | 10.09% | 1,510 | -793 | EUR | Dec. 31, 2019 |
| Gardeur Beteiligungs GmbH, Mönchengladbach ²⁾ | D | 49.00% | | | | |
| Genui Fund GmbH & Co. KG, Hamburg | D | 1.72% | 252,416 | 68,041 | EUR | Dec. 31, 2019 |
| Genui Fund II GmbH & Co. KG, Hamburg | D | 1.03% | 19,853 | -4,736 | EUR | Dec. 31, 2019 |
| GreenPocket GmbH, Cologne | D | 12.80% | 926 | -1,312 | EUR | Dec. 31, 2019 |
| Gründerfonds Ruhr GmbH & Co. KG, Essen | D | 43.48% | 4,882 | -783 | EUR | Dec. 31, 2019 |
| Harbert / Claret European Growth Capital Fund III SCSp, Luxembourg ³⁾ | D | 3.06% | | | | |
| Harbert European Growth Capital Fund I L.P., London | D | 1.67% | 41,413 | 4,273 | EUR | Dec. 31, 2019 |
| Harbert European Growth Capital Fund II SCSp, London | D | 1.55% | 173,231 | 10,532 | EUR | Dec. 31, 2019 |

| Name and head office of the company | Direct (D)/ Indirect (I) | Capital share in % | Equity in thousands | Net income/ loss for the year in thousands | Currency | As at |
|---|-----------------------------|-----------------------|------------------------|--|----------|---------------|
| Equity investments in non-affiliated companies | | | | | | |
| HAVERKAMP GmbH, Münster | D | 49.00% | 1,208 | 27 | EUR | Dec. 31, 2019 |
| Hemovent GmbH, Aachen | D | 22.98% | 1,415 | -2,981 | EUR | Dec. 31, 2019 |
| HF Private Debt Fonds SCSp, Senningerberg | D | 3.05% | 90,193 | 5,135 | EUR | Dec. 31, 2019 |
| HoloBuilder Inc., San Francisco | D | 10.63% | 788 | -3,063 | USD | Dec. 31, 2019 |
| Ideenreich Invest GmbH, Cologne | D | 50.00% | 10,386 | 213 | EUR | Dec. 31, 2019 |
| Innolume GmbH, Dortmund | D | 0.40% | -4,367 | 399 | EUR | Dec. 31, 2018 |
| Investitionsbank des Landes Brandenburg (ILB), Potsdam | D | 50.00% | 234,330 | 11,327 | EUR | Dec. 31, 2019 |
| IPF Fund I SCA, SICAV-FIS, Luxembourg | D | 1.19% | 50,076 | 3,681 | EUR | Dec. 31, 2019 |
| JADO Technologies GmbH, Dresden ²⁾ | D | | | | | |
| Kapitalbeteiligungsgesellschaft für die mittelständische Wirtschaft in NRW mbH, Neuss | D | 49.63% | 4,548 | 520 | EUR | Dec. 31, 2019 |
| Kleffmann Holding GmbH i. L., Lüdinghausen | D | 50.00% | 8,727 | 6,996 | EUR | Dec. 31, 2019 |
| Kreos Capital VI (Expert Fund) LP, St. Helier | D | 0.59% | 116,684 | -8,914 | EUR | Dec. 31, 2019 |
| Kurma Biofund III FPCI, Paris | D | 3.92% | 10,711 | -2,782 | EUR | Dec. 31, 2019 |
| LSI Pre-Seed-Fonds GmbH, Bonn | D | 35.13% | 8,717 | -716 | EUR | Dec. 31, 2019 |
| Mapudo GmbH, Düsseldorf ²⁾ | D | 21.12% | | | | |
| Marondo Small-Cap Growth Fund I GmbH & Co. KG, Munich | D | 5.88% | 10,726 | -148 | EUR | Dec. 31, 2019 |
| neoteq ventures Rheinland One GmbH & Co. KG ³⁾ | D | 48.61% | | | | |
| Novihum Technologies GmbH, Dresden | D | 12.34% | -574 | -5,816 | EUR | Dec. 31, 2019 |
| Occlutech Holding AG, Schaffhausen | D | 0.14% | 5,778 | -2,285 | EUR | Jun. 30, 2019 |
| ODDSET Sportwetten GmbH, Munich | I | 34.00% | 3,292 | 154 | EUR | Dec. 31, 2019 |
| Odewald KMU GmbH & Co. Beteiligungsgesellschaft für Vermögensanlagen KG, Berlin | D | 7.32% | 7,028 | -4,905 | EUR | Dec. 31, 2019 |

| Name and head office of the company | Direct (D)/ Indirect (I) | Capital share in % | Equity in thousands | Net income/ loss for the year in thousands | Currency | As at |
|--|-----------------------------|-----------------------|------------------------|--|----------|---------------|
| Equity investments in non-affiliated companies | | | | | | |
| Odewald KMU II GmbH & Co. Beteiligungsgesellschaft für Vermögensanlagen KG, Berlin | D | 5.87% | 115,669 | 3,143 | EUR | Dec. 31, 2019 |
| Peppermint CBF 1 GmbH & Co. KG, Berlin | D | 14.72% | 16,670 | -95 | EUR | Dec. 31, 2019 |
| Personal MedSystems GmbH, Berlin | D | 5.68% | 838 | -1,332 | EUR | Dec. 31, 2019 |
| Phenox GmbH, Bochum | D | 27.61% | 11,162 | 1,910 | EUR | Dec. 31, 2019 |
| Pinova GmbH & Co. Beteiligungs 2 KG, Munich | D | 5.56% | 90,823 | 1,105 | EUR | Dec. 31, 2019 |
| Pinova GmbH & Co. Erste Beteiligungs KG, Munich | D | 10.26% | 33,188 | -1,727 | EUR | Dec. 31, 2019 |
| Portigon AG, Düsseldorf | D | 30.51% | 837,181 | -582,413 | EUR | Dec. 31, 2019 |
| Pride Mezzanine Capital I FGR, Amsterdam | D | 1.67% | 27,089 | -478 | EUR | Dec. 31, 2019 |
| Project A Ventures III GmbH & Co. KG, Berlin | D | 2.42% | 39,786 | -4,423 | EUR | Dec. 31, 2019 |
| RDZ GmbH, Wiehl ²⁾ | D | 21.94% | | | | |
| Rheinland Venture Capital GmbH & Co. KG, Cologne | D | 39.92% | 1,279 | 212 | EUR | Dec. 31, 2019 |
| RiverRock European Opportunities Feeder Fund II, London | D | 1.07% | 109,406 | 7,012 | EUR | Dec. 31, 2019 |
| RiverRock European Opportunities Fund Ltd., London | D | 1.49% | 44,913 | -3,855 | EUR | Dec. 31, 2019 |
| saperatec GmbH, Bielefeld | D | 9.21% | 3,944 | -997 | EUR | Dec. 31, 2019 |
| SeedCapital Dortmund GmbH & Co. KG i. L., Dortmund | D | 46.51% | 3,699 | 334 | EUR | Dec. 31, 2019 |
| SeedCapital Dortmund II GmbH & Co. KG, Dortmund | D | 47.62% | 4,822 | 361 | EUR | Dec. 31, 2019 |
| SeedCapital Dortmund III GmbH & Co. KG, Dortmund | D | 47.62% | 812 | -25 | EUR | Dec. 31, 2019 |
| Seed Fonds für die Region Aachen GmbH & Co. KG i. L., Aachen | D | 46.95% | 303 | -479 | EUR | Dec. 31, 2019 |
| Seed Fonds II für die Region Aachen GmbH & Co. KG, Aachen | D | 47.02% | 6,783 | 223 | EUR | Dec. 31, 2019 |
| SET Fund III C.V., Amsterdam | D | 5.00% | 5,359 | -2,262 | EUR | Dec. 31, 2019 |
| Sirius Seedfonds Düsseldorf GmbH & Co. KG i. L., Düsseldorf | D | 44.61% | 831 | -402 | EUR | Dec. 31, 2019 |

| Name and head office of the company | Direct (D)/ Indirect (I) | Capital share in % | Equity in thousands | Net income/ loss for the year in thousands | Currency | As at |
|---|-----------------------------|-----------------------|------------------------|--|----------|---------------|
| Equity investments in non-affiliated companies | | | | | | |
| talpasolutions GmbH, Essen | D | 7.06% | 240 | -866 | EUR | Dec. 31, 2019 |
| Technologiefonds OWL GmbH & Co. KG, Paderborn | D | 42.90% | 2,493 | -1,013 | EUR | Dec. 31, 2019 |
| TechVision Fonds I für die Region Aachen, Krefeld und Mönchengladbach GmbH & Co. KG, Aachen | D | 32.50% | 3,236 | -78 | EUR | Dec. 31, 2019 |
| ubirch GmbH, Cologne | D | 7.97% | 1,093 | -1,512 | EUR | Dec. 31, 2019 |
| Unternehmertum VC Fonds III GmbH & Co. KG, Garching ³⁾ | D | 3.47% | | | | |
| unu GmbH, Berlin | D | 1.72% | 2,893 | -8,586 | EUR | Dec. 31, 2019 |
| VENTECH GmbH, Marl ²⁾ | D | 19.98% | | | | |
| Vimecon GmbH i. L., Herzogenrath ²⁾ | D | 8.28% | | | | |
| windtest grevenbroich gmbh, Grevenbroich | D | 25.00% | 896 | -70 | EUR | Dec. 31, 2019 |
| World of sonoro Holding GmbH, Neuss | D | 23.90% | -7,812 | 435 | EUR | Jul. 31, 2019 |

¹⁾ NRW.BANK is a personally liable shareholder of Westdeutsche Lotterie GmbH & Co. OHG, Münster.

²⁾ The company did not prepare financial statements due to insolvency or liquidation.

³⁾ No relevant information is available due to new incorporations/exposures.

Disclosure of Seats Held Pursuant to Section 340a Para. 4 No. 1 HGB

Seats Held by Members of the Managing Board

Eckhard Forst

Portigon AG, Düsseldorf
Chairman of the Supervisory Board

Société de Financement Local (SFIL), Issy-Les-Moulineaux (since May 28, 2020)
Administrateur indépendant, membre du Conseil d'Administration de SFIL

Michael Stölting

Erste Abwicklungsanstalt, Düsseldorf (until September 30, 2020)
Member of the Supervisory Board

Investitionsbank des Landes Brandenburg (ILB), Potsdam
Deputy Chairman of the Supervisory Board

Dietrich Suhlrie

Investitionsbank des Landes Brandenburg (ILB), Potsdam
Member of the Supervisory Board

Seats Held by Employees

Ute Hagedorn

Investitionsbank des Landes Brandenburg (ILB), Potsdam
Member of the Supervisory Board

Simone Merk

Investitionsbank des Landes Brandenburg (ILB), Potsdam
Member of the Supervisory Board

Dr. Aristotelis Nastos

CELLINK AB, Gothenburg (since December 17, 2020)
Member of the Supervisory Board

Klaus Rupprath

Erste Abwicklungsanstalt, Düsseldorf (since November 1, 2020)
Member of the Supervisory Board

Dr. Peter Stemper

Portigon AG, Düsseldorf (since August 24, 2020)
Member of the Supervisory Board

Report on Post-Balance Sheet Date Events

There were no events of special importance after the end of the fiscal year that are considered neither in the income statement nor in the balance sheet.

Resolution on the Appropriation of Profits (37)

The Board of Guarantors of NRW.BANK has passed the following resolution on the appropriation of profits:

In accordance with Section 30 of the Statutes and to meet the statutory distribution requirements under Section 14 Para. 1 NRW.BANK G, an amount of € 6,939,006.02 will be paid to the Federal Government for interest amounts that become due after December 31, 2020 and are to be paid by the State of North Rhine-Westphalia due to the utilisation of loans from the Federal Government for the promotion of housing construction and modernisation (subsidies pursuant to Article 104a Para. 4 of the German Constitution [Grundgesetz – GG] in the version effective until August 31, 2006).

Executive Bodies of the Bank

Board of Guarantors

Members Pursuant to Section 8 Para. 1 Letters a to c of the Statutes

Prof. Dr. Andreas Pinkwart

Chairman

Minister for Economic Affairs, Innovation, Digitalization and Energy
of the State of North Rhine-Westphalia
Düsseldorf

Lutz Lienenkämper, MdL

Deputy Chairman

Minister of Finance
of the State of North Rhine-Westphalia
Düsseldorf

Ina Scharrenbach

Deputy Chairwoman

Minister of Home Affairs, Municipal Affairs, Construction and Equality
of the State of North Rhine-Westphalia
Düsseldorf

Members Pursuant to Section 8 Para. 1 Letter d of the Statutes

Nathanael Liminski

State Secretary as well as Head of the State Chancellery
of the State of North Rhine-Westphalia
Düsseldorf

Mathias Richter

State Secretary
Ministry for School and Further Education
of the State of North Rhine-Westphalia
Düsseldorf

Permanent Guests

Matthias Elzinga

Staff representative
NRW.BANK
Münster

Frank Lill

Staff representative
NRW.BANK
Düsseldorf

Supervisory Board

Members Pursuant to Section 12 Para. 1 Letters a to c of the Statutes

Prof. Dr. Andreas Pinkwart

Chairman

Minister for Economic Affairs, Innovation, Digitalization and Energy
of the State of North Rhine-Westphalia
Düsseldorf

Lutz Lienenkämper, MdL

Deputy Chairman

Minister of Finance
of the State of North Rhine-Westphalia
Düsseldorf

Ina Scharrenbach

Deputy Chairwoman

Minister of Home Affairs, Municipal Affairs, Construction and Equality
of the State of North Rhine-Westphalia
Düsseldorf

Members Pursuant to Section 12 Para. 1 Letter d of the Statutes

Martin Börschel, MdL

Member of the SPD Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Ute Gerbaulet

General Partner
Bankhaus Lampe KG
Düsseldorf

Ursula Heinen-Esser

Minister for Environment, Agriculture, Conservation and Consumer Affairs
of the State of North Rhine-Westphalia
Düsseldorf

Bernd Krückel, MdL

Member of the CDU Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Dr. Birgit Roos

Chairwoman of the Managing Board
Sparkasse Krefeld
Krefeld

Dirk Wedel

State Secretary
Ministry of Justice
of the State of North Rhine-Westphalia
Düsseldorf

Hendrik Wüst, MdL

Minister of Transport
of the State of North Rhine-Westphalia
Düsseldorf

Members Pursuant to Section 12 Para. 1 Letter e of the Statutes

Matthias Elzinga

Staff representative
NRW.BANK
Münster

Tanja Gossens

Staff representative
NRW.BANK
Düsseldorf

Frank Lill

Staff representative
NRW.BANK
Düsseldorf

Yvonne Rohde

Authorised officer
NRW.BANK
Düsseldorf

Torben Wittenberg

Staff representative
NRW.BANK
Münster

Permanent Representatives Pursuant to Section 12 Para. 2 of the Statutes

Dr. Johannes Velling

Senior Principal
Ministry of Economic Affairs, Innovation, Digitalization and Energy
of the State of North Rhine-Westphalia
Düsseldorf

Gerhard Heilgenberg

Assistant Secretary
Ministry of Finance
of the State of North Rhine-Westphalia
Düsseldorf

Dr. Christian von Kraack

Assistant Secretary
Ministry of Home Affairs, Municipal Affairs, Construction and Equality
of the State of North Rhine-Westphalia
Düsseldorf

Managing Board

Eckhard Forst

Chairman of the Managing Board

Gabriela Pantring

Member of the Managing Board

Michael Stölting

Member of the Managing Board

Dietrich Suhlrie

Member of the Managing Board

Düsseldorf/Münster, February 9, 2021

NRW.BANK

The Managing Board

Eckhard Forst

Gabriela Pantring

Michael Stölting

Dietrich Suhlrie

Cash Flow Statement

of NRW.BANK as of December 31, 2020

The cash flow statement shows the changes in cash and cash equivalents and the cash flows of NRW.BANK, divided into operating activities, investing activities and financing activities. The cash and cash equivalents shown include the balance sheet items "Cash" and "Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks". Cash flows are allocated to operating activities as operating income accrues. The cash flow from investing activities

results primarily from cash received and cash used in connection with selling or acquiring financial and tangible assets. The change in cash from financing activities captures the relationships to equity capital providers. The statement was prepared in accordance with German Accounting Standard No. 21 (Deutscher Rechnungslegungsstandard Nr. 21 – DRS 21).

| | € millions |
|---|------------|
| 1. Net income | 6.9 |
| 2. Depreciation, write-downs/write-ups of receivables and tangible assets | 78.3 |
| 3. Increase/decrease in provisions | 108.5 |
| 4. Other non-cash items | 310.2 |
| 5. Gain/loss on the sale of tangible assets | -131.1 |
| 6. Other adjustments (balance) | 0.0 |
| 7. Increase/decrease in receivables from banks | -3,364.5 |
| 8. Increase/decrease in receivables from customers | -1,727.8 |
| 9. Increase/decrease in securities (with the exception of financial assets) | 25.2 |
| 10. Increase/decrease in other assets from operating activities | 4.2 |
| 11. Increase/decrease in liabilities to banks | 6,868.6 |
| 12. Increase/decrease in liabilities to customers | -1,291.1 |
| 13. Increase/decrease in certificated liabilities | -792.2 |
| 14. Increase/decrease in other liabilities from operating activities | 1,098.5 |
| 15. Interest expenses/income | -719.1 |
| 16. Expenses for/income from extraordinary items | - |
| 17. Income tax expenses/income | 11.2 |
| 18. Interest and dividends received | 3,599.3 |
| 19. Interest paid | -2,469.7 |

| | € millions |
|---|----------------|
| 20. Extraordinary cash received | - |
| 21. Extraordinary cash disbursed | - |
| 22. Income tax payments | -8.4 |
| 23. Cash flow from operating activities | 1,607.0 |
| 24. Cash from the disposal of financial assets | 1,011.7 |
| 25. Disbursements for investments in financial assets | -39.1 |
| 26. Cash from the disposal of tangible assets | 0.0 |
| 27. Disbursements for investments in tangible assets | -187.9 |
| 28. Cash from the disposal of intangible assets | - |
| 29. Disbursements for investments in intangible assets | -0.8 |
| 30. Cash flow from investing activities | 783.9 |
| 31. Cash from allocations to equity capital | 0.6 |
| 32. Disbursements from equity reductions | - |
| 33. Dividends paid to shareholders | -8.1 |
| 34. Cash changes from other capital (balance) | - |
| 35. Cash flow from financing activities | -7.5 |
| 36. Net change in cash and cash equivalents | 2,383.4 |
| 37. Cash and cash equivalents at the beginning of the period | 1,917.9 |
| 38. Cash and cash equivalents at the end of the period | 4,301.3 |

Statement of Changes in Equity

of NRW.BANK as of December 31, 2020

| | Subscribed capital | Capital reserves | Reserves from retained earnings | | Profit for the year | Total |
|---|--------------------|------------------|--|--|---------------------|-----------------|
| | | | Reserves required by NRW.BANK's Statutes | Other reserves from retained earnings | | |
| | € millions | € millions | € millions | € millions | € millions | € millions |
| As of Dec. 31, 2018 | 17,000.0 | 728.1 | 36.1 | 219.6 | – | 17,983.8 |
| Allocations | – | 0.6 | – | – | – | 0.6 |
| Net income | – | – | – | – | 8.2 | 8.2 |
| Designated payout due to legal requirements | – | – | – | – | –8.2 | –8.2 |
| As of Dec. 31, 2019 | 17,000.0 | 728.7 | 36.1 | 219.6 | – | 17,984.4 |
| Allocations | – | 0.6 | – | – | – | 0.6 |
| Net income | – | – | – | – | 6.9 | 6.9 |
| Designated payout due to legal requirements | – | – | – | – | –6.9 | –6.9 |
| As of Dec. 31, 2020 | 17,000.0 | 729.3 | 36.1 | 219.6 | – | 17,985.0 |

Reproduction of the Auditor's Report

We have issued the following Auditor's Report on the annual financial statements, the management report and the ESEF documents:

"Independent auditor's report

To NRW.BANK institution under public law, Düsseldorf and Münster

Report on the audit of the annual financial statements and the management report

Audit opinions

We have audited the annual financial statements of NRW.BANK institution under public law, which comprise the balance sheet as at December 31, 2020 and the income statement, the cash flow statement and the statement of changes in equity for the fiscal year from January 1, 2020 to December 31, 2020 as well as the notes to the annual financial statements including the presentation of the accounting and valuation principles. We have also audited the management report of NRW.BANK institution under public law for the fiscal year from January 1, 2020 to December 31, 2020.

According to our assessment based on the findings of our audit

- the accompanying annual financial statements comply, in all material respects, with the applicable provisions of German commercial law for institutions and, in accordance with German principles of proper accounting, give a true and fair view of the net assets and financial position of the Bank as of December 31, 2020 as well as of its result of operations for the fiscal year from January 1, 2020 to December 31, 2020 and
- the accompanying management report as a whole provides a suitable view of the Bank's position. In all material respects, the management report is consistent with the annual financial statements, complies with legal requirements and suitably presents the future opportunities and risks.

Pursuant to Section 322 Para. 3 Sentence 1 HGB, we state that our audit has not led to any reservations with respect to the correctness of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit

Regulation") and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Our responsibility under those provisions and standards is further described in the "Auditor's responsibility for the audit of the annual financial statements and the management report" section of our report. We are independent of the Bank in accordance with the requirements of European and German commercial and professional law, and we have fulfilled our ethical responsibilities applicable in Germany in accordance with these requirements. In accordance with Article 10 Para. 2 Letter f of the EU Audit Regulation, we also declare that we have not provided non-audit services prohibited under Article 5 Para. 1 of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the annual financial statements and the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were most important in our audit of the annual financial statements for the fiscal year

from January 1, 2020 to December 31, 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

A description of what we have classified as a key audit matter is provided below:

Valuation of receivables from customers and contingent liabilities from the aviation, automotive and retail sectors

Reasons for the classification as a key audit matter

The valuation of receivables from customers and of contingent liabilities from the aviation, automotive and retail sectors is an important area where management makes discretionary decisions. The identification of impaired exposures as well as the determination of any necessary individual value adjustments of loans and/or provisions for credit risks are subject to uncertainty and involve various assumptions and influencing factors, in particular regarding the financial situation of the customer, expectations of future cash flows and the realisation of collateral. Because of the effects of the global COVID-19 pandemic, which cannot yet be conclusively assessed, this uncertainty was noticeably

higher in the fiscal year. Even minor changes in the assumptions and estimation parameters may lead to major valuation differences.

Audit procedure

Based on the Bank's risk reporting and on evaluations of the portfolio structure, we identified the receivables and contingent liabilities of NRW.BANK from the aviation, automotive and retail sectors as being particularly affected by the COVID-19 pandemic. We subsequently extracted these exposures using the balance sheet keys stored in the SAP-BW accounting system and the sector keys stored in the LIMES system. Based on the assessment of the Bank's risk analyses, the analysis of the economic conditions and current market expectations for the sectors mentioned, we have formed our own expectations regarding the recoverability of these exposures.

Within the scope of our audit, we included the accounting-relevant processes for identifying objective indications of impairments or impending losses and for determining individual value adjustments or provisions for credit risks and assessed their appropriateness. In this context, we took into account the additional measures which – above and beyond the existing processes – NRW.BANK has taken in the various credit

units to identify risks in a timely manner due to the economic deterioration in many sectors caused by the COVID-19 pandemic. We tested the effectiveness of the controls implemented in the processes to identify impaired exposures and to determine individual value adjustments or provisions for credit risks. The focus of our audit procedures was on the processes for evaluating the economic situation of borrowers, for applying internal risk classification procedures, for monitoring with regard to the occurrence of early warning indicators and for the valuation of collateral.

In addition, we performed substantive audit procedures on a random sample basis to assess the need for individual value adjustment and the determination of individual value adjustments and/or provisions for credit risks of receivables to customers and/or off-balance sheet contingent liabilities in the aviation, automotive and retail sectors. The random samples were chosen in a risk-oriented manner, especially based on criteria such as the amount of the exposure and/or the listing of loans on watchlists for increased risks of default as well as the rating class or individual value adjustments already formed.

Within our risk-oriented sample, we assessed whether the key assumptions and estimation parameters regard-

ing the expected future cash flows of customers in the aviation, automotive and retail sectors, including cash flows from the realisation of collateral held, are consistent with the borrower's economic situation and the market expectations for these sectors. In addition, we verified the mathematical accuracy of the individual value adjustments determined in each case.

Our audit procedures did not lead to any reservations with regard to the valuation of receivables from customers and contingent liabilities from the aviation, automotive and retail sectors.

Reference to related disclosures

The Bank's disclosures on the valuation of receivables from customers and contingent liabilities which also include the aviation, automotive and retail sectors are made in the notes under the Accounting and Valuation Principles under the heading ["1. General Information"](#). In addition, the sections ["Receivables from Customers \(2\)"](#) and ["Contingent Liabilities \(24\)"](#) in the "Balance Sheet" contain information on the portfolio of these receivables.

Further explanations on the portfolio of receivables from customers and the changes in risk provisions in the fiscal year can be found in the Bank's management

report in the sections ["2.3.1 Results of Operations"](#), ["2.3.3 Net Assets"](#) and ["5.5.6 Risk Provisions"](#).

Other information

The Supervisory Board is responsible for providing the "Report of the Supervisory Board". Otherwise, the legal representatives are responsible for providing other information.

Other information comprises the following paragraphs of the 2020 Annual Report obtained by us prior to the date of this auditor's report: "Editorial", "Acting Energetically", "The Promotional Business of NRW.BANK", "Report on Public Corporate Governance", "Declaration of Conformity", "Report of the Supervisory Board", "Responsibility Statement", "Members of the Advisory Board for Housing Promotion", "Members of the Parliamentary Advisory Board", "Members of the Advisory Board", "Organisation Chart" and "NRW.BANK at a Glance"; by contrast, such other information does not include the annual financial statements, disclosures in the management report not covered by our audit and our respective auditor's report. Other information additionally comprises the non-financial report of NRW.BANK obtained by us prior to the date of the present auditor's report, which is published on the website of NRW.BANK.

Our audit opinions of the annual financial statements and the management report do not cover other information and we therefore issue no audit opinion or any other type of audit conclusion regarding such other information.

As part of our audit, it is our responsibility to read the other information and to check whether such other information

- shows material inconsistencies with the annual financial statements, the management report or the knowledge obtained in the context of our audit or
- otherwise appears to be materially misstated.

If, on the basis of the work performed by us, we arrive at the conclusion that such other information is materially misstated, we are obliged to report on this. We have nothing to report in this respect.

Responsibilities of the legal representatives and the Supervisory Board for the annual financial statements and the management report

The legal representatives are responsible for preparing annual financial statements that comply, in all material respects, with German commercial law applicable for

institutions and for ensuring that the annual financial statements, in accordance with German principles of proper accounting, give a true and fair view of the net assets, financial position and result of operations of the Bank. In addition, the legal representatives are responsible for such internal control as they have determined necessary in accordance with German principles of proper accounting to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Bank's ability to continue as a going concern. They also have the responsibility – where applicable – for disclosing matters related to the going concern. In addition, they are responsible for the accounting based on the going concern, provided no actual or legal circumstances conflict with this.

The legal representatives are also responsible for preparing a management report which, as a whole, provides a suitable view of the Bank's position, and is consistent with the annual financial statements in all material aspects, complies with German legal requirements and suitably presents the future opportunities and risks. In addition, the legal representatives are

responsible for such arrangements and measures (systems) as they consider necessary to enable the preparation of a management report that complies with the requirements of German commercial law and to enable the provision of sufficient and appropriate evidence for assertions in the management report.

The Supervisory Board is responsible for overseeing the Bank's financial reporting process for the preparation of the annual financial statements and the management report.

Auditor's responsibility for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides a suitable view of the situation of the Bank and is consistent with the annual financial statements in all material aspects as well as with the findings of our audit, complies with the legal provisions applicable in Germany and adequately reflects the future opportunities and risks as well as to issue an auditor's report that contains our audit opinions of the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German generally accepted standards for the audit of annual financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in total, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

During our audit, we exercise professional judgment and maintain professional scepticism. Moreover,

- we identify and assess the risks of material misstatement of the annual financial statements and the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;

- we obtain an understanding of the internal control system that is relevant to the audit of the annual financial statements and of the arrangements and measures that are relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the Bank's systems;
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the accounting estimates and related disclosures made by the legal representatives;
- we conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements or in

the management report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may result in the Bank no longer being able to continue as a going concern;

- we evaluate the overall presentation, structure and content of the annual financial statements and whether the annual financial statements represent the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the net assets, financial position and result of operations of the Bank in accordance with German principles of proper accounting;
- we assess the consistency of the management report with the annual financial statements, its compliance with applicable laws and the view it provides of the situation of the Bank;
- we perform audit procedures on the forward-looking information presented by the legal representatives in the management report. Based on sufficient audit evidence, we hereby review, in particular, the significant assumptions used by the legal representatives as a basis for the forward-looking information and evaluate the appropriate derivation of the forward-looking information from these assumptions. We do not express a

separate audit opinion on the forward-looking information and on the underlying assumptions. There is a substantial unavoidable risk that future events will deviate materially from the forward-looking information.

We discuss with the supervisory body, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the supervisory body with a statement that we have complied with the relevant independence requirements and discuss with it all relationships and other matters that may reasonably be thought to bear on our independence and the protective measures taken in this context.

From the matters discussed with the supervisory body, we determine those matters that were most important in the audit of the annual financial statements of the reporting period and are therefore the key audit matters. We describe these matters in our report on the audit of the annual financial statements unless laws or other regulations preclude public disclosure of such matters.

Other legal and regulatory requirements

Report on the audit of the electronic reproductions of the annual financial statements and the management report prepared for the purpose of disclosure in accordance with Section 317 Para. 3b HGB

Audit opinion

We performed a reasonable assurance audit pursuant to Section 317 Para. 3b HGB to determine whether the reproductions of the annual financial statements and the management report (hereinafter also referred to as "ESEF documents") contained in the attached file NRW.BANK_AÖR_JA+LB_ESEF-2020-12-31.zip and prepared for disclosure purposes comply in all material respects with the requirements of Section 328 Para. 1 HGB on the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit covers only the transfer of the information contained in the annual financial statements and the management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the reproductions of the annual financial statements and the management report contained in the aforementioned attached file and prepared for the

purpose of disclosure comply in all material respects with the requirements of Section 328 Para. 1 HGB regarding the electronic reporting format. Other than this opinion and our opinions on the accompanying financial statements and on the accompanying management report for the fiscal year from January 1, 2020 to December 31, 2020 included in the "Report on the audit of the annual financial statements and management report" above, we do not express any opinion on the information contained in these reproductions or on any other information contained in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the annual financial statements and the management report contained in the above-mentioned attached file in accordance with Section 317 Para. 3b HGB and in compliance with the draft IDW Auditing Standard: "Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purposes of Disclosure pursuant to Section 317 Para. 3b HGB" ("Prüfung der für Zwecke der Offenlegung erstellten elektronischen Wiedergaben von Abschlüssen und Lageberichten nach § 317 Abs. 3b HGB) (IDW EPS 410)"). Our responsibility under this standard is further described in the section "Auditor's responsibility for the audit of the ESEF documents".

Our auditing firm has applied the quality assurance system requirements of the IDW Quality Assurance Standard: "Requirements for Quality Assurance in Auditing Practice" ("Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis) (IDW QS 1)").

Responsibilities of the legal representatives and the Supervisory Board for the ESEF documents

The legal representatives are responsible for the preparation of the ESEF documents containing the electronic reproductions of the annual financial statements and the management report in accordance with Section 328 Para. 1 Sentence 4 No. 1 HGB.

The legal representatives are also responsible for the internal controls they consider necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Section 328 Para. 1 HGB.

Furthermore, the legal representatives are responsible for submitting the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for monitoring the preparation of the ESEF documents as part of the financial reporting process.

Auditor's responsibility for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 Para. 1 HGB. During our audit, we exercise professional judgment and maintain professional scepticism. Moreover,

- we identify and assess the risks of non-compliance with the requirements of Section 328 Para. 1 HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion;
- we obtain an understanding of the internal control systems that are relevant for the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls;

- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, as amended as of the reporting date, regarding the technical specification for that file;
- we assess whether the ESEF documents provide a consistent XHTML representation of the audited financial statements and the audited management report.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditors by the Board of Guarantors on March 16, 2020. We were commissioned by the Chairman of the Supervisory Board and the Board of Guarantors of NRW.BANK institution under public law on April 28, 2020. We have been the auditors of the annual financial statements of NRW.BANK institution under public law without interruption since the fiscal year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Laura Gundelach."

Düsseldorf, February 10, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|-----------------------|-----------------------|
| Laura Gundelach | Susanne Eckert |
| German Public Auditor | German Public Auditor |

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the net assets, liabilities, financial position and result of operations of NRW.BANK, and the management report includes a fair review of the development and performance of the business and the position of NRW.BANK, together with a description of the principal opportunities and risks associated with the expected development of NRW.BANK.

Düsseldorf/Münster, February 9, 2021

NRW.BANK

The Managing Board



Eckhard Forst
Chairman of the Managing Board



Gabriela Pantring
Member of the Managing Board



Michael Stölting
Member of the Managing Board



Dietrich Suhlrie
Member of the Managing Board

Members of the Advisory Board for Housing Promotion

Member Pursuant to Section 23 Para. 1 Letter a of the Statutes

Ina Scharrenbach

Chairwoman

Minister of Home Affairs, Municipal Affairs, Construction and Equality
of the State of North Rhine-Westphalia
Düsseldorf

Members Pursuant to Section 23 Para. 1 Letter b of the Statutes

Günther Bongartz

Assistant Secretary

Ministry of Finance

of the State of North Rhine-Westphalia
Düsseldorf

Dr. Michael Henze

Assistant Secretary

Ministry for Economic Affairs, Innovation, Digitalization and Energy
of the State of North Rhine-Westphalia
Düsseldorf

Sven-Axel Köster

Senior Principal

Ministry of Work, Welfare and Social Integration
of the State of North Rhine-Westphalia
Düsseldorf

Members Pursuant to Section 23 Para. 1 Letter c of the Statutes

Roger Beckamp, MdL

Member of the AfD Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Andreas Becker, MdL

Member of the SPD Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Martin Börschel, MdL

Member of the SPD Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Arndt Klocke, MdL

Chairman of the Bündnis 90/Die Grünen Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Jochen Ott, MdL

Deputy Chairman of the SPD Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Stephen Paul, MdL

Member of the FDP Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Fabian Schrumpf, MdL

Member of the CDU Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Daniel Sieveke, MdL

Deputy Chairman of the CDU Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Klaus Vossemer, MdL

Member of the CDU Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Members Pursuant to Section 23 Para. 1 Letter d of the Statutes**Ass. jur. Erik Amaya**

Association Director
Haus & Grund Rheinland Westfalen
Düsseldorf

Elisabeth Gendziorra, lawyer

Managing Director
BFW Landesverband Nordrhein-Westfalen e. V.
Düsseldorf

Alexander Rychter

Association Director
Verband der Wohnungs- und Immobilienwirtschaft Rheinland Westfalen e. V.
Düsseldorf

Members Pursuant to Section 23 Para. 1 Letter e of the Statutes**Rudolf Graaff**

Deputy Mayor
Städte- und Gemeindebund Nordrhein-Westfalen e. V.
Düsseldorf

Thomas Hendele

President
Landkreistag Nordrhein-Westfalen e. V.
Düsseldorf

Hilmar von Lojewski

Deputy Mayor
for Urban Development, Construction, Housing and Transport
Städtetag Nordrhein-Westfalen
Cologne

Stefan Raetz

Mayor (until October 31, 2020)
City of Rheinbach
Rheinbach

Member Pursuant to Section 23 Para. 1 Letter f of the Statutes**Hans-Jochem Witzke**

1st Chairman of the Managing Board
Deutscher Mieterbund Nordrhein-Westfalen e. V.
Düsseldorf

Member Pursuant to Section 23 Para. 1 Letter g of the Statutes

Dipl.-Ing. Ernst Uhing

President

Chamber of Architects in North Rhine-Westphalia

Düsseldorf

Permanent Representative of the Chairing Member Pursuant to Section 23 Para. 2 of the Statutes

Sigrid Koeppinghoff

Assistant Secretary

Ministry of Home Affairs, Municipal Affairs, Construction and Equality
of the State of North Rhine-Westphalia

Düsseldorf

Members of the Advisory Board

Member Pursuant to Section 25 of the Statutes

Prof. Dr. Andreas Pinkwart

Chairman

Minister for Economic Affairs, Innovation, Digitalization and Energy
of the State of North Rhine-Westphalia
Düsseldorf

Kai Abruszat

Mayor

Stemwede local government
Stemwede

Michael Ackermann

Managing Director

Klinikum Bielefeld gem. GmbH
Bielefeld

Uwe Berghaus

Member of the Managing Board

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank
Düsseldorf

Dr.-Ing. Heinrich Bökamp

President and Board member

Chamber of Engineers in North Rhine-Westphalia
Düsseldorf

Michael Breuer

President

Savings Banks and Giro Association of the Rhineland
Düsseldorf

Prof. Dr. Liane Buchholz

President

Savings Banks and Giro Association of Westphalia-Lippe
Münster

Dr. Andre Carls

Chairman of the Managing Board

Bankenverband Nordrhein-Westfalen e. V.
Düsseldorf

Pit Clausen

Deputy Chairman of the Managing Board

Städtetag Nordrhein-Westfalen
Düsseldorf

Heinrich Otto Deichmann

Chairman of the Supervisory Board

Deichmann SE
Essen

Paolo Dell' Antonio

Chairman of the Managing Board

Wilh. Werhahn KG
Neuss

Andreas Ehlert

President
Chamber of Handicrafts Düsseldorf
Düsseldorf

Thomas Eiskirch

Lord Mayor
City of Bochum
Bochum

Dorothee Feller

District President
Münster Regional Government
Münster

Heinz Fiege

FIEGE Logistik Holding Stiftung & Co. KG
Greven

Prof. Dr. Ursula Gather

Chairwoman of the Board of Trustees
Alfried Krupp von Bohlen und Halbach-Stiftung
Essen

Dieter Gebhard

Chairman
Regional Assembly of Westphalia-Lippe
Münster

Dr. iur. Antonius Hamers, pastor

Director
Catholic Office North Rhine-Westphalia
Düsseldorf

Thomas Hendele

President
Landkreistag Nordrhein-Westfalen e.V.
Düsseldorf

Anne Henk-Hollstein

Chairwoman
Regional Assembly of the Rhineland
Cologne

Thomas Hunsteger-Petermann

Lord Mayor (until October 31, 2020)
City of Hamm
Hamm

Dipl.-Wirtsch.-Ing. Arndt G. Kirchhoff

Managing Partner and CEO
KIRCHHOFF Holding GmbH & Co. KG
Iserlohn

Prof. Dr. Lambert T. Koch

Chairman
Directors Conference of the Universities in North Rhine-Westphalia
Wuppertal

Stefan Koetz

Chairman of the Management Board
Ericsson GmbH
Düsseldorf

Daniel Krahn

Chief Executive Officer
Urlaubsguru GmbH
Holzwickede

Dr. Arne Kupke

Legal Vice President
Evangelical Church of Westphalia
Bielefeld

Markus Lewe

Lord Mayor
City of Münster
Münster

Matthias Löb

Director of LWL
Regional Association of Westphalia-Lippe
Münster

Ulrike Lubek

Director of LVR
Regional Association of the Rhineland
Cologne

Wolfgang Lubert

Managing Director
EnjoyVenture Management GmbH
Düsseldorf

Dr.-Ing. Hinrich Mählmann

Personally liable Managing Partner
Otto Fuchs KG
Meinerzhagen

Prof. Dr.-Ing. Wolfgang Marquardt

Chairman of the Board of Directors
Forschungszentrum Jülich GmbH
Jülich

Thomas Meyer

President
IHK NRW – Die Industrie- und Handelskammern in Nordrhein-Westfalen e.V.
Düsseldorf

Roland Oetker

Managing Partner
ROI Verwaltungsgesellschaft mbH
Düsseldorf

Dr. Uli Paetzel

Chairman of the Managing Board
EMSCHERGENOSSENSCHAFT und LIPPEVERBAND
Essen/Dortmund

Dr. Paul-Josef Patt

Chairman of the Managing Board
eCAPITAL entrepreneurial Partners AG
Münster

Guntram Pehlke

Chairman of the Managing Board
Verband kommunaler Unternehmen e. V.
– Regional Group North Rhine-Westphalia –
Cologne

Judith Pirscher (since April 1, 2020)

District President
Detmold Regional Government
Detmold

Birgitta Radermacher

District President
Düsseldorf Regional Government
Düsseldorf

Henriette Reker

Lord Mayor
City of Cologne
Cologne

Roland Schäfer

President
Städte- und Gemeindebund Nordrhein-Westfalen e. V.
Düsseldorf

Carola Gräfin von Schmettow

Chairwoman of the Management Board
HSBC Trinkaus & Burkhard AG
Düsseldorf

Prof. Dr. Christoph M. Schmidt

President
RWI – Leibniz-Institut für Wirtschaftsforschung
Essen

Dr. Rolf Martin Schmitz

Chairman of the Managing Board
RWE AG
Essen

Prof. Dr. Uwe Schneidewind (until March 31, 2020)

President and Academic Managing Director
Wuppertal Institut für Klima, Umwelt, Energie gGmbH
Wuppertal

Frank Sportolari

District Manager
United Parcel Service LLC & Co. OHG
Neuss

Hans-Josef Vogel

District President
Arnsberg Regional Government
Arnsberg

Gisela Walsken

District President
Cologne Regional Government
Cologne

Anja Weber

District Chairwoman
Deutscher Gewerkschaftsbund NRW
Düsseldorf

Matthias Zachert

Chairman of the Managing Board
LANXESS AG
Leverkusen

Bernd Zimmer

Chairman of the Managing Board
Verband Freier Berufe im Lande Nordrhein-Westfalen e.V.
Düsseldorf

Members of the Parliamentary Advisory Board

Members Pursuant to Section 26 of the Statutes

Dr. Marcus Optendrenk, MdL

Chairman

Deputy Chairman of the CDU Parliamentary Group NRW

State Assembly of North Rhine-Westphalia

Düsseldorf

Ralf Witzel, MdL

Deputy Chairman

Deputy Chairman of the FDP Parliamentary Group NRW

State Assembly of North Rhine-Westphalia

Düsseldorf

Ralph Bombis, MdL

Member of the FDP Parliamentary Group NRW

State Assembly of North Rhine-Westphalia

Düsseldorf

Marc Herter, MdL

Deputy Chairman of the SPD Parliamentary Group NRW (until October 31, 2020)

State Assembly of North Rhine-Westphalia

Düsseldorf

Olaf Lehne, MdL (since November 11, 2020)

Member of the CDU Parliamentary Group NRW

State Assembly of North Rhine-Westphalia

Düsseldorf

Nadja Lüders, MdL

Member of the SPD Parliamentary Group NRW

State Assembly of North Rhine-Westphalia

Düsseldorf

Arne Moritz, MdL (until November 11, 2020)

Member of the CDU Parliamentary Group NRW

State Assembly of North Rhine-Westphalia

Düsseldorf

Mehrdad Mostofizadeh, MdL

Deputy Chairman of the Bündnis 90/Die Grünen Parliamentary Group NRW

State Assembly of North Rhine-Westphalia

Düsseldorf

Elisabeth Müller-Witt, MdL

Member of the SPD Parliamentary Group NRW

State Assembly of North Rhine-Westphalia

Düsseldorf

Dr. Patricia Peill, MdL

Member of the CDU Parliamentary Group NRW

State Assembly of North Rhine-Westphalia

Düsseldorf

Romina Plonsker, MdL (since November 11, 2020)

Member of the CDU Parliamentary Group NRW

State Assembly of North Rhine-Westphalia

Düsseldorf

Herbert Strotebeck, MdL

Member of the AfD Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Marco Voge, MdL (until November 11, 2020)

Member of the CDU Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

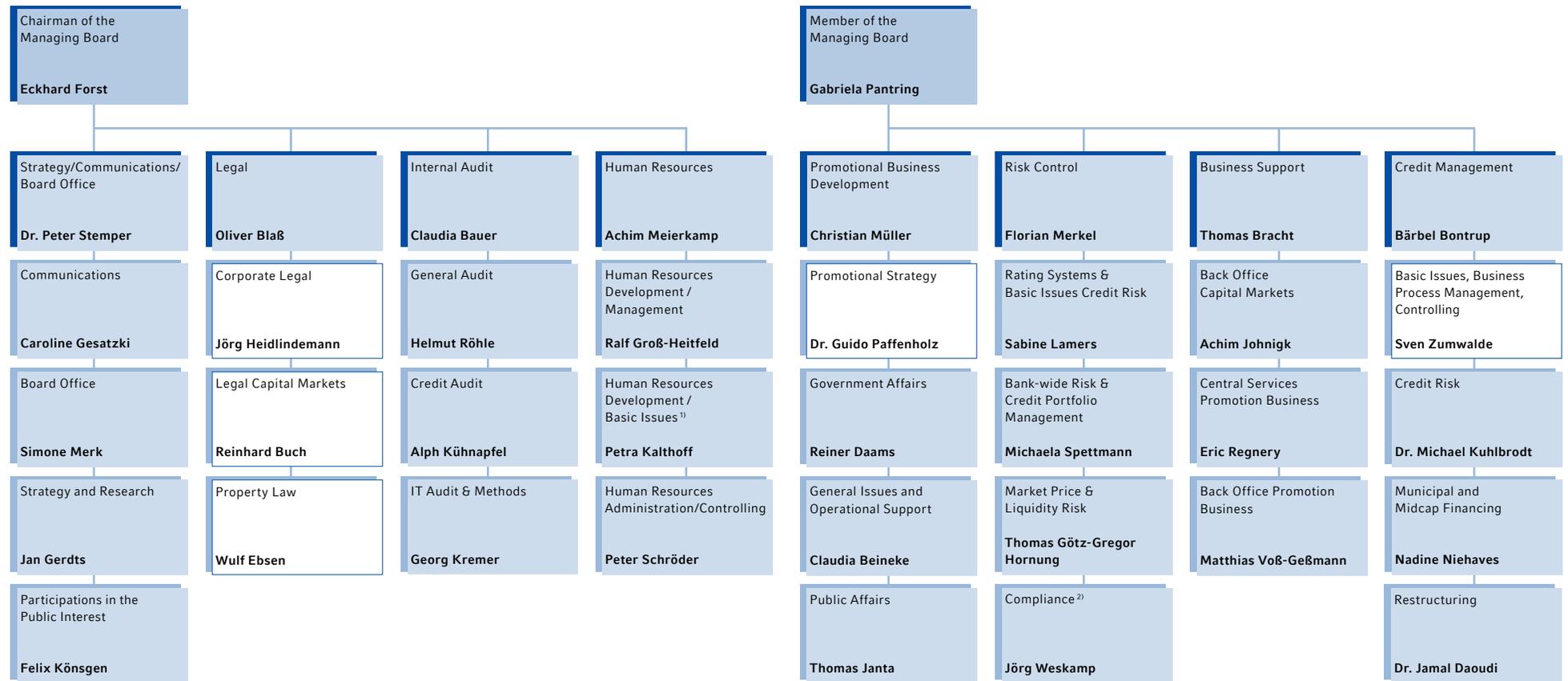
Petra Vogt, MdL

Deputy Chairwoman of the CDU Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Markus Herbert Weske, MdL

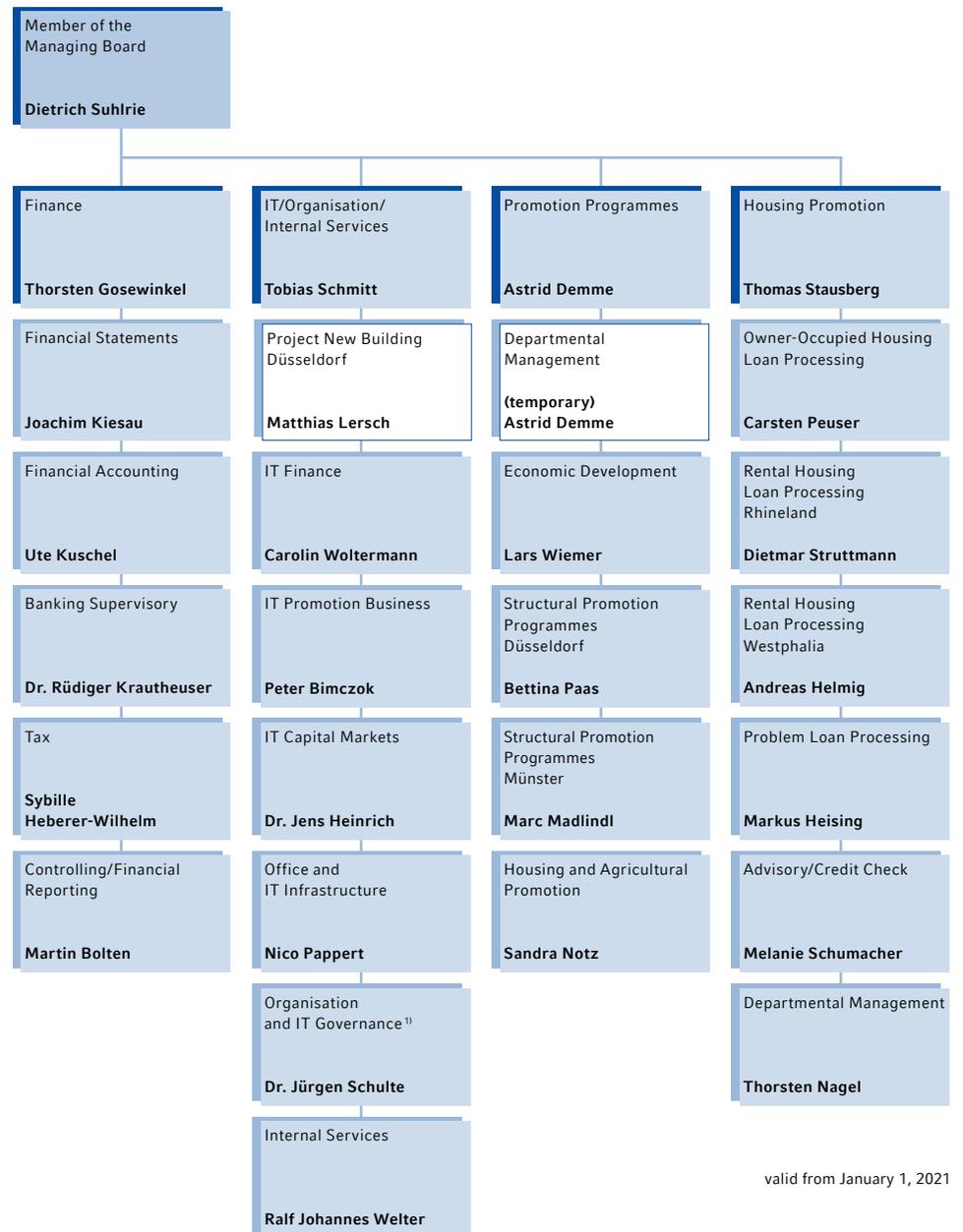
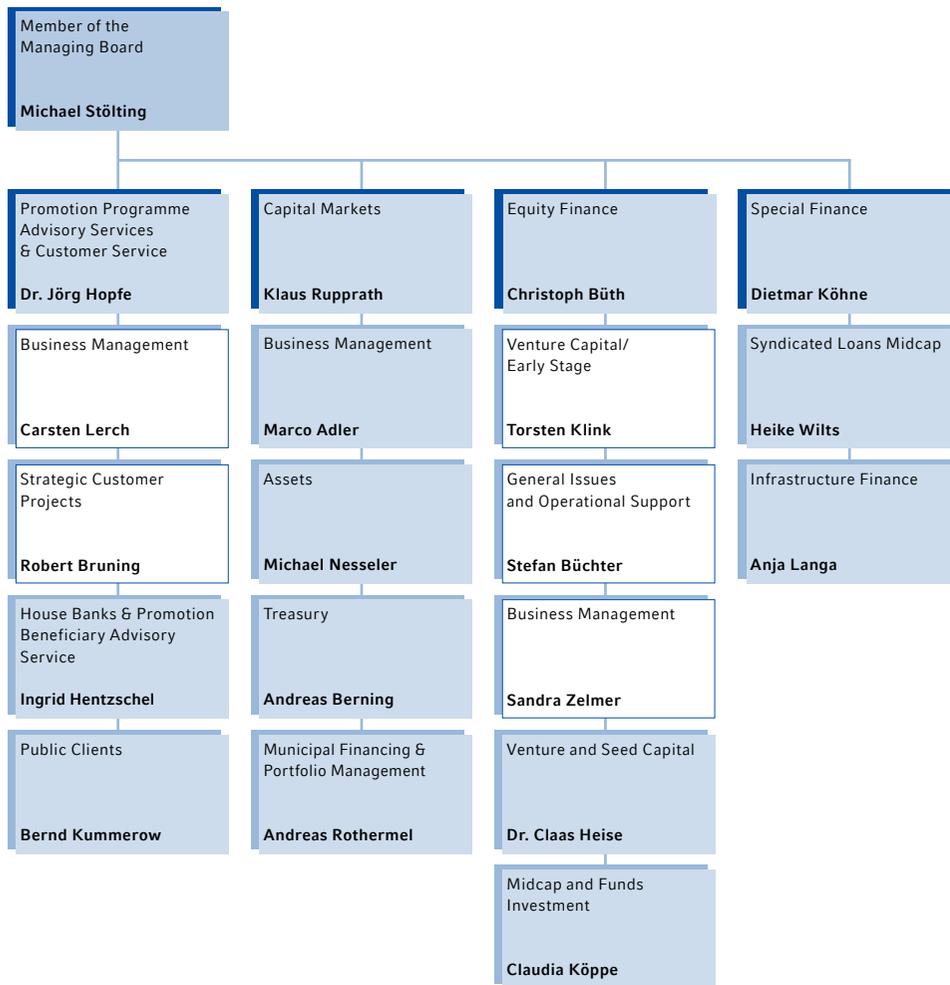
Member of the SPD Parliamentary Group NRW
State Assembly of North Rhine-Westphalia
Düsseldorf

Organisation Chart



Business Unit
 Department
 Team with direct reporting line to the Business Unit Head





¹⁾ Occupational Safety Officer, Equal Opportunities Officer, Data Protection Officer and Chief Information Security Officer (CISO) report directly to the Managing Board.

²⁾ The Money Laundering Officer, who is in charge of the central function for the prevention of money laundering, terrorist financing and other criminal acts pursuant to Section 25h KWG (Jörg Weskamp), the WpHG Compliance Officer (Jörg Weskamp) and the MaRisk Compliance Officer (Jörg Weskamp) report directly to the Managing Board and are bound by instructions only from the latter.

Note: The Staff Council (Chairman: Frank Lill) is not shown as an organisational unit in the organisational chart of NRW.BANK as it is an elected body which has no reporting relationship with the Managing Board.

valid from January 1, 2021



NRW.BANK at a Glance

NRW.BANK Facts

NRW.BANK Competition-neutral promotional bank of North Rhine-Westphalia operating according to the house bank principle; holds a full bank licence

Guarantor

- State of North Rhine-Westphalia (100%)

Liabilities/Guarantees

- Institutional liability
- Guarantor liability
- Explicit refinancing guarantee granted by its guarantor

Legal Status Public law bank

Head Offices Düsseldorf and Münster

Information Services of NRW.BANK

Commercial Client Services

Phone +49 211 91741-4800

Fax +49 211 91741-7832

beratung@nrwbank.de

Housing Sector Client Services

Phone +49 211 91741-4500

Fax +49 211 91741-7760

beratung@nrwbank.de

Service hours: Mondays to Thursdays from 8 a.m. to 6 p.m. and
Fridays from 8 a.m. to 5.30 p.m.

Public Sector Client Support

Phone +49 211 91741-4600

Fax +49 211 91741-2054

oeffentliche-kunden@nrwbank.de

Financial Calendar 2021

| | |
|-------------------------|--|
| March 16, 2021 | Annual press conference |
| August 31, 2021 | Publication of the promotional result for the second quarter |
| November 8, 2021 | Publication of the promotional result for the third quarter |

Volume of new commitments

| Breakdown by promotional fields | 2020 € millions | 2019 € millions |
|----------------------------------|--------------------|--------------------|
| Economy | 5,642 | 2,737 |
| Housing | 3,728 | 2,624 |
| Infrastructure/Municipalities | 7,645 | 4,929 |
| Volume of new commitments | 17,015 | 10,290 |

Key Figures

| | 2020 | 2019 |
|---|-----------------|-----------------|
| Total assets | € 155.8 billion | € 149.2 billion |
| Equity capital pursuant to the German Commercial Code (HGB) | € 18.0 billion | € 18.0 billion |
| Common Equity Tier 1 capital | € 18.5 billion | € 18.2 billion |
| Own funds | € 18.7 billion | € 19.6 billion |
| Operating income | € 580.2 million | € 457.7 million |
| Administrative expenses | € 272.5 million | € 263.1 million |
| Operating result | € 307.7 million | € 194.6 million |
| CET1 capital ratio | 43.9% | 43.5% |
| Total capital ratio | 44.2% | 47.1% |
| Number of employees | 1,474 | 1,428 |

Credit Ratings

| | Fitch Ratings | Moody's | Standard & Poor's |
|-------------------|---------------|---------|-------------------|
| Long-term rating | AAA | Aa1 | AA |
| Short-term rating | F1+ | P-1 | A-1+ |
| Outlook | stable | stable | stable |

Sustainability Ratings

| | ISS ESG | imug | Sustainalytics | Vigeo Eiris | MSCI ESG | DZ BANK |
|--------|-----------|---------------|----------------|-------------|----------|-------------------------------------|
| Rating | Prime (C) | positive (BB) | n. p.* | n. p.* | AA | Seal of approval for sustainability |

* Not public

NRW.BANK

Düsseldorf

Kavalleriestraße 22
40213 Düsseldorf
Phone +49 211 91741-0
Fax +49 211 91741-1800

www.nrwbank.de

info@nrwbank.de

Münster

Friedrichstraße 1
48145 Münster
Phone +49 251 91741-0
Fax +49 251 91741-2921



<https://twitter.com/NRWBANK>

Photo Credits

[Front cover](#) NRW.BANK/Udo Geisler, MAN/Friedrich Wenner, NRW.BANK/Udo Geisler, NRW.BANK/ Erik Chmil, NRW.BANK/Udo Geisler, Flughafen DUS/Andreas Wiese; [p. 3](#) NRW.BANK/Svenja Klein; [p. 4](#) NRW.BANK/ Udo Geisler, Adobe Stock/Thomas Söllner; [p. 5](#) NRW.BANK/Udo Geisler, Highlight ID/unsplash; [p. 6](#) NRW.BANK/ Udo Geisler; [p. 7](#) MAN/Friedrich Wenner; [p. 8](#) Flughafen DUS/Andreas Wiese, Kath. Kliniken im Märkischen Kreis, Hans Jürgen Landes Fotografie/DORTMUNDtourismus; [p. 9](#) NRW.BANK/Erik Chmil, NRW.BANK/Thomas Willemsen; [p. 10](#) Baugesellschaft Zabel GmbH, Genossenschaft Krone eG, Anne Lampen Architekten; [p. 11](#) NRW.BANK/ Svenja Klein, Roy Javier/unsplash; [p. 12](#) Adobe Stock/Maria Savenko, DIE BILDUNGSGENOSSENSCHAFT – Beste Chancen für alle eG, Nikolaus Urban

Responsible (V.i.S.d.P)

Caroline Gesatzki
Head of Communications
NRW.BANK

Concept and Design, Production and Typesetting

vE&K Werbeagentur GmbH & Co. KG, Essen
www.ve-k.de

