



NRW.BANK

Promoting Ideas

Financial Report 2008

Financial Report 2008 of NRW.BANK

Contents

2	Corporate Responsibility
20	Report on Public Corporate Governance
23	Report of the Supervisory Board
24	Management Report
46	Balance Sheet
50	Profit and Loss Account
52	Notes
70	Auditor's Report
71	Responsibility Statement
72	Members of the Advisory Board
74	Organisation Chart of NRW.BANK
76	NRW.BANK at a Glance

Corporate Responsibility

Sustainable Development and Promotion

Being the development bank of the state of North Rhine-Westphalia, NRW.BANK is very much aware of its corporate responsibility. The fundamental yardstick for its activities is the principle of sustainability which calls for "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".¹ NRW.BANK's understanding of the concept recognises the inseparable links between the economic, ecological and social dimensions of sustainability. NRW.BANK consequently sees its corporate responsibility as a responsible, transparent and living process which is centred on its customers, employees and society as a whole.

Corporate responsibility can be exercised successfully only where transparency of one's own actions is in place and is comprehensible to one's audiences. Apart from ensuring factual transparency of the required economic, ecological and social data, it is necessary to

report on the progress of implementation. The following report on corporate responsibility is NRW.BANK's second disclosure of such data. Following further development of the reporting concept during 2008, this year's report for the first time provides in-depth information on activities in the development and promotion business.

In 2007, NRW.BANK started to draft its "Principles of Corporate Responsibility" in order to document its understanding of this concept which has guided its activities since its inception. The principles developed by an internal working group were coordinated with the relevant boards and committees and endorsed by the Guarantors' Meeting during 2008. With due regard to the tasks and processes of NRW.BANK as the state of North Rhine-Westphalia's development bank, these principles are directed at its customers and its employees as well as at society at large and the guarantors of NRW.BANK.

Principles of Corporate Responsibility

Live up to our corporate responsibility

1. Sustainability is a central leitmotiv for NRW.BANK and an essential criterion in taking decisions on policies and business. This is reflected in all phases of NRW.BANK's corporate activity, starting from its strategic and business policy decisions to the shaping of its product and service offerings, from the implementation of individual financing transactions to its capital market activities and its advisory services.
2. A key cornerstone of the sustainability strategy pursued by NRW.BANK is transparent and responsible interaction with its owners, customers and employees as well as the public at large. NRW.BANK lives up to this aspiration based on its Public Corporate Governance Code. In addition, NRW.BANK has documented the core elements of its corporate identity in its mission statement.
3. NRW.BANK complies with the ban on discrimination in order to safeguard its competition-neutral status.
4. To confirm its sustainability goals, NRW.BANK will regularly review their implementation and join appropriate national and international initiatives and/or sign declarations of commitments to sustainable corporate action drafted by such initiatives. For example, NRW.BANK will sign the ten principles of the UN Global Compact, the UNEP declaration by financial institutions on the environment and sustainable development as well as Germany's Diversity Charter.
5. NRW.BANK will review its day-to-day work processes in light of sustainability-related aspects and improve the sustainability profile of its business activities on an ongoing basis, striving to make the progress achieved as measurable as possible. These efforts will focus on the integration of sustainability-related issues into area-specific tasks, products, guidelines and processes as well as the integration of sustainability aspects into the credit and investment process.
6. NRW.BANK will publish regular reports on the further development of its internal standards as well as the activities undertaken and the progress achieved in the individual areas.

¹ Final report of the World Commission on Environment and Development (Brundtland Commission) "Our Common Future", 1987.

Conduct sustainable promotion and development for customers

1. NRW.BANK offers its financing and advisory services in a creative, competent and responsible way to business and industry, local governments and the people in North Rhine-Westphalia.
2. In accordance with its sustainability strategy, NRW.BANK promotion and funding activities are targeted at projects which improve life and social development in North Rhine-Westphalia. Being the development bank of the state of North Rhine-Westphalia, NRW.BANK supports in particular such investments which help push ahead structural change in North Rhine-Westphalia. NRW.BANK channels back a part of its earnings into its development and promotion activities.
3. Apart from the economic viability of the projects supported by NRW.BANK and the attention paid to serving customers' interests, compliance with the requirements of environmental protection is an essential prerequisite for the Bank's development and promotion activities. Projects which are expected to result in unacceptable environmental burdens or have unacceptable negative implications for social development are excluded from eligibility to the extent that such a decision is in accordance with the statutory parameters of NRW.BANK's mission.

Assume social responsibility for employees

1. NRW.BANK places great value on being a responsible and reliable employer to all employees.
2. NRW.BANK's corporate culture is characterised by cooperation and partnership, openness, mutual respect and appreciation. Together with fair and dialogue-oriented processes with its employees and their representative, these characteristics provide the basis for a positive and at the same time productive working culture.
3. A high level of job security, active healthcare and agreements on social responsibility issues mean that NRW.BANK offers its employees an attractive working environment in the long term.
4. High-quality training and constant further training as well as targeted career advancement and support programmes provide the basis for the accomplishment of NRW.BANK's corporate objectives as well as for sustained economic success. The activities respect employees' individual potentials, needs and interests. NRW.BANK has endorsed Germany's Diversity Charter.

Demonstrate commitment to society

1. Resource-efficient management and active participation in public life in North Rhine-Westphalia are integral elements of NRW.BANK's corporate responsibility for the welfare of present and future generations.
2. Minimised use of resources, reliance on a high share of environmentally friendly and, preferably, renewable resources as well as the greatest possible compensation for unavoidable environmental burdens are essential elements of NRW.BANK's activities.
3. NRW.BANK exercises this responsibility with respect to all resources used in its business processes. This is why NRW.BANK aspires to be a role model with regard to the Bank's construction and refurbishing measures as well as in the operation of these facilities. The progressive sensitisation of its employees with regard to the responsible use of resources plays a key role in NRW.BANK's permanent self-improvement process.
4. As part of its social commitment, NRW.BANK seeks to fulfil the spirit of its development and promotion mission through subsidiary, project-based cooperation with its partners on a medium to long-term basis in order to create the required continuity and transparency. Due attention is attached to the social and regional balance of its commitments in North Rhine-Westphalia.
5. The guiding idea underlying its social commitment is the promotion of creativity, ideas and innovation as well as responsible action. The Bank is particularly committed to supporting young people in North Rhine-Westphalia as they face the challenges of joining the workforce in today's knowledge-based economy.
6. In accordance with the guidelines set by the Supervisory Board, NRW.BANK will not provide any direct or indirect support to political parties or their affiliated foundations, institutions or publications.

NRW.BANK strives to institute sustainable management practices across all its operations. During the year individual activities and internal processes were reviewed for compliance with the Bank's own principles. One example to be cited is the process for the allocation of country limits. The existing country analysis process was mapped and reviewed in terms of its contribution to the Bank's goals and requirements. As a result of this review, future allocations of country limits will also take into account freely available indicators such as the Corruption Perceptions Index published by Transparency International and the Freedom of the World Index put together by the Freedom House, the US American human rights organisation.

To reinforce its sustainability goals, NRW.BANK will review their implementation at regular intervals as well as joining selected national and international initiatives and or signing the voluntary commitments to sustainable corporate action drafted by such initiatives.

Shaping Sustainable Development and Promotion for Customers

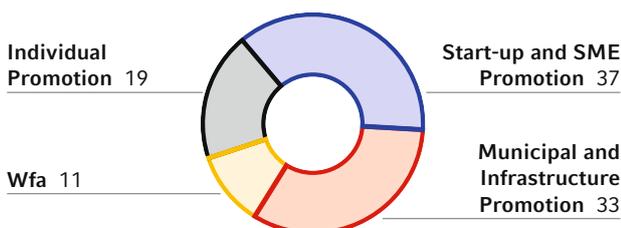
Based on its statutory mission, NRW.BANK supports the state of North Rhine-Westphalia and its municipal corporations in the fulfilment of their public duties, particularly in the areas of structural, economic, social and housing policy. For this purpose, NRW.BANK offers a full range of funding and lending products which are managed subject to the principles of sustainability.

The current crisis in the financial markets has highlighted the importance of the Bank's responsibilities, activities and products. NRW.BANK continues to fulfil its role as a development and promotion bank for medium-sized companies who depend on credit facilities to finance their operations and investments. Particularly strong demand has been recorded for the global loans and syndicated loans extended through borrowers' local relationship banks. This attractiveness and the acceptance of its products are also reflected in the development of the Bank's development and promotion volume. Compared to the previous year, newly committed development and promotion funds rose by 11.5% to approximately € 9.1 billion.

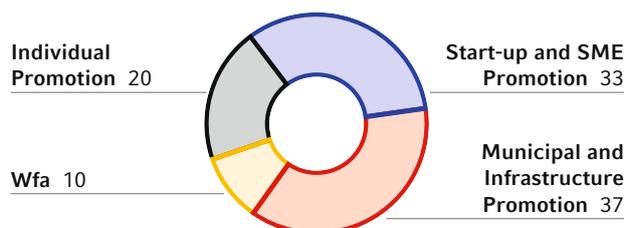
Attractive financing terms were once again offered, in particular, to medium-sized companies, municipalities and the skilled trades during the reporting period. The ongoing evolution of NRW.BANK's development and promotion programmes is geared to the existing market conditions. The Bank aims to provide start-up entrepreneurs and medium-sized companies, in particular, with targeted, modern financing instruments from a single source.

An integral element of the development and promotion mission is to generate own earnings and to channel back these earnings into the development and promotion activities in the form of lending products. The volume of this so-called "direct promotion dividend" continued to rise in 2008, with the 2008 allocation to the promotion dividend provision amounting to € 32.9 million compared to € 29.6 million in the previous year.

Volume of promotion funds 2007 in %



Volume of promotion funds 2008 in %



Despite a slight decline, new lending in an amount of € 1.6 billion meant that the NRW.BANK.Mittelstandskredit remained the flagship product for the promotion of the North Rhine-Westphalian economy. The decline should be viewed in the context of a shift towards alternative products – such as global loan and the syndicated loan products – triggered by the crisis in the financial markets. New commitments under the global loan programme rose to € 360 million by year-end, with syndicated loans growing by 77% to € 126 million during the period.

The NRW.BANK.Mittelstandskredit successfully launched in 2006 was complemented by the NRW.BANK.Gründungskredit, a product variant specifically targeted at business start-ups. Commitments under this new product amounted to € 75.6 million by year-end.

Another product which bears singling out is the NRW.BANK.Universalkredit which has developed positively since its inception in May 2007. Extended through start-up entrepreneurs' and medium-sized companies' local relationship banks, this loan product offers excellent flexibility in terms of eligible uses and maturities. The good acceptance of this product is reflected in a fast rate of growth, with the prior year's new lendings of € 62.5 million tripling to € 189 million in 2008. The factors driving this growth certainly include the wide range of uses eligible for funding under this scheme, which allows for customised funding even for medium maturities. In addition, the NRW.BANK.Universalkredit is available at particularly favourable terms, given that NRW.BANK uses its own earnings to make the terms even more attractive.

In November 2008, NRW.BANK started extending micro loans to start-up entrepreneurs through the cooperating STARTERCENTER NRW network. The NRW.BANK.EU.Mikrodarlehen grew to a committed volume of € 100,000 by year-end. Loan applications are filed with the STARTERCENTER offices where applicants are counselled and funding applications are collected. This NRW.BANK product is designed to support micro entrepreneurs with promising business ideas and is also suitable for unemployed persons setting up their own business.

North Rhine-Westphalia is one of Germany's most advanced and most varied locations for the media and creative industries. As part of its continued support of the further development of this strong profile, the Bank launched the NRW.BANK.Filmfinanzierung programme in late 2007.

This programme is targeted at film producers setting up a business and also serves to pre-finance part of the costs (gap finance) of producing theatrical movies in North Rhine-Westphalia. A total of 13 projects based in North Rhine-Westphalia were funded with commitments worth € 9.4 million in 2008. Acting on a stand-alone basis or in conjunction with borrowers' relationship banks, NRW.BANK pre-finances contractually agreed revenues or provides partial financing of production budgets under this programme.

This product segment targeting the media and creative industries is rounded off by the Kreativwirtschaftsfonds programme which was launched with a volume of € 30 million at the end of 2008. This programme aims to promote the growth of, and employment with, creative companies in North Rhine-Westphalia and to strengthen them on a sustained basis.

In the venture capital business, three fund products attracted the greatest demand in 2008. The NRW.BANK.Venture Fonds is targeted at young companies in the expansion phase, supporting them with up to € 3.0 million in equity finance. The focus is on the information and telecommunication industries, life sciences, optical technologies and materials technologies. This fund recorded new lendings worth € 6.9 million, thereby confirming the previous year's figures. A great success was the first exit from this fund when Cologne-based DIREVO Biotech AG was sold to Bayer Health-care AG in what was the largest biotech deal in Germany. The NRW.BANK.Seed Fonds equally grew in importance, with new lendings up 44% on the previous year to € 3.1 million. It provides start-up businesses with early-phase seed finance through an innovative structure. The NRW.BANK.Seed Fonds is an umbrella fund which invests in regional funds in North Rhine-Westphalia. To become eligible for funding, these regional funds must comprise a financial institution as well as a private investor based in the respective region. This mandatory requirement ensures that the regional funds assume direct responsibility for the start-up landscape in their

respective region. The positive trend of the fund-based business was rounded off by the development of the NRW.BANK.Mittelstandsfonds.

In the Municipal and Infrastructure Finance area, NRW.BANK continued to support infrastructure investments in 2008 through its innovative products particularly in the areas of education, transportation as well as healthcare and social services. New lendings rose by almost one third to € 3.4 billion.

Among the Municipal Development and Promotion products, a very positive development was noted for NRW.BANK.Kommunal Invest and NRW.BANK.Kommunal Invest Plus, two flexible products for a wide range of uses. They are complementary in that the requested loan sum can be split into two halves, with 50% of the total being provided under each programme. This type of combined development and promotion almost quintupled compared to the prior year, with new lendings rising to € 374 million.

Working in conjunction with the state of North Rhine-Westphalia, NRW.BANK continues to support the field of municipal environmental finance. In 2008, the Bank's promotion programmes for this segment generated approximately € 165.6 million in new lendings. The Abwasser NRW investment programme made a significant contribution to improving the water quality in North Rhine-Westphalia. Last year saw specific promotion for measures in the fields of production-integrated water protection and renaturation. In addition, NRW.BANK provided finance at attractive terms for investments in innovative sewage treatment processes and modern soil filtration plants.

Launched at the beginning of 2008, the NRW.BANK.Sportstätten programme generated 31 commitments for a new lending volume of € 4.8 million. This programme finances investments in North Rhine-Westphalia's sports infrastructure to the extent that the funded facilities are available for public use or serve the common good. This includes both the acquisition of sports facilities and other properties converted for use as sports facilities and the modernisation, refurbishment and repair of existing facilities as well as new construction, conversion and extension measures.

2008 was another very successful year for social housing promotion. Based on the principles laid down in the promotion guidelines, loans were extended directly to the funding recipients. The Landeswohnungsbauvermögen fund is structured in the form of a revolving fund which allows new lendings to be funded from the interest payments and redemptions on outstanding loans. As a result, the social housing promotion activities meet the requirement of sustainability in particular measure. New lendings worth € 948 million (+ 11% compared to the previous year) highlighted another successful year in social housing promotion. With new lendings in the home ownership promotion segment up to € 488 million (+ 20% compared to the previous year), NRW.BANK looks back on a positive overall development in 2008. In accordance with the state government's objectives and targets, NRW.BANK rises to the challenge of climate protection particularly in the area of social housing. Its new and expanded funding programmes contribute to enhancing the energy efficiency of both new buildings and the existing housing stock. For example, Wohnungsbauförderungsanstalt finances a promotion programme aimed at raising the energy efficiency in the social housing stock, targeting up to 200,000 flats built between the sixties and eighties which have so far not been efficiency-enhanced or only partly enhanced. The number of flats which benefited from this type of promotion funding more than doubled during the period, rising by 127% to 2,904. This and other initiatives contribute to supporting the state of North-Rhine Westphalia's corresponding objectives.

NRW.BANK's social housing promotion programmes are complemented by its promotion of privately financed housing construction and energy-efficiency enhancement programmes for homeowners. The Bank offers the KfW energy programmes for the savings banks sector in North Rhine-Westphalia. These programmes aim to reduce CO₂ emissions through reduced energy consumption. In addition, the KfW programmes support the generation of solar electricity. The programmes experienced significant growth in 2008, with new lendings amounting to € 624 million at year-end.

NRW.BANK demonstrated its commitment to the field of education through the Tuition Fee Loan programme devised at the instigation of the state legislature. This programme serves to fund the tuition fees charged by universities in North Rhine-Westphalia. Under the terms of the programme, all students enrolled in these universities have access to tuition fee loans. As a result, school leavers and students from weaker social backgrounds are enabled to enrol in, or continue their, university courses without having to undergo a credit status check. Demand for tuition fee loans remained strong in 2008 with the volume of commitments totalling € 80.8 million at year-end. During 2008, tuition fees in an amount of € 48.3 million were disbursed to the universities on behalf of the loan recipients.

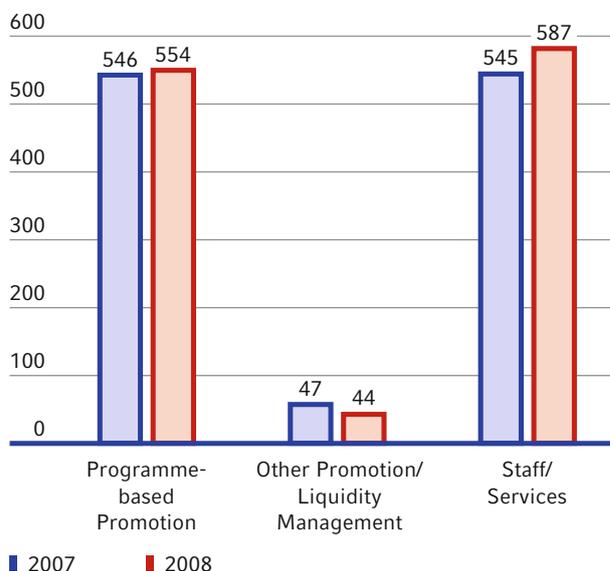
The annual publication of the NRW.BANK Förder. Journal provides insight into development and promotion activities in North Rhine-Westphalia funded through NRW.BANK's own products and the state programmes managed by NRW.BANK. The reports include information on the commitment volumes as well as on other ratios of effectiveness such as the total volume of investments supported by the development and promotion measures and the number of jobs created in this context. The reports are structured in line with the political responsibilities for the individual fields. From a regional perspective, the information is broken down by "Bezirksregierungen", "Kreise" and "kreisfreie Städte" (regional governments, districts and cities). The Förder.Journal can be downloaded from the NRW.BANK website.²

Exercising Sustained Responsibility for Employees

Headcount Development

In line with the ongoing expansion of the development and promotion business as well as the related strengthening of the risk management and IT areas, NRW.BANK's headcount continued to rise in 2008, although the 4.1% increase to 1,185 was slower than in the previous year.

Employees by segments



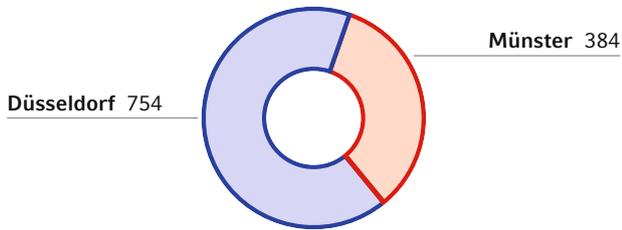
Employees' strong identification with NRW.BANK and their high job satisfaction were reflected in a low fluctuation rate of 3.7%, approximately one half of which was accounted for by employees giving notice. The other half was due to age-related retirement. 2008 saw 21 voluntary terminations, predominantly by employees in clerical and specialist positions subject to collective wage agreements.

The reporting period did not see any significant changes in the headcount ratios between the Düsseldorf and Münster offices or in the male-female ratio. The average employee age largely remained stable at 41.8 years.

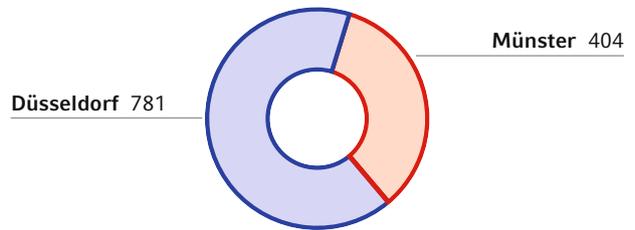
While the ratio between full-timers and part-timers remained almost unchanged, the share of women in part-time employment continued to be very high at approximately 93%. Seven out of the 47 female executives currently work part-time. The percentage of women in executive position was approximately 22%, i.e. in line with the percentages recorded in previous years.

² http://www.nrwbank.de/pdf/Allgemein/NRWBANK_FoerderJournal/NRWBANK_FoerderJournal_2007.pdf

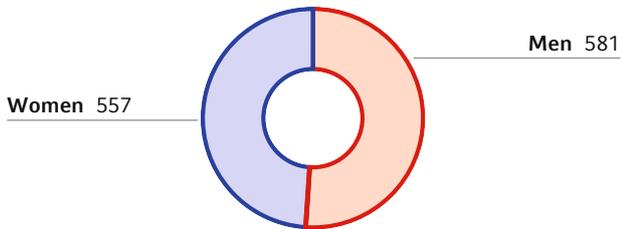
Employees by locations 2007



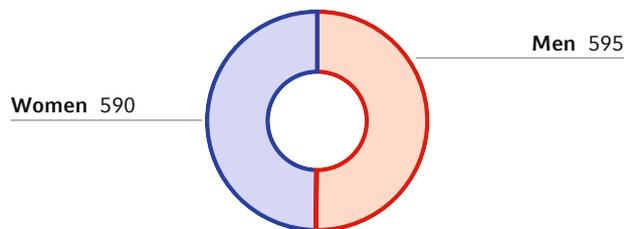
Employees by locations 2008



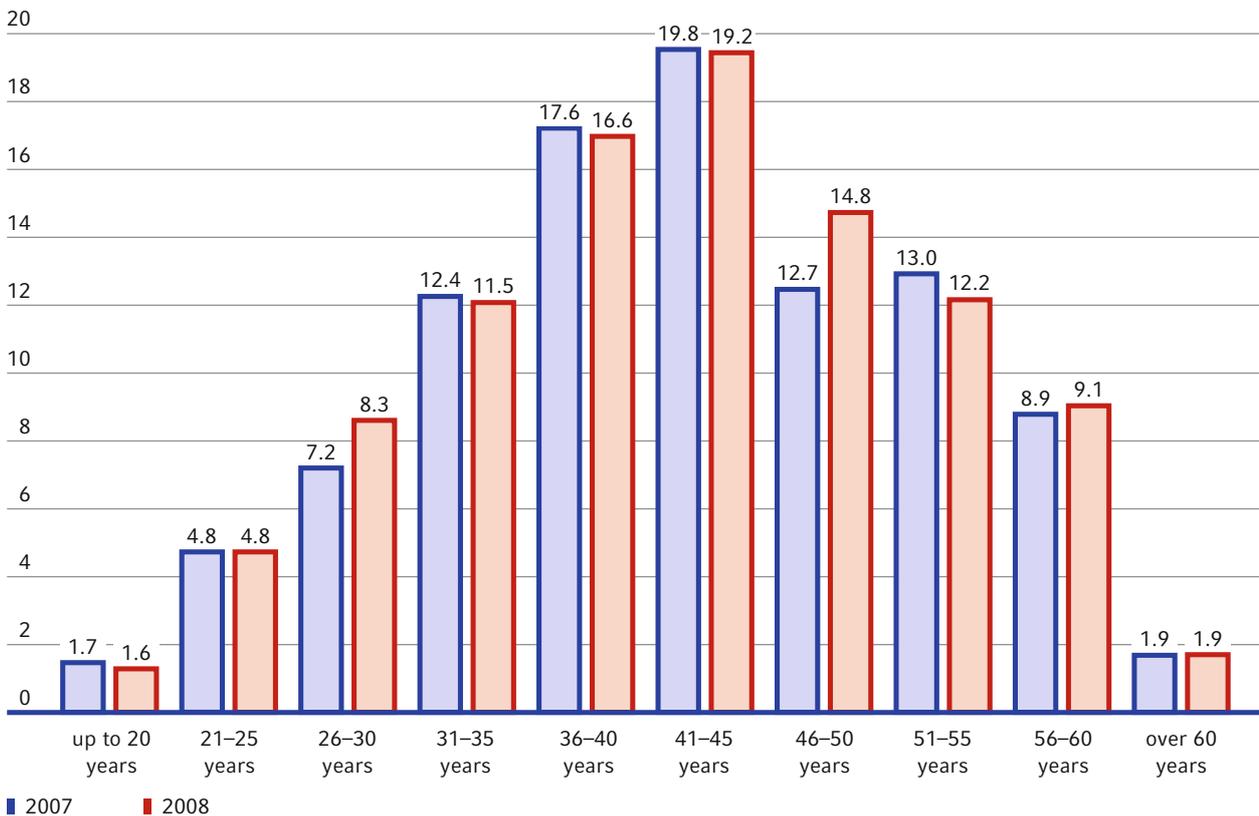
Female/male ratio 2007



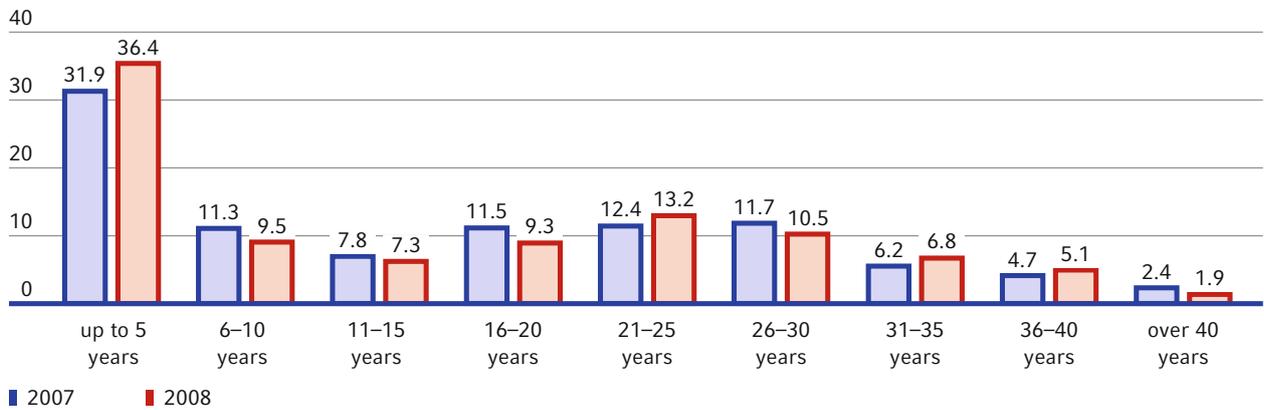
Female/male ratio 2008



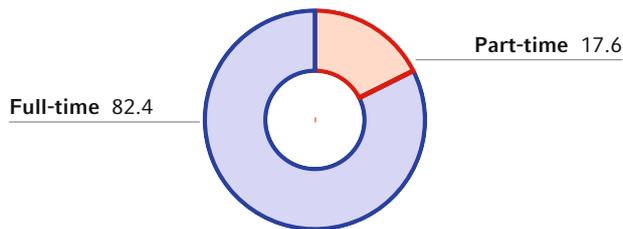
Age structure in %



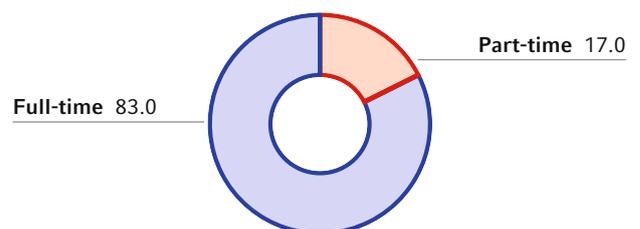
Service life in %



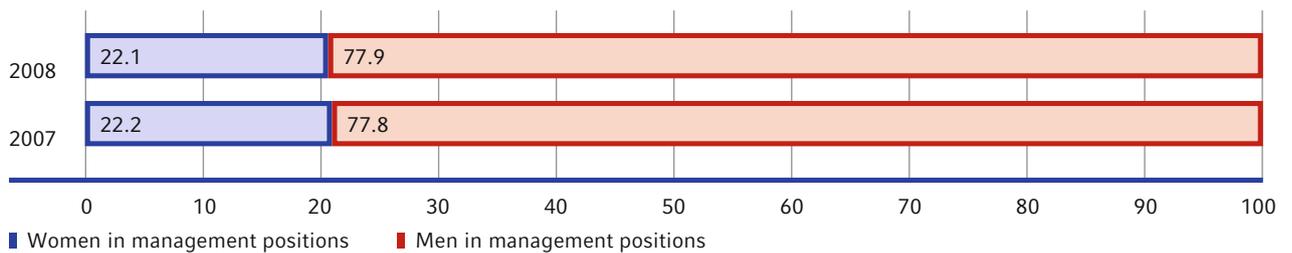
Part-time/full-time employment 2007 in %



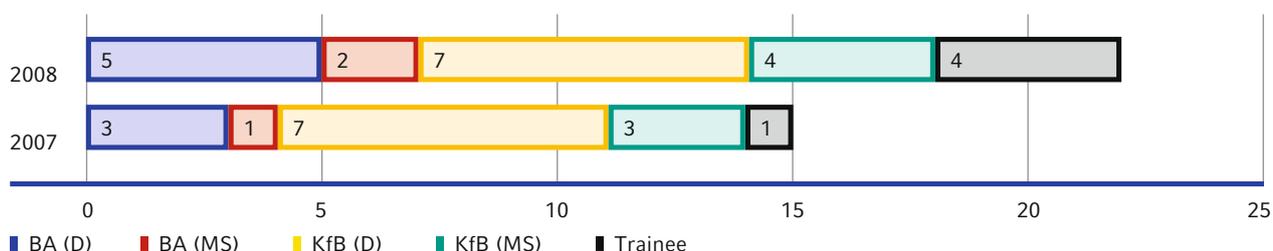
Part-time/full-time employment 2008 in %



Breakdown of management positions in %



Development of apprentice numbers in %



Vocational Training

In anticipation of the one-time doubling of the number of school-leavers in 2013, NRW.BANK has stepped up its activities in the already established lines of professional training. In 2008, eleven apprentices started training as office communication clerks with additional bank management qualifications as well as seven Bachelor of Arts (BA) students for the Banking course. Permanent positions were offered to all apprentices who finished their programmes in 2008. These internal training programmes were complemented by four one-year traineeships in the areas of risk management, municipal and infrastructure finance and IT trading.

NRW.BANK's newly introduced mentor model for future apprentices has proved effective. In order to prevent short-term dropouts (i.e. situations where an apprenticeship contract has been signed with a school-leaver who subsequently changes his or her mind and fails to commence the apprenticeship), the future apprentices are paired with former apprentices who serve as their mentors. In addition, the training activities were expanded through the integration of internships at the Brussels office run by the Bank's Federal and European Affairs department as well as through cooperations with various ministries and the LBS building society.

Human Resources Development

The key elements of human resources development at NRW.BANK are the strategic planning of the medium and long term employee structure as well as the further development of employees. Only a few years from now the share of employees over fifty will have risen significantly and the number of young people available for apprenticeships will have declined drastically.

Employees' skills and commitment make an essential contribution to the success of NRW.BANK whose HR development is geared to retaining key employees and securing the knowledge and performance of all employees.

In the past year NRW.BANK identified the following fields of action for the implementation of its strategic planning:

Securing Talent

At the training level, NRW.BANK plans to raise the number of apprenticeship and trainee positions and to offer good apprentices permanent positions. Interest in training with NRW.BANK is to be raised through internships for future school-leavers, information campaigns and job application training for school-leavers.

The Bank offers a variety of career advancement programmes to support the further qualification of employees following the initial training stage. In 2008, a master programme was added to the programmes already in place at NRW.BANK.

As part of NRW.BANK's continued partnership with universities in North Rhine-Westphalia, several of the bank's departments organised lectures and workshops to stimulate the exchange about topical issues in the financial sector and to inform graduates about career opportunities at NRW.BANK.

Facilitating Development

NRW.BANK attaches great importance to career path development, recognising that an employer's attractiveness is significantly determined by the career opportunities offered. This is why preference is given to existing employees when filling vacant positions.

Consequently, almost half the internal transfers in 2008 resulted in employees assuming functions which involved higher levels of responsibility. External hiring was mainly used to fill entry level positions, e.g. with university graduates, and in order to take on specialists.

Career advancement is also facilitated by NRW.BANK's offering of high-quality qualification programmes. Employees have access both to classical HR development measures and to a practical job rotation programme which gives them exposure to new environments. Launched in 2008, the job rotation programme allowed 18 employees to transfer to a different area of responsibility – in most cases, in a different business unit – for a limited period of time. Meanwhile interests have been expressed by another 17 employees from all functional categories including executive positions.

Participation in internal seminars once again rose by 38% compared to the previous year, with enrolment in external seminars growing by 3% during the same period. At 23%, the overall growth rate was clearly ahead of the headcount growth.

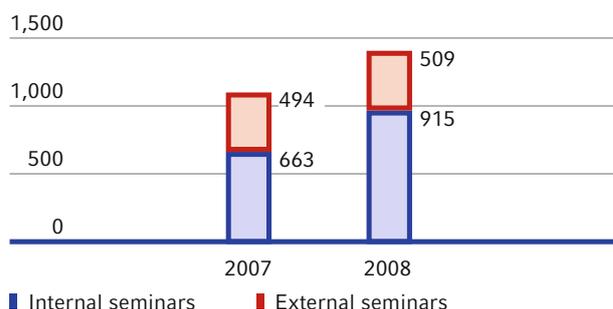
NRW.BANK's further training activities are largely based on internal events focusing on a wide variety of subjects and topics. These events are customised to meet the specific needs of the individual business units and therefore fulfil their unique needs. A large number of employees have access to internal seminars addressing NRW.BANK-specific issues and dealing with the implementation of changes resulting from new legislation as well as new products and processes. 2008 also saw a clear increase in methodological and behavioural seminars. The series of executive level seminars was expanded through the addition of a seminar for experienced executives. As a result, an integrated programme covering the full time cycle of executive HR development at NRW.BANK is now in place.

As part of its Equal Opportunities policy, NRW.BANK continues to support its employees in their efforts to reconcile the conflicting demands of working life and family life. In 2008, the number of crèche places for children under the age of three was increased from 29 to 32. In addition, the Bank offers personalised

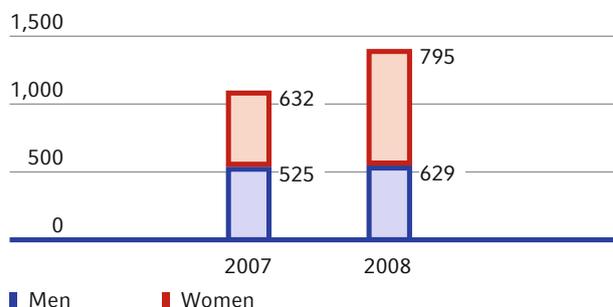
part-time arrangements for all employees. Inspired by Germany's Bundeselternzeit- und Elternzeitgesetz Act (parental allowance and parental leave act), seven employees took short periods of parental leave last year.

A number of actions were organised during 2008 to further raise awareness of equal opportunities in day-to-day operations. A forum entitled "Frauen und Männer@NRW.BANK" provided the stage for various lectures and discussions exploring the different potentials as well as typical misunderstandings resulting from gender differences. In 2009, the Bank will offer a workshop on conflict management and positioning in the equal opportunities environment.

Breakdown of seminars participants
(including management seminars, without trainees)

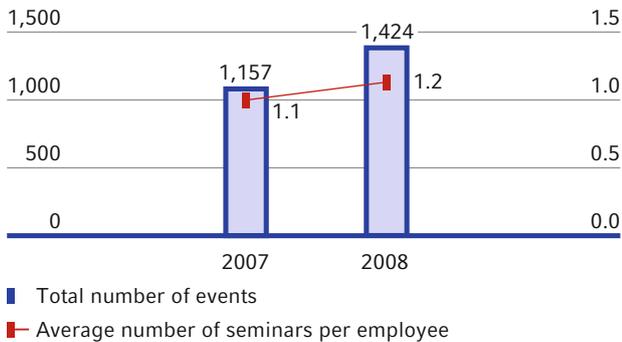


Breakdown of seminars participants
(including management seminars, without trainees)



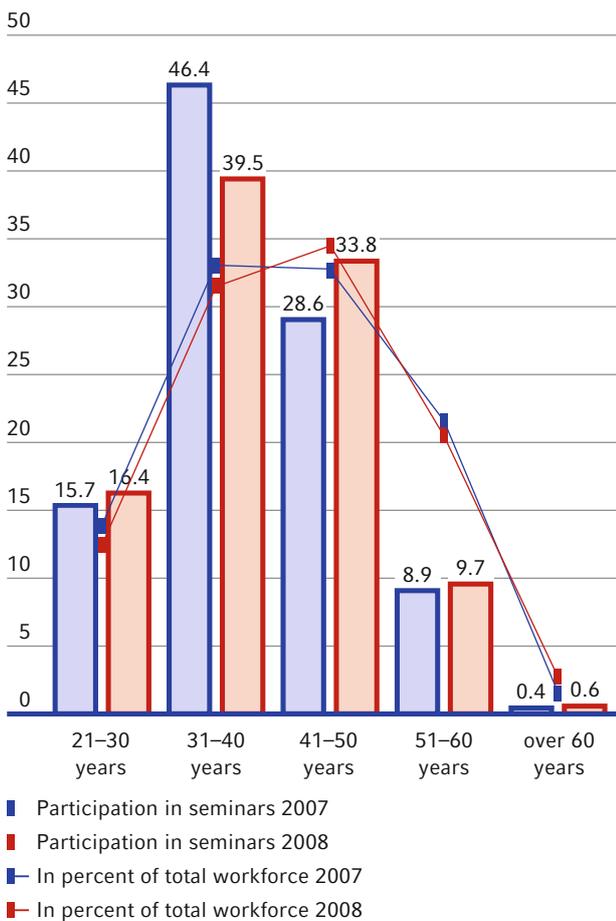
Further training

(including management seminars, without trainees)



Further training by age groups in %

(including management seminars, without trainees)



Maintaining Performance

New information technologies, new working techniques and demographically induced longer working lives highlight a permanent process of change in today's working environment and place a premium on programmes to maintain employees' performance levels and improve their health status. Recognising that its continued success significantly depends on the commitment and the performance of its employees, NRW.BANK strives to create working conditions which help avoid strains on employees' health.

In anticipation of a future rise in demand for life phase oriented working time arrangements, the Bank is currently exploring the possibility of implementing individual working life models. Such models can provide for sabbaticals or for early retirement, to the extent that they are financed by the employees interested in making use of them.

NRW.BANK's pro-active health management system is based on a wholistic approach with a changing focus each year. The objective of all activities is to heighten employees' awareness of health issues and to promote and maintain their ability to perform. As part of its duty to care as an employer, NRW.BANK relies both on medical prevention measures and on varied sports offerings. The existing range of proven offerings was expanded in 2008 through the addition of multi-week running seminars in Düsseldorf and Münster. A range of actions revolving around nutrition and stress management as preventative health strategies are currently under preparation for next year.

Assume Responsibility for Society

The Situation

Following a first presentation of data in 2007, NRW.BANK stays true to its transparency policy in providing the second report on selected environmental key figures and their changes in 2008. The report is based on the standards of the "Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen e.V." (Association for Environmental Management in Banks, Savings Banks and Insurance Companies).

The present Eco Balance³ for the year 2008 is the first to cover the ecological data of all NRW.BANK buildings⁴. To compare parameters that were not determined on a Group-wide basis in the 2007 Eco Balance, please refer to the figures per employee. In accordance with the VfU standard for corporate ecological data, external employees that work in the buildings of NRW.BANK and therefore participate in the consumption of resources were included in the calculation of the figures. By contrast, employees on parental leave were not included in the calculation.⁵

Building Energy

A complex of new buildings is currently being erected at NRW.BANK's head office in Münster. These construction activities have resulted in a temporary concentration of workplaces in Münster, which has a positive effect on the figures. By year-end 2009, the new complex is to be completed to similar standards as the Düsseldorf offices. To reflect the Bank's commitment to sustainability and achieve a reduction in resource consumption and, hence, a lower environmental impact, the building is designed for an annual heat consumption of 40 kWh per square metre and year at a later date.

To further reduce the impact resulting from the air-conditioning of the buildings, district heat is used at all locations. This kind of heating energy is generated by combined heat-and-power plants, which, according to today's findings, is one of the most environmentally friendly forms of energy generation. The positive, stable heat energy consumption figures for the years 2007 and 2008 and per employee show that this deliberate investment in energy-efficient buildings enables the Bank to use resources sparingly in the long term.

Heating energy consumption, absolute and relative

NRW.BANK Buildings	absolute kWh/a		kWh/per empl.	
	2007 ⁶	2008	2007 ⁶	2008
Total	3,067,680	3,773,716	3,160	2,989

Electricity consumption across all buildings is relatively low in terms of the consumption figures per employee.

The energy requirements of the IT infrastructure that is needed to handle the banking transactions have a strong impact, which is typical of the banking business. When a Europe-wide invitation to tender for the IT services was launched in 2008, special attention was paid not only to the technical optimisation but also to a reduction in resource consumption. The new IT components are scheduled to be rolled out in the first half of 2009, which means that the positive effects on energy consumption will make themselves felt in 2009.

Heating energy consumption, absolute and relative

NRW.BANK Buildings	absolute kWh/a		kWh/per empl.	
	2007 ⁶	2008	2007 ⁶	2008
Total	4,328,108	4,865,852	4,458	3,854

³ The environmental figures were collected in cooperation with Büro Wirkung from Grevenbroich.

⁴ Incl. office at Ernst-Gnoß-Strasse, but excl. liaison office in Brussels.

⁵ In accordance with the VfU standards, 1,154 employees were taken as the basis for the relative figures in 2007 and 1,263 employees in 2008.

⁶ Surveyed for part of 2007.

Business Travel

To create awareness of NRW.BANK's products and services throughout North Rhine-Westphalia, the employees of the Bank's Advisory Services unit are particularly dependent on business travel. North Rhine-Westphalia's largely rural structure and the concentration of the Bank's capacities in Düsseldorf and Münster are clearly reflected in the relative shares of the means of transport used for business trips.

A comparison with the prior-year figures shows a moderate decline in the kilometres travelled on business trips both in absolute and relative terms. These effects are partly supported by the improved data situation.

The company car plan chosen by the Bank is based on short contractual periods, which allows cars to be replaced with more modern ones at short intervals. According to manufacturers' information, the fleet's CO₂ emissions average 174 g/km. To fulfil their tasks efficiently within the largely rural structure of North Rhine-Westphalia, the Bank's employees depend on cars as the main form of transport. Although cars are still frequently used for trips between Düsseldorf and Münster, rail travel is playing an increasingly important role. As a result, the number of kilometres travelled by car declined moderately in 2008. It is positive to see that – against the general trend – the number of kilometres travelled by train increased from 21% to 23% of the Bank's total business travel. To support this trend, employees who frequently travel by train are granted allowances in the form of the "Bahncard 50" or the "Bahncard 25".

The kilometres travelled on long-haul flights declined moderately, while kilometres travelled on short-haul flights increased. Nevertheless, air travel still accounts for a relatively low share of the Bank's total business travel and is mainly attributable to the contacts required in the context of European and Germany-wide issues and the Bank's global funding activities.

Prior-year comparison of business travel

	absolute km/a		in %	
	2007	2008	2007	2008
Rail	828,281	891,493	21	23
Road	2,637,456	2,343,852	65	62
Long-haul flights	414,036	348,029	10	9
Short-haul flights	176,100	210,710	4	6
Total, absolute	4,055,873	3,794,084		
km per empl.	3,514	3,005		

Paper Consumption

Total office paper consumption at all NRW.BANK locations amounted to approx. 58 tonnes. Translated into kilogrammes, this is equivalent to a specific annual consumption of 46 kilogrammes per employee. Compared to the previous year, paper consumption was reduced by approximately 10%.

Prior-year comparison of paper consumption

Paper	absolute, kg		kg per empl.	
	2007	2008	2007	2008
Total	60,202	58,364	52	46

An initial positive effect is expected from the change in printer technology. In the context of the replacement of the IT components, the Bank will also replace its printers. Most of the new printers have a duplex function. As part of the replacement, the number of workplace printers will also be reduced.

Irrespective of this positive trend, an analysis of the composition of paper types used shows that there is still huge potential for optimisation from an ecological point of view. Especially chlorine-bleached and elemental chlorine-free (ECF) papers have not been reduced to the desired extent. Although ECF stands for “elemental chlorine-free”, it merely means that only one of the normally two types of chlorine is used. Between them, both types of paper account for 91% of NRW.BANK’s total paper consumption.

The percentage of recycled paper was not increased in 2008; the unfavourable relation between virgin fibre paper and recycled paper has essentially not improved.

Going forward, the Bank will pay special attention to increasing the percentage of ecologically sound paper types, which is desirable from an environmental point of view.

Prior-year comparison of paper types

	2007	2008
	%	%
Recycled paper	9	9
Virgin fibre paper, ECF	86	87
Virgin fibre paper, TCF	less than 1	less than 1
Virgin fibre paper, FSC		1
Virgin fibre paper, chlorine-bleached	5	3

Water Consumption

Compared to the previous year, daily water consumption was reduced to 93 litres per employee.

Prior-year comparison of water consumption

NRW.BANK Buildings	Water-consumption m ³		l per empl./ day ⁷	
	2007	2008	2007	2008
Total	24,404	29,243	101	93

Waste Volume

Major improvements were achieved with regard to the waste volume in both absolute and relative terms. This is attributable to the reorganisation of the management of residual waste as well as to the introduction of electronic files, which was completed at the end of 2007.

Waste volume

Building	D01 and MS	All buildings
	2007	2008
Waste paper t	41.6*	58
Document shredding t	136*	95
Residual waste t	167.2*	99
DSD	0	6
Others, kitchen waste	77.6*	84.7
Total	422.4*	342.7
kg per empl.	435*	270
Recycling ratio	51%**	61%**

* surveyed for part of 2007

** excl. others, kitchen waste

⁷ Surveyed for part of 2007, based on 250 days.

Greenhouse Gas Emissions

To live up to its corporate responsibility for environmental protection, NRW.BANK has exclusively purchased electricity from renewable energy sources since the beginning of 2008.

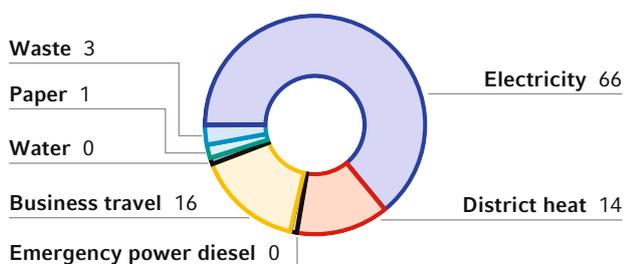
A comparison with the previous year's figures shows a reduction in per-capita CO₂ emissions from 3.57 tonnes to 1.16 tonnes, which clearly reflects the positive effect of this decision.

Greenhouse gas emissions were derived from the above figures, which were translated into carbon dioxide equivalents. The total emissions are calculated for the Bank as a whole.

Thanks to the switch to electricity from renewable sources, the share of electricity in total emissions was reduced to 8%. As a result, business travel is now the main cause of CO₂ emissions at NRW.BANK, followed by heating energy.

The charts also show that the high percentage of incinerated waste and the low use of recycled paper also have a clearly negative effect on the CO₂ figures.

CO₂ by producers in 2007 in %

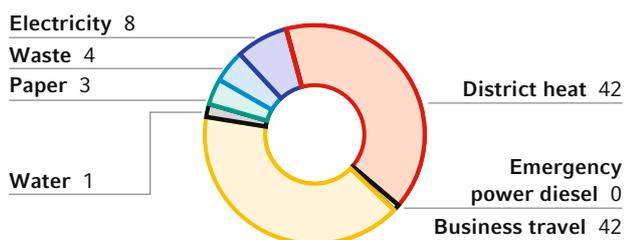


CO₂ emissions in kg by producers

	2007	2008
Electricity	2,665,624*	114,795
Heating energy	587,228*	607,453
Business travel	676,012	624,661
Other	191,626	114,298
Total	4,120,490	1,461,207
CO ₂ per empl.	3,570	1,157

* surveyed for part of the year

CO₂ by producers in 2008 in %



CO₂ emissions by producers at NRW.BANK in 2008 (figures for 2007 in parentheses)

CO ₂ emissions in kg	scope 1	scope 2	scope 3	Total
Source				
Electricity source				114,795 (2,665,624)
– Natural energy and EWH (hydropower)			14,954	14,954
– Municipal utilities		99,841 (2,665,624)		99,841 (2,665,624)
District heat		607,453 (587,228)		607,453 (587,228)
Emergency power diesel	2,896 (4,806)		499 (828)	3,395 (5,634)
Business travel				624,661 (676,012)
– Rail			49,032 (45,555)	49,032 (45,555)
– Road			466,427 (524,854)	466,427 (524,854)
– Short-haul flights			68,691 (57,409)	68,691 (57,409)
– Long-haul flights			40,511 (48,194)	40,511 (48,194)
Waste			54,898 (127,432)	54,898 (127,432)
Water			10,966 (10,881)	10,966 (10,881)
Paper				45,039 (47,679)
– chlorine-bleached			2,436 (4,798)	2,436 (4,798)
– chlorine-free			40,473 (40,746)	40,473 (40,746)
Recycling			2,130 (2,135)	2,130 (2,135)
Total	2,860 (4,806)	707,294 (3,252,852)	751,017 (862,832)	1,461,207 (4,120,490)
Total excl. waste (to VfU standard)				1,406,309 (3,993,058)
CO ₂ per empl.				1,157 (3,570)
CO ₂ per empl. excl. waste (to VfU standard)				1,114 (3,460)

Conclusion

To facilitate meaningful reporting on environmental key figures, the systematic collection of environmentally relevant data of NRW.BANK, which was started in 2007, was continued and complemented in the fiscal year. The data of the 2008 Eco Balance shows that the optimisation process launched by the Bank has begun to bear fruit.

The Bank aims to reduce its impact on the environment while at the same time developing healthy and motivating working conditions for all employees of NRW.BANK.

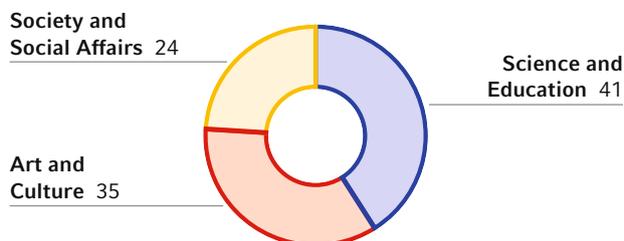
Showing Commitment to Society

NRW.BANK is committed to assuming corporate social responsibility and has therefore expanded its various forms of support for public life and the society in North Rhine-Westphalia in 2008. The former division between donations and sponsoring was abandoned and replaced with focal themes at the beginning of 2008. This approach will be continued on the basis of the experience gained. Decisions on funding requests are now taken collectively on a quarterly basis, which also had a positive effect in 2008. Central voting on such requests ensures consistency with the Bank's objectives as well as the required transparency. The thematic pillars of corporate responsibility within NRW.BANK reflect the diversity of North Rhine-Westphalia.

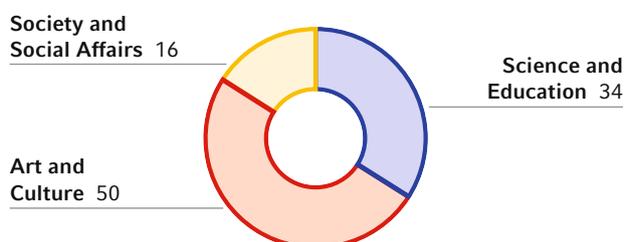
NRW.BANK sponsorships are available for the areas of "Science and Education", "Art and Culture" and "Society and Social Affairs".

A separately defined budget for "social commitment" was introduced in 2008. Amounting to approx. € 750,000, it is allocated to the above segments on a percentage basis. This approach is a reflection of the Bank's mission to support and promote structural change in North Rhine-Westphalia. Due to the differences in quality of the projects submitted, the distribution of the total budget differed from the original plans.

Focal points in 2008 (target) in %



Main focus in 2008 (actual) in %



In the "Science and Education" segment, the Bank again supported the "Institut für Kredit- und Finanzwirtschaft (ikf)" in Bochum and the "center for financial research (cfr)" in Cologne. In the context of the "NRW France Year", the Bank sponsored the visit of German school-leavers to the "Nuit Blanche" in Paris, an arts and cultural festival for the promotion of cultural dialogue. A project launched by the Regional Association of the Rhineland to support the sports and general education of disabled children was also sponsored by the Bank in an amount of € 50k.

Successful kick-off events in Düsseldorf and Münster, which were organised in cooperation with NRW.BANK's partner schools, marked the start of the Bank's "School Partnership" project, which assists school-leavers in starting their professional careers. The purpose of the project is to assist school-leavers in finding the right occupation. The project consists of several customised components:

- Support for school-leavers in choosing the right occupation through job finding tests and competence training.
- Applicant and assessment center training.

- Information events and introduction days for selected students at NRW. BANK.
- Participation of the Bank in job information days at schools.

The partner schools are chosen in cooperation with the "Pro Ausbildung" Foundation in Düsseldorf and the education authority of the City of Münster. The Bank's partner schools in Düsseldorf are the Catholic Hauptschule St. Benedikt in downtown Düsseldorf and Cecilien-Gymnasium in Düsseldorf-Oberkassel. In Münster, NRW.BANK has chosen Freiherr-vom-Stein-Gymnasium in Münster-Gievenbeck and Hauptschule Coerde in Münster-Coerde as its partners.

The activities in the "Art and Culture" segment focused on the preservation of cultural assets in North Rhine-Westphalian churches. As in the previous year, NRW.BANK decided – in mutual agreement with its owners – to support special cultural projects. In this context,

- the St. Nicolai parish in Kalkar received € 80k for the restoration of the church windows and
- the St. Nikolaus parish in Brauweiler received € 100k for the restoration of the church organ.

Since 2002, Westphalia has also been a focus of the Bank's cultural promotion activities.

- The "Gesellschaft für Westfälische Kulturarbeit" again received € 50k and an additional
- donation of € 50k was made to "Haus Nottbeck" for the organisation of a cabaret festival.

The partnership with RuhrTriennale, the International Short Film Festival in Oberhausen and lit. Cologne, which was started last year, was continued in the fiscal year 2008.

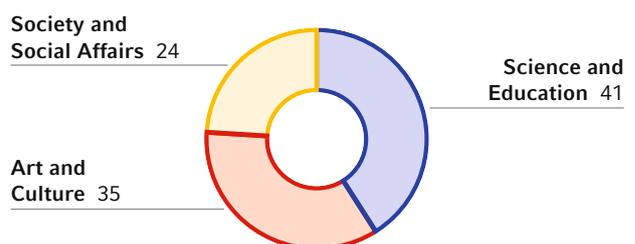
The 2009 Art Calendar additionally illustrates NRW.BANK's commitment to assisting young people in launching their careers. The selection process for the new calendar was run under the motto "Migration in North Rhine-Westphalia". Young photographers

were invited to make portraits of people from different cultural backgrounds who left their home countries or whose ancestors came to North Rhine-Westphalia to start a new life in the region.

Photographers Christoph Kniel and Ilja Mess won the selection. Since 2002, the two artists have cooperated in individual projects. Their works primarily focus on cultures that are near and far at the same time. Russia, Turkey and Morocco border on Europe but each of them has a very own history and culture, a special relation to Europe and a special role in the history and the present of migration. Entitled "teilhaben – mitwirken – bereichern – ein visueller Brückenschlag der Kulturen" (participate – engage – enrich – building a visual bridge between cultures), the 2009 Art Calendar impressively illustrates the fascination for people's everyday lives, their dreams and their wishes.

NRW.BANK's activities in the "Society and Social Affairs" segment consisted of a large number of small projects in 2008. The Bank supported, for instance, the "Migrant Elders across Europe – from Challenges to Opportunities" project. The Bank's Christmas donations went to the Balthasar children's hospice in Olpe and "Förderschule Louis-Braille" in Düren.

Focal points 2009 in %



In the context of its social commitment policy, NRW.BANK will give its employees opportunities to demonstrate their commitment to society in 2009. In keeping with the Bank's ideas and mission, projects will be initiated that will encourage each individual employee to contribute their personal skills and talents together with their colleagues for the benefit of society.

Report on Public Corporate Governance in the year 2008

NRW.BANK started to report on its Corporate Governance efforts in its 2006 Annual Report. The relevant reports in recent years were based on the Bank's own Public Corporate Governance Code which entered into force on January 1, 2006. Taking into account the special characteristics resulting from NRW.BANK's legal status as an institution under public law, the structure and contents of the Bank's proprietary Code integrate elements on the ethical discharge of offices. This understanding is also reflected in the Bank's report on the implementation of its proprietary Corporate Governance rules.

Being one of only a few institutions under public law, and in the public banking sector, in particular, to have endorsed a Corporate Governance Code, NRW.BANK remains a pioneer of Public Corporate Governance also in the third year of the inception of these efforts. In fact, NRW.BANK was one of Germany's first public-law institutions to commit themselves to transparent and responsible governance.

Against the background of the current financial market crisis, the general public took a critical view of banks and, in particular, of banks under public law, irrespective of their legal status. The public debate centred both on individual financial institutions and on sector-specific aspects. With regard to individual institutions, criticism related primarily to the effectiveness of risk management processes, the risk appetite shown by management teams and the supervision by the respective boards. Sector-specific criticism primarily focused on the role of the rating agencies. The stable and effective structure of NRW.BANK's Boards has proven itself in a positive light even in these dynamic times. All issues arising in this context were discussed in close dialogue between the Managing Board and the Supervisory Board, which allowed for decisions to be taken at short notice when and where called for. Irrespective of the provisions of its proprietary Corporate Governance structures, NRW.BANK, being a full bank, remains subject to all requirements under the German KWG act and comes under the comprehensive supervision of

Germany's Bundesanstalt für Finanzdienstleistungsaufsicht. In addition, the 15-strong Supervisory Board monitors the actions of the Managing Board and the Bank's business operations. The composition of the Supervisory Board is comparable to those at private-sector companies of similar size and with similar business missions. To conduct preparatory deliberations and address specific issues in depth, the Supervisory Board of NRW Bank has formed various committees to prepare its meetings. Irrespective of the functioning Corporate Governance structures, the Boards constantly monitor all relevant trends and developments and continue to work together to ensure that any existing potential for improvement is realised in the interest of the Bank.

Ever since the inception of NRW.BANK, the interaction between its boards has benefited from a clear allocation of competencies and responsibilities on the Managing Board, including the elevated position of the Chairman of the Managing Board. This notwithstanding, the Managing Board fundamentally revised its rules of procedure in 2008 and submitted the result to the Supervisory Board for endorsement. The new rules of procedure, which entered into force on January 1, 2009, were published on the NRW.BANK website as a reflection of the bank's commitment to transparency.

In the context of the appointment of the new Chairman of the Managing Board, certain media indulged in a partially provocative debate on the appropriateness and amount of the Chairman's emoluments. In particular, the claim that the amount of the emoluments was not known to the public, was invalidated by the presentation in the Annual Report following the initial publication. The compensation of the NRW.BANK Managing Board comprises fixed and variable components. The variable component is defined individually by the Executive Committee each year on the basis of specific agreed objectives. The performance parameters may not be changed retroactively. The objectives defined by the Executive Committee take account of the special requirements of a development bank and of the fact that under the Bank's Statutes, the generation of profit is not the main purpose of the business. They comprise factors that are geared to NRW.BANK's mission to

assist the federal state and its municipal corporations in the fulfilment of its public tasks. The compensation of the Managing Board members is published in the Annual Report, with individualised figures being provided for the Chairman and combined figures being stated for the other members.

NRW.BANK's Public Corporate Governance Code includes comprehensive requirements relating to the integrity of the Managing Board, i.e. the appropriate attitude and approach to side-line occupations, invitations and gifts that affect the way in which the office is exercised. Additional regulations are adopted by the Executive Committee whenever required. The respective behavioural obligations, especially disclosure towards the Managing Board and the guarantors, were also fulfilled in 2008. The changes of Mandates entailed by the appointment of the new Chairman of the Managing Board as well as the consent to a loan to a board member were all discussed and agreed by the respective boards. In some cases, the advice of the Public Corporate Governance Officer was sought.

The Supervisory Board supervises the management activities of the Managing Board and is involved in long-term planning. The Bank's strategic positioning is agreed jointly by the Managing Board and the Supervisory Board. Their relationships are characterised by an open and trusting dialogue. In 2008, the Supervisory Board held five meetings that were attended by the Managing Board. In addition, there is an ongoing exchange between the bodies, especially between the Chairman of the Managing Board and the Chairman of the Supervisory Board. In accordance with legal possibilities, committees were formed by the members of the Supervisory Board. As laid down in the statutes, these are the Executive Committee, the Audit Committee and the Risk Committee. In addition, there is a Housing Promotion Committee as defined in the German Housing Promotion Act. The committees convene on the basis of their own codes of procedure and cooperate closely with the Managing Board, which attends their meetings. The Chairwoman of the Supervisory Board may not hold the Chairmanship of the Audit Committee. To create additional transparency, NRW.BANK has published brief profiles of the Supervisory Board members on the Internet since early 2008.

In addition, the Bank exercised the option to establish other committees and established a Building Committee in 2003, which supports the construction activities in Düsseldorf and currently in Münster.

The employees of the Bank are represented on the Supervisory Board and the committees. As a result of the amendment of the NRW.BANK Act, employees may now also be represented as ordinary members on the Audit Committee and the Risk Committee. Employee representatives re-elected or newly elected during the period were appointed to these committees. The qualification of the members of the executive bodies plays an important role in the discussion about good and responsible corporate governance. The Bank is convinced that all members have the experience and the skills required to advise and supervise the Managing Board independently and professionally. Nevertheless, the constantly changing environment forces them to accept new challenges. To prepare them accordingly, the Bank organises regular information events led by external experts. In addition, the members of the Supervisory Board are regularly provided with specialist literature. In the years 2009/2010, the creation of awareness of the tasks of a Supervisory Board member will receive a stronger focus in the context of the local and state parliament elections. The Bank will be organising information events aimed at strengthening this awareness.

The Supervisory Board has defined no age limit for the members of the Managing Board. The members of the Managing Board are appointed for a maximum period of five years. Increasing public attention is being given to the question whether women are sufficiently represented on the managing boards and supervisory boards of German companies. The share of women on the supervisory boards of DAX 100 listed is only approximately 10 percent.

Moreover, neither the German legislature nor the governmental commission created to draft the German Corporate Governance Code saw it fit to impose a mandatory requirement in this respect.

Four of the fifteen members of NRW.BANK's Supervisory Board, i.e. more than 25 percent, are female. Apart from the chairwoman, three female members represent the interests of the owners and the employees. The NRW.BANK Act amended at the end of 2007 allows for employee representatives to serve on the Risk Committee and the Audit Committee as ordinary members since the beginning of 2008.

The Managing Board submits the annual financial statements to the Board of Guarantors via the Supervisory Board. The Board of Guarantors resolves on the approval of the annual financial statements and the appropriation of profits or the coverage of a possible loss as well as the discharge of the acts of the Managing Board and of the Supervisory Board and in agreement with the North Rhine-Westphalian Court of Audit the appointment of the auditor for the annual financial statements as well as of the auditor for verification of the reporting requirements and the code of conduct in accordance with the provisions of the Securities Trading Act. The Board of Guarantors resolves on the principles of business and risk policies. Furthermore, the Board of Guarantors resolves on amendments to the statutes and essential corporate measures such as, in particular, individual purchases and sales of interests and capital measures relating to interests as well as all equity measures pursuant to the German Banking Law (KWG). The Board of Guarantors comprises twelve representatives of the Bank's owners. The guarantors guarantee that NRW.BANK is able to carry out its required functions (institutional liability). They are liable for the obligations of NRW.BANK regardless of the explicit guarantee from the state of North Rhine-Westphalia pursuant to the "Act of the Landesbank Nordrhein-Westfalen" and the statutes (guarantor liability).

Prior to being proposed for the election of the auditor of the financial statements, the accountants submitted a declaration of independence as required by the Code and disclosed the services provided by their firm. In accepting the mandate, the accountants confirmed that they will observe all duties arising as part of their audit activities and report on them as necessary.

The Advisory Board of NRW.BANK was established in 2007 to provide the Bank with expert advice in the performance of its business activities and to promote its relations with the corporate sector, the public administration, the banking sector and the academic community. The members of the Advisory Board are appointed by the Prime Minister of North Rhine-Westphalia. The Advisory Board is chaired by the North Rhine-Westphalian Minister of Economics, SMEs and Energy.

NRW.BANK closely monitors the ongoing evolution of Corporate Governance. This includes legislative and academic initiatives as well as revisions of the German Corporate Governance Code. The legislative process on the BilMoG Act (German balance sheet law modernisation act) may have direct implications for the Bank's Corporate Governance. While this legislative process is still ongoing, it is envisaged that all amendments will be applied to the financial years starting after December 31, 2008.

Against this background – particularly given the fact that all revisions of the German Corporate Governance Code primarily have related to listed joint-stock companies – the Bank's own Public Corporate Governance Code has remained unchanged since its endorsement in the year 2005.

Report of the Supervisory Board

To fulfil the task to which it is subjected by law and the statutes, the Supervisory Board held five meetings in 2008. Another 19 meetings were held by the Committees composed of the members of the Supervisory Board: 9 meetings by the Executive Committee, 1 meeting by the Audit Committee, 5 meetings by the Risk Committee and 4 meetings by the Building Committee. In addition, two committee resolutions – one by the Executive Committee and one by the Risk Committee – were passed by way of circulation. Against the background of current developments in the global financial markets, the above mentioned meetings included an extraordinary meeting of the Risk Committee and three extraordinary meetings of the Executive Committee. These meetings focused on the dislocations in the financial markets triggered by the insolvency of Lehman Brothers and the rescue of Hypo Real Estate.

The composition of the Audit Committee and the Risk Committee changed as a result of the 2007 amendment of the NRW.BANK Act and the elections of employee representatives. Employee-elected members have been represented as ordinary members with equal rights on either committee since the beginning of the year.

Regular reports kept the Supervisory Board apprised of the company's situation and of all essential business events during the period. The Supervisory Board discussed and approved all transactions requiring its approval in accordance with legal or statutory provisions and addressed important matters of business policy in detail. In this context, deliberations focused on the change in chairmanship and the appointment of a substitute member to the Managing Board effective January 1, 2009. The Supervisory Board and the Risk Committee paid particular attention to the definition of the risk strategy for the years 2009 to 2012 and discussed the business strategy for the year 2009. These strategies were submitted for approval to the Guarantors' Meeting which is the competent decision-making body under the Bank's statutes. The recommended resolutions were endorsed by the Guarantors' Meeting on December 5, 2008.

KPMG AG Wirtschaftsprüfungsgesellschaft (formerly KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft) carried out the audit of the financial statements for 2008 and the statement of financial condition of NRW.BANK and issued an unqualified audit opinion. The Supervisory Board and the Audit Committee formed from among its members discussed in detail the report of the external auditors on the results of their audits. Following the final result of the audit, they raised no objections.

At its meeting on March 13, 2009, the Supervisory Board approved the financial statements and the statements of financial condition established by the Managing Board and proposed that the Board of Guarantors approve the financial statements for the year 2008. As in the previous years, no consolidated financial statements were prepared, as the Bank is not obliged to do so under commercial law.

Düsseldorf/Münster, March 13, 2009

Christa Thoben
Chairwoman of the Supervisory Board

Management Report

of NRW.BANK at December 31, 2008

State Development Bank of North Rhine-Westphalia

NRW.BANK is the state development bank of North Rhine-Westphalia (NRW). Its mission is to support its owners – the state of North Rhine-Westphalia as well as the Regional Associations of Westphalia-Lippe and the Rhineland – in the completion of important structural policy tasks. NRW.BANK fulfils its mission through a comprehensive range of development, promotion and advisory products, drawing on funding programmes of the State of North Rhine-Westphalia, the Federal Republic of Germany and of the European Union as well as on its own financial resources.

Development and Promotion Amidst the Financial Market Crisis

The financial market crisis and its effects on the real economy have further heightened the importance of development and promotion banks. In 2008, NRW.BANK continued to translate its favourable funding terms into effective development and promotion. At the same time, NRW.BANK created additional scope for action by banks and savings banks by making available liquidity, e.g. in the form of global loans earmarked for development and promotion purposes.

NRW.BANK's global loans for housing, infrastructure and mid-sized enterprise promotion offer banks and savings banks in North Rhine-Westphalia very flexible products which lend themselves to a wide variety of uses. The Global Infrastructure Loan, in particular, experienced good uptake at € 150 million already shortly after its inception. A total of € 910 million were made available to the market in this way.

The NRW.BANK.Mittelstandskredit loan was once again the most successful and highest-volume product in the Start-up and SME Promotion segment. This programme offers start-up entrepreneurs and medium-sized companies based in North Rhine-Westphalia promotion loans for numerous financing purposes at particularly favourable interest rates. The NRW.BANK.Mittelstandskredit is funded from the KfW-Unternehmerkredit, a loan programme offered at preferential interest rates by KfW Bankengruppe. In addition,

NRW.BANK draws on its own financial resources to further improve the lending terms. In the year 2008, a total of 4,978 medium-sized companies benefited from the total commitment volume of € 1.6 billion under the NRW.BANK.Mittelstandskredit programme which thereby almost matched the high volume recorded in the previous year.

Launched in May 2007, the NRW.BANK.Universalkredit proved very popular in the reporting period. This particularly flexible loan product allows medium-sized companies and self-employed professionals to cover their medium-term financing requirements at preferential interest rates.

An excellent result was achieved in the Social Housing Promotion area which saw the commitment of loans worth € 948 million, which was almost € 110 million more than expected. This sum was used towards the construction of more than 17,000 residential units and thereby helped prop up the North Rhine-Westphalian economy.

At the end of January 2009 the North Rhine-Westphalian state government set the course for the full integration of Wohnungsbauförderungsanstalt Nordrhein-Westfalen – Anstalt der NRW.BANK – (Wfa) into NRW.BANK. The concrete implementation of this integration will be defined by the legislative process.

NRW.BANK's Municipal and Infrastructure Finance activities include dedicated infrastructure programmes providing local governments and other sponsors of public infrastructure with project funding at preferential interest rates. One example of these promotion programmes is the NRW.BANK.Sportstätten 2008, a special promotion programme which assists North Rhine-Westphalian sports clubs in building or renovating their grounds and facilities. NRW.BANK remains a strong partner to municipal governments particularly against the background of the ongoing financial crisis. While other institutions scaled down their lendings in 2008, NRW.BANK committed municipal loans worth € 2.1 billion during the period, up 5.5% on the prior-year volume.

NRW.BANK remained the German market leader in tuition fee lending in 2008. The NRW.BANK.Studienbeitragsdarlehen is meanwhile being used by more than 68,000 students. This means that approximately 22% of the students liable to pay tuition fees and eligible for a tuition fee loan financed their tuition fees through loans extended by NRW.BANK. This loan, which provides for generous capping and release options, is an attractive offering particularly for BAföG recipients.

Start-up Promotion

The strengthening of company start-up activity in North Rhine-Westphalia remained a focus of NRW.BANK's activities in 2008. This involved the July 2008 relaunch of the NRW.BANK.Gründungskredit, a start-up finance programme under which entrepreneurs can obtain loans between € 25,000 and € 5 million. Particular advantages include low interest rates, an initial redemption-free period and the possibility of penalty-free prepayments. Funded at preferential rates under KfW Bankengruppe's KfW-Unternehmerkredit, loans for certain purposes related to the start-up of small and mid-sized businesses are eligible for even further improved borrowing terms. A default guarantee from Bürgschaftsbank NRW is optionally available through a standardised process.

To cater to the special financing needs of very small start-ups, NRW.BANK in 2008 developed the NRW/EU. Mikrodarlehen which is funded from EFRD resources (European Fund for Regional Development) and by the state of North Rhine-Westphalia. Available through the STARTERCENTER NRW network, these loans amounting to between € 5,000 and € 25,000 are meant to support very small start-up businesses in the critical early phase. While no collateral needs to be posted, entrepreneurs must take advice from local STARTERCENTER NRW experts who need to endorse their start-up concept; in addition, the newly founded business needs to be looked after either by a senior coach working on a pro-bono basis or by an independent consultant. Now in a pilot phase, the programme is planned to be rolled out swiftly throughout North Rhine-Westphalia. In addition, NRW.BANK offers equity solutions (seed und venture capital) for medium-sized companies and tech start-ups.

NRW.BANK – Focus on the Region

NRW.BANK.Weeks is the name of a successful series of events which were continued in Bochum, Hörstel and Wuppertal during the reporting period. This event format aims to stimulate networking between the corporate sector and the political and financial communities at a regional level and to initiate regional concepts for continued growth in the state.

In addition, NRW.BANK remained a co-organiser of the Private Equity Conference series. The Private Equity Conference 2008 took place in Düsseldorf in June and met with an excellent response.

Economic Climate

Economic Development in Germany

Having expanded dynamically for several years, the world economy entered a phase of pronounced cyclical cooling in 2008. The industrialised nations and subsequently also the emerging nations were affected in different ways and to different degrees by the direct and indirect effects of the crises in the property markets and the financial markets. Worldwide trade as well as manufacturing were dragged down by negative asset price effects in particular in the real estate markets, tighter financing conditions due to liquidity constraints and high risk aversion, a temporary surge in commodities prices as well as deteriorating corporate and consumer sentiment.

Given Germany's dependence on exports, the economy was appreciably impacted by the weakening of worldwide growth in the course of 2008. Following an expansive start to the year, the German economy contracted from the second quarter. On a full year basis, price-adjusted GDP rose by 1.3% compared to the prior year (according to the Federal Statistical Office) – this mainly reflects a clear statistical overhang from 2007 combined with the strong first quarter. The main driver of the reported growth was the strong international competitiveness of German manufacturers. During the first half of the year, capacity utilisation remained above normal due to high order backlogs

particularly from abroad. Exports and capital formation in machinery and equipment continued to make the highest contributions to growth, even though the German economy's increased export dependence emerged as a negative in the second half of the year as global economic prospects clouded over. Manufacturers responded to the slump in demand by throttling their production and scaling down their capital spending. Construction spending once more accelerated compared to the prior year, with the individual segments developing differently. While growth remained weak in residential construction, spending on commercial, industrial and public construction rose clearly. Private consumption fell short of expectations despite gratifying growth in employment and rising nominal wages. While consumer spending was dampened by fast rising prices of energy and food at the beginning of the year, consumer confidence was subsequently overshadowed by rising insecurities about the outlook for the future. In contrast, government spending had a stabilising effect amidst the economic cooling.

Economic Development in North Rhine-Westphalia

According to the latest projections of Rheinisch-Westfälisches Institut für Wirtschaftsforschung Essen (RWI), North Rhine-Westphalia's real GDP climbed by 1.5% compared to the previous year. The development largely mirrored the nationwide trend; growth in the first quarter of 2008 was followed by clearly declining output figures in industrial goods as well as in intermediate inputs. This trend was also mapped by the NRW.BANK.ifo-Index for industry and trade in North Rhine-Westphalia. The second half of the year saw a marked contraction in demand in the manufacturing sector within a short space of time, which consequently translated into lower order backlogs. This trend particularly affected auto makers, their suppliers as well as manufacturers of metal products. As companies reported strong production cutbacks, capacity utilisation dropped below the long-term average. In view of sceptical outlooks for the future development of demand, companies revised their production and employment plans downwards. Construction output once again increased in 2008, mainly driven by commercial

construction and, as a result of higher public sector investment, civil engineering. The labour market showed a clear improvement with the unemployment rate declining to an annual average of 8.5%. Indications pointing to an end to the positive trend emerged only around the end of the year.

Financial markets

The year 2008 was marked by the global financial market crisis which originated in the US home mortgage market. By late 2006, several years of steadily rising interest rates accompanied by declining asset prices had created a situation where an increasing number of subprime borrowers in the US were no longer able to service their mortgages, resulting in rising arrears and defaults. While this was initially considered a local problem in isolated areas of the credit markets, the securitisation of mortgage loans and the international integration of the financial markets combined to turn it into a worldwide problem. Numerous financial institutions had to absorb substantial writedowns and required additional equity. As market participants increasingly lost confidence in the financial system, sentiment in the capital markets deteriorated and signs of a liquidity squeeze emerged. These effects were amplified by the insolvency of US investment bank Lehman Brothers Holding Inc. Risk premiums and volatilities rose to heights not seen in many years and the interbank market almost came to a standstill. Government intervention became necessary. A \$ 700 billion bailout package proposed by the US administration was signed into law on October 3, 2008. The financial market crisis subsequently spread to the real economy and eventually impacted the German economy. The German parliament enacted the Financial Markets Stabilisation Act (FMStG) which facilitates guarantees on securities and deposit-based liabilities and also allowed for the recapitalisation of financial institutions. These rescue packages did little to calm the markets. Germany's Hypo Real Estate Holding AG was no longer able to cover its liquidity requirements and was saved from insolvency only by rescue measures taken by the federal government and a consortium of banks.

The leading central banks – including the US Federal Reserve, the European Central Bank (ECB) and the Bank of England – responded to the financial market crisis with massive key rate cuts in order to ensure the continued availability of liquidity to the markets and to stave off the impact of the crisis on the real economy. Interest rates came down to a historic low although this only partly compensated for the negative effects of the elevated risk premiums on interest rates in the most important markets.

Investors' heightened risk aversion resulted in a flight into government bonds. In this situation, the development banks initially benefited from their safe haven status and were able to leverage this advantage in funding the increased need for development and promotion funds. This advantage expired around year-end when a number of German banks sought protection under the government's so-called "rescue umbrella" which enables them to issue state-guaranteed bonds as well.

Mission and activity of NRW.BANK

Under its mission, NRW.BANK's activities are geared to supporting the state's structural, economic and social policies as well as the public tasks of the government institutions and agencies charged with implementing these policies. While working in compliance with the subsidy and aid regulations of the European Community, NRW.BANK fulfils its mission using all customary financing instruments, particularly by granting loans, underwriting guarantees and investing in participations. As a self-funding institution, NRW.BANK holds and manages a securities portfolio, whose purpose is to diversify its sources of income and provide steady revenues, and engages in risk hedging transactions.

Business trend

Key developments and ratios

Given NRW.BANK's focus on development and promotion as well as its conservative and long-term investment and liquidity strategies, the Bank was appreciably less affected by global events in 2008 than other financial institutions. Due to NRW.BANK's policy and ability to hold securities to maturity as part of its long-term refinancing strategy, temporary fluctuations in the market values of such securities did not translate into commensurate profit impacts.

NRW.BANK met investors' strong demand for safe investment vehicles with short-term maturities by making liquidity available in the money market in order to support the functioning of the markets. This led to a gratifying development of the Bank's net interest income.

Despite the financial market crisis, NRW.BANK generated a net income of € 32.4 million (previous year: € 126.3 million) in 2008. Total assets increased as forecast by € 8.9 billion to € 159.9 billion.

The following table provides a segmental breakdown of NRW.BANK's earnings:

	Programme-based Promotion		Other Promotion/ Liquidity Management		Staff/Services		NRW.BANK Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Net interest income	246.0	238.1	241.5	70.6	21.6	23.6	509.1	332.3
Net commission income	12.4	10.4	39.2	20.1	- 1.0	- 1.6	50.6	28.9
Net income from trading operations	0.0	0.0	3.8	4.4	0.0	0.0	3.8	4.4
Other operating result	7.6	3.4	0.0	0.0	- 18.5	- 11.3	- 10.9	- 7.9
Administrative expenses	- 88.7	- 81.2	- 27.2	- 29.0	- 92.5	- 79.4	- 208.4	- 189.6
- Personnel expenses	- 52.1	- 44.8	- 5.7	- 5.9	- 59.8	- 55.4	- 117.6	- 106.1
- Operating expenditure	- 36.6	- 36.4	- 21.5	- 23.1	- 32.7	- 24.0	- 90.8	- 83.5
Operating income before risk provisions/revaluation adjustments	177.3	170.7	257.3	66.1	- 90.4	- 68.7	344.2	168.1
Risk provisions/revaluation adjustments	- 52.8	- 52.3	- 284.3	70.1	63.9	- 21.6	- 273.2	- 3.8
Net income for the year before taxes and promotion dividend	124.5	118.4	- 27.0	136.2	- 26.5	- 90.3	71.0	164.3
Taxes on income and revenues	- 0.5	- 1.0	0.0	0.0	- 5.2	- 7.4	- 5.7	- 8.4
Promotion dividend	- 32.9	- 29.6	0.0	0.0	0.0	0.0	- 32.9	- 29.6
Net income/loss for the year after taxes and promotion dividend	91.1	87.8	- 27.0	136.2	- 31.7	- 97.7	32.4	126.3
Average risk-weighted assets (in € billion)	10.6	8.4	15.8	19.2	0.2	0.6	26.6	28.2
Employees (number)	554	546	44	47	587	545	1.185	1.138

The **Programme-based Promotion** segment comprises the departments Economic Development and Equity Investments as well as Social Housing Promotion and Individual Promotion. It also comprises the units Structured Finance and Structural Promotion from the Municipal and Infrastructure Finance department.

The **Other Promotion/Liquidity Management** segment comprises the Municipal Financing unit from the Municipal and Infrastructure Finance department as well as Capital Markets.

The **Staff/Services** segment comprises the Service and Staff departments as well as the strategic investments held as part of the public mission.

Earnings Position

Net Interest Income

Compared to the previous year, NRW.BANK's net interest income improved by € 176.8 million to € 509.1 million. This excellent result mainly reflects the high volume of new business in the Other Promotion/Liquidity Management segment. The increased demand for money market dealings with counterparties of very good standing, combined with favourable conditions on the funding side, added to the gratifying development of the net interest income. The Programme-based Promotion segment contributed € 246.0 million (2007: € 238.1 million), up slightly on the prior-year level. This contribution was dominated by the net interest income of the Social Housing Promotion department amounting to € 192.9 million (2007: € 187.9 million).

Net Commission Income

The higher volume of surrogate loan transactions corresponded with an increase in contingent liabilities in the Other Promotion/Liquidity Management segment and led to a clear increase in net commission income by € 21.7 million to € 50.6 million.

Net Income from Trading Operations

NRW.BANK's trading book contains short-term trading transactions with interest rate products undertaken by the Other Promotion/ Liquidity Management segment. At € 3.8 million, net income from trading operations for the financial year 2008 was slightly below the previous year's result.

Other Operating Income/Expenses

At € – 10.9 million, other operating income/expenses were below the previous year's € – 7.9 million. This mainly reflected a higher allocation to provisions for WestLB employee benefit obligations which arose as a consequence of the split-up of NRW.BANK from Westdeutsche Landesbank Girozentrale.

Administrative Expenses

Compared to the previous year, administrative expenses increased by € 18.8 million to € – 208.4 million.

Personnel expenses rose by € 11.5 million to € – 117.6 million. This increase was chiefly caused by higher pension provisioning expenses. Within this item, there was an increase in the expenses for pension obligations which were lower in the previous year due to the first-time application of the higher pensionable age under the "Rente mit 67" rules. In addition, non-recurrent incremental expenses were caused in 2008 by the conversion of the valuation methodology for the provisions for benefit obligations based on a three-year average for the benefit payments to be taken into account. The ongoing expansion of the promotion business and the IT support requirements led to a headcount increase by 47 to 1,185 (including 40 apprentices and trainees). In November 2008, NRW.BANK additionally took into account the presumed collective wage increase by 2.5% proposed by the Bundesverband Öffentlicher Banken Deutschlands (VÖB).

Pension, early retirement and benefit obligations were measured by using the internationally accepted projected unit credit method, taking the future development of wages and pensions into account. An increment factor for healthcare services was included in the measurement of the provisions for benefit obligations. At 4.8%, the discount rate used to calculate the provisions for pension, early retirement and benefit obligations as at December 31, 2008 remains unchanged.

Operating expenditure increased by € 7.3 million to € – 90.8 million. This mainly reflects a € 9.8 million rise in IT expenditure. NRW.BANK is developing a new system landscape which will replace the central IT system currently provided by WestLB AG and allow

NRW.BANK to comply with new regulatory requirements. In addition, 2008 saw the launch of a project aimed at renovating the entire IT infrastructure. Expenses for buildings and offices as well as audit and consulting expenses showed a reverse trend, each declining by € 1.2 million.

The **Cost/Income-Ratio** for the financial year 2008 came in at 37.7% compared to 53.0% in the previous year (the CIR relates administrative expenses to the sum of net interest income, net commission income, net income from trading operations and other operating income/expenses).

Risk Provisions/Revaluation Adjustments

In light of the uncertain economic environment and the risks resulting from the financial market crisis, NRW.BANK made risk provisions/revaluation adjustments of € – 273.2 million (2007: € – 3.8 million).

In the lending business, the result diminished by € 7.9 million to € – 73.8 million. Based on its conservative valuation policy, NRW.BANK increased its allowance reserves for latent risks, in particular.

Being Germany's largest state development and promotion bank, NRW.BANK is also the country's second largest debt issuer under public law in the capital market. NRW.BANK uses part of the earnings from the capital market business in the form of a so-called "promotion dividend" which allows to offer its development and promotion funds at even more attractive terms than are already given as a result of their long-term and preferential funding. This policy serves to enhance the effectiveness of the development and promotion measures for North Rhine-Westphalia. NRW.BANK's development and promotion business was not affected by the financial market crisis.

Even so, the market turmoil was reflected in risk provisions/revaluation adjustments in the securities business amounting to € – 280.7 million, compared to € 66.0 million in the previous year.

The conservative investment policy and NRW.BANK's required liquidity management were reflected in the structure of the € 83.5 billion securities portfolio (including note loans) with predominantly good to excellent ratings. The portfolio broke down into 52.2% government bonds and equivalently rated instruments backed by public institutions and 40.9% bonds issued

by financial institutions which either benefited from guarantor liability or whose issuer risk was fully covered (e.g. mortgage bonds). 3.5% were accounted for by corporate bonds and 3.3% by structured financial instruments with full risk transparency. Products of elevated complexity accounted for only 0.1% of the portfolio and all inherent risks were fully covered.

NRW.BANK wrote down its securities holdings by € 57.1 million. Additional expenses amounting to € 37.9 million were incurred for the stabilisation of structured financial instruments (Collateralized Debt Obligations). To allow for potentially required stabilisation measures in the future, another € 206.3 million were allocated to the provisions for anticipated losses.

The Staff/Services segment contributed € 81.3 million (2007: € – 3.9 million) in income, which mainly reflected the sale of NRW.BANK's 22% stake in LEG Landesentwicklungsgesellschaft NRW GmbH. Based on the December 2002 agreement concerning the "stille Einlage" (silent participation) in WestLB AG NRW.BANK must purchase a fixed number of shares created through the conversion of individual tranches from the option holders who have exercised the option. In this context, NRW.BANK's Staff/Services segment incurred expenses of € 8.0 million in 2008.

Net Profit

At € 71.0 million, NRW.BANK's net profit before income tax and promotion dividend was down by € 93.3 million on the previous year.

Due to NRW.BANK's exemption from income tax, the Bank's income tax in an amount of € – 5.7 million (2007: € – 8.4 million) is primarily comprised of income from strategic equity investments in partnerships, part of which is charged to the latter in other operating income.

NRW.BANK uses its own income to make the terms and conditions of its products even more attractive. This so-called promotion dividend is funded from the profit for the year to reduce the interest rates on loans. In the financial year 2008, an amount of € 32.9 million was allocated to the available promotion dividend. Compared to the previous year's allocation of € 29.6 million, this represents an increase of 11.1%.

The 2008 net profit after taxes and promotion dividend came in at € 32.4 million, which was € 93.9 million lower than in the previous year. Pursuant to Section 18 para. 3 Sentence 1 of the Wohnungsbauförderungsgesetz (WBFG), Wfa will pay out € 21.4 million towards federal interest expenses in 2009, leaving net income at € 11.0 million.

Net worth position

At the end of the period, NRW.BANK's business was structured as follows (including contingent assets):

	Dec. 31, 2008	Dec. 31, 2007	Change	
	€ millions	€ millions	€ millions	%
Programme-based promotion (incl. guarantees)	61,432.3	56,415.8	5,016.5	8.9
Sovereign and municipal lending	44,301.4	33,029.1	11,272.3	34.1
Liquidity Management	67,565.1	66,345.4	1,219.7	1.8
Other	8,910.8	9,270.3	- 359.5	- 3.9
Total	182,209.6	165,060.6	17,149.0	10.4

Total assets rose by € 8.9 billion to € 159.9 billion. At 5.9%, the increase in total assets was much lower than in the previous year.

Average risk-weighted assets declined by € 1.6 billion to € 26.6 billion due to the weighting rules amended under the Solvency Regulation.

At € 35.3 billion, receivables from banks were slightly down on the year, which reflected a number of disparate trends. In the short-term area, there was a € 4.8 billion reduction in time deposits, in particular. Claims from sell/buy-back and reverse repo transactions reduced by 0.5 billion. In contrast, registered municipal bonds, long-term municipally guaranteed receivables and other long-term receivables rose by € 0.3 billion, € 1.3 billion and € 1.4 billion, respectively. This was mainly due to promotion business handled according to the "local relationship bank method". Under this method, local banks submit promotion applications on behalf of their customers and NRW.BANK pays out the funds to these banks, which pass them on to the borrowers. Funded through the low-interest KfW-Unternehmerkredit programme, the NRW.BANK. Mittelstandskredit loan for SMEs remained the most successful and highest-volume development programme of NRW.BANK and the state of North Rhine-Westphalia in 2008. A portion of NRW.BANK's earnings is used to

further optimise the lending terms. As liability is largely borne by borrowers' local relationship banks, margins are low.

Receivables from customers rose by € 4.1 billion to € 58.2 billion mainly due to increases of € 1.8 billion in note loans, € 1.0 billion in long-term municipally guaranteed receivables, € 0.8 billion in time deposits and € 0.5 billion in registered bonds.

The balance sheet item "bonds and other interest-bearing securities" rose by € 5.3 billion to € 60.3 billion. The increase is mainly the result of a rise in bonds and notes as well as bearer money-market instruments by € 6.0 billion. Medium Term Notes rose by € 1.0 billion. In contrast, there was a decline in Floating Rate Notes whose prior year level was reduced by € 1.7 billion. NRW.BANK primarily stepped up its investments in instruments from domestic public-sector issuers, holdings of which rose by € 4.4 billion to € 17.3 billion. Instruments from foreign banks increased by € 3.1 billion to € 10.4 billion while, instruments from domestic banks rose by € 1.3 billion to € 14.4 billion. In contrast, NRW.BANK lowered its holdings of foreign public-sector securities by € 3.6 billion to € 9.8 billion. At € 7.6 billion, securities from mostly European financial institutions remained at the previous year's level.

The book values of NRW.BANK's equity interests in non-affiliated and affiliated companies declined by a total of € 26.5 million to € 2,379.5 million, mainly reflecting the sale of LEG Landesentwicklungsgesellschaft NRW GmbH. This was partly offset by further capital increases necessitated by the growing business volume handled under the NRW.BANK.Mittelstandsfonds, the NRW.BANK.Seed Fonds and the NRW.BANK.Venture Fonds programmes. The volume of investments managed by the funds amounted to € 31.9 million in the past fiscal year.

Due to the decrease in importance of the "trustee" promotion segment the pertinent assets and corresponding liabilities declined by € 97.3 million to € 2,215.7 million.

A Summary of Current Ratings

Long-term rating
Short-term rating
Outlook

Financial position

Being the state's development bank and benefiting from institutional liability, guarantor liability and an explicit funding guarantee from its guarantors, NRW.BANK is rated on par with the state of North Rhine-Westphalia.

The Fitch Ratings, Moody's and Standard & Poor's rating agencies completed the annual review of NRW.BANK's credit standing and reaffirmed the Bank's ratings with a stable outlook.

Fitch Ratings	Moody's	Standard & Poor's
AAA	Aa1	AA-
F1+	P-1	A-1+
stable	stable	stable

The Liquidity Management/Other Promotion segment is responsible for the funding of NRW.BANK. As a development bank benefiting from a state guarantee, NRW.BANK, which is Germany's second largest public issuer in the capital market behind KfW Bankengruppe, experienced strong demand for its debt against the background of the financial market crisis. NRW.BANK catered to investors' need for state-guaranteed, liquid and short maturities by launching STERM (Short Term Bond Programme). Meanwhile the Bank has placed three issues with maturities of up to two years in the market, thereby filling out its liquid curve in the short segment. During the financial year NRW.BANK placed debt worth approx. € 15 billion (previous year: € 17 billion) with a wide investor base. To optimise its funding, NRW.BANK continues to use the following

funding programmes: the Global Commercial Paper Programme with a volume of € 10.0 billion to cover maturities of up to twelve months, the Debt Issuance Programme with a volume of up to € 50.0 billion to cover medium and long maturities as well as the Kangaroo Programme in an amount of AUD 3.0 billion.

On the liabilities side, growth was mainly supported by a 5.7% increase in liabilities to banks, a 5.7% rise in liabilities to customers and an 8.5% increment in certificated liabilities.

Due to the financial market crisis, investor demand shifted to safe products with good ratings. NRW.BANK's excellent creditworthiness was a main reason for the higher demand for short-term debt, in particular.

Liabilities to banks rose by € 2.9 billion to € 53.6 billion, mainly due to an increase of € 7.6 billion in time deposits. The promotion loans funded via KfW Bankengruppe, which are extended under the "local relationship bank method" particularly in the form of the NRW.BANK. Mittelstandskredit loan, rose by € 4.7 billion. The largely programme-driven lending business is also funded to a lesser degree through the Landwirtschaftliche Rentenbank. The overall increase was compensated by the € 7.9 billion decline in liabilities from sell/buy-back and repo transactions and by the reduction in municipal bonds by € 1.2 billion.

Compared to the previous year, liabilities to customers climbed € 1.3 billion to € 24.1 billion. This was mainly due to an increase in issues of uncovered registered

bonds by € 1.4 billion and in time deposits by € 0.9 billion. Registered municipal bonds declined by € 0.8 billion.

Certificated liabilities rose by € 4.5 billion to € 57.7 billion. As the turmoil in the global financial markets drove demand for short-term paper with excellent ratings, NRW.BANK was able to issue € 5.2 billion more in money-market instruments than in the previous year and to improve its funding base at the same time. Other bonds climbed by € 5.9 billion. This was offset by a € 6.6 billion decline in municipal bonds.

Equity Capital

Equity Capital of NRW.BANK	Subscribed Capital	Capital Reserves	Reserves from Retained Earnings	Profit for the Year	Total		
			Special Reserves Pertaining to the Wfa	Reserves Required by NRW.BANK's Statutes	Other Reserves from Retained Earnings		
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
As of Dec. 31, 2007	675.0	255.8	18,602.2	12.2	13.5	23.8	19,582.5
Allocation to other reserves from retained earnings					11.6	- 11.6	0.0
Distribution of profit for the year						- 12.2	- 12.2
Budget funds/Other			98.1				98.1
Net profit						32.4	32.4
Designated payout from Wfa due to legal requirements						- 21.4	- 21.4
As of Dec. 31, 2008	675.0	255.8	18,700.3	12.2	25.1	11.0	19,679.4

NRW.BANK's equity capital increased by € 96.9 million to € 19,679.4 million. The subscribed capital remained unchanged at € 675.0 million. As of December 31, 2008, profit for the year amounted to € 11.0 million (2007: € 23.8 million).

NRW.BANK's guarantors have the following shares in the subscribed capital of the Bank amounting to € 675.0 million: the state of North Rhine-Westphalia holds 64.74%, while the Regional Associations of Westphalia-Lippe and the Rhineland hold 17.63% each.

As of December 31, 2008, the Bank's liable capital as defined by the German Banking Act (KWG) amounted to € 3,578.4 million (2007: € 3,548.5 million).

The capital adequacy is determined based on the Solvency Regulation (SolvV). The regulatory capital requirements were complied with at any time during the period ended December 31, 2008.

Capital Ratios

	Dec. 31, 2008	Dec. 31, 2007
	%	%
Overall capital ratio	11.95	11.18
Core capital ratio	11.95	9.72

Risk Report

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 to identify, measure, aggregate and manage the risks as well as to ensure that sufficient equity capital has been set aside. NRW.BANK applies high standards to its risk management process, which is tailored to the relevant risks.

Due to its specialised business model as a development bank, NRW.BANK does not engage in all lines of business. The Bank takes on risks only within clearly delineated bounds. As a state development bank, NRW.BANK is subject to all regulatory risk management requirements.

NRW.BANK is primarily exposed to counterparty default risk. Due to the borrower structure and the special collateralisation arrangements under the "local relationship bank" method, most of the Bank's assets have a good to excellent credit rating. In addition, the

Bank is exposed to market price risks – especially during the financial crisis even with issuers with a solid good rating. Temporary fluctuations are not reflected in profit and loss.

The ongoing expansion of the Bank's product portfolio is managed through a new product approval process which ensures that the risk management instruments and processes are updated on an ongoing basis. This enables the Bank to identify, measure and limit the risks inherent in new financial products.

NRW.BANK's risk management tools and processes proved their effectiveness even in the face of the heightened crisis in the financial markets during 2008.

Organisation of Risk Management

The Managing Board bears the overall responsibility for risk management at NRW.BANK. The Bank's risk management organisation incorporates the Asset Liability Committee (ALCO) and the Credit Committee.

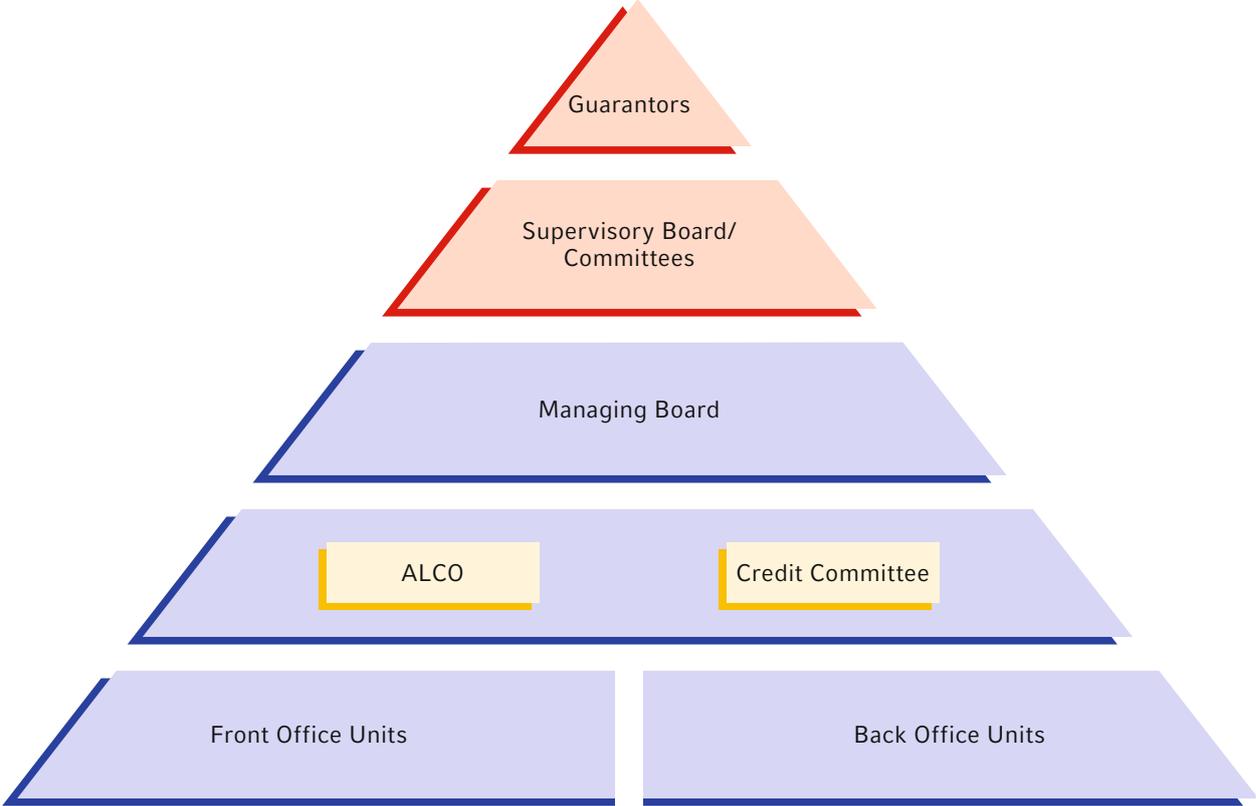
The Asset Liability Committee is responsible for issues relating to market price risks and liquidity risks. It also addresses general topics such as capital allocation, profit management and balance sheet structure management.

The Credit Committee prepares credit decisions to be made by the Managing Board and makes credit decisions based on their limits and level of competence. In addition, it addresses issues of a general nature relating to counterparty default risks.

The Supervisory Board monitors the Managing Board’s conduct of the Bank’s affairs. The Risk Committee, a committee of the Supervisory Board, deals with all risk issues of relevance to the Bank. It receives reports on the risk profile for the various risk categories on a quarterly basis.

The business and risk strategies are revised in the annual strategy process for the Bank. They are discussed by the Risk Committee and the Supervisory Board. The annual strategy process is concluded by way of a resolution passed by the Board of Guarantors on the principles of the risk policy and the business policy.

Organisation of Risk Management



In accordance with the MaRisk requirements, risk monitoring and risk reporting are managed independently of the front office units. The Bank-wide monitoring of risk includes a regular review of compliance with the limits defined by the Managing Board. Risks are communicated in daily, monthly and quarterly reports in alignment with risk content and regulatory requirements.

The effectiveness and appropriateness of the risk management structures and processes are subject to regular reviews by Internal Audit.

Counterparty Default Risk

Counterparty default risk is the risk of a loss or reduced profit resulting from the default of a business partner. It comprises credit, counterparty and country risks as well as risks resulting from equity holdings.

The development and promotion funds extended by NRW.BANK are either secured or granted through the low risk "local relationship bank" method. Accordingly, the portfolio has an excellent risk structure.

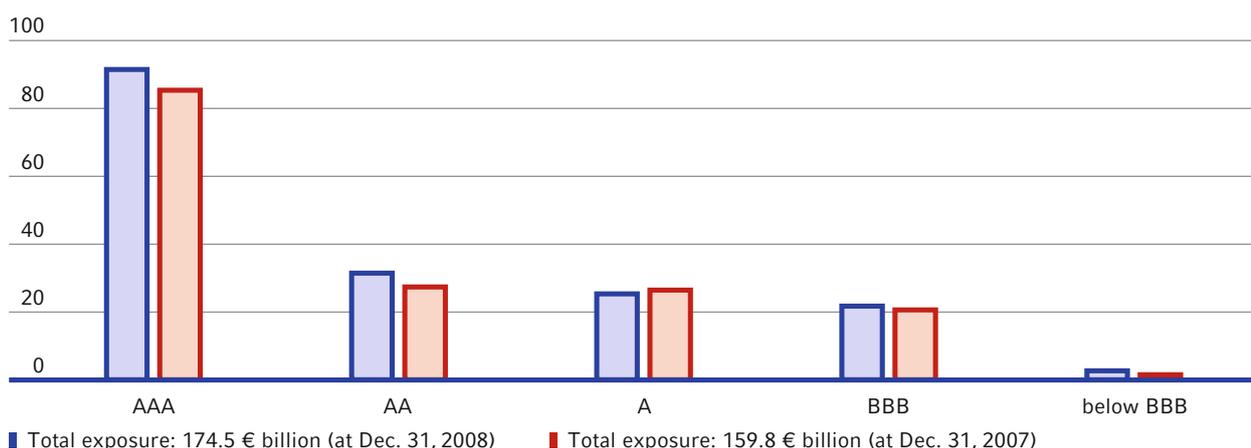
In addition, the Bank manages a portfolio of strictly investment grade securities and receivables. The earnings from this portfolio are fed into the development and promotion business in the form of the "promotion dividend" which allows the Bank to extend development and promotion loans at preferential rates.

NRW.BANK enters into derivatives on the stock exchange or over the counter using standardised contracts with selected counterparties with a good credit standing.

Netting and collateral is used to reduce the counterparty default risk.

The internal rating process of the exposures is of central importance for managing counterparty default risk. Counterparties are rated regularly on the basis of comprehensive documents and analyses. In conjunction with the 2008 implementation of a rating process for corporate borrowers the bank improved its internal rating scale using a highly differentiated 24-step rating scale.

Total Exposure by Rating Class in € billions



NRW.BANK's total exposure in 2008 was € 174.5 billion (2007: € 159.8 billion). This computation includes binding payment obligations, derivatives-based credit equivalents and market values of securities. It does not incorporate pro-rata interest and trust assets. The total exposure also includes collateralisation of derivative transactions as well as protection bought in the credit derivatives market.

99% of the asset portfolio is of investment grade quality (rating classes AAA to BBB). The Bank enters into sub-investment grade exposures only where this is required as part of its public mission, e.g. in the case of social housing promotion.

In addition to the rating classes, other structural features such as sector concentrations are taken into consideration when entering into transactions. Risk concentrations are reported to the Board as a part of the monthly risk report.

In order to limit concentration risks, the Bank defines single name concentration limits for companies and groups of companies as well as appropriate country limits.

In response to the financial market crisis, the Bank implemented a number of risk-reducing measures both on the individual exposures level and on the portfolio level. These measures included numerous limit reductions and asset allocation adjustments. The risk strategy for 2009 has been adjusted accordingly.

In the case of structured securities, NRW.BANK constantly monitors the counterparty default risk associated with the underlying reference pools. Various risk-mitigating measures were implemented in respect of existing exposures. For the time being, no new exposures will be taken on in this segment.

Geographically, NRW.BANK is primarily exposed to Germany (70.9% of the total exposure, prev. year 72.4%), with the main emphasis on North Rhine-Westphalia. The current foreign exposure in an amount of € 50.8 billion (29.1% of the total exposure, prev. year 27.6%) is focused entirely on countries with investment-grade ratings. European countries account for € 37.6 billion, while non-European countries account for € 13.2 billion.

NRW.BANK applies various control mechanisms to ensure the good rating quality of its portfolio. These centre on the Bank's risk strategy, in association with an economic capital concept. The limits are set at the portfolio level on the basis of a Credit VaR for a holding period of one year and a 99.98% confidence level. The computations are incorporated into extensive scenario and stress analyses. The economic capital set aside for counterparty default risk was € 4.3 billion (2007: € 4.2 billion) as of the reporting date.

Equity Holding Risk

The risk from equity holdings, which is a sub-category of the counterparty default risk, is the risk that a loss will be incurred as a result of equity capital being made available to third parties.

The counterparty default risk resulting from the equity investment business mainly includes strategic and operating risk assumed by the companies involved. Current and future risk from equity investments are assessed particularly on the basis of an analysis of the corporate data which is provided in the course of ongoing equity investment controlling operations. Controlling for these companies includes continuous monitoring of profits or losses and of conformity to projections. In the case of major equity holdings, the quarterly report also includes a review of risk-relevant developments. As such, risk management is a systematic and continuous process that enables rapid adaptation to changing conditions. At some companies in which the Bank holds an equity investment, Bank representatives may hold an office in order to ensure that the Bank's interests as a shareholder are represented. This allows the Bank to counteract risks at an early stage.

Equity investment exposures are included in economic capital management and reflected in the counterparty default risk of the Bank.

Risk-limiting measures for new commitments include setting limits for the amount of individual exposure. Additionally, the contracts for equity investments usually grant NRW.BANK the right to approve or reject certain transactions.

Regarding some equity investments, the counterparty default risk is limited by a strong direct or indirect involvement of public funding. For example in the case of financing provided by the NRW.BANK.Mittelstandsfonds, NRW.BANK.Venture Fonds and NRW.BANK.Seed Fonds, the counterparty default risk is reduced by a guarantee from the State of North Rhine-Westphalia which covers 49% of the respective fund's total investment.

With regard to the strategic equity investment in WestLB AG, it is possible that, under the existing option agreement, the Regional Associations of the Rhineland and Westphalia-Lippe exercise their options to hold interests in WestLB AG directly, whereby they would cease to be owners of NRW.BANK. The € 2.2 billion book value of the investment in WestLB AG is secured by a guarantee from the state of North Rhine-Westphalia.

Risk Provisions

Risk provisioning/revaluation adjustments in the lending business for 2008 were € – 73.8 million (2007: € – 65.9 million). This includes individual allowances, global allowances as well as provisions and allowance reserves under Section 340 f of the German Commercial Code. The amounts of individual allowances are calculated promptly over the course of the year, taking existing collateral into account, for all borrower account risks identified on the basis of defined criteria as being appropriate for risk provisioning. In evaluating collateral, an earning capacity value-based method is applied for housing development loans and real-estate financing. The result is reduced by a discount calculated on the basis of historical data. A general provision is formed for latent counterparty default risks. The amount of this allowance is based on historical averages for default rates and loss ratios.

Risk provisioning/revaluation adjustments in securities business amounted to € – 280.7 million (2007: € 66.0 million) and were mainly comprised of provisions for anticipated losses on structured financial instruments. The amounts of these provisions were determined based on market information, individual creditworthiness appraisals and mathematical models. Specifically, in the case of structured products, a comparison is

performed between the counterparties identified as critical with the potential number of defaults which would trigger a loss allocation. Where this results in a need for additional subordination (a risk buffer below which losses are not allocated to the investment), NRW.BANK either purchases such subordination or sets aside a provision for anticipated losses in the same amount (plus a safety margin).

Market Price Risk

The market price risk refers to a potential loss resulting from unfavourable changes in market prices or price-influencing parameters. This definition covers interest rate, exchange rate, share price, commodity and option risk. The Bank does not enter into share price and commodity risk.

The main elements of market price risk relevant for NRW.BANK are the general market and counterparty specific risk in the investment portfolio. The resulting fluctuations in the market values are not recognised as profit or loss in the HGB accounts, unless there is a permanent impairment in value. Depending on the market situation, the Bank lends without matching funds or issues mortgage paper without matching lending transactions, and generally closes out such positions in line with HGB accounting practices. Moreover, the Bank's trading strategy also includes active positions which have essentially been closed in response to the ongoing crisis in the financial markets.

Foreign-exchange risk plays only a minor role compared to the general market and counterparty specific risk. Foreign-exchange risks are mainly hedged with derivatives, so that the risk is primarily confined to the margin earned.

The Bank controls and monitors its market price risk using a value-at-risk (VaR) methodology. VaR is calculated for daily management at a 95% confidence level for a one-day holding period. The VaR calculated in respect of the general market risk showed the following values in 2008: € 27 million (average), € 110 million (maximum) and € 9 million (minimum). This wide range essentially reflects the high volatility in the market parameters resulting from the crisis in the financial markets.

The VaR approach takes into account all relevant risk factors, such as interest rates, foreign exchange rates, implicit volatilities and credit spreads.

In addition to assessing linear influences, the model also applies a Monte Carlo simulation to capture non-linear influences of risk factors on portfolio value. These non-linear effects are particularly significant for derivatives. The historical observation period for determining statistical parameters is set at 50 days. Events in the recent past are given a higher weighting which shortens the response time of VaR figures when the market changes. This allows management to respond promptly. Back testing is used to check the quality of the VaR projection. These tests have confirmed the validity of the risk model.

The model mapping the counterparty-specific interest rate risk is based on historic scenarios. The observation period for the determination of these historic scenarios is consistent with the monitoring period used to determine the statistical parameters for the general market price risk. The calculation of the VaR is based on the resulting value fluctuations of these scenarios.

The calculation of VaR is supplemented with regular stress and scenario computations. The standardised scenarios are supplemented if needed with individual, situational considerations tailored to the risk structure of the Bank's portfolio.

As part of day-to-day risk reporting the Managing Board is informed of risk trends, the utilisation of the general market price risk limits, the development of profitability as well as any unusual events. Additionally, the monthly reports particularly analyse the results of the stress and scenario computations.

For strategic management of economic capital, the Bank uses a 99.98% confidence level.

The economic capital for market price risks was € 2.0 billion (2007: € 0.7 billion) as of the reporting date. The increase in economic capital is a result, in particular, of the financial market turbulence in the wake of the September 2008 insolvency of the US investment bank Lehman Brothers Holding Inc. This insolvency led to a further deterioration of the financial markets. These developments in the financial markets, which were also the principal drivers of the increase in economic capital, were characterised by higher price volatilities, changed correlations between the individual segments of the financial markets as well as rising credit spreads across all borrower groups.

Liquidity Risk

The liquidity risk includes:

- 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).

To safeguard its ability to meet payment obligations at any time, NRW.BANK has a substantial portfolio of securities/receivables that can be deposited with the ECB. In 2008, the Bank increasingly used this portfolio in order to raise liquidity at favourable terms through repo transactions. As a result of the explicit funding guarantee extended by NRW.BANK's guarantors and its correspondingly high rating, the Bank can generate liquidity at short notice at any time without having to sell securities/receivables even amidst the ongoing crisis in the financial markets.

Liquidity risk is managed centrally at NRW.BANK to ensure that the bank as a whole is solvent at all times and additionally to minimise refinancing risk (meaning higher costs for procuring medium-term and long-term funds). This capability is ensured by diversification of investor groups, regions and products.

The Bank's liquidity management is based on a continuous analysis of incoming and outgoing cash flows in all units for various planning horizons.

Liquidity management also incorporates compliance with both the German Liquidity Regulation and the regulatory minimum reserve requirements. Both requirements were met at all times in the financial year 2008. The liquidity ratio as of the reporting date was 1.83, well above the regulatory required minimum of 1.0.

Operational Risks

Operational risk comprises risks in operational systems or processes, specifically in the form of operational risk resulting from human or technical failure or external factors or legal risks resulting from contractual agreements or legal conditions.

The framework for operational risk management at NRW.BANK incorporates both qualitative and quantitative aspects. Quantitative management 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.

Using internal risk assessments ("self-assessments"), all potential operational risks are assessed qualitatively with the help of risk scores annually on a Bank-wide basis.

An operational risk event database is used to capture losses and events that are viewed as a potential risk on a continuous basis. It forms the basis for a structured analysis of risk trends.

In addition, risk indicators are monitored continuously throughout the Bank as part of the early warning system.

As a part of the new product approval process, before any new product is introduced it is analysed in depth for potential operational risks.

Contingency plans that are reviewed regularly are in place for emergencies. The Bank has appropriate insurance coverage.

NRW.BANK minimises its legal risks from transactions by using standardised contracts. Deviations from standardised contracts and individual transactions are approved by the legal department. There are currently no significant proceedings pending which involve the Bank.

The economic capital for operational risk was € 0.1 billion (2007: € 0.1 billion) as of December 31, 2008.

Strategic Risks

Strategic risk comprises all risks that could have an adverse impact on NRW.BANK's business model (and are not included in the risk types described above). These include, for example, reputational and structural risks.

Developments that could lead to strategic risks are monitored and analysed constantly. In particular, this includes the review of the internal and external premises on which the strategy of NRW.BANK is based.

NRW.BANK's statutory mission is based on the provisions of the "Verständigung II" agreement between the German government and the EU Commission. According to this understanding, NRW.BANK can continue to benefit from the state guarantees known as guarantor liability and institutional liability, in consideration of which the Bank has accepted the constraints imposed on its business model as set out in the document.

Overall Risk Assessment

Economic capital which incorporates various risk types and segments is the most crucial risk control parameter used by NRW.BANK. It measures the various risks (counterparty default risk, market price risk including counterparty-specific interest rate risk as well as operational risk) and combines them in a methodologically consistent manner – using a risk horizon of one year – to generate a key number for the entire Bank.

The limit for economic capital is reviewed for the Bank as a whole and allocated to risk categories and segments during the annual strategy process of the Bank.

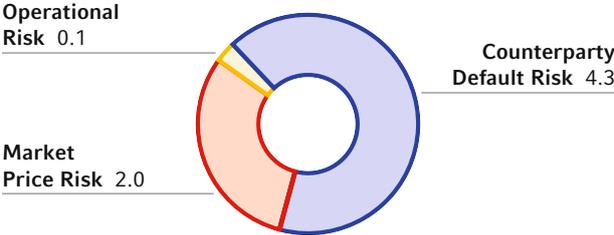
Total economic capital for the Bank is calculated by adding the economic capital for the individual risk types. The Bank's total economic capital is € 6.4 billion (2007: € 5.0 billion).

The economic capital is compared with the capital cover which is determined using methods that are standard market practice with due allowance for the equity components required by banking regulations and reported in the balance sheet. The capital cover totalled € 8.5 billion on the balance sheet date.

This takes into account a differentiated view of undisclosed reserves/liabilities which was newly introduced during the reporting period. This approach combines NRW.BANK's primary HGB-based control with a market-to-market control system. For example, all known undisclosed liabilities are charged against the capital cover in respect of items in the trading portfolio and the liquidity reserve. With respect to items in the investment portfolio, these charges are applied to the extent that such items do not meet certain internal minimum ratings defined for the respective debtor/asset class. This approach recognises the fact that NRW.BANK is a long-term investor who takes these positions with the intention of holding them to maturity. Given NRW.BANK's holdings of securities eligible for ECB repo transactions as well as the funding guarantee extended by its guarantors, the Bank currently sees no need to sell securities for liquidity management purposes.

The management concept is supplemented with stress and scenario analyses that check that the bank has adequate risk-bearing capacity.

Limits for Economic Capital by Type of Risk in € billions



Continuous improvement and expansion of risk management in all key risk areas ensure that NRW.BANK will retain its ability to recognise any adverse changes in risk structure early enough to take appropriate countermeasures.

Report of Anticipated Developments

This Report of Anticipated Developments contains forward-looking statements relating to the overall economic environment as well as to NRW.BANK's business, net worth position, financial position and earnings position. Such statements are based on expectations and assumptions derived from information available at the time. As such they involve risks and uncertainties beyond the control of NRW.BANK including, in particular, the development of the general economic environment and the situation in the financial markets. In addition, deviations may result from debtors' defaults and due to other reasons not specified here. This means that the actual events occurring in the future may deviate from these statements, expectations and assumptions.

Development of the Economic Environment

The medium-term development will be significantly marked by the further course of the financial market crisis and the momentum in the world economy, with an extraordinary role being played by the design and effectiveness of the monetary, fiscal and regulator measures taken by governments. NRW.BANK assumes that mastering the crisis and implementing the required structural changes to the international financial system will take a considerable period of time. There are no signs pointing to noticeable easing of funding conditions or a relaxation in the capital markets in the short term. Consequently this situation will weigh on the economic environment for a prolonged period. Against this background the Bank continues to expect a low level of interest rates overall.

NRW.BANK assumes that 2009 will see an appreciable contraction in economic output. The recessive trend is set to continue for the time being and it might take until year-end for the first signs of a stabilisation to emerge. In particular, capital formation in machinery and equipment and exports will experience a clearly

declining trend against the background of weak demand. The deteriorated situation will also put an appreciable drag on commercial and residential construction. While private consumption will receive positive stimulation from rising wages and pensions as well as lower inflation, these positives will largely be compensated by the pick-up in unemployment. Positive contributions to growth will come exclusively from government consumption and public-sector construction spending. The year 2010 is likely to see moderate growth, albeit below the potential growth rate. The expected development of the economic environment is based on the following assumptions: Supported by central bank and government measures, the financial markets will tend to recover although temporary dislocations are possible. The monetary measures target an accommodative level of inflation. Comprehensive fiscal policy measures will also unfold a stimulating effect on the economy. Economic momentum will not be dragged down by the prices of essential commodities, particularly of energy.

In NRW.BANK's estimation, there is a strong political will to stimulate economic growth and to intensify the promotion of promising fields for the future, in particular. The focus will be on the state's innovative capability, the challenges of environmental and climate protection, the demographic development as well as infrastructure measures. The Bank also anticipates being able to support the resulting promotion tasks through the provision of sufficient promotion funds from state, federal and EU sources as well as from its own resources.

Development of the Bank

NRW.BANK anticipates strengthening its position as the development bank for the state of North Rhine-Westphalia in agreement with its owners. The Bank will continue to expand its range of development and promotion instruments and optimise them with regard to the structural policy tasks to be met in North Rhine-Westphalia. NRW.BANK's risk strategy has been revised in light of the business strategy with a view to further reducing its risk exposure and refining its risk management tools.

Against the background of the expected decline in domestic capital formation in machinery and equipment NRW.BANK expects the 2009 volume of development funds to come in slightly below the previous year's level. Selected areas of the securities portfolio will be tightened in accordance with the revised risk strategy. No significant change in the Bank's balance sheet volume is expected in the coming year.

NRW.Bank does not anticipate matching the previous year's good net interest income in 2009. Going forward, competition will become more intense as a result of the large supply of government-guaranteed bonds enabled by the bailout packages. In NRW.BANK's estimation, there will be a reduction in relatively favourably priced funding possibilities through money market dealings which will carry lower margins in future. Also, the Bank does not anticipate any significant proceeds from the sale of participations.

NRW.BANK assumes that administrative expenses will be higher than in the previous year due to two reasons. Firstly, personnel expenses will rise slightly due to a moderate headcount growth resulting from rising requirements in terms of handling and monitoring capacities as well as collective wage increases and higher pension expenditure. Secondly, operating expenditure will increase due to rising expenditure related to the opening of the new building in Münster and the consistent implementation of the IT strategy. The accelerated replacement of heritage systems already launched in the context of the separation from WestLB AG will presumably result in higher expenses in the form of project costs and temporary parallel operation. The implementation of this IT strategy is envisaged to lead to cost reductions over the long term. The 2009 allocations to the promotion dividend will probably be lower on account of the lower demand for capital expenditure loans.

NRW.BANK believes to have sufficiently provisioned against foreseeable risks in 2008, particularly with regard to the provisions for anticipated losses on structured products.

Based on these assumptions NRW.BANK anticipates its 2009 net income to improve.

The Bank's plans regarding volumes, income and risks are based on conservative estimates. Uncertainties exist primarily with regard to the development of the financial markets and the economy. Earnings may also be affected by unexpected delays in the implementation of the major projects of the IT strategy.

Another factor of uncertainty which is mainly influenced by external factors, is the development of investments held in the interest of the federal state. Effects on NRW.BANK's net worth position, financial position and earnings position cannot be ruled out.

Development of the Segments

In the Programme-based Promotion segment NRW.BANK primarily aims to round off and expand its range of promotion instruments in light of the specific challenges facing North Rhine-Westphalia in terms of economic policy and structural policy and in line with actual requirements.

In the segment of Start-up and SME Promotion, the Bank's new product efforts will focus on environmental/ climate protection, innovation and demographics. In response to local banks' increasing demand for risk sharing structures in complex large-ticket financings, NRW.BANK will increasingly take part in syndicated financings and expand its range of products with risk release features.

NRW.BANK plans to step up its efforts in equity and mezzanine solutions for young and innovative technology firms, established companies and the SME sector. The expansion of the products and services for the SME sector and for technology companies will further strengthen the North Rhine-Westphalian equity investment market, particularly as smaller companies are concerned. Tech-driven start-up companies are to benefit from the expansion of the seed and venture solution as well as from the further development of the business angels platform (win).

In 2009, NRW.BANK's Social Housing Promotion department will make available € 950 million for the construction and purchase of owner-occupied housing, the construction of rented housing and residential facilities as well as for projects supporting investments in existing housing. The promotion measures will increasingly focus on the challenges of climate change and the demographic development, revolving around the conversion of existing homes, the issue of "old-age living", the development of inner city areas and the improvement of energy efficiency in the housing stock.

NRW.BANK's Individual Promotion department will continue to push ahead the development of new promotion products. The spectrum of activities will be geared to climate, environmental and demographic objectives in the fields of housing promotion, education funding, social promotion as well as agriculture and forest management.

The Structural Promotion unit plans to expand its product range. NRW.BANK will also use own funds in the form of the promotion dividend to promote the modernisation and expansion of the state's infrastructure. Essential areas of action include, particularly in light of the demographic development, the healthcare infrastructure as well as the utilities infrastructure and traffic infrastructure. The range of promotion instruments provides specific programmes, global loans as well as project management services. The Bank's advisory, promotion and financing offerings are to be integrated even more effectively.

The Structured Financing unit will focus on specific solutions comprising advisory and financings for the social infrastructure, environmental projects as well as PPP projects. Taking into account the demographic aspects, particular emphasis will be placed on hospitals, local utilities, the traffic sector as well as universities as beneficiaries of internally structured and syndicated financings.

In the Other Promotion/Liquidity Management segment, NRW.BANK aims to strengthen and expand its position in the business with municipal clients. In this segment, too, NRW.BANK will expand its advisory services within the framework of its financial management services for municipal budgets.

The securities portfolio will continue to be optimised with a view to risk diversification and the stability of returns as stipulated by the Bank's risk strategy. Government bonds will gain in importance in this context.

On the funding side, NRW.BANK plans to expand the range of products to address an even broader investor base. The trend in the general economic environment suggests that the funding volume will be slightly lower than last year.

In the Staff/Services segment, the development of the investment portfolio will be a relevant factor. The book value of WestLB AG in NRW.BANK's books is secured by a value guarantee from the state of North Rhine-Westphalia. With a view to the future development of WestLB AG, it will be important to see whether the bank will be able to position itself successfully in the ongoing consolidation process in the banking sector and whether it will be able to generate sustainable profits on the basis of a feasible business model.

The implications of the financial market crisis for the real economy highlight the important role played by NRW.BANK as the development bank of the state of North Rhine-Westphalia. The Bank's promotion, financing and advisory programmes help companies and local governments master this grave economic crisis. As NRW.BANK continues to fulfil its mission in close conjunction with the banks and savings banks in the state, it looks forward to the future in the knowledge that its start-up programmes, in particular, lay stable foundations for the coming upswing.

The Managing Board of NRW.BANK
February 2009

Balance Sheet

of NRW.BANK at December 31, 2008

Assets

see Notes No.		31. 12. 2007	
	€	€	€ thousands
1. Cash			
a) cash on hand	16,699.68		15
b) balances with central banks	570,515,791.80		163,022
thereof:			
with Deutsche Bundesbank			
570,515,791.80 €			(163,022)
		570,532,491.48	163,037
2. Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks			
a) treasury bills and discounted treasury notes as well as similar debt instruments issued by public institutions		19,348,103.70	18,699
thereof:			
eligible for refinancing with Deutsche Bundesbank 19,348,103.70 €			(18,699)
3. Receivables from banks	1, 11, 22, 26		
a) payable on demand	3,508,129,972.40		1,354,069
b) other	31,747,516,579.18		34,788,447
		35,255,646,551.58	36,142,516
4. Receivables from customers	2, 3, 11, 22, 26	58,151,157,835.15	54,111,161
thereof:			
secured by mortgages 20,205,911,020.70 €			(20,326,122)
loans to public authorities and entities under public law 30,528,420,896.96 €			(26,976,369)
	To be carried forward:	93,996,684,981.91	90,435,413

Balance Sheet

of NRW.BANK at December 31, 2008

Assets

see Notes No.	€	€	€	€ thousands
		To be carried forward:	93,996,684,981.91	90,435,413
5. Bonds and other interest-bearing securities 4, 9, 11, 12, 22, 24, 26				
a) money market instruments				
aa) of other issuers		274,698,623.01		99,671
thereof: eligible as collateral for Deutsche Bundesbank advances		274,698,623.01 €		(0)
b) bonds and notes				
ba) of public institutions	27,172,489,159.15			26,351,070
thereof: eligible as collateral for Deutsche Bundesbank advances		25,701,806,212.24 €		(25,225,530)
bb) of other issuers	32,048,786,124.33			28,375,800
thereof: eligible as collateral for Deutsche Bundesbank advances		27,050,491,315.17 €		(22,002,521)
		59,221,275,283.48		54,726,870
c) bonds issued by the Bank		778,813,484.98		170,209
principal amount	755,408,423.12 €			(172,034)
			60,274,787,391.47	54,996,750
6. Shares and other non-interest-bearing securities 5, 9, 11			1,957,200.00	1,957
7. Equity investments in non-affiliated companies 6, 9			2,283,311,216.09	2,320,937
thereof:				
equity investments in banks	2,255,173,955.74 €			(2,261,065)
8. Equity investments in affiliated companies 6, 9			96,222,091.99	85,103
9. Trust assets 7			2,215,689,798.40	2,312,973
thereof:				
trust loans	2,215,689,798.40 €			(2,312,973)
10. Intangible assets 9			23,601,245.47	22,323
11. Tangible fixed assets 9			40,527,116.26	26,934
12. Other assets 8, 22			673,950,500.51	610,575
13. Deferred items 10, 22			278,129,775.06	196,755
Total assets			159,884,861,317.16	151,009,720

Liabilities

see Notes No.		31. 12. 2007	
	€	€	€ thousands
	To be carried forward:	140,109,373,915.08	131,331,158
9. Capital with participation rights	20	11,000,000.00	11,000
thereof:			
due in less than two years	0.00 €		(0)
10. Fund for general banking risks		85,000,000.00	85,000
11. Equity capital	21		
a) subscribed capital	675,000,000.00		675,000
b) capital reserves	18,956,103,524.65		18,858,035
thereof:			
special reserves pertaining to the Wohnungsbauförderungsanstalt	18,700,269,580.19 €		(18,602,201)
c) reserves from retained earnings			
ca) reserves required by NRW.BANK's statutes	12,200,000.00		12,200
cb) other reserves	25,160,184.49		13,527
d) profit for the year	11,023,692.94	19,679,487,402.08	19,582,562
Total liabilities		159,884,861,317.16	151,009,720
1. Contingent liabilities	23		
liabilities from guarantees and indemnity agreements		22,324,733,775.47	14,050,920
2. Other commitments	23		
irrevocable loan commitments		3,766,894,086.90	3,311,134
3. Administered funds		127,612,580.94	102,347

Profit and Loss Account

of NRW.BANK for the Period January 1–December 31, 2008

see Notes No.

1.1.–31.12.2007

	€	€	€	€ thousands
1. Interest income from				
a) lending and money market transactions	3,478,261,563.37			3,237,064
b) interest-bearing securities and book-entry securities	2,557,100,206.49			2,234,430
		6,035,361,769.86		5,471,494
2. Interest expenses		5,535,193,724.39		5,153,748
			500,168,045.47	317,746
3. Income from				
a) shares and other non-interest-bearing securities		0.00		813
b) equity investments in non-affiliated companies		37,061.15		0
c) equity investments in affiliated companies		4,464,705.80		8,938
			4,501,766.95	9,751
4. Income from profit pooling, profit transfer and partial profit transfer agreements			4,412,282.08	4,775
5. Commission income	27	165,684,006.36		121,481
6. Commission expenses		115,110,892.87		92,575
			50,573,113.49	28,906
7. Net profit from trading operations			3,760,881.87	4,438
8. Other operating income	28		15,423,155.76	12,146
9. General administrative expenses				
a) personnel expenses				
aa) wages and salaries		81,273,291.51		79,320
ab) social security contributions and expenses for pensions and other employee benefits		36,321,997.32		26,735
thereof:		117,595,288.83		106,055
for pensions	23,606,529.20 €			(11,883)
b) other administrative expenses	29	82,347,987.25		75,399
			199,943,276.08	181,454
10. Depreciation and value adjustments on intangible and tangible fixed assets			8,393,912.69	8,092
11. Other operating expenses	28		26,180,042.20	20,055
			344,322,014.65	168,161
		To be carried forward:		

see Notes No.			1.1.–31.12.2007	
	€	€	€	€ thousands
		To be carried forward:	344,322,014.65	168,161
12. Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions			85,174,527.50	7,611
13. Write-downs and value adjustments on equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as tangible fixed assets			187,210,777.83	0
14. Income from revaluation of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets			0.00	3,756
15. Expenses from the assumption of losses			810,486.50	0
16. Result from normal operations			71,126,222.82	164,306
17. Taxes on income and revenues	5,700,395.68			8,424
18. Other taxes not shown under other operating expenses		93,647.97	5,794,043.65	63 8,487
19. Allocation to provisions for promotion dividend			32,890,568.01	29,556
20. Net profit			32,441,611.16	126,263
21. Allocation to capital of Wohnungsbauförderungsanstalt NRW			0.00	7,570
22. Advanced payout from Wfa due to legal requirements			0.00	47,016
23. Designated payout from Wfa due to legal requirements			21,417,918.22	44,877
24. Allocation of net income to reserves from retained earnings				
a) reserves required by NRW.BANK's statutes			0.00	3,000
25. Profit for the year			11,023,692.94	23,800

Notes

of NRW.BANK at December 31, 2008

Preparation of NRW.BANK's Annual Accounts

The annual accounts of NRW.BANK were prepared in accordance with the provisions of the German Commercial Code (HGB) and the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV). 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.

To promote housing and small residential development projects, NRW.BANK operates Wohnungsbauförderungsanstalt Nordrhein-Westfalen (Wfa) Anstalt der NRW.BANK pursuant to Section 1 (4) of its statutes. Wfa is an unincorporated, public-law institution with headquarters in Düsseldorf that operates financially and organisationally on a stand-alone basis. The assets of Wfa must be managed separately from the assets of NRW.BANK. Besides their function as liable equity capital as defined in the German Banking Act (KWG), these assets may be used exclusively to finance the tasks of Wfa. By law, Wfa must also prepare separate annual accounts and a management report. The assets of Wfa (subscribed capital and state housing assets as well as revenue reserves) are recognised in the financial statements of NRW.BANK under capital reserves as special reserves pertaining to Wohnungsbauförderungsanstalt. These special reserves amounted to € 18,700.3 million as of December 31, 2008.

As in the previous year, assets and liabilities in the present annual accounts have been recognised at amortised cost pursuant to Section 252 et seq. of the German Commercial Code (HGB).

The income and expenses of Wfa were taken from Wfa's annual accounts and included in NRW.BANK's statement of income under the relevant items, chiefly interest income and expenses, general administrative expenses and expenditure on risk provisions. According to Section 18 (3) Sentence 1 WBFVG, an amount of € 21.4 million has been earmarked for distribution.

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 Section 340 et seq. of the German Commercial Code (HGB) in conjunction with Section 252 et seq. of the German Commercial Code (HGB).

Receivables are reported at their amortised cost less any discounts. Premiums and discounts from notes and bonds were released by the end of the term. Liabilities are carried at their repayment amounts, with any related discounts reported under deferred items. Premiums on receivables and liabilities are reported under deferred items as an asset or liability, respectively. The proportionate amount of interest on a receivable or liability at year-end is generally included with the receivable or liability to which it applies. Deferred items resulting from the issuing and lending business are valued according to the effective interest method. 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.

Wfa's promotion loans to customers and banks, most of which are at no interest or below-market interest, are carried at their nominal value in view of the fact that they are principally funded at matching maturities using state housing construction funds, and taking into account that the state of North Rhine-Westphalia will compensate for any negative interest. The receivables acquired from the federal state in 1998 are recognised at their present value.

Discernible risks in the lending business were adequately covered by individual value adjustments and provisions. A global provision was formed in accordance with tax valuation methods for latent risks from receivables and contingent liabilities. Value adjustments were deducted from assets. Non-performing loans were written off.

Securities held in the liquidity reserve are valued strictly at the lower of cost or market. Where securities are associated with hedge transactions, they are subject to linked valuation and are therefore valued according to the mitigated lower of cost or market principle.

The securities held in the investment portfolio (financial assets) are valued at cost; any difference between the cost and the repayment amount is recognised on a pro rata basis as income. To the extent that securities held in the investment portfolio are carried at values higher than their current market value, these securities are shown in the Notes as "valued as fixed assets". This information is subject to change over time due to portfolio changes, as well as movements in interest rates and/or market prices.

For securities held in the investment portfolio with a carrying value of € 21,230,935,512.42, an aggregate market value of € 19,354,587,358.01 was determined. Because these securities have been funded 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.

NRW.BANK applies mark-to-market valuation to the extent that provided that an active market exists for a given security. In this case, the valuation is based – as far possible on the liquid prices provided by respected market data providers (e.g. Reuters). In addition, the discounted cash flow method is used for mark-to-model valuation, while corresponding valuation models are used for derivatives. 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, spread curves based on 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 Risk Management.

Derivatives and other structured products are valued on the basis of generally accepted models (Black 76, One and Two Factor Model of Interest Rates, Hazard Rate Model, One Factor Gauss Copula Model). Here, too, valuation parameters based on standard market data sources are used (e.g. Reuters, 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, especially in the context of the ongoing financial market crisis.

The market values of the bonds and derivatives held in the context of NRW.BANK's own trading activities are determined as of the balance sheet date for each individual transaction. The individual valuation results are combined in a macro portfolio. The portfolio mainly comprises interest rate risks and is subdivided by currencies within this risk category. In the context of this subdivision, positive and negative valuation results are netted. Any remaining unrealised profits are not collected; provisions are established for unrealised losses.

The revaluation adjustments relating to derivative transactions, which are carried in the investment portfolio as microhedges for specific transactions or as macrohedges for the Bank's overall exposure to interest rate risk (mainly in the form of euro-interest swaps), are not recognised.

NRW.BANK incorporated the principles of the IDW statement on accounting (IDW RS HFA 22) of December 5, 2007 in the current financial statements. According to these principles, each structured financial instrument held in the investment portfolio is generally recognised as an integral asset. In those cases where the structured financial instrument has much higher or additional risks than the basic instrument due to an embedded derivative, each individual component is recognised separately as an underlying transaction and a derivative.

Equity investments in affiliated and non-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.

Tangible assets with a limited useful life are depreciated in accordance with the applicable tax regulations. Low-value assets are written off in full in their year of purchase.

As in the previous year, NRW.BANK made growing use of the promotion dividend for certain loans in order to fulfil its governmental development and promotion responsibilities. The total interest subsidy made available as part of the promotion dividend is set aside at the present value at the time when the loan is extended.

Adequate provisions have been made for contingent liabilities and anticipated losses from open contracts. Provisions for anniversary expenses have been established in the full amount of the actuarial net present value calculated using the German entry age normal method ("Teilwert") at an interest rate of 5.5%.

In 2005, the valuation method for provisions for pensions, additional benefits and early retirement obligations was changed for the first time. Up to

2004, provisions for pensions were calculated using the German entry age normal method ("Teilwertverfahren") in accordance with Section 6 a of the German Income Tax Act (EStG) at an interest rate of 6%. During financial year 2008, the interest rate was 4.8%.

The newly defined benefit obligation calculation method was not applied to provisions for pensions of WestLB AG employees with dual contracts who hold a full entitlement to reimbursement in respect of WestLB AG.

As in the previous year, the provisions for healthcare benefits were calculated using an annual cost increase of 3%. An interest rate of 4.8% was used for the fiscal year 2007. The average rate of the benefit payments over the past three years was taken as the basis.

Foreign currency amounts have been translated in accordance with Section 340 h of the German Commercial Code (HGB) and statement BFA 3/95 of the Banking Committee of the IDW. Assets and liabilities denominated in foreign currencies were translated using the reference rates of the European System of Central Banks (ESCB) effective on December 31, 2008. Icelandic crowns were translated using the reference rate of December 3, 2008, as this was the last day in 2008 on which an exchange rate was quoted.

Balance Sheet

Receivables from Banks (1)

Breakdown by Maturity

	Dec. 31, 2008	Dec. 31, 2007
	€ millions	€ millions
Payable on demand	3,508.1	1,354.1
With residual maturities of		
– up to 3 months	4,088.7	7,962.3
– between 3 months and 1 year	1,908.2	3,732.8
– between 1 and 5 years	9,331.3	8,297.9
– more than 5 years	16,419.3	14,795.4
Total receivables from banks	35,255.6	36,142.5

As in the previous year, receivables from banks do not include receivables from affiliated companies. The receivables from other companies in which equity investments are held totalled € 1,382.0 million (2007: € 2,191.7 million).

Receivables from Customers (2)

Breakdown by Maturity	Dec. 31, 2008	Dec. 31, 2007
	€ millions	€ millions
With residual maturities of		
– up to 3 months	2,735.3	1,803.6
– between 3 months and 1 year	2,115.8	1,996.5
– between 1 and 5 years	9,940.2	9,205.1
– more than 5 years	43,359.9	41,106.0
Total receivables from customers	58,151.2	54,111.2
including:		
– receivables with indefinite maturities	9.8	62.0

As in the previous year, receivables from customers do not include receivables from affiliated companies. The receivables from other companies in which equity investments are held totalled € 14.7 million (2007: € 126.5 million).

Receivables Secured by Mortgages (3)

Breakdown by Maturity	Dec. 31, 2008	Dec. 31, 2007
	€ millions	€ millions
Receivables from customers with residual maturities of		
– up to 3 months	172.5	166.8
– between 3 months and 1 year	365.6	364.6
– between 1 and 5 years	1,792.9	1,799.1
– more than 5 years	17,874.9	17,995.6
Total receivables secured by mortgages	20,205.9	20,326.1

Bonds and Other Interest-Bearing Securities (4)

Marketability	Dec. 31, 2008	Dec. 31, 2007
	€ millions	€ millions
Bonds and other interest-bearing securities		
– listed on a stock exchange	56,634.6	50,560.5
– not listed on a stock exchange	3,640.2	4,436.3
Total bonds and other interest-bearing securities	60,274.8	54,996.8
including:		
amounts that will become due by December 31 of the following financial year	6,501.2	6,452.7

As in the previous year, bonds and other interest-bearing securities do not include securities from affiliated companies and none from other companies in which equity investments are held.

Of the total bonds and other interest-bearing securities, € 4.0 million (2007: € 54.6 million) are held in the trading portfolio, € 714.4 million (2007: € 1,122.7 million) are held as part of the liquidity reserve and € 59,556.4 million (2007: € 53,819.4 million) are held in the investment portfolio.

Shares and Other Non-Interest-Bearing Securities (5)

Marketability	Dec. 31, 2008	Dec. 31, 2007
	€ millions	€ millions
Shares and other non-interest-bearing securities		
– listed on a stock exchange	0.0	0.0
– not listed on a stock exchange	1.9	1.9
Total shares and other non-interest-bearing securities	1.9	1.9

Of the total shares and other non-interest-bearing securities € 1.9 million (2007: € 1.9 million) are held in the investment portfolio.

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

NRW.BANK holds € 2,283.3 million (2007: € 2,320.9 million) in equity investments in non-affiliated companies and € 96.2 million (2007: € 85.1 million) in equity investments in affiliated companies. Of this amount, € 2,206.5 million (2007: € 2,212.4 million) are evidenced 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 of the German Commercial Code (HGB) is shown separately is attached with the notes.

NRW.BANK holds more than 5% of the voting rights in the following major corporations (disclosure pursuant to Section 340 a (4) No. 2 of the German Commercial Code [HGB]):

- WestLB AG
- InvestitionsBank des Landes Brandenburg (ILB)

Trust Assets (7)

Breakdown by Asset Type	Dec. 31, 2008	Dec. 31, 2007
	€ millions	€ millions
Receivables from banks	171.5	180.9
Receivables from customers	2,044.2	2,132.1
Total trust assets	2,215.7	2,313.0

Other Assets (8)

The total figure of € 674.0 million (2007: € 610.6 million) contains, among other things, € 606.9 million (2007: € 566.0 million) in receivables from WestLB AG for reimbursement of pension and benefit obligations, € 50.1 million (2007: € 21.4 million) in receivables from the state of North Rhine-Westphalia under the value guarantee as well as € 1.4 million (2007: € 4.9 million) in receivables from profit and loss pooling agreements with companies in which equity investments are held.

Fixed Assets (9)

Schedule of Fixed Assets	Acquisition Cost/Cost of Depreciation	Additions	Retirements	Total Depreciation and Amortisation	Net Book Value	Depreciation/Amortisation in the Financial Year
	Jan. 1, 2008				Dec. 31, 2008	
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Bonds and other interest-bearing securities forming part of fixed assets	52,825.7				58,443.5	57.1
Shares and other non-interest-bearing securities forming part of fixed assets	1.9	Net change pursuant to Section 34 (3) Sentence 2 RechKredV: € 4,031.4 million			1.9	0.0
Equity investments in non-affiliated companies	3,880.8				2,283.3	8.0
Equity investments in affiliated companies	85.1				96.2	0.0
Intangible assets	35.5	7.9	0.0	19.8	23.6	6.6
Land and buildings	18.5	10.1	0.0	0.6	28.0	0.1
Office equipment	12.3	6.2	1.0	4.9	12.5	1.6

€ 14.0 million of the amount shown under land and buildings represent land and buildings used for business purposes (2007: € 14.2 million).

Deferred Items (10)

Breakdown of Deferred Items	Dec. 31, 2008	Dec. 31, 2007
	€ millions	€ millions
Discounts from underwriting business	97.3	110.6
Discounts from liabilities	0.1	0.2
Pre-paid swap fees	98.8	67.6
Pre-paid CDS fees	61.0	0.4
Other	20.9	18.0
Total deferred items	278.1	196.8

Subordinated Assets (11)

Subordinated assets are included in:

Breakdown by Asset Type	Dec. 31, 2008	Dec. 31, 2007
	€ millions	€ millions
Receivables from banks	0.8	0.8
Receivables from customers	9.5	9.5
Bonds and other interest-bearing securities	20.4	20.4
Shares and other non-interest-bearing securities	1.9	1.9
Total subordinated assets	32.6	32.6

Pledged Assets (12)

Of the assets reported, NRW.BANK pledged € 6,253.5 million (2007: € 14,103.8 million) under repurchase agreements.

Liabilities to Banks (13)

Breakdown by Maturity	Dec. 31, 2008	Dec. 31, 2007
	€ millions	€ millions
Payable on demand	392.5	82.9
With residual maturities of		
– up to 3 months	19,428.6	17,518.8
– between 3 months and 1 year	1,557.6	4,244.5
– between 1 and 5 years	10,344.6	9,134.2
– more than 5 years	21,837.8	19,725.1
Total liabilities to banks	53,561.1	50,705.5

As in the previous year, liabilities to banks do not include liabilities to affiliated companies. The liabilities to other companies in which equity investments are held totalled € 873.6 million (2007: € 2.067.9 million).

Liabilities to Customers (14)

Breakdown by Maturity	Dec. 31, 2008	Dec. 31, 2007
	€ millions	€ millions
Payable on demand	173.3	139.1
With residual maturities of		
– up to 3 months	1,492.5	700.7
– between 3 months and 1 year	982.6	744.7
– between 1 and 5 years	4,860.7	4,416.2
– more than 5 years	16,603.7	16,855.9
Total liabilities to customers	24,112.8	22,856.6

Certificated Liabilities (15)

Breakdown of Certificated Liabilities

	Dec. 31, 2008	Dec. 31, 2007
	€ millions	€ millions
Notes issued		
– mortgage bonds	0.9	32.3
– municipal bonds	3,063.4	9,623.1
– other bonds	54,637.1	43,530.4
Total certificated liabilities	57,701.4	53,185.8

Of the € 57,701.4 million in notes issued (2007: € 53,185.8 million), € 21,221.8 million (2007: € 16,203.3 million) is due in the following year.

Trust Liabilities (16)

Breakdown of Trust Liabilities

	Dec. 31, 2008	Dec. 31, 2007
	€ millions	€ millions
Liabilities to banks	52.2	63.9
Liabilities to customers	1,496.1	1,553.5
Other liabilities	667.4	695.6
Total trust liabilities	2,215.7	2,313.0

Other Liabilities (17)

Other liabilities totalling € 224.8 million (2007: € 282.5 million) include the balancing item from foreign exchange valuation (in accordance with Section 340h of the German Commercial Code [HGB]) in an amount of € 182.3 million (2007: € 186.7 million) as well as € 21.4 million (2007: € 44.9 million) in liabilities owed to the state of North Rhine-Westphalia, € 4.8 million (2007: € 30.4 million) in liabilities owed to the Tax Office and € 5.5 million (2007: € 5.4 million) in interest to be paid on existing profit participation rights and subordinated liabilities once the annual accounts have been approved.

Deferred Items (18)

Breakdown of Deferred Items

	Dec. 31, 2008	Dec. 31, 2007
	€ millions	€ millions
Premiums from underwriting business	29.7	39.6
From refinancing of a Wfa loan recognised in equity	0.0	3.6
Swap fees received in advance	314.9	343.4
Other	1.4	1.6
Total deferred items	346.0	388.2

Provisions (19)

The provision for pensions and benefits includes € 606.9 million (2007: € 566.0 million) in pension obligations to employees of WestLB AG who have claims for or are entitled to a pension under the laws relating to civil servants. Under Art. 1 Section 4 (1) Sentence 4 of the Bank Redefining Act (Neuregelungsgesetz) of July 2, 2002, these obligations passed from Westdeutsche Landesbank Girozentrale to NRW.BANK. NRW.BANK is entitled to reimbursement from WestLB AG in the same amount, which is shown in "other assets".

NRW.BANK's provision for additional benefits is at € 216.4 million (2007: € 195.8 million). This amount includes € 188.6 million in obligations to persons covered under the former pension agreement of Westdeutsche Landesbank Girozentrale, for which NRW.BANK has assumed the additional benefit payments since the spin-off from Westdeutsche Landesbank Girozentrale. An additional € 27.3 million has been set aside for claims to additional benefits that employees of NRW.BANK have for their retirement.

Provisions for anticipated losses in an amount of € 236.3 million were established for structuring measures that may be required for the CDO portfolio. In addition, there is an amount of € 37.9 million for agreed loan collateralisation costs, which will be incurred in future periods.

Subordinated Liabilities and Capital with Participation Rights (20)

The following subordinated liabilities exceed 10% of the total subordinated liabilities of € 405.0 million (2007: € 405.0 million):

Currency	Nominal Amount	Interest Rate	Term
	€ millions	%	
EUR	50.0	4.0	2004 – 2014
EUR	50.0	4.0	2004 – 2034
EUR	50.0	4.8	2004 – 2019
EUR	50.0	5.2	2004 – 2024
EUR	50.0	5.2	2004 – 2024

The remaining subordinated liabilities of € 155.0 million carry an average interest rate of 4.9% (2007: 5.1%) and have original maturities between 10 and 25 years. As in the previous year, none of the subordinated liabilities have a remaining time to maturity of less than two years.

The amount of subordinated liabilities was unchanged during the financial year 2008.

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

Interest expenses of € 19.9 million (2007: € 19.0 million) were incurred for subordinated liabilities.

The subordinated liabilities carried by NRW.BANK comply with the requirements of Section 10 (5 a) of the German Banking Act (KWG); a right to terminate without notice has not been agreed.

In 2008, no capital with participation rights matured, and no new capital with participation rights was issued. Hence, the total capital with participation rights was € 11.0 million (2007: € 11.0 million).

Equity Capital (21)

As of December 31, 2008, NRW.BANK's subscribed capital was € 675.0 million (2007: € 675.0 million). The reserves totalled € 18,993.5 million (2007: € 18,883.8 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, 2008	Dec. 31, 2007
	€ millions	€ millions
Subscribed capital	675.0	675.0
Capital reserves	18,956.1	18,858.0
thereof:		
special reserves pertaining to the Wohnungsbauförderungsanstalt	(18,700.3)	(18,602.2)
reserves from retained earnings		
– reserves required by NRW.BANK's statutes	12.2	12.2
– other reserves	25.2	13.5
Profit for the year	11.0	23.8
Total	19,679.5	19,582.5

Once the annual accounts are approved, the capital of NRW.BANK required for regulatory purposes under Section 10 of the German Banking Act (KWG) will total € 4,471.8 million (2007: € 3,566.6 million). It should be noted that the special reserves pertaining to the Wohnungsbauförderungsanstalt are included unchanged at the same amount approved by the BaFin (formerly BAKred) in 1992.

Foreign Currency Assets/Foreign Currency Liabilities (22)

At year-end, NRW.BANK had foreign currency assets valued at € 9,936.7 million (2007: € 9,064.3 million) and foreign currency liabilities valued at € 11,095.9 million (2007: € 9,174.4 million).

Contingent Liabilities and Other Commitments (23)

Contingent liabilities totalled € 22,324.7 million (2007: € 14,050.9 million) and incorporate € 21,960.7 million (2007: € 13,833.3 million) for credit derivatives (thereof € 1,447.1 million for embedded derivatives) and € 364.0 million (2007: € 217.6 million) for other guarantees and indemnity agreements.

Of the € 3,766.9 million in irrevocable credit commitments (2007: € 3,311.1 million), € 1,311.8 million (2007: € 1,281.1 million) was for commitments made in connection with the Wohnungsbauförderungsanstalt.

Assets Used as Collateral (24)

Bonds and notes in a nominal amount of € 14,398.6 million (2007: € 11,374.7 million) were pledged to the European Central Bank and notes in a nominal amount of € 6,780.3 million were submitted to the Bundesbank in the context of the "KEV" process (KEV: Kreditforderungen – Einreichung und Verwaltung/Submission and administration of credit claims) as collateral for funding facilities. Securities with a nominal value of € 53.0 million (2007: € 50.0 million) were deposited with the EUREX (eurexchange, electronic futures and options exchange) as collateral for forward transactions, while securities with a nominal value of € 710.5 million (2007: € 334.5 million) were pledged as collateral for overnight loans. In addition, an amount of € 326.2 million (2007: € 206.3 million) was transferred as collateral for repo transactions and securities in an amount of € 2.0 million (2007: € 2.0 million) were assigned as rent deposit.

Collateral for Own Liabilities (25)

Collateral for registered mortgage bonds amounted to € 0.3 million (2007: € 7.1 million) and registered municipal bonds and notes totalled € 163.9 million (2007: € 181.6 million).

Cover (26)

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

At December 31, 2008, the details of the cover were as follows:

Cover	Dec. 31, 2008		Dec. 31, 2007	
	Cover I € millions	Cover II € millions	Cover I € millions	Cover II € millions
Mortgage bonds and municipal bonds issued	69.0	13,477.5	147.7	21,824.6
Loans raised secured with registered mortgage bonds or registered municipal bonds and notes	0.3	163.9	7.1	181.6
Liabilities requiring cover	69.3	13,641.4	154.8	22,006.2
Mortgage and/or municipal loans	437.3	24,178.0	680.4	29,273.1
Other ordinary cover (securities)	–	1,316.0	–	2,428.0
Excess cover	5.0	400.0	–	–
Cover funds	442.3	25,894.0	680.4	31,701.1
Excess cover	373.0	12,252.6	525.6	9,694.9

Statement of Income**Services Rendered for Third Parties (27)**

The net commission income includes € 9.2 million (2007: € 7.9 million) resulting from the administration of loans and subsidies held in trust.

Other Operating Income and Expenses (28)

The principal contribution towards other operating income is composed of € 1.2 million (2007: € 1.1 million) in cash payments and payments from settlements involving the improper use of public housing and € 10.4 million (2007: € 4.4 million) in income from the write-back of other provisions.

Other operating expenses include € 25.4 million (2007: € 16.1 million) in addition to the provisions for additional benefits established for employees of WestLB AG.

Fee Paid to Auditor of the Annual Accounts (29)

In financial year 2008, expenses of € 1.5 million (2007: € 2.2 million) were recognised in the statement of income, € 1.2 million of which accounted for fees for the auditing of the annual accounts, € 0.1 million for other auditing services, € 0.1 million for tax consulting services and € 0.1 million for other services.

Miscellaneous

Other Financial Obligations

NRW.BANK had annual long-term obligations for IT service agreements, building rents and the computer centre of € 6.8 million with a remaining term of 12 years, € 12.3 million with a remaining term of 10.5 years, € 0.5 million with a remaining term of 10 years, € 2.5 million with a remaining term of 7.5 years and € 0.4 million with a remaining term of 5.5 years.

There is an obligation to make additional contributions in the amount of € 2.4 million to the European Investment Fund.

Other Obligations

NRW.BANK has other obligations pursuant to Art. 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 is liable for InvestitionsBank des Landes Brandenburg (ILB) in the amount of an additional € 110.0 million.

Deposit Insurance

Landesbank NRW became the development bank for North Rhine-Westphalia pursuant to the "Act on the Reorganisation of Landesbank Nordrhein-Westfalen into the Development Bank of the State of North Rhine-Westphalia and on the Amendment of Other Laws". Owing to these developments, as of January 1, 2005 NRW.BANK was made a member of the compensation scheme of the Association of German Public Sector Banks in Berlin (VÖB Entschädigungseinrichtung) by order of the Federal Financial Supervisory Authority (BaFin).

Derivatives

The total nominal value of derivative transactions was € 197,923 million (2007: € 171,745 million).

Derivatives – Volumes

	Nominal Values		Positive Market Values	Negative Market Values
	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2008	Dec. 31, 2008
	€ millions	€ millions	€ millions	€ millions
Interest rate risks				
Interest rate swaps	134,680	157,494	3,873	6,662
FRA's	–	–	–	–
Interest rate options				
– bought (long)	7,018	6,289	394	–
– written (short)	5,273	2,012	–	120
Caps, floors	96	11	–	–
Stock market contracts	1,209	–	–	–
– bought (long)	–	106	1	–
– written (short)	–	71	–	1
Other interest rate forwards	1,683	1,079	43	33
Total interest rate risks	149,959	167,062	4,311	6,816
Currency risks				
Foreign exchange forwards, swaps	1,847	843	14	24
Currency swaps/Interest currency swaps	4,318	5,447	182	783
Foreign exchange options				
– bought (long)	–	–	–	–
– written (short)	–	–	–	–
Stock market contracts	–	–	–	–
Other currency forwards	–	–	–	–
Total currency risks	6,165	6,290	196	807
Share price and other price risks				
Stock forwards	–	–	–	–
Stock options	–	–	–	–
– bought (long)	–	–	–	–
– written (short)	–	–	–	–
Stock market contracts	–	–	–	–
Other forwards	–	–	–	–
Total share price and other price risks	–	–	–	–
Credit derivatives				
– bought (long)	1,771	2,610	517	5
– written (short)	13,850	21,961	2	2,463
Total credit derivative	15,621	24,571	519	2,468
Total	171,745	197,923	5,026	10,091

(Market values incl. interest); credit derivatives include embedded CDS from CDOs and CLN

The fair values of stock market transactions are equivalent to the market values pursuant to Section 285 Sentence 3 of the German Commercial Code (HGB).

In the previous year, the market values were determined by taking into account deferred items and foreign exchange balancing items in the financial statements. In contrast to this approach, the unadjusted market value is stated in the fiscal year.

The higher nominal volume of derivatives is mostly attributable to an increase in interest rate derivatives and credit derivatives. These continue to be used to manage general risks.

The average nominal value of the derivatives and other forward transactions entered into by NRW.BANK for the period from January 1, 2008 to December 31, 2008 was € 199,706 million (2007: € 184,852 million).

To the extent available, market prices are used for valuing the derivative financial instruments. If 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 or received are recognised under "other assets" and "other liabilities", respectively. Swap fees paid or received in advance are recognised in the respective deferred item.

The breakdown of derivative transactions by counterparty is as follows:

Derivatives – Breakdown by Counterparty

	Nominal Values		Positive Market Values	Negative Market Values
	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2008	Dec. 31, 2008
	€ millions	€ millions	€ millions	€ millions
OECD banks	147,889	179,155	4,561	9,255
Non-OECD banks	–	–	–	–
OECD public-sector entities	398	736	21	1
Other counterparties	23,458	18,032	444	835
Total	171,745	197,923	5,026	10,091

Interest rate derivatives that are not assigned to the trading portfolio are used as microhedges 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. 46% (2007: 47%) having a remaining time to maturity of more than five years.

Derivatives – Breakdown by Maturity

Nominal Values	Interest Rate Risks		Currency Risks		Credit Derivatives	
	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Residual maturity						
– up to 3 months	15,438	12,547	1,784	709	135	215
– 3 months to						
1 year	11,668	18,916	463	485	700	171
– 1 to 5 years	53,123	57,985	1,892	2,148	3,019	5,646
– more than 5 years	69,730	77,614	2,026	2,948	11,767	18,539
Total	149,959	167,062	6,165	6,290	15,621	24,571

Number of Employees

The average number of female staff employed by NRW.BANK in 2008 was 626 (2007: 593), and the average number of male staff, including the Managing Board, employed over the year was 600 (2007: 580). The total number of employees at the end of the year was 1,185 (2007: 1,138).

Remuneration

The total remuneration (including remuneration in kind) paid to the Chairman of the Managing Board Dr. Ulrich Schröder (until August 31, 2008) was € 803,798.77 in 2008, the total remuneration paid to the Chairman of the Managing Board Dietmar P. Binkowska (since September 1, 2008) was € 317,935.32 in 2008; that paid to other Managing Board members was € 1,292,320.60.

The remuneration of the Supervisory Board totalled € 0.3 million (2007: € 0.3 million). The remuneration of the Advisory Board amounted to € 0.1 million (2007: € 0.1 million).

Loans

The members of the Managing Board and Supervisory Board of NRW.BANK received advances and loans totalling € 0.9 million (2007: € 0.9 million).

Disclosure pursuant to Section 340 a (4) No. 1 of the German Commercial Code (HGB) of Seats Held

Seats Held by Members of the Managing Board

Dietmar P. Binkowska (since September 1, 2008)
Börse Düsseldorf (since September 30, 2008)
Deka (Swiss) Privatbank AG
Galeria Kaufhof GmbH (since April 16, 2008)
InvestitionsBank des Landes Brandenburg (since September 1, 2008)
Landesbank Berlin AG (until November 21, 2008)
Landesbank Berlin Holding AG (until November 21, 2008)
neue leben Holding AG
neue leben Lebensversicherung AG
neue leben Unfallversicherung AG
SCHUFA Holding AG
Ströer Out-of-Home Media (since October 13, 2008)
VEMAG Verlags- und Medien AG (since June 16, 2008)

Dr. Ulrich Schröder (until August 31, 2008)
Börse Düsseldorf (until August 31, 2008)
InvestitionsBank des Landes Brandenburg (until August 31, 2008)
ProHealth AG
Ströer Out-of-Home Media AG (until September 30, 2008)

Ernst Gerlach
InvestitionsBank des Landes Brandenburg
LEG Landesentwicklungsgesellschaft NRW GmbH (until August 29, 2008)
Mannesmannröhren-Werke AG
Ruhr-Lippe Wohnungsgesellschaft mbH (until August 29, 2008)

Seats Held by Employees

Theo Goßner
InvestitionsBank des Landes Brandenburg (since January 1, 2008)

Gabriela Pantring
InvestitionsBank des Landes Brandenburg (since January 1, 2008)

Board of Guarantors/Supervisory Board/
Managing Board

In the year under review, the following persons were members of the Bank's executive boards:

Board of Guarantors

Chairwoman and Deputy Chairmen

Christa Thoben
Chairwoman
Minister of Economics, Small Business and Energy of North Rhine-Westphalia, Düsseldorf

Dr. Helmut Linssen, MdL
Deputy Chairman
Finance Minister of North Rhine-Westphalia
Düsseldorf

Udo Molsberger (until May 31, 2008)
Deputy Chairman
Regional Director
Regional Association of the Rhineland
Cologne

Harry K. Voigtsberger (since June 1, 2008)
Deputy Chairman
Director of LVR
Regional Association of the Rhineland
Cologne

Dr. Wolfgang Kirsch
Deputy Chairman
Director of LWL
Regional Association of Westphalia-Lippe
Münster

Members Appointed by the Board of Guarantors

Dr. Jens Baganz
Under Secretary
Ministry of Economics, Small Business and Energy of North Rhine-Westphalia
Düsseldorf

Karsten Beneke
Under Secretary
Head of the State Chancellery of North Rhine-Westphalia
Düsseldorf

Günter Kozlowski

Under Secretary
Ministry of Construction and Transport
of North Rhine-Westphalia
Düsseldorf

Angelika Marienfeld

Under Secretary
Ministry of Finance
of North Rhine-Westphalia
Düsseldorf

Dr. Alexander Schink

Under Secretary
Ministry of Environment and Nature Conservation,
Agriculture and Consumer Protection
of North Rhine-Westphalia
Düsseldorf

Dr. Michael Stückradt

Under Secretary
Ministry of Innovation, Science, Research and
Technology of North Rhine-Westphalia
Düsseldorf

Andrea Ursula Asch, MdL

Chairwoman of the Alliance 90/Green party
Regional Assembly of the Rhineland
Cologne

Dieter Gebhard

Chairman of the SPD Parliamentary Group
Regional Assembly of Westphalia-Lippe
Gelsenkirchen

Supervisory Board**Chairwoman and Deputy Chairmen****Christa Thoben**

Chairwoman
Minister of Economics, Small Business and Energy
of North Rhine-Westphalia
Düsseldorf

Dr. Helmut Linssen, MdL

Deputy Chairman
Finance Minister of North Rhine-Westphalia
Düsseldorf

Udo Molsberger (until May 31, 2008)

Deputy Chairman
Regional Director
Regional Association of the Rhineland
Cologne

Harry K. Voigtsberger (since June 1, 2008)

Deputy Chairman
Director of LVR
Regional Association of the Rhineland
Cologne

Dr. Wolfgang Kirsch

Deputy Chairman
Director of LWL
Regional Association of Westphalia-Lippe
Münster

Members Appointed by the Board of Guarantors**Volkmar Klein, MdL**

State Assembly of North Rhine-Westphalia
Member of the CDU Parliamentary Group NRW
Düsseldorf

Hannelore Kraft, MdL

State Assembly of North Rhine-Westphalia
Chairwoman of the SPD Parliamentary Group NRW
Düsseldorf

Prof. Dr. Andreas Pinkwart

Minister of Innovation, Science, Research and
Technology of North Rhine-Westphalia
Düsseldorf

Oliver Wittke, MdL

State Assembly of North Rhine-Westphalia
Member of the CDU Parliamentary Group NRW
Düsseldorf

Dr. Jürgen Rolle

Chairman of the SPD Parliamentary Group
Regional Assembly of the Rhineland
Cologne

Roland Trottenburg

Chairman of the CDU Parliamentary Group
Regional Assembly of Westphalia-Lippe
Bottrop

Representatives of the Bank's Staff**Fred Eicke** (until June 30, 2008)

Director
NRW.BANK
Düsseldorf

Hannelore Heger-Golletz

Associate Director
NRW.BANK
Münster

Michael Tellmann

Associate Director
NRW.BANK
Düsseldorf

Franz-Georg Schröermeyer (until June 30, 2008)

Secretary, Federal and State Sector
ver.di Vereinte Dienstleistungsgewerkschaft
Regional Office Weser-Ems
Osnabrück

Christiane Stascheit (until June 30, 2008)

Secretary, Financial Services
ver.di Vereinte Dienstleistungsgewerkschaft
Regional Office Hamburg
Hamburg

Iris Aichinger (since July 1, 2008)

NRW.BANK
Düsseldorf

Martin Bösenberg (since July 1, 2008)

Representative
NRW.BANK
Münster

Frank Lill (since July 1, 2008)

NRW.BANK
Düsseldorf

**Permanent Representatives of the Chairwoman
and Deputy Chairmen of the Supervisory Board****Dietmar Düring**

Senior Principal
Ministry of Economics, Small Business and Energy
of North Rhine-Westphalia
Düsseldorf

Gerhard Heiligenberg

Assistant Secretary
Ministry of Finance of North Rhine-Westphalia
Düsseldorf

Harry K. Voigtsberger (until May 31, 2008)

Regional Councillor
Regional Association of the Rhineland
Cologne

Renate Hötte (since June 1, 2008)

Regional Councillor
Regional Association of the Rhineland
Cologne

Dr. Fritz Baur

Regional Councillor
Regional Association of Westphalia-Lippe
Münster

Managing Board**Dr. Ulrich Schröder (Chairman)**

(until August 31, 2008)

Dietmar P. Binkowska (Chairman)

(since September 1, 2008)

Ernst Gerlach**Klaus Neuhaus****Michael Stölting (vice member)**

(since January 1, 2009)

Düsseldorf/Münster, February 16, 2009

NRW.BANK

The Managing Board

Binkowska, Gerlach, Neuhaus, Stölting

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the NRW.BANK, Düsseldorf und Münster, for the business year from January 1 to December 31, 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of NRW.BANK management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with article 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of NRW.BANK and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of NRW.BANK in accordance with principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the NRW.BANK position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 16, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

(formerly
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Möllenbrink
Wirtschaftsprüfer

Kügler
Wirtschaftsprüfer

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 assets, liabilities, financial position and profit or loss 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 16, 2009

NRW.BANK

The Managing Board


Binkowska


Gerlach


Neuhaus


Stölting

Members of the Advisory Board

Members pursuant to Section 23 of the statutes

Minister Christa Thoben

Chairwoman
Ministry of Economics, Small Business and Energy
of North Rhine-Westphalia

Prof. Dr. Achim Bachem

Chairman of the Managing Board
of Forschungszentrum Jülich GmbH

Dr. Wulf H. Bernotat

Chairman of the Managing Board
of E.ON AG

Werner Böhnke

Chairman of the Managing Board
of WGZ BANK AG
Westdeutsche Genossenschafts-Zentralbank

Michael Breuer

President
of the Savings Banks and Giro Association
of the Rhineland

Lord Mayor Norbert Bude

Chairman
of Städtetag Nordrhein-Westfalen
(since October 1, 2008)

Regierungspräsident Jürgen Büssow

Düsseldorf Regional Government

Heinrich Deichmann

Chairman of the management
of Heinrich Deichmann-Schuhe GmbH & Co. KG

Regierungspräsident Helmut Diegel

Arnsberg Regional Government

Dr. Reinhold Festge

Managing Partner
of HAVER & BOECKER OHG
Drahtweberei und Maschinenfabrik

Heinz Fiege

Chairman of the Managing Board
of Fiege Holding Stiftung & Co. KG

Otto Rudolf Fuchs

Shareholder
of Otto Fuchs Metallwerke

Dr. Rolf Gerlach

President
of the Savings Banks and Giro Association
of Westphalia-Lippe

Dr. Jürgen Großmann

Chairman of the Managing Board
of RWE AG

Lord Mayor Thomas Hunsteger-Petermann

City of Hamm

Hanspeter Klein

Chairman of the Managing Board
of Verband Freier Berufe
im Lande Nordrhein-Westfalen e.V.
(since April 1, 2008)

Norbert Kleyboldt

Permanent Delegate
of the Apostolic Administrator
of Bischöfliches Generalvikariat Münster

Dr. Johannes Kramer

Managing Director
of Städtische Kliniken Bielefeld gem. GmbH

District Administrator Thomas Kubendorff

President
of Landkreistag Nordrhein-Westfalen e.V.

Dr. Heiner Leberling

Chairman of the Managing Board
of Bankenvereinigung Nordrhein-Westfalen e.V.

Lord Mayor Dr. Jürgen Linden

City of Aachen

Regierungspräsident Hans Peter Lindlar

Cologne Regional Government

Wolfgang Lubert

Managing Director
of enjoyventure Management GmbH

Dr.-Ing. Herbert Lütkestratkötter

Chairman of the Managing Board
of HOCHTIEF AG
(since October 1, 2008)

Dr. Thomas Middelhoff

Chairman of the Managing Board
of Arcandor AG

Konstantin Neven DuMont

Managing Director
of Unternehmensgruppe M. DuMont Schauberg

Dr. Hermann Niehues (†)

Chairman of the Supervisory Board
of REMONDIS AG & Co. KG
(until September 7, 2008)

Dr. Paul-Josef Patt

Member of the Managing Board
of eCAPITAL entrepreneurial Partners AG

Regierungspräsident Dr. Peter Paziorek

Münster Regional Government

Gerd Pieper

President
of IHK im mittleren Ruhrgebiet zu Bochum

Lord Mayor Dr. Wolfgang Reiniger

City of Essen

Prof. Dr. Volker Ronge

Former Chairman
of the Directors Conference of the Universities in NRW
(until February 11, 2009)

Mayor Roland Schäfer

President
of Städte- und Gemeindebund Nordrhein-Westfalen

Guntram Schneider

District Chairman
of Deutscher Gewerkschaftsbund NRW

Lord Mayoress Dr. Ottilie Scholz

City of Bochum

Dr. Joachim Schorr

Managing Director
of QIAGEN GmbH

Lord Mayor Fritz Schramma

Chairman
of Städtetag Nordrhein-Westfalen
(until July 31, 2008)

Prof. Wolfgang Schulhoff

President of the Düsseldorf Chamber of Handicrafts

Dr.-Ing. Ekkehard D. Schulz

Chairman of the Managing Board
of ThyssenKrupp AG

Maria Seifert

Chairwoman
of the Regional Assembly of Westphalia-Lippe

Regierungspräsidentin Marianne Thomann-Stahl

Detmold Regional Government

Mayor Hans-Josef Vogel

City of Arnsberg

Werner Wenning

Chairman of the Managing Board
of Bayer AG
(until May 31, 2008)

Kurt Henning Wiethoff

Director General
of 3M Deutschland GmbH

Dr. Jürgen Wilhelm

Chairman
of the Regional Assembly of the Rhineland

Council Member Klaus Winterhoff

Legal Vice President
of the Evangelical Church of Westphalia

Organisation Chart of NRW.BANK



¹ Spokesperson of the unit

	Managing Board Member Klaus Neuhaus						Vice Member of the Managing Board Michael Stölting
Individual Promotion Margret Hirthammer	Legal, Compliance, Money Laundering Prevention Oliver Blaß	Finance Wolfgang Beimel	Human Resources Achim Meierkamp	Risk Management Florian Merkel	Business Support Dr. Ortwin Schumacher	IT/Organisation/Internal Services Tobias Schmitt	Capital Markets Klaus Rupprath' Thomas Bracht
Housing Sector Promotion Uwe Beckmann	Compliance, Money Laundering Manfred Gorka	Accounting Joachim Kiesau	Personnel Development/Management Training Ralf Groß-Heitfeld	Basic Issues/Controlling Sabine Lamers	Back Office Capital Markets N. N.	IT-Services Matthias Lersch	Business Management Marco Adler
Business Unit Development Werner Kindsmüller	Corporate Legal Hans-Albert Böckenförde	Financial Accounting Ute Kuschel	Personal Development/Basic Issues Petra Kalthoff	Credit Risk Dr. Michael Kuhlbrodt	Central Services Promotion Business Astrid Demme	IT-Non-Trading Klaus Elschenbroich	Investor Relations Dr. Frank Richter
	Legal Capital Markets Reinhard Buch	Banking Supervision Dr. Rüdiger Krautheuser	Human Resources Administration and Controlling Peter Schröder	Real Estate Loan Processing Rolf-Werner Huckenbeck	Back Office Promotion Business Matthias Voß-Geßmann	IT Trading Dr. Jens Heinrich	Credit and Market Risk Investments Jörg Eicker
		Tax Sybille Heberer-Wilhelm		Municipal and Syndicated Financing Hubert Venneker		Organisation Dr. Jürgen Schulte	Credit Portfolio Andreas Rothermel
		Controlling Walter Wohlhage		Market and General Risk N. N.		Internal Services Ralf Welter	Treasury Andreas Berning
							Credit Research Ralf Mitsch
							Structured Investment Franco Nuvoloni

valid from January 1, 2009

NRW.BANK at a Glance

NRW.BANK Facts

NRW.BANK Competition-neutral development bank of the State of North Rhine-Westphalia operating according to the relationship bank principle; holds a full bank licence

Guarantors

- State of North Rhine-Westphalia (64.74%)
- Regional Association of the Rhineland (17.63%)
- Regional Association of the Westphalia-Lippe (17.63%)

Liabilities/Guarantees

- Institutional liability
- Guarantor liability
- Explicit funding guarantee granted by the guarantors

Legal Status Public law bank

Head Offices Düsseldorf and Münster

Contact at NRW.BANK

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 Produktgruppe aus vorwiegend
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 www.fsc.org
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Financial Calendar 2009

March 18, 2009	Annual accounts press conference
July 29, 2009	Publication of the promotion result for the first half of 2009
October 28, 2009	Publication of the promotion result for the third quarter of 2009

Key Figures

	2008	2007
	€ millions	€ millions
Total assets	159,885	151,010
Equity capital pursuant to the German Commercial Code (HGB)	19,679	19,583
Liable capital in accordance with the German Banking Act (KWG)	3,578	3,549
Net interest income	509	332
Net commission income	51	29
Personnel expenses	118	106
Operating expenses	91	84
Net income before income tax and promotion dividend	71	164
Promotion dividend	33	30
Profit for the year	11	24
Core capital ratio	11.95	9.72
Staff	1,185	1,138

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

Promotion Volumes

	2008	2007
	€ millions	€ millions
Promotion of Start-ups and SMEs	2,991	3,045
Infrastructure and Municipal Promotion	3,395	2,671
Social Housing Promotion	948	855
Individual Promotion	1,744	1,571
Total	9,078	8,142

