

# Financial Report 2010

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# Financial Report 2010 of NRW.BANK

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# Corporate Responsibility

## Living up to Our Corporate Responsibility

In its function as state development bank, NRW.BANK assists the state of North Rhine-Westphalia and its municipal corporations in the fulfilment of their public tasks, especially in the fields of structural, economic, social and housing policy. NRW.BANK fulfils this role by providing its financing and advisory services in a creative, competent and responsible manner to the benefit of businesses, municipalities and local authorities as well as the people in North Rhine-Westphalia. NRW.BANK operates in a competition-neutral and non-discriminatory manner towards other financial institutions.

Sustainability is the guiding principle of NRW.BANK and an important decision-making criterion in all phases of corporate activity – from strategic and business decisions to the design of the range of products and services to the execution of individual financing transactions, capital market activities and advisory services. New products are screened for sustainability-related risks before they are launched. Both the NRW.BANK Act (see Section 3, para. 1) and the statutes (see Section 5, para. 1, s. 2) stipulate that the Bank be guided by the principle of sustainability in the performance of its tasks.

Transparent and responsible interaction with its stakeholders is an important cornerstone of the Bank's sustainability strategy. NRW.BANK was one of the first public-sector companies in Germany to commit itself to transparent and responsible corporate governance in the context of the Public Corporate Governance Code of NRW.BANK, a voluntary commitment adopted by the Bank on January 1, 2006. The Code is by no means to be considered a rigid set of rules and regulations but will be adapted to future developments.

Besides these legal requirements, NRW.BANK developed and adopted "Principles of Corporate Responsibility at NRW.BANK" in 2008. These principles take into account the special aspects resulting from the special framework in which the Bank operates, i.e. "Verständigung II"<sup>1</sup>, its public mission and its local relationship bank approach. It is planned to update these principles in 2011 to ensure they appropriately reflect the current status of the sustainability issue.

Apart from developing and introducing general rules relating to "corporate responsibility", NRW.BANK attaches importance to integrating this task into its corporate activity and to deriving measures from these. NRW.BANK is well aware that this responsibility refers to ecological, economic and social components alike. In August 2009, the Bank therefore signed the German Diversity Charter, the ten principles of the UN Global Compact and the Financial Institutions Initiative of the United Nations Environmental Programme.

- The **German Diversity Charter** aims to ensure that people are treated equally and with respect irrespective of their gender, age, nationality, ethnical background, religion, handicap or belief. By signing this initiative, NRW.BANK has committed itself to creating a working environment that is free of prejudices and isolation with the aim of creating acceptance and mutual trust.
- The UN Global Compact is a voluntary initiative by the United Nations joined not only by enterprises but also by employer, human rights, environmental and development organisations. Its key instrument is a catalogue of fundamental values – the **ten principles of the Global Compact** – addressing compliance with human rights, labour standards, corruption prevention and environmental protection. As a member of the initiative, NRW.BANK is obliged

<sup>1</sup> 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.

to acknowledge the principles within its sphere of influence and to put them into practice. The main emphasis is on the adjustment of internal processes, commitment to the local community and the communication of the progress made.

- Under the **UNEP statement**, financial service providers commit themselves to gearing their business activities towards sustainable development and taking a forward-looking environmental management approach with a view to identifying and preventing environmental risks at an early stage. The signatories are also obliged to externally communicate the measures taken, e.g. in the field of environmental protection. They shall cooperate with other financial institutions and environmental organisations in a spirit of partnership and assist them in their sustainable development efforts.

NRW.BANK supports the sustainable economic and social development of North Rhine-Westphalia, thus enabling growth for today's generation without jeopardising the well-being of future generations. This task is incumbent on NRW.BANK in its capacity as development bank of the state of North Rhine-Westphalia, as it has great responsibility for the people, the corporate sector, the municipalities and the economy in North Rhine-Westphalia.

Going forward, corporate responsibility remains an issue of great significance at NRW.BANK. The existing sustainability strategy will continue to be implemented with a view to pushing ahead the economic and social development in North Rhine-Westphalia. In 2010, one of the key tasks was to monitor compliance with the relevant standards, e.g. in the context of the three initiatives described above. In the next fiscal year, the Bank will aim to integrate the issues and principles of

the initiatives more closely into its day-to-day business, thus expanding its commitment even further. Accepting environmental, economic and social responsibility as an enterprise and employer will remain a key objective for NRW.BANK.

These sustainability aspects are becoming increasingly important and relevant in the public discussion, which is not least attributable to the presence of issues such as climate change in the media. Besides the benefits for society resulting from NRW.BANK's sustainable activity, the Bank also uses these issues for communication with the public, non-governmental organisations and rating agencies.

The sustainability performance of NRW.BANK is analysed and rated by Sustainalytics GmbH and oekom research AG, two rating agencies in the sustainable investments segment. Apart from these two agencies, imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH also prepared a positive sustainability assessment, while Bank Sarasin & Cie AG has included NRW.BANK in its "sustainable investment universe".

### Sustainable Promotion for Our Clients

While demand for promotion and development products was very much influenced by the management of the financial and economic crisis especially at the beginning of the year, demand for such products changed significantly as the year progressed. This change is primarily attributable to the fact that companies showed growing interest in investment finance, while the main focus in the year 2009 was on safeguarding liquidity. In its capacity as development bank of North Rhine-Westphalia, NRW.BANK thus faced a dual task, namely the provision of liquidity at the beginning of the year and, from mid-2010, the takeover of risks with a view to helping manage the consequences of the crisis while at the same time

covering the funding requirements resulting from the pick-up in economic activity.

In response to these demands, NRW.BANK expanded and adjusted its products range, implemented the economic stimulus packages of the federal government and, in particular, made available liquidity. This is reflected in the increase in liability releases. Thanks to its offering, NRW.BANK was able to commit a much higher volume of promotion funds in the past year. Total commitments in 2010 amounted to € 8.5 billion, up 7.5% on the year 2009.

The importance of the funds granted by NRW.BANK is also reflected in the increased number of commitments. In 2010, funding commitments amounted to roughly 79,200, which represents an increase on the high level of the previous year.

The trend towards lower financing amounts seen in 2009 turned around as the symptoms of the crisis expired. The average promotion amount increased by 7.3% in 2010, compared to an 18.4% decline in the previous year. This trend underlines the increased importance of investment finance in the fiscal year as compared to working capital loans, which were preferred in the previous year and are characterised by lower average volumes and shorter tenors.

Using its own income for the promotion and development business is an integral element of NRW.BANK's business strategy. As in the previous years, the Bank used the funds allocated to provisions for interest subsidies primarily to lower the interest rates of start-up and SME promotion programmes and, to a minor extent, for infrastructure funding programmes. In 2010, an amount of € 27.1 million was allocated to the provision for interest subsidies for the promotion programmes of NRW.BANK. This represents a 26.6% increase on the year 2009. In addition, NRW.BANK provided com-

prehensive qualitative promotion services; these include, in particular, free advisory services for customers as well as support services for multipliers and relationship banks.

In its capacity as a conduit of promotion funding, NRW.BANK makes available federal promotion programmes of KfW Bankengruppe and of Landwirtschaftliche Rentenbank to the savings banks group in North Rhine-Westphalia. The interest subsidies make the terms and conditions of the programmes especially favourable.

#### **Start-up and SME Promotion**

The surprisingly swift improvement in the business situation in 2010 is also reflected in the promotion figures. In the past fiscal year, funds granted for the promotion of start-ups and SMEs were up by 34.7% on the previous year to € 3.2 billion. The number of commitments picked up as well, hitting a new record at 16,154. This growth was primarily driven by increased demand for the NRW.BANK.Mittelstandskredit, under which an amount of € 1.1 billion was committed to some 4,100 recipients, and to the good performance of the programmes of KfW Bankengruppe, for instance for the financing of renewable energy.

In 2010, flexibility was again one of the main factors driving demand from SMEs. Accordingly, demand for the NRW.BANK.Universalkredit, which offers flexible uses and tenors between four and ten years, remained very high. At € 243.1 million, commitments under this programme increased by as much as 15.8% on the previous year.

Demand for global loans for relationship banks also picked up markedly in 2010 as compared to the previous year and reached € 205.0 million. Relationship banks make flexible use of these funds to fund commercial investments.

Support under the economic stimulus packages in the context of which various measures were taken in 2009 and 2010 to manage the financial and economic crisis and, in particular, to prevent financial bottlenecks in the SME sector, was limited until December 31, 2010. However, many of the features of the promotion programmes developed to master the crisis have temporarily been transferred to other programmes, so that the funding recipients will benefit from NRW.BANK's support also in 2011.

To provide business start-ups and SMEs with continued access to low-interest promotion loans, NRW.BANK expanded its range of solutions incorporating liability releases for relationship banks in the past year. Product variants that free the relationship banks from the risk of the final borrower are very attractive. Examples include the NRW.BANK.Gründungskredit with guaranty, whose commitment volume was up by about one third on the previous year in 2010.

The "NRW/EU.Mikrodarlehen" was launched specifically for micro start-ups with borrowing requirements between € 5,000 and € 25,000. As part of a pilot project, this programme was executed in cooperation with the STARTERCENTER NRW advice centres. The cooperating partners advise applicants on the application process and accept the promotion applications. These micro loans offer a start-up facility particularly for unemployed people seeking to become self-employed, given that loan approval is not dependent on the provision of collateral as is customary with bank loans. This product has so far been available only at a few pilot locations and will be rolled out through North Rhine-Westphalia in 2011.

Apart from the multi-purpose promotion programmes for small and mid-sized enterprises, there was also demand for those programmes which are specifically tailored to key aspects of structural policy pursued by

the state of North Rhine-Westphalia. These included the NRW.BANK.Elektromobilität programme which was developed by order of the state government with a view to meeting the federal government's climate protection targets. This programme provides low-interest funding for up to 100% of the costs of research and development programmes eligible under the "Masterplan Elektromobilität Nordrhein-Westfalen". A release from liability for the borrower's relationship bank can optionally be provided. Promotion loans worth € 8.8 million were committed already in the year 2010.

High-tech start-ups based on innovative and technically new products and services are promoted by way of the NRW.BANK.Seed Fonds, an umbrella fund invested in seven regional seed companies in North Rhine-Westphalia. The regional seed funds, some of which have a specific industry focus, provide high-tech start-ups with seed capital of typically up to € 0.5 million. This can be followed up by venture capital investments worth up to € 3.0 million from the NRW.BANK.Venture Fonds for young and innovative companies in the IT and communication technologies, life sciences, optics and materials sectors. Innovative projects totalling € 9.8 million were funded through this instrument in the year 2010.

The ever more complex interdependencies between companies' financial management decisions and their success in the real economy means that over and beyond the provision of funds, there is a need for targeted information on promotion funds as well as customised advice on funding structures and the use of available funding. This is why NRW.BANK's advisory services have been expanded into a central pillar of the bank's range of services.

Appreciably boosted by the crisis, mid-sized companies' demand for support and advisory services remained at a high level also in the past year. In the light of this

NRW.BANK added a number of new information and advisory services to its existing advisory services during the year 2010. Mid-sized companies as well as information disseminators and local relationship banks made lively use of these services. Continuing high usage prompted NRW.BANK to adopt the telephone info line as a permanent service offering. The info line handled some 12,000 inquiries in 2010.

The funding advice service launched in June 2009 specifically for mid-sized companies has also continued to attract high demand. A total of 160 companies availed themselves of NRW.BANK's new funding advice service within the context of approximately 700 advisory meetings. In addition, 2010 saw the launch of seminars and workshops organised by NRW.BANK to provide business owners with specific support in terms of access to and use of promotion funding. In addition, the long-established advisory days for companies organised in conjunction with local chambers of industry, commerce and trade were also strengthened and expanded during the year 2010.

#### Infrastructure and Municipal Financing

A functioning infrastructure is the basis for a positive development in our state. NRW.BANK provides funding for infrastructure projects in North Rhine-Westphalia for example through NRW.BANK.Infrastruktur, a programme which mobilises private capital for investment in technical and social infrastructure. This programme offers attractive promotion loans for financing investments by companies as well as self-employed and private investors. Totalling € 138.5 million (including the global loans granted under the programme), the volume of promotion loans was up by 31.1% on the year 2009. Local authorities, municipally owned companies and municipal cooperatives can avail themselves of two coordinated programmes, namely NRW.BANK.Kommunal Invest and NRW.BANK.Kommunal Invest Plus. Due to, amongst other factors, the federal government's second economic

stimulus package, local authorities showed lower demand for NRW.BANK loans in 2009. As this extra funding from federal sources expired, municipal demand for investment finance picked up again. As a result, 2010 commitments under the NRW.BANK.Kommunal Invest and NRW.BANK.Kommunal Invest Plus programmes totalled € 136.1 million, up 19.8% on the year 2009.

NRW.BANK.Sportstätten remains a popular programme. It provides funding for the acquisition, modernisation and expansion of sports facilities by non-profit sports organisations such as clubs and federations. Working in close conjunction with the state government and the state sports federation, NRW.BANK committed a total of € 14.4 million in loans benefiting from a far-ranging release from liability for the local lending banks. This represents a 64.5% increase compared to the year 2009.

Infrastructure investments in sewage protection are supported through "Investitionsprogramm Abwasser", or IPA for short. This programme uses loans whose interest rates are subsidised from state funds to promote investments in sewage protection by local authorities and municipal cooperatives; examples of such investments include the construction of water treatment plants and the creation of soil filtration plants. Loans committed in 2010 totalled € 46.0 million, up 29.9% on the previous year. Another variant of this programme supports similar investments by industrial companies by way of interest-subsidised credits and grants.

#### Housing Promotion

Social housing remained an essential field of promotion also in 2010. This is the largest and oldest field of promotion served by NRW.BANK and its predecessor institutions. Its final beneficiaries are predominantly low-income families and the socially disadvantaged. This field of promotion also includes measures targeting areas with concentrations of socially disadvantaged



tenants and contributing to specific urban development measures. From a sustainability point of view, it bears emphasising that all newly created rented flats are barrier-free and therefore suitable for old and handicapped tenants. Moreover, extra funding is available for energy-saving measures both in new construction and refurbishment measures.

Following on from the record volume of € 1,140.7 million in 2009 (+ 20.4% compared to the prior year), the committed promotion volume amounted to € 1,038.6 million in 2010. Commitments declined particularly in the rented accommodation segment which had marked a record in 2009 when the business volume amounted to € 491.9 million (compared to € 345.2 million in the prior year); 2010 commitments in this segment declined by 15.4% to € 416.3 million. The promotion of owner-occupied accommodation attracted such high demand that new applications and approvals had to be suspended in September in order to avoid exceeding the programme volume. As a result, 2010 commitments remained stable at € 566.4 million compared to € 546.1 million in 2009.

#### **Individual Promotion**

Another focus of NRW.BANK's activities is on the promotion of private housing construction. Clearly increased demand was recorded, in particular, for KfW's programmes for financing the construction and refurbishment of energy-optimised residences; these programmes benefit from federal interest subsidies. Compared to the year 2009, commitments under the "KfW-Wohneigentumsförderung" programme rose by 72.0% to € 679.6 million.

The NRW.BANK.Studienbeitragsdarlehen tuition fee loan, is designed to minimise the financial burden on students resulting from university tuition fees. The programme offers students at public universities low-

interest loans which may exclusively be used to finance their tuition fees. Loan approval is not subject to credit checks and the maximum amount repayable by BAföG grant recipients is capped at € 10,000. The NRW.BANK.Studienbeitragsdarlehen continued to attract strong demand in 2010, with approximately 17,200 students taking out this loan for the first time during the year.

#### **Assuming Social Responsibility for Employees**

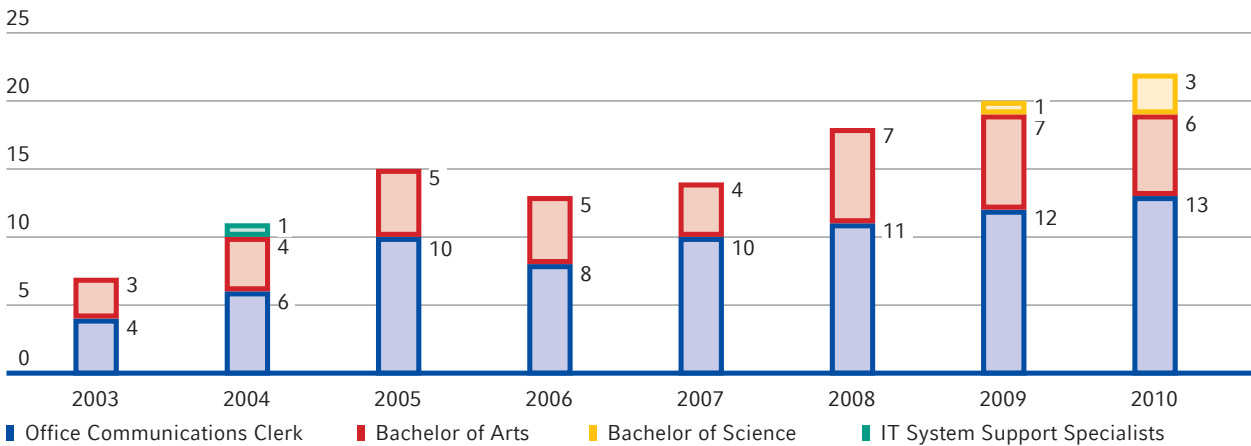
The guiding thought of sustainability and corporate responsibility also extends to NRW.BANK's human resources policies. These are geared to creating job safety, individual opportunities for qualification and development as well as exemplary working conditions which allow to develop and retain employees also over the long term.

#### **Securing Junior Staff**

NRW.BANK continues to train young people at its dual head offices, thereby ensuring the availability of well-qualified employees who are familiar with the specific requirements of the development and promotion business pursued by this institution. Apprenticeship and traineeship graduates are typically offered permanent employment. The majority of the 72 young people who have attended these programmes to date have accepted this offer and 52 of them remain in employment at NRW.BANK, benefiting from good working conditions and convincing career prospects.

NRW.BANK considers the training of young people also to be a social obligation. In order to make a contribution to resolving the so-called "G8" problem in 2013 (that year will see double the number of A-level school leavers due to a change in the German education system), the number of apprenticeships has been steadily increased already in recent years.

## Hired Apprentices and Trainees



The 2010 intake of 22 new apprentices and trainees in the "Office Communications Clerk with additional qualification in bank operations", "Bachelor of Arts – Banking & Finance" and "Bachelor of Science – Business Informatics" programmes mean that the number of apprenticeships and traineeships was once again higher than in the previous years.

During the year 2010 an additional seminar for experienced trainers and instructors was introduced in order to provide the business and service departments with the best possible support for their important training activities.

NRW.BANK continues to support employees' qualification efforts even after they have completed their apprenticeship. At present 60 employees make use of the possibility to study for a degree alongside their job at NRW.BANK.

University graduates continue to find interesting entry-level openings at NRW.BANK. Five trainee positions are permanently available in different areas of the Bank. Since the year 2008 six trainees have successfully been prepared for their targeted positions and are now in permanent employment with the Bank.

During the year 2010 NRW.BANK once again supported the creation of apprenticeship positions for lower secondary school leavers with the Bank's service providers. As part of its commitment to corporate citizenship the Bank continued to sponsor the training of young people in professions and trades which it cannot provide internally.

### Facilitating Development

The year 2010 saw two significant developments, in particular. First, the Bank's headcount did not increase further for the first time since the foundation of NRW.BANK. Second, the integration of Wohnungsbauförderungsanstalt (Wfa) led to numerous changes in organisational and human resources terms.

Following the fast organisational growth in the initial years, NRW.BANK is now in a phase of consolidation, the most visible sign of which is the fact that external hiring was largely dispensed with during the year 2010.

Compared to the previous year, 2010 saw a slight increase in employee fluctuation due to a higher number of age-related retirements. The total fluctuation of 2.7% was comprised of 1.0% terminations and 1.7%

retirements. The extremely low number of terminations shows that employees appreciate NRW.BANK's efforts to offer interesting career development prospects and fair working conditions.

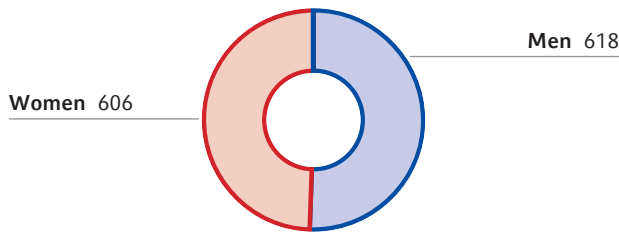
In the year 2010 the number of new hirings was lower than the number of retirements and terminations, resulting in the first-ever decline in the overall headcount. However, the increase in apprenticeships meant that the December 31, 2010 headcount matched the prior year's level of 1,224 employees which corresponds to a full-time equivalent (FTE) number of 1,146.9.

This development did not affect the female/male ratio which remained in balance at around 50% each.

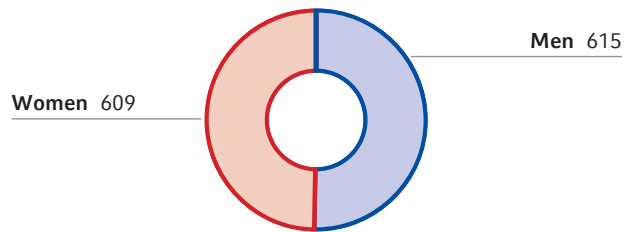
There has been no change in the allocation of employees to the dual head office; two thirds of employees continue to work in Düsseldorf while one third work in Münster.

As apprentices accounted for most of the external hirings and most of the retirements were due to age reasons, the average age of NRW.BANK employees remained almost constant at 42.6 years.

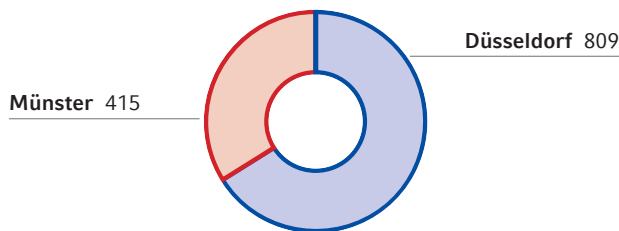
**Female/Male Ratio 2010**



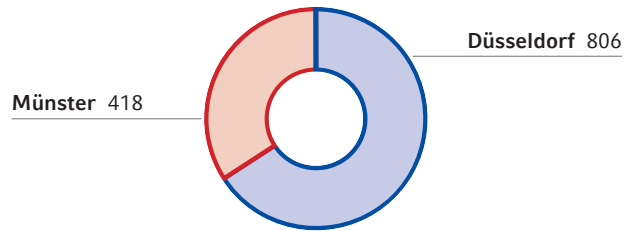
**Female/Male Ratio 2009**



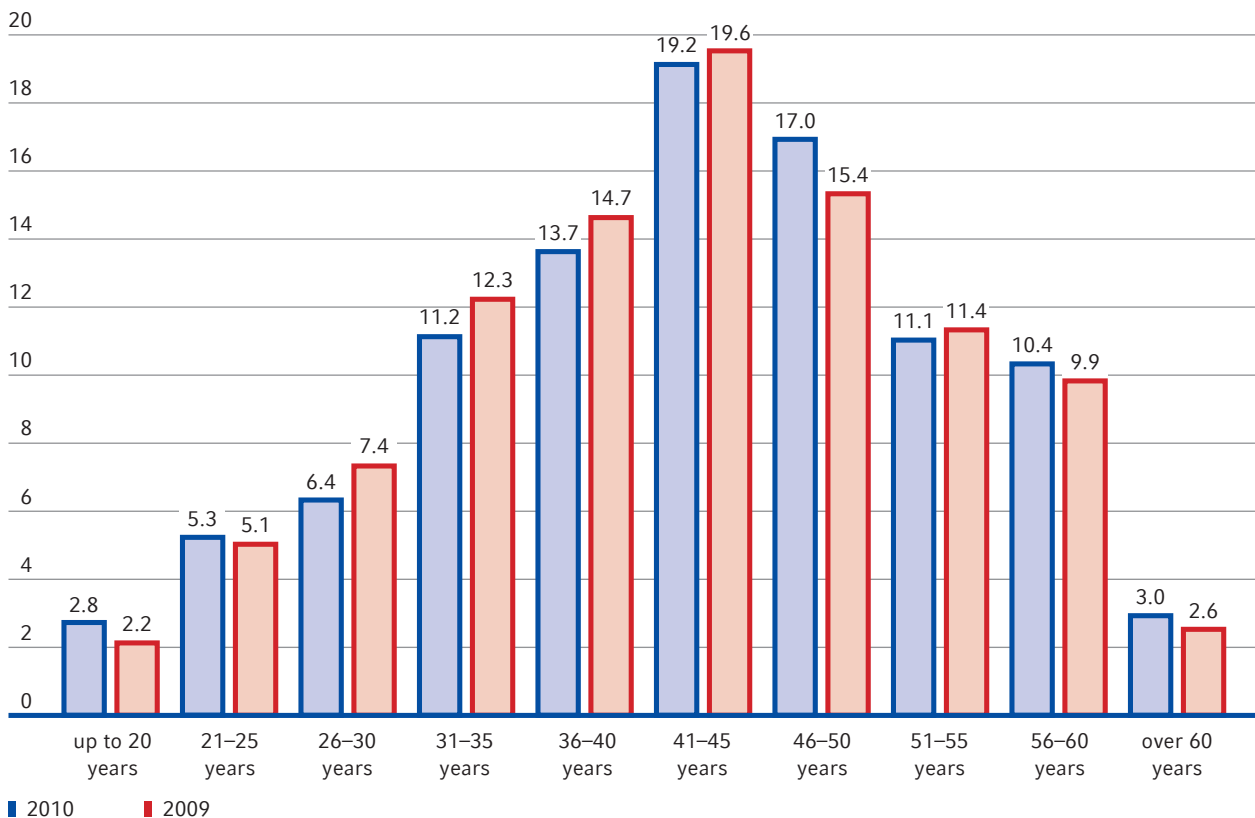
**Employees by Locations 2010**



**Employees by Locations 2009**



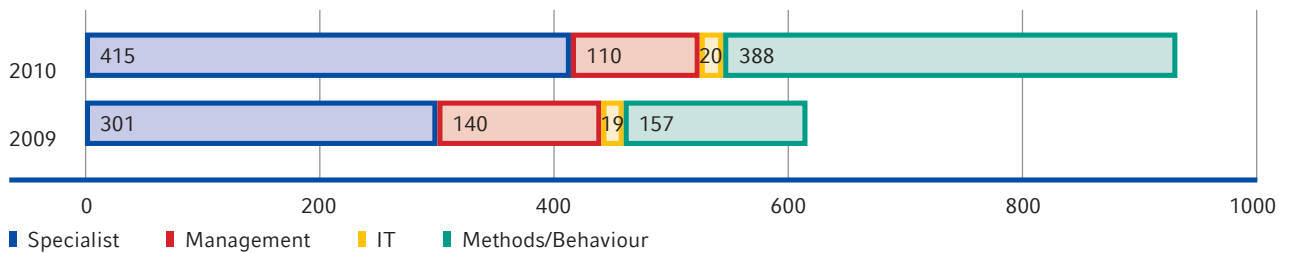
## Age Structure in %



While the renouncement of external hiring is hardly reflected in these statistical figures, it had significant implications for the Bank's employees. The essential consequence was that vacant positions were almost exclusively filled with internal applicants. This led to chain reactions as filling one position led to the next position becoming vacant, resulting in 116 employees assuming new functions during the year. Another 38 positions were filled with apprenticeship graduates and employees returning from parental leave. All told, 12.6% of all active employees were introduced to new tasks during the last year. In addition, organisational changes such as the integration of the former Wfa, in particular, had an impact on the work of an even larger percentage of employees.

To support these comprehensive changes, the offering of internal training measures was once more expanded in close conjunction with the Bank's individual departments and areas. Internal seminars in this sense are all events organised specifically for and on behalf of NRW.BANK and are therefore closely geared to the needs and requirements of the Bank's workforce. The intensive use made of these seminars demonstrates that the new offering was aligned exactly with existing needs, allowing numerous employees to be supported in filling their new positions.

### Internal Seminar Participation by Topics



Demand was particularly strong for specialist topics such as seminars on credit and creditworthiness analysis or the law on grants and allowances. In the context of the organisational changes and the integration of Wfa, the focus also shifted to various aspects of communication and method training such as task and time management.

However, the clear increase in the number of internal seminars did not detract from demand for external training. This route remained open to employees requiring training on specialist topics which did not attract a large number of potential participants at any one time.

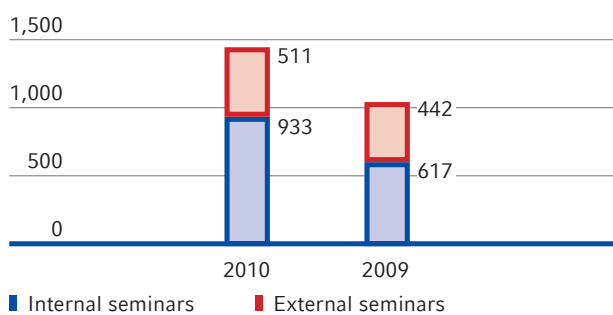
In purely arithmetical terms, each employee attended 1.2 seminars in 2010, with men being slightly over-represented at 54.5%.

### Equal Opportunities

Summer 2010 saw the publication of NRW.BANK's updated Equal Opportunities Plan for female and male employees. It confirms the Bank's resolve to offer women and men equal opportunities corresponding to their professional and personal competencies. A concrete catalogue of measures ensures that the Bank's equal opportunities policies are applied in filling positions, in human resources development and in terms of the compatibility of working and family life.

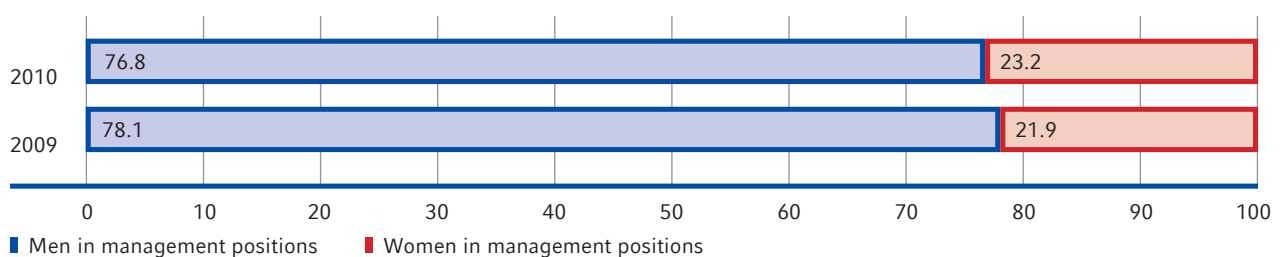
### Seminar Participation by Providers

(Including Management Seminars, without Apprentices)



A visible sign of NRW.BANK's successful approach to this issue is the steadily growing share of female employees in management positions. While women remain underrepresented, they accounted for just under half of the employees who assumed management positions for the first time in 2010. This change has become evident particularly at the bottom management layer where 29.7% of all managers are already female.

### Breakdown of Management Positions in %



However women are increasingly represented not only in management positions but also in the more highly paid specialist positions in the upper echelons of, and outside of, the collectively agreed wage scales where the female share has recently risen to 40.5%.

Part-time work in management positions remains at a low 4.1%. Moreover, those managers who do work part-time have a higher work-time ratio (83.2% on average) than other employees working part-time (63.8% on average). While part-time work in management position was almost exclusively a female domain in the previous year, men accounted for one third of all managers working part-time as at December 31, 2010.

In 2010 the percentage of all employees working part-time rose slightly to 17.5%. NRW.BANK continues to support the compatibility of working and family life by offering child care facilities at both head offices as well as the possibility to take individual needs into account in planning work schedules. Part-time work is increasingly attracting demand from men who meanwhile account for 8.9% of part-timers; the percentage is clearly higher among male employees outside the collectively agreed wage scale compared to male employees covered by the collectively agreed wage scale (20% vs. 6.7%).

The new legislation on parental leave has changed perception of this instrument, with 13 male employees taking parental leave – typically two months – in 2010.

#### Maintaining Performance

NRW.BANK's understanding of sustainability and corporate responsibility also extends to good working conditions and exemplary health and safety policies.

In 2009 the Bank launched a comprehensive hazard analysis which will successively cover all areas of operations. This programme is to ensure that potential health hazards and avoidable stressors are recognised and remedied. Last year this analysis led to numerous easily implemented measures, some of which yielded significant improvements in working conditions. Moreover, job satisfaction and identification with NRW.BANK continue to benefit from the direct involvement of employees in workplace design and in the implementation of the ideas contributed by them.

In addition, the Bank continues to support these efforts and offers various healthcare services as well as selected health-oriented sporting activities.

These offerings are not only greatly appreciated by NRW.BANK employees but also attracted two awards in 2010:

- NRW.BANK's outstanding commitment to employee health was confirmed by the renewed bestowal of the seal of quality under the Corporate Health Award 2010 sponsored by Handelsblatt, TÜV SÜD Life Service and EuPD Research and
- NRW.BANK's excellent health and safety organisation was singled out for an award by the Unfallkasse NRW accident insurance fund.



## Assuming Responsibility for the Environment

### The Situation

With a view to ensuring maximum transparency, NRW.BANK presented its fourth report on selected environmental key figures and their changes in 2010. The report is based on the standards of the "Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen e. V." (VfU – Association for Environmental Management in Banks, Savings Banks and Insurance Companies).

The present Eco Balance<sup>1</sup> for the year 2010 covers the ecological data of all NRW.BANK buildings<sup>2</sup>. The key figures and ratios per employee permit comparisons with prior periods and allow to assess the general trends. External employees who work in the buildings of NRW.BANK and therefore participate in the consumption of resources were included in the calculation of the corporate ecological data. By contrast, employees on parental leave were not included in the calculation.<sup>3</sup>

As the new building in Münster was taken into service, the useful space increased by approximately 9,940 square metres or 88.4%. Together with the additional offices at Ernst-Gnoß-Straße in Düsseldorf, the total useful space increased by 17.2% to just under 53,000 square metres. The tight office situation resulting from the construction phase eased in the fiscal year and the conference and reception facilities were taken into services. The new canteen in Münster also started operations, thus replacing the external facilities used for this purpose in the past years. Therefore, individual consumption parameters cannot fully be compared with the prior year figures.

### Building Energy

In conjunction with the taking into service of the new building at NRW.BANK's head office in Münster, another existing building of approximately 2,800 square metres was vacated to undergo a state-of-the-art refurbishment. These construction activities will be completed next year and will contribute to the responsible use of resources in Münster in keeping with NRW.BANK's sustainability policy. As usual, however, the full energy saving potential cannot be exploited during the fine-tuning phase. While the vacated offices no longer count towards the total amount of office space used, the energy consumption of these offices is nevertheless included in the total figures, as the electricity and heating energy consumption figures of these offices were not measured separately.

To further reduce the environmental impact, district heat is used at both 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 absolute consumption figures increased primarily because of the increase in the useful space and are still at a low level by industry standards. Heating energy consumption per square metre reached 96.2 kilowatt hours in the past fiscal year, compared to 76.6 kilowatt hours in the year 2009. This increase is mainly due to the temperatures in the past fiscal year; given the high user comfort, the total consumption is still relatively low.

### Heating Energy Consumption NRW.BANK Buildings

#### Kilowatt Hours per Year

	2010	2009
Total	5,093,322	3,461,840

#### Kilowatt Hours per Employee and Year

	2010	2009
Total	3,750	2,617

<sup>1</sup> The environmental figures were collected in cooperation with Büro WiRkung from Grevenbroich.

<sup>2</sup> Incl. office at Ernst-Gnoß-Straße, but excl. liaison office in Brussels.

<sup>3</sup> In accordance with the VfU standards, 1,323 employees were taken as the basis for the relative figures in 2009 and 1,358 employees in 2010.

Electricity consumption across all buildings also increased in terms of the consumption figures per employee. The higher consumption figures are mainly attributable to the increase in the useful space and the taking into service of the canteen. At 109 kilowatt hours per square metres, electricity consumption was slightly above the previous year's 103 kilowatt hours per square metre.

### Electricity Consumption NRW.BANK Buildings

#### Kilowatt Hours per Year

	2010	2009
Total	5,782,431	4,634,670

#### Kilowatt Hours per Employee and Year

	2010	2009
Total	4,258	3,504

### Business Travel

As a result of the comprehensive information and advisory services provided by NRW.BANK, business trips were made primarily by the employees of the

Bank's Advisory Services. 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.

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.

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 CO<sub>2</sub> emissions average 173 grams per kilometer.

Business travel per employee was down by 5.2% on the previous year. The video conference systems installed in 2009 helped to reduce the amount of business travel. A look at the absolute figures in both years shows that, besides the decline in total kilometres travelled, there was a clear shift from short-haul flights to rail travel. Short-haul flights declined by 35.4%, while rail travel increased by 23.7%. Long-haul flights and car travel were down by 18.8% and 2.1%, respectively, on the previous year.

### Business Travel

	2010	2009	2010	2009
	km	km	%	%
Rail	1,092,458	883,402	24	18
Road	2,781,268	2,839,941	60	60
Short-haul flights	326,642	505,073	7	11
Long-haul flights	424,931	523,013	9	11
<b>Total</b>	<b>4,625,299</b>	<b>4,751,429</b>	<b>100</b>	<b>100</b>
<b>km per employee</b>	<b>3,406</b>	<b>3,592</b>		



### Paper Consumption

Total office paper consumption at both head offices amounted to 56.5 tonnes, which means that the total amount of paper used was reduced as compared to the previous year. Translated into kilogrammes, this is equivalent to a specific annual consumption of 41.6 kilogrammes per employee.

This continued positive trend is attributable to increased employee awareness and the use of a new printing technology as a result of the replacement of IT components.

### Paper Consumption

#### Kilogrammes per Year

	2010	2009
<b>Total</b>	<b>56,454</b>	<b>58,189</b>

#### Kilogrammes per Employee and Year

	2010	2009
<b>Total</b>	<b>42</b>	<b>44</b>

Irrespective of this positive trend, an analysis of the composition of paper types used shows that there is still potential for optimisation from an ecological point of view. Especially chlorine-bleached and elemental chlorine-free (ECF) papers were not reduced to the desired extent in the reporting year.

### Paper Types

	2010	2009
	%	%
Recycled paper	4	6
Virgin fibre paper, ECF*	90	89
Virgin fibre paper, TCF*	< 1	0
Virgin fibre paper, FSC-certified	2	< 1
Virgin fibre paper, chlorine-bleached	3	4

\* ECF = elemental chlorine-free, TCF = totally chlorine-free

The Bank will therefore pay special attention to increasing the percentage of ecologically sound paper types in the next years.

### Water Consumption

The moderate increase in water consumption per employee is attributable to the start of operations of the canteen in the new building at NRW.BANK's head office in Münster.

### Water Consumption

#### Cubic Metres per Year

	2010	2009
<b>Total</b>	<b>20,386</b>	<b>19,371</b>

#### Litres per Employee and Day

	2010	2009
<b>Total</b>	<b>60</b>	<b>59</b>

### Waste Volume

The total waste volume increased to 233 tonnes as compared to the previous year. Paper waste declined to 113 tonnes. A reallocation allowed to reduce waste from document shredding by 18 tonnes compared to the previous year, while the amount of waste paper increased. The residual waste volume rose due to the increase in the useful space and the start of operations of the canteen in Münster.

### Waste Volume

	2010	2009
	t	t
Waste paper	63	54
Document shredding	50	68
Residual waste	114	91
DSD ("green dot")	6	6
<b>Total*</b>	<b>233</b>	<b>219</b>
kg per employee	171	166
Recycling ratio*	65%	65%

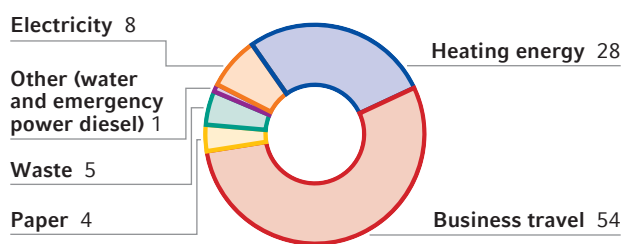
\* excl. others, food waste, grease and oil from grease separators

**Greenhouse Gas**

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. The positive effect of this policy was clearly visible in 2010. Given that only

electricity from renewable sources was purchased, the latter account for a pleasingly low 8.1% of the CO<sub>2</sub> emissions. Greenhouse gas emissions were derived from the above figures and translated into carbon dioxide equivalents. Emissions are calculated for the Bank as a whole.

**CO<sub>2</sub> Emissions by Producers in %**



**CO<sub>2</sub> Emissions by Producers**

	2010	2009*
	kg CO <sub>2</sub>	kg CO <sub>2</sub>
Electricity	142,654	125,815
Heating energy	499,146	339,260
Business travel	954,894	1,007,107
Others	171,554	148,544
<b>Total</b>	<b>1,768,247</b>	<b>1,620,726</b>
<b>CO<sub>2</sub> per employee</b>	<b>1,302</b>	<b>1,225</b>

\* CO<sub>2</sub> emissions for 2009 shown for purposes of comparison; all figures were computed using the conversion factors as per VfU Update 2010

**CO<sub>2</sub> Emissions by Producers and Emission Categories\* at NRW.BANK in 2010**

CO <sub>2</sub> Emissions by Origin	Emission Category 1*	Emission Category 2*	Emission Category 3*	Total
	kg CO <sub>2</sub>	kg CO <sub>2</sub>	kg CO <sub>2</sub>	kg CO <sub>2</sub>
Electricity				142,654
– Natural energy (hydropower) (96.7%)			67,146	
– Municipal utilities (3.3%)		75,508		
District heat		499,146		499,146
Emergency power diesel	6,953		1,292	8,245
Travel				954,893
– Long-haul flights			46,317	
– Short-haul flights			63,695	
– Road	545,129		247,533	
– Rail			52,219	
Paper			67,745	67,745
Water			15,269	15,269
Waste incineration			80,295	80,295
<b>CO<sub>2</sub> total (to VfU Standard Update 2010)</b>	<b>552,082</b>	<b>574,654</b>	<b>641,511</b>	<b>1,768,247</b>
<b>CO<sub>2</sub> per empl, (to VfU Standard Update 2010)</b>				<b>1,302</b>

\* Distinction between direct and indirect emissions: Direct greenhouse gas emissions come from sources owned or controlled by NRW.BANK. Indirect greenhouse gas emissions result from the business activity of NRW.BANK – their sources are owned or controlled by third parties. In accordance with the "Greenhouse Gas (GHG) Protocol", emissions are divided into three categories depending on the degree of influence exerted by NRW.BANK:

- Emission category 1 comprises all direct emissions.
- Emission category 2 covers all indirect emissions produced, for instance, in the generation of electricity, steam or thermal energy sourced by NRW.BANK from external sources.
- Emission category 3 comprises all other indirect emissions in the field of logistics, material consumption, supplies and disposal. This also includes the emissions produced by service providers or manufacturing companies and their upstream suppliers.

## 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 2010 eco balance show the trends to date and serve as the basis for the continuation of the ongoing optimisation process.

The Bank continues to aim for a reduction of its impact on the environment to the extent possible.

## Showing Commitment to Society

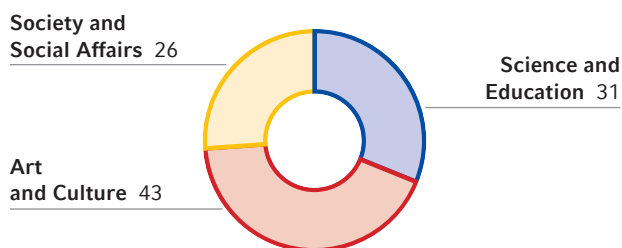
During the year 2010 NRW.BANK continued to exercise corporate citizenship by supporting public and social life in North Rhine-Westphalia.

To ensure transparency and accountability, all requests for sponsorships and donations are received and documented by a central unit which applies standardised assessment criteria to produce a quarterly approval submission to the Managing Board. This approach has proven itself in terms of efficiency and transparency over the years.

NRW.BANK's sponsorships centre on the areas of "Science and Education", "Art and Culture" and "Society and Social Affairs". As in the previous year, a sum of approximately € 0.7 million was available for sponsorships in 2010.

During the reporting period, grants in the field of "Science and Education" (2010: 31%, 2009: 35%) and for projects in "Art and Culture" (2010: 43%, 2009: 45%) decreased slightly in favour of grants in the "Society and Social Affairs" field (2010: 26%, 2009: 20%).

## Percentage Breakdown of Sponsored Fields in 2010 in %



To illustrate these activities, several sponsorships are highlighted below.

### Science and Education

Following on from the successful 2008 launch of the "Schulpartnerschaften" project, this sponsorship continued to make satisfactory progress in 2010. NRW.BANK provides direct support to four schools in Düsseldorf and Münster, the locations of its dual head offices. The project aims to offer career guidance to pupils and students through a number of customised modular services which are rendered by specialised service providers. The participating students and pupils as well as their teachers were unanimous in appreciating the value added to their career choice process by this programme.

A pilot project launched in 2009 illustrated NRW.BANK's continued commitment to corporate citizenship and, in particular, the training of young people in 2010. Under this programme, the Bank supports its suppliers and service providers in offering additional apprenticeships which allow to train young people in trades and professions which the Bank cannot provide internally. At present five young people are trained as chefs, as a professional building cleaner and as electronics

specialists for facility management. NRW.BANK intends to expand this social sponsorship programme and plans to sponsor another four external training positions in the year 2011.

During the reporting period NRW.BANK continued its cooperation with the "STARTER & Co." (renamed from "Go! to school") initiative of the "Stiftung Partner für Schule NRW" foundation. The programme afforded interested pupils and students from North Rhine-Westphalian schools insight into the world of business and provided them with an easily comprehensible introduction to the basics of economics and business administration. In summer another round of the "Schüler-idee des Jahres" competition was organised on the premises of NRW.BANK. Following a preliminary screening of some 600 business ideas submitted by teams of students and pupils, twelve teams were invited to present their ideas before an expert jury. In addition, the participants in this final round were invited to present their start-up ideas to the Minister of Economics, Small Business and Energy as well as the Minister of Schools and Education of North Rhine-Westphalia. Money prizes went to the teams who had submitted the three winning ideas.

The reporting period also saw NRW.BANK sponsor two campus events, namely the "Symposium Ökonomie" in Münster and the "MUI MUN" (Münster University International Model United Nations). NRW.BANK supported the student organisers, who once again brought a highly professional approach to their task, in realising their ideas.

In the area of "Science and Education", the Bank continued its policy of the previous years by supporting academic institutions focusing on financial research and housing. The beneficiaries were the Institut für

Kredit- und Finanzwirtschaft (ikf) at Bochum University, "Centre for Financial Research" (CFR) at Cologne University, the "European Center for Financial Services" (ecfs) at Duisburg/Essen University, the Institute of Spatial Planning at TU Dortmund University and the Institut für Kreditwesen (ifk) at Westfälische Wilhelms-Universität Münster. Each of these institutes receives a basic annual grant of € 10,000.

In addition, the participating institutes can compete for additional funding from a project budget by submitting compelling ideas. One of the awards went to the Institute of Spatial Planning at TU Dortmund University which organised a cross-university project on "Wohnungsmärkte im Wandel – Steuerungsmöglichkeiten der Kommunen" during the 2010 summer semester. The results obtained to date under the aspects "potentials", "problems" and "projects" are to be presented and compared within the framework of a joint event involving all partners in the model project, allowing to outline possible solutions to this challenge.

#### Art and Culture

In the focal area of "Art and Culture", the Bank continued its long-standing sponsorships for such activities as the internationally renowned "lit.COLOGNE" literature festival, the equally renowned International Short Film Festival Oberhausen as well as the new Ruhrtriennale cycle which started in 2009. Within the context of the "Innovationspool" project of the Ruhrtriennale, young film makers were given the opportunity to document several of the festival's major performances.

2010 saw a number of particular highlights around mid-year when the Bank sponsored three concerts staged in cooperation with Düsseldorf's "Altstadtherbst" festival and the Gesellschaft zur Förderung der Westfälischen Kulturarbeit e. V. (GWK).

The cooperation with the "Altstadtherbst" festival came to fruition already for the second time. As in the previous year, two concerts took place in the Bank's foyer at Kavalleriesstraße in Düsseldorf. By opening its doors to a music-loving audience on these two evenings, the Bank demonstrated its corporate citizenship in a highly visible way. Catering services were once more performed by NRW.BANK employees. This corporate volunteering effort allowed the proceeds of the beverage and snack sale to be donated to a local institution supporting young rock and pop bands. A total of approximately € 1,100 was handed over.

NRW.BANK's Münster head office provided the venue for a concert staged within the framework of the "GWK summerwinds Festival Münsterland". Here, too, NRW.BANK employees performed the catering service and were able to donate just under € 800 to the Münsterland county musical youth promotion scheme.

The past year also saw special support being provided to an initiative dedicated to the restoration of a restaurant carriage which is to be used as a visitor restaurant at the Westphalian State Museum of Industrial Heritage. Formerly operated by the Belgian Railways, the restaurant carriage will be restored by a local initiative and then form part of the museum's catering services. This project received a donation of € 30,000.

For several years NRW.BANK has supported up and coming photographers by holding competitions for the professional design of the NRW.BANK Art Calendar. This competition has meanwhile established itself among young photographers, attracting an increasing number of entries as well as showing a general improvement in the quality of submissions. The theme for the 2011 calendar, "Theatres, Concert Halls, Museums,

Libraries – human and populated interior and exterior views" was interpreted by this year's winner, Tobias Vollmer, whose photography blends architecture and portraits.

Tobias Vollmer was born in Munderkingen near Ulm in Baden-Württemberg in 1975 and studied photography at Folkwang Hochschule Essen. His photographic work convinced the NRW.BANK jurors with its clarity of expression and combinations of situations and architecture.

The second prize (€ 1,000) and the third prize (€ 500), respectively, went to Michael van den Bogaard and Hanna Witte, both from Cologne.

The year 2010 also saw the launch of a very special project at NRW.BANK in Münster. The Bank's cooperation with the class of Professor Köpnick from the Academy of Fine Arts Münster, has resulted in a two-year exhibition entitled "Vierzehn Antworten auf die Frage nach Fotografie". The participating young artists have interpreted their vision of the Bank's new building in Münster. Being a medium of direct exchange and image-based interaction, photographic art offered itself as an aesthetic and social interface between rooms, people and conditions. The resulting exhibition is a photographically oriented project based between the interior and the exterior world, between subjective poetry and objective perspectives. The contributors conducted an intensive exploration of the Bank's spatial and social architecture, producing an internal artistic intervention at the places of work of over 400 employees. In October this exhibition was presented to the interested public and generated a considerable response. Regular tours of the exhibition will continue to be offered.

In 2010 the Ruhr was the European Capital of Culture, with an entire continent looking to this region. Being the development bank of the state of North Rhine-Westphalia, NRW.BANK decided to tie in its contribution to this regional effort with its housing promotion mission. The Architecture and Residential Culture Tour supported by NRW.BANK offered insights into the region's residential culture, allowing visitors to gain an impression of people's lifestyles and working lives as well as their beliefs and mentalities. This was an official European Capital of Culture 2010 project.

#### Society and Social Affairs

NRW.BANK's notable activities in the "Society and Social Affairs" area in 2010 included its support for the children's centres in Haiti. Following the devastating earthquake NRW.BANK donated € 50,000 towards a sustainable education project within the framework of the "NRW helps Haiti" initiative. These children's centres offer housing and food for orphaned children and youths, creating an environment where they can play and learn while benefiting from medical and psychosocial care.

In addition, NRW.BANK continued to support "Bewegung leben! – Schule in Bewegung", a joint initiative of the DBS Academy of the National Paralympic Committee Germany and the Regional Association of the Rhineland (LVR). This school and sports promotion scheme for handicapped children received € 30,000 in funding in what was already the third year of this sponsorship.

In 2010 the "Leuchtende Kinderaugen" Christmas charity was organised as a corporate volunteering effort for the third time. Children from designated orphanages in the state were invited to send in their Christmas wishes on self-made Christmas stars which were hung on the Christmas trees at the NRW.BANK head offices in Düsseldorf and Münster. The Bank's volunteers, who bring great enthusiasm to this charity, picked the stars from the trees and procured the presents so that they could be delivered to the orphanages in time for Christmas Eve.

# Report on Public Corporate Governance in the Year 2010

This is the fifth consecutive time that NRW.BANK reports on the corporate governance efforts undertaken by NRW.BANK on the basis of its own Public Corporate Governance Code, which entered into force on January 1, 2006 and reflects the specific requirements of the Bank. In conjunction with the report on corporate responsibility, this report addresses the specific requirements of NRW.BANK as the development bank of North Rhine-Westphalia and has been refined on an ongoing basis over the past years.

## Legal Amendments Relating to Public Corporate Governance

In the years following the adoption of the internal Code of NRW.BANK, the respective rules for listed joint stock companies have been refined and separate rules have been adopted for public-sector companies. Examples include

- the latest amendment of the German Corporate Governance Code,
- the adoption of the “Gesetz zur Angemessenheit der Vorstandsvergütungen” (VorstAG – German Reasonableness of Management Compensation Act),
- the publication of the “Grundsätze guter Unternehmens- und Beteiligungsführung im Bereich des Bundes” (principles of good corporate and investment management in the area of the federal government),
- the “Transparenzgesetz NW” (North Rhine-Westphalian Transparency Act), which is specific to North Rhine-Westphalia and has been adopted by the NRW Parliament, and
- the “Institutsvergütungsverordnung” (Instituts-VergV – Bank Compensation Directive) issued by the Federal Banking Supervisory Authority for the banking sector.

One of the main reasons for these refinements was the wish – not least against the background of the loss of reputation and confidence suffered by the banking sector in the context of the global financial and economic crisis – to strengthen and restore investors’, the capital markets’ and the general public’s confidence in enter-

prises and their management teams. This applies especially to companies in which the public sector holds material investments, as these attract special public attention. Key elements of the different regulations include the further strengthening of the responsibility of the members of the supervisory bodies, the strict separation between the spheres of responsibility of the supervisory bodies and the management body as well as the transparency of incentive systems and compensation structures, which is of special interest to shareholders and the public. In addition, the regulations of the German Balance Sheet Modernisation Act (BilMoG) also address aspects of the accounting process and the audit of the annual accounts. According to these regulation, the supervisory body must, for instance, be involved in the design of the internal controlling system, which clearly helps to reduce the risk of malicious actions, which is inherent in any business activity.

The bodies of NRW.BANK have addressed various aspects of the framework conditions developed by the federal government and taken the initiative to review the internal Public Corporate Governance Code of NRW.BANK and to revise it to the extent necessary. The revised Code should and will reflect not only the objectives defined by comparable regulations but also the experience gained in the past years.

As the development bank of North Rhine-Westphalia, NRW.BANK sends an important signal to other companies in which the federal state holds material investments due to the latter’s prominent position as guarantor. Against this background, it is necessary to closely integrate and align the bank-specific groundwork completed by NRW.BANK with the considerations of the state government regarding the introduction of an NRW-wide code of conduct. In this context, it will also be important to adequately incorporate the particularities that result from the legally codified tasks of NRW.BANK as a competition-neutral and largely budget-independent development bank on the one hand and from the regulations of the German “Anstaltsrecht” on the other hand. In view of the above, the bodies of NRW.BANK aim to discuss the amended Public Corporate Governance Code of NRW.BANK in the course of 2011 and to put it into force on January, 2012.

## D&O Insurance

In the past fiscal year, the executive bodies of NRW.BANK closely addressed the question of whether a deductible should be included when renewing the D&O insurance policies for the members of the Bank's executive bodies. These discussions were triggered by the rules that apply to joint stock companies under the German Management Compensation Act. In view of NRW.BANK's legal status as a public-law institution, the structure and composition of the Supervisory Board, which provide for some mandatory members, the well-established, low-risk business model and, in particular, the lack of general regulations for companies in which the state of North Rhine-Westphalia holds material investments, the Board of Guarantors decided not to include a deductible in the insurance policies for the year 2011.

## Availability of Qualification Enhancement Measures

As one of the results of the global financial and economic crisis, the Deutscher Bundestag emphasised the necessity of the personal and functional qualification of the members of supervisory bodies for banks in the section 36 para. 3 KWG, which was revised in the context of the amendment of the German Banking Act in summer 2009. Besides the creation of reporting duties, which enable the Banking Supervisory Authority to assess a member's personal and functional qualification with regard to the respective business activities, a focus is placed on ongoing qualification enhancement, which permits to judge current developments. In response to this general idea, the bodies of NRW.BANK have created a two-stage offering for ongoing qualification enhancement based on a resolution passed by the Board of Guarantors. Besides a general information offering, in whose context the Bank will regularly inform its mandate holders about current developments and their specific effects on NRW.BANK, the Board of Guarantors has introduced the possibility for individual qualification enhancement of the members of the Supervisory Board with effect from the year 2011. For this purpose, the Bank intends to sign framework agreements with renowned providers of further training services focusing on bank management, which the members of the Supervisory Board may use individually in accordance with their respective functions.

The Bank thus lives up to its general responsibility to offer the members of its Supervisory Board the possibility for ongoing qualification enhancement.

## Invitation to Tender for the Provision of Auditing Services

As an institution under public law, NRW.BANK is obliged to put orders that exceed the respective limit up for public tender. The audit of the financial statements for the year 2010 marks the end of the five-year contract signed with KPMG AG Wirtschaftsprüfungsgesellschaft, under which the Board of Guarantors appointed the auditors on an annual basis. In view of the positive experience gained, the bodies of NRW.BANK have agreed to maintain the policy of signing a five-year contract with annual termination right and annual appointment of the auditors by the Board of Guarantors. In close coordination with the Supervisory Board and its Audit Committee, which have addressed this issue at their meetings and discussed and adopted the selection criteria, NRW.BANK has launched a Europe-wide invitation to tender for the annual audit for the years 2011 – 2015. It is planned to conclude the tender through a resolution by the bodies of NRW.BANK.

## Fundamental Governance Structure of NRW.BANK

As a supervisory body, the Supervisory Board supervises the management activities of the Managing Board and is involved in the long-term positioning of the Bank. In accordance with the Minimum Requirements for Risk Management (MaRisk), the overall bank strategy, which comprises the business, promotion and risk strategies, is discussed with the Supervisory Board. With regard to the guiding ideas determining the strategies as well as the principles of the business, promotion and risk policies, the Supervisory Board submits a resolution proposal to the Board of Guarantors. In the past year, four meetings were held by the Supervisory Board and 13 meetings were held by the committees formed by the Supervisory Board in compliance with legal requirements; these meetings were attended by the Managing Board.

In the run-up to the adoption of the "Gesetz zur Umsetzung der Föderalismusreform im Wohnungswesen, zur Steigerung der Fördermöglichkeiten der NRW.BANK



und zur Änderung anderer Gesetze“ (Act on the Implementation of the Federalism Reform in the Housing Sector, on Increasing the Development Possibilities of NRW.BANK and on the Amendment of Other Laws), which came into force on January 1, 2010, the legislature reviewed the committee structure and the respective allocation of tasks. As a result of this review, the Executive Committee and the Audit Committee were retained and the Risk Committee, which has been in existence since the inception of the Bank, was anchored in the law. The Promotion Committee has been newly established; it addresses all aspects of the promotion business. Its responsibilities include, among others, the discussion of the promotion policy principles to be adopted by the Board of Guarantors including the allocation of the promotion and development funds as well as the statement to be issued by the Managing Board on the draft of the benchmarks for the housing promotion programme of the next year. In accordance with a resolution passed by the Supervisory Board, the Building Committee, which had been established voluntarily, was dissolved following completion of the reconstruction project of NRW.BANK at its historic seat in Münster.

To ensure the efficiency of the work of the Supervisory Board, preliminary discussions are held in the committees which focus on the respective issues. The full Supervisory Board is informed about these preliminary discussions by the respective chairpersons of the committees. Irrespective of the above, the documents used for discussion at the committee meetings are available to the Supervisory Board members that are not committee members for information purposes upon request.

The cooperation between the Supervisory Board and the Managing Board is characterised by an open and trusting dialogue in the interest of NRW.BANK and its guarantors. The dialogue held at the meetings is complemented by a close, ongoing exchange, especially between the Chairman of the Supervisory Board and the Chairman of the Managing Board.

The members of the Managing Board are appointed by the Supervisory Board for a maximum period of five years. The Supervisory Board has defined no age limit for the members of the Managing Board. Ever since its inception, NRW.BANK has been characterised by a

clear allocation of competencies and responsibilities on the Managing Board. For the purpose of continuity and long-term successor planning, one contract was renewed and one member of the Managing Board was replaced for reasons of age in the course of the past fiscal year. The rules of procedure of the Managing Board remained unchanged in the past fiscal year; in keeping with NRW.BANK's transparency policy, they are published on the website of the Bank.

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 were also fulfilled in 2010. In some cases, the advice of the Public Corporate Governance Officer was sought.

#### **Compensation Report**

As part of its report on public corporate governance, NRW.BANK reports, for the first time, on the key elements of the compensation systems for its executive bodies and its employees. This report is in keeping with the requirements of the Bank's internal Public Corporate Governance Code, the North Rhine-Westphalian Transparency Act, the Management Compensation Act and the Bank Compensation Directive.

#### **Compensation of the Members of the Supervisory Board**

The compensation of the Supervisory Board is based on a general resolution passed by the Guarantors' Meeting and is unrelated to the business performance. The concept of a compensation structure which is not dependent on the business operation primarily reflects the underlying idea according to which the generation of profits is not the primary business objective. The compensation of the Supervisory Board and its committees consists of a work compensation that is unrelated to the meetings held and an additional meeting-related fee. As specified by the Board of Guarantors, the work compensation and the meeting attendance fee are identical within the Supervisory Board and its committees. No distinction is made between a member, the vice chairperson or the

chairperson. Besides this compensation, travel expenses incurred by mandate holders are adequately refunded. Depending on the individual situation, the payments are subject to value added tax.

The table below shows the individual compensation paid to the members of the Supervisory Board for their work on the Supervisory Board. The compensation varies depending on their committee membership.

### Disclosure of the Compensation Paid to Members of the Supervisory Board and Its Committees

Compensation		Compensation	
	€		€
<b>Members Pursuant to Section 12 Para. 1 Letters a) to e) of the Statutes</b>		<b>Permanent Representatives of the Members Pursuant to Section 12 Para. 1 Letters a) to e) of the Statutes</b>	
Christa Thoben Minister of State (retired) Ministry of Economics, Small Business and Energy of the State of North Rhine-Westphalia (until July 14, 2010)	15,217	Dietmar Düring Senior Principal (retired) Ministry of Economics, Small Business and Energy of the State of North Rhine-Westphalia (until September 24, 2010)	16,800
Harry K. Voigtsberger Minister for Economic Affairs, Energy, Building, Housing and Transport of the State of North Rhine-Westphalia (since July 15, 2010)	15,400	Dieter Krell Assistant Secretary Ministry of Economic Affairs, Energy, Building, Housing and Transport of the State of North Rhine-Westphalia (since September 24, 2010)	7,867
Dr. Helmut Linssen Minister of State (retired) Ministry of Finance of the State of North Rhine-Westphalia (until July 14, 2010)	12,300	Gerhard Heilgenberg Assistant Secretary Ministry of Finance of the State of North Rhine-Westphalia	18,767
Dr. Norbert Walter-Borjans Minister of Finance of the State of North Rhine-Westphalia (since July 15, 2010)	12,400		
Lutz Lienenkämper, MdL Minister of State (retired) Ministry of Construction and Transport of the State of North Rhine-Westphalia (until July 14, 2010)	14,100	Gertraud Flocke Assistant Secretary Ministry of Construction and Transport of the State of North Rhine-Westphalia (February 19 until September 24, 2010)	12,750
Harry K. Voigtsberger Director of LVR (retired) Regional Association of the Rhineland (until July 14, 2010)	13,000	Renate Hötte Regional Councillor Regional Association of the Rhineland	25,800
Ulrike Lubek Director of LVR Regional Association of the Rhineland (since November 1, 2010)	5,033		
Dr. Wolfgang Kirsch Director of LWL Regional Association of Westphalia-Lippe	28,100	Dr. Fritz Baur Regional Councillor (retired) Regional Association of Westphalia-Lippe (until October 31, 2010)	19,367
		Matthias Löb Regional Councillor Regional Association of Westphalia-Lippe (since November 1, 2010)	3,933

Compensation		Compensation	
	€		€
<b>Members Appointed by the Board of Guarantors</b>		<b>Representatives of the Bank's Staff</b>	
Volkmar Klein, MdB Member of the CDU Parliamentary Group (until January 19, 2010)	1,250	Iris Aichinger Banker NRW.BANK	13,300
Hannelore Kraft, MdL Prime Minister of the State of North Rhine-Westphalia (until July 31, 2010)	7,933	Martin Bösenberg Representative NRW.BANK	13,300
Karl-Josef Laumann, MdL Minister of State (retired) Ministry of Employment, Health and Social Affairs of the State of North Rhine-Westphalia (January 19 until September 22, 2010)	7,800	Hannelore Heger-Golletz Director NRW.BANK	16,300
Prof. Dr. Andreas Pinkwart, MdL Minister of State (retired) Ministry of Innovation, Science, Research and Technology of the State of North Rhine-Westphalia (until September 22, 2010)	15,300	Frank Lill Representative NRW.BANK	17,100
Johannes Remmel, MdL Minister for Climate Protection, Environment Agriculture, Nature Conservation and Consumer Protection of the State of North Rhine-Westphalia (since September 22, 2010)	5,600	Michael Tellmann Associate Director NRW.BANK	16,900
Norbert Römer, MdL Chairman of the SPD Parliamentary Group NRW (since September 22, 2010)	5,300		
Guntram Schneider Minister of Labour, Integration and Social Affairs of the State of North Rhine-Westphalia (since September 22, 2010)	3,633		
Svenja Schulze, MdL Minister of Innovation, Science, Research and Technology of the State of North Rhine-Westphalia (since September 22, 2010)	5,300		
Eckhard Uhlenberg, MdL Minister of State (retired) Ministry of Environment and Nature Conservation, Agriculture and Consumer Protection of the State of North Rhine-Westphalia (January 19 until September 22, 2010)	8,100		
Christian Michael Weisbrich, MdL Member of the CDU Parliamentary Group NRW (since January 19, 2010)	16,800		

1. On the basis of the rules adopted by the Guarantors' Meeting, turnover tax and travel expenses are refunded by the Bank upon request.
2. The compensation for members of the Supervisory Board joining or leaving the company in the course of the year is paid on a pro-rata temporis basis for each calendar month.
3. Potential duties of payment of the mandate holders are not taken into account.

Besides the members of the Supervisory Board, the members of the Board of Guarantors, the Advisory Council for the Promotion of Housing and of the Advisory Board of NRW.BANK also received individual compensation on the basis of the resolution passed by the Board of Guarantors. It follows the above principles, but the absolute amount varies based on the different tasks and responsibilities.

#### **Compensation at NRW.BANK**

Ever since its inception, NRW.BANK has, in agreement with its guarantors, focused its compensation systems and compensation parameters towards its promotion tasks. Against the background of its promotion-oriented character, the Bank bases its compensation structure exclusively on regionally and/or nationally used compensation parameters. The regular exchange between the Supervisory Board and the Managing Board addresses not only the compensation system but also the Bank's headcount and personnel expenses. This also applies with regard to the total amount of variable compensation paid each year. In the past fiscal year, the total variable compensation amounted to approx. 13% of the P&L item "Wages and salaries". The total amount of the variable compensation (provision) is checked by the Managing Board against the overall bank targets reached in the fiscal year and the general economic situation and is then fixed. The variable compensation components are paid out only after the financial statements have been discussed by the Managing Board and approved by the Board of Guarantors.

#### **Consistency between Strategic Corporate Objectives and Compensation Structures**

The necessary connection between the strategic corporate objectives agreed with the owners and the compensation system of NRW.BANK is ensured by a systematic planning and assessment process. A consistent top-down process ensures that the corporate objectives are communicated to employees at the downstream levels. For this purpose, the individual requirements are documented in writing in the context of a tasks and objectives planning process. The achievement of these objectives is reviewed in an annual feedback process and summarised as a total performance overview. Moreover, the new tasks plan is aligned with the strategic objectives for the following year. This process applies equally to all employees of NRW.BANK.

#### **Managing Board Compensation**

Besides the fixed compensation, the Managing Board receives a variable compensation, which is defined individually ever year by the Executive Committee on the basis of the Bank's result and the achievement of objectives. The objectives defined by the Executive Committee reflect the special demands made on a development bank and taken into account that the generation of profits is not the main business purpose. In accordance with the corporate policy, which is geared to the sustainable development of the North Rhine-Westphalian economy, the local authorities and the people in the state, the agreed objectives are divided into superordinate objectives to be achieved over a long to medium term and objectives to be achieved within one year. Both the long/medium-term objectives and the short-term objectives are derived from the overall bank strategy. They reflect the "principles of the business, promotion and risk policy" adopted by the Board of Guarantors and the regulatory requirements.

€ thousands	Fixed Compensation		Variable Compensation		Other Compensation		Total Compensation	
	2010	2009	2010	2009	2010	2009	2010	2009
Dietmar P. Binkowska	600	600	250	63	30	32	880	695
Ernst Gerlach (until May 31, 2010)	162	390	200	185	19	41	381	616
Klaus Neuhaus	402	402	200	173	33	37	635	612
Michael Stölting (Vice member since Jan. 1, 2009, Member since July 1, 2009)	380	340	200	–	28	5	608	345
Dietrich Suhlrie (since June 1, 2010)	228	0	0	0	22	0	250	0
<b>Managing Board total</b>	<b>1,772</b>	<b>1,732</b>	<b>850</b>	<b>421</b>	<b>132</b>	<b>115</b>	<b>2,754</b>	<b>2,268</b>

The above table shows the variable compensation defined by the Executive Committee for the previous year and paid out in the past fiscal year.

The members of the Managing Board are entitled to pension benefits in the event of the age limit being reached or invalidity, and their dependants are entitled to benefits in the event of their death. All commitments are contractually unforfeitable or unforfeitable because of the number of years served. Mr Binkowska is entitled to a fixed pension taking into account pension payments from the public pension system. Due to their previous employments, Mr Neuhaus and Mr Stölting are entitled to civil-servant-type pensions which include pension payments from the public pension system as well as pension payments from an additional pension insurance scheme. Mr Suhlrie benefits from a contribution-linked pension commitment as part of which a personal pension account has been created; annual pension components are paid into this account.

Provisions for pensions in an amount of € 7,082 thousand (2009: € 10,589 thousand) have been established to cover the Bank's obligations arising from Managing Board members' contractual entitlements in respect of retirement benefits, invalidity benefits as well as death benefits to their dependents.

#### Composition of the Compensation for Employees

The salaries of all employees of NRW.BANK are composed of fixed and variable compensation components. The fixed salaries and the variable compensation are determined according to comparable principles for all employees. The fixed salaries are paid monthly, while

the bonuses and other variable bonuses are paid once a year at the beginning of the second quarter following the approval of the annual financial statements.

#### Employees Not Covered by Collective Agreements

##### a) Fixed Compensation

NRW.BANK sets the compensation of its employees who are not covered by collective agreements in accordance with the salaries paid for the respective function by comparable German companies. For this purpose NRW.BANK has regularly participated in a relevant market comparison since 2004. NRW.BANK uses the market median of a peer group previously defined by the Managing Board as the benchmark.

##### b) Variable Compensation

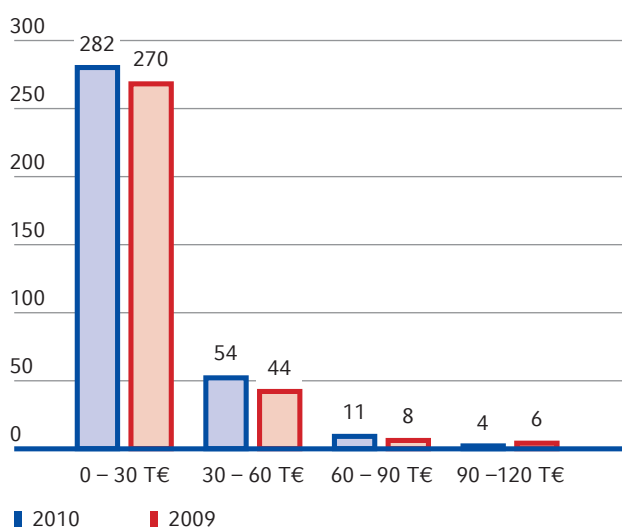
Based on the Bank's earnings position, the achievement of the objectives anchored in the overall bank strategy and the performance of the departments, the Managing Board defines the available maximum bonus amount for each year and its allocation to the individual departments. This pool model ensures that the maximum bonus amount defined by the Managing Board for the bank as a whole is not exceeded. The individual bonus amount is fixed in the context of the pool model at department level taking into account the amount of the fixed salary, the assessment of the achievement of objectives and the personal performance as determined in the planning and assessment process.

As part of the implementation of the German Bank Compensation Directive, the Bank has set the upper limit for the variable compensation at 40% of the total compensation.

The chart below shows the frequency distribution for the employees not covered by collective agreements in 2010:

**Number of Employees per Bonus Cluster**

The analysis covered 351 (328) employees not covered by collective agreements (excl. Managing Board) who received a bonus in 2010 (2009) for the fiscal year 2009 (2008).



80% (2009: 82%) of the employees not covered by collective agreements received a bonus of max. € 30,000 for the fiscal year 2009 (2008). The average bonus amounted to approx. 22% of the annual salary (2009: 21.2%), while the maximum bonus amounted to € 115,000 (2009: € 120,000).

Given NRW.BANK’s function as the development bank of North Rhine-Westphalia, there is an appropriate relation between the fixed salary and the variable compensation. The amount of the variable compensation rules out a significant dependence of employees on this payment. Nevertheless, the individual amounts are high enough to provide the required effective incentives as defined in the overall bank strategy.

Based on the Bank’s segment report, the table below provides an overview of the total amount of all compensation paid to employees not covered by collective agreements. It is divided into fixed and variable components as well as the number of recipients of variable compensation and is in accordance with section 7 para. 2 No. 2 German Bank Compensation Directive.

**Breakdown of the Total Compensation 2010 by Departments**

Department/Segment	Number of recipients <sup>1)</sup>	Fixed compensation <sup>2) 3)</sup> € millions	Variable compensation <sup>2)</sup> € millions
Programme-based Promotion	106	8.6	2.3
Other Promotion/Liquidity Management	36	3.4	1.6
Staff/Services	209	15.8	4.0

<sup>1)</sup> all employees not covered by collective agreements incl. staff changes in the course of the year (new hirings, departures, retirements)  
<sup>2)</sup> collected in the fiscal year  
<sup>3)</sup> includes non material-amounts of compensation received from third parties

**Employees Covered by Collective Agreements**

**a) Fixed Compensation**

The scope for the fixed compensation of employees covered by collective agreements is defined in the “Manteltarifvertrag für das private Bankgewerbe und die öffentlichen Banken” (basic collective agreement for private-sector and public-sector banks) as well as internal regulations.

**b) Variable Compensation**

NRW.BANK’s employees covered by collective agreements participate in a bonus programme whose general features are comparable with that for the employees not covered by collective agreements. The available total amount is defined each year as a function of the business result. The benchmark is an amount of 5% of the fixed annual salary, which may be adjusted upwards or downwards, as required. An average bonus of 5.3% (2009: 5.1%) of the fixed annual salary was paid out in 2010.

# Report of the Supervisory Board

To fulfil the task to which it is subjected by law and the statutes, the Supervisory Board held four meetings in 2010. Another 13 meetings were held by the Committees composed of the members of the Supervisory Board. This comprised six meetings by the Executive Committee including one extraordinary meeting for the appointment of a Managing Board member as well as one written vote. The Promotion Committee, which was constituted in the context of the integration of the former Wohnungsbauförderungsanstalt (Wfa) into NRW.BANK, held two meetings as well as one written vote. In addition, there were one meeting by the Audit Committee, three meetings by the Risk Committee and one written vote. The Building Committee held one final meeting following the completion of the new building at the Münster head office.

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.

By re-appointing Klaus Neuhaus and by appointing Dietrich Suhlrie as the successor to retired Managing Board member Ernst Gerlach with effect from June 1, 2010, the Supervisory Board met the requirements of long-term successor planning on the Managing Board.

In accordance with regulatory requirements and the provisions in the statutes, the Supervisory Board addressed the business, promotion and risk strategy for the years 2011 to 2014, which had previously been discussed by the Promotion Committee and the Risk Committee, and submitted it for approval to the Board of Guarantors, which is the competent body under the Bank's statutes. The Board of Guarantors approved the proposed strategy at its meeting on December 8, 2010.

KPMG AG Wirtschaftsprüfungsgesellschaft carried out the audit of the financial statements for 2010 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 16, 2011, 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 2010. As in the previous years, no consolidated financial statements were prepared, as the Bank is not obliged to do so under commercial law.

The formation of the new North Rhine-Westphalian government in July 2010 led to changes on the executive bodies of NRW.BANK. I took up the position of Chairman of the Board of Guarantors, the Supervisory Board and the Executive Committee on July 14, 2010.

The Supervisory Board of NRW.BANK would like to thank the members who have retired from this body, especially former Minister Christa Thoben, who served as Chairwoman for many years, for their constructive work, which helped take NRW.BANK forward as the development bank of North Rhine-Westphalia.

Düsseldorf/Münster, March 16, 2011

Harry K. Voigtsberger  
Chairman of the Supervisory Board

# Management Report

## of NRW.BANK for the Fiscal Year 2010

### 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.

Following the severe economic downturn resulting from the global financial and economic crisis, NRW.BANK performed its mission as the development bank of North Rhine-Westphalia by providing increased liquidity and advisory services, thus giving important stimulation for the present upswing.

### Economic Climate

#### The Global Environment

Following the massive slump in 2009, the world economy recovered surprisingly quickly. Global output returned to pre-crisis levels already in May 2010, while world trade remained slightly below these levels. However, these results must be seen in relative terms in several respects. First, the recovery was largely driven by special factors. The stimuli provided by the replenishment of inventories, the catch-up and pent-up effects of investments and consumption and the comprehensive economic stimulus packages are limited in time; with these stimuli waning, the recovery in the world economy began to slow down already in the course of 2010. Second, there are major differences in the pace of recovery; momentum in the industrialised

countries was much lower than in the emerging markets. Third, the structural problems revealed by the financial crisis have not been overcome, especially in the industrialised countries, and continue to have an adverse impact. The key problems are the macroeconomic imbalances, a lack of competitiveness, private and public indebtedness, exaggerations in the property markets and limited confidence in the stability of the banking sector and the financial system.

#### The German Economy

The German economy benefited remarkably strongly from the recovery in the world economy and achieved the highest GDP growth since reunification, at 3.6% (initial estimate by the Federal Statistical Office of January 12, 2011). While growth was still moderate in the first quarter of 2010, it reached the highest level of the year in the second quarter. As had been expected, growth then slowed down in the second half of the year. At the end of 2010, the German economy had offset much of the crisis-related slump in output; capacity utilisation in the manufacturing sector was again close to its long-term average. The economic recovery became more broadly based in 2010, as domestic demand picked up in addition to the continued high momentum of exports. Gross fixed capital formation increased significantly; this applies to construction spending and, even more so, to capital formation in machinery and equipment, which increased significantly in 2010 following the massive slump in the previous year. Private consumption made a positive contribution to economic activity at an unexpectedly early stage in the economic cycle and benefited primarily from the robust labour market. At an average annual rate of 1.1%, consumer price inflation in Germany was moderate. Inflation accelerated towards the end of the year, however, and stood at 1.7% in December (year-on-year).



The deficits and debt levels of the public-sector budgets have increased sharply as a result of reduced revenues and increased spending entailed by the crisis. While the income situation has improved due to the economic recovery, public-sector budgets at all levels of government remained subject to substantial consolidation requirements at the end of the year.

In view of the crisis, banks increasingly tightened their lending policies for corporate borrowing until early 2010. Signs of somewhat less restrictive lending became apparent in the second half of the year. New business volume in corporate lending in 2010 was lower than in the previous year, although positive annual growth rates were reported for loans with longer maturities in the second half of the year. Driven by historically low interest rates, private housing loans showed a similar pattern, with the new business volume in the 10-year+ segment coming in above the prior year level.

#### **Economic Development in North Rhine-Westphalia**

While the North Rhine-Westphalian economy was hit harder by the recession than the German economy as a whole, it did not benefit disproportionately from the recovery. According to the latest forecast by RWI Essen, North Rhine-Westphalia's real GDP increased by 3.5% in 2010. The fact that North Rhine-Westphalian car makers benefited only to a minor extent from the rise in global demand for cars in the upper price segment is believed to be one reason for the somewhat slower upswing. The NRW.BANK.ifo-Index for the individual segments of the manufacturing sector shows that the recovery was particularly dynamic in motor vehicles, mechanical engineering and metal products. The business climate index reached the highest level in the chemical industry towards the end of the year.

#### **Financial Markets**

The situation in the financial markets was clearly marked by the government debt subject in 2010. The financial crisis heightened again in spring 2010, as doubts about the Greek government's ability to finance its budget deficit increased. This was the start of a self-accelerating process, which was driven by interdependencies between the public sector and the banking sector as well as by cross-border contagion. As a result, the credit ratings of a number of European countries and the banks based in those countries were downgraded significantly. Even foreign banks that were believed to have large exposures to these countries were facing a more critical assessment by financial market participants. According to the German Bundesbank, the stability and functioning of the European Financial System were acutely at risk at the beginning of May 2010 (Financial Stability Report, November 2010).

The broadening of the loss of confidence to the entire euro-zone and other countries of the European Union as well as concern about the US economy led to greatly increased risk premiums for some euro-zone countries, stress symptoms in the money markets and high volatility. Moreover, yields on very highly rated government bonds declined until September 2010 ("flight to quality": portfolio shifts to the benefit of investments regarded as safe and liquid such as German Bunds). To mitigate the market turmoil, the immediate help for Greece was followed by additional, broader-based stabilisation measures. In this context, the European Financial Stability Mechanism (EFSM) in an amount of € 60 billion and the European Financial Stability (EFSF) in an amount of € 440 billion were established. The International Monetary Fund has promised to grant additional technical and financial support if required. The European

Central Bank (ECB) has launched a purchase programme for public and private securities; also, the exit from the unconventional liquidity measures has been suspended, respectively delayed, for the time being. The publication of the results of EU-wide bank stress tests was also meant to help restore confidence.

In spite of these comprehensive measures, the situation in the financial markets remained tight at the end of 2010. The fact that Ireland was forced to take advantage of the support facilities in November 2010 had a particularly adverse impact. This nurtured speculation about potential calls for help from other countries and the adequacy and viability of the support mechanisms. The uncertainty was increased by the discussion about a permanent stability mechanism comprising the participation of private creditors. The required confidence was not gained with regard to the sustainability of the necessary budget consolidation efforts and the implementation of structural reforms. While yields tended to pick up in the second half of the year, they remained low by historical standards; risk premiums stayed at a high level. Market participants were faced with a broad range of news, to which they responded sensitively. Together with low sales, this led to considerable fluctuations in the markets. The money markets remained highly segmented: banks from some countries had great difficulties in raising the required liquidity in the money markets and were dependent on support from the ECB.

#### **Liquidity for the Upswing, Advice for Success**

In the course of the serious economic crisis but also during the initial phase of the economic upswing, North Rhine-Westphalian SMEs showed increasing demand for quantitative and qualitative promotion and development services.

**Advisory Services.** The range of advisory services for NRW.BANK's promotion products has been expanded in response to the continued high information requirements of businesses and start-ups. Apart from the "traditional" advisory appointments, these services included regular presentations and workshops with local relationship banks, chambers and business promotion agencies. A total of over 2,000 meetings were held in North Rhine-Westphalia.

In addition, NRW.BANK has set up an information helpdesk to provide companies with phone-based initial advice. While the focus during the crisis was primarily on working capital loans, there was growing demand for loans to finance expansion investments in the past fiscal year. Heavy use was made of the information helpdesk, which answered 12,000 calls from companies, banks, savings banks and multipliers in the course of 2010.

A specialist advisory unit of NRW.BANK offers North Rhine-Westphalian SMEs competition-neutral financing advice that specifically takes the available development funds into account and identifies possibilities to optimise the companies' financial and capital structure. As the economy picked up, demand for seminars focusing on SME-relevant knowledge for successful corporate management increased. These seminars were introduced by the Bank in Münster and Düsseldorf in mid-2010.

Questions relating to international business activities are answered by NRW.BANK's Foreign Investment Advisory Service (which was renamed "EU and Foreign Trade Promotion Department" in January 2011). Information on foreign trade funding and about various EU promotion programmes was provided in the context of several events and publications. In addition, NRW.BANK attended the "IHK-Außenwirtschaftstag" in Münster in September 2010, which is the largest export conference in North Rhine-Westphalia.

**Start-up Finance.** NRW.BANK offers two special credit products for the many business start-ups in North Rhine-Westphalia. One is the “NRW.BANK.Gründungskredit” for planned start-ups with financing requirements between € 25,000 and € 5 million. The second is the “NRW/EU.Mikrodarlehen”, which is specially targeted at micro start-ups and is financed with funds from the European Regional Development Fund (ERDF) and the State of North Rhine-Westphalia. It is available from selected “STARTERCENTER NRW” branches and supports micro start-ups in the critical early phase with amounts between € 5,000 and € 25,000.

**Equity.** In the course of the economic crisis, equity capital became an increasingly important factor in the strategies of North Rhine-Westphalia’s SMEs. Although German companies have caught up by international comparison over the past years, businesses – especially small and medium-sized ones – continue to suffer from a weak equity base. In this context, NRW.BANK offers diverse equity solutions for SMEs and technology-oriented start-ups – from the seed phase to growth finance to successor financing.

**Working Capital Loans.** NRW.BANK expanded its range of promotion products and services already back in 2009. NRW.BANK.Konjunkturkredit offered companies low-interest loans to cover their medium to long-term working capital requirements. The programme was explicitly targeted also at companies that had come into trouble as a result of the economic crisis. In the case of companies that had successfully operated in the market for two years, the borrower’s relationship bank was additionally eligible for a 50% liability release. In line with the economic stimulus packages, the NRW.BANK.Konjunkturkredit expired as of December 31, 2010. Working capital finance is still available through various other products of NRW.BANK, whose possible uses have been expanded.

**Risk Transfers.** The two main development products of NRW.BANK – the “Mittelstandskredit” and the “Universalkredit” – are optionally available with a 50% liability release for the relationship bank that passes through the loan. Liability releases for relationship banks and guaranties ensure that SMEs continue to have access to low-interest loans as they are precisely tailored to banks’ increased security requirements.

**Social Housing Promotion.** The strong demand for NRW.BANK’s social housing promotion programmes contributed to the upswing in the construction sector in 2010. Apart from improving the housing supply, especially for low-income families, the Bank’s Social Housing Promotion activities initiate construction projects, which help accelerate economic growth and secure jobs. These promotion activities also include measures that help ease the situation in social hotspots and support the development of urban neighbourhoods. Barrier-free construction and energy efficiency measures were a special focus in the field of residential housing construction. Loans in a total amount of roughly € 1 billion were committed in 2010.

The legally required organisational integration of Wohnungsbauförderungsanstalt into NRW.BANK was successfully completed in the past fiscal year. The tasks are now performed primarily by the new Housing Promotion unit.

In the benchmark process, the Housing Ministry outlines the framework of social housing promotion with regard to the promotion targets and the promotion conditions (programme contents). The Ministry defines the programme contents and promotion requirements that have an impact on risk controlling and risk management at NRW.BANK, in consultation with the Managing Board of NRW.BANK. The North Rhine-Westphalian Cabinet decides on and adopts the benchmarks.

The basis is formed by the “Gesetz zur Förderung und Nutzung von Wohnraum für das Land Nordrhein-Westfalen” (WFNG NRW – Law on the Promotion and Use of Housing for the State of North Rhine-Westphalia).

**Municipal Finance.** The financial situation of the local authorities continues to be marked by high debt levels. In this tight budget situation, the local authorities must address the growing challenges of demographic change (ageing, domestic migration) and fiercer locational competition. The latter trends, in particular, may lead to a strong increase in municipal investment requirements. Against the background of the financial situation in the municipal sector, the advisory services for districts, cities and communities became increasingly important. The main emphasis was on advice on available funding and financing possibilities for infrastructure projects but also on budget consolidation strategies.

A comprehensive range of advisory services, support for start-ups, customised equity solutions, easy access to low-interest debt capital solutions, extended liability releases for relationship banks in the promotion business, infrastructure investments and effective housing promotion – this sums up the range of financing and promotion products and service offered by NRW.BANK, which is continuously being expanded in close coordination with the Bank’s owners.

## 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. NRW.BANK is essentially a self-funding institution which does depend on the state budget as a source of funding. To generate its promotion and development funds, the Bank holds and manages a securities portfolio and engages in risk hedging transactions.

## Business Trend

### Key Developments and Ratios

The economic recovery had a positive impact on the business of NRW.BANK, which exceeded its earnings projections for the fiscal year 2010. The Bank used the strong operating result to strengthen its regulatory equity capital and its risk-bearing capacity by allocating € 180.0 million to the Fund for general banking risks. Net profit for the year totalled € 95.4 million.

Although the promotion business was expanded, total assets declined by € 4.2 billion to € 156.8 billion, as the securities portfolio was reduced selectively in the context of the revised business strategy.

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

	Programme-based Promotion		Other Promotion/ Liquidity Management		Staff/Services		NRW.BANK Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Net interest income	211.3	247.5	228.8	201.1	83.4	57.1	523.5	505.7
Net commission income	20.7	14.7	61.2	49.5	- 1.5	- 1.5	80.4	62.7
Net income from trading operations	0.0	0.0	0.1	2.8	0.0	0.0	0.1	2.8
Other operating result	15.2	8.3	0.1	0.1	16.0	5.4	31.3	13.8
Administrative expenses	- 80.7	- 79.2	- 27.9	- 29.3	- 92.0	- 81.7	- 200.6	- 190.2
- Personnel expenses	- 40.6	- 41.4	- 6.0	- 6.2	- 60.2	- 54.5	- 106.8	- 102.1
- Operating expenditure	- 40.1	- 37.8	- 21.9	- 23.1	- 31.8	- 27.2	- 93.8	- 88.1
<b>Operating income before risk provisions/ revaluation adjustments</b>	<b>166.5</b>	<b>191.3</b>	<b>262.3</b>	<b>224.2</b>	<b>5.9</b>	<b>- 20.7</b>	<b>434.7</b>	<b>394.8</b>
Risk provisions/ revaluation adjustments thereof: allocation to fund for general banking risks	- 46.9	- 97.5	- 83.4	- 130.2	- 200.4	31.6	- 330.7	- 196.1
Extraordinary result	0.0	0.0	0.0	0.0	- 180.0	0.0	- 180.0	0.0
	0.0	0.0	0.0	0.0	- 1.5	0.0	- 1.5	0.0
<b>Net income/loss for the year before income tax and promotion dividend</b>	<b>119.6</b>	<b>93.8</b>	<b>178.9</b>	<b>94.0</b>	<b>- 196.0</b>	<b>10.9</b>	<b>102.5</b>	<b>198.7</b>
Taxes on income and revenues	- 0.5	- 0.4	0.0	0.0	- 6.6	- 6.1	- 7.1	- 6.5
Promotion dividend	0.0	- 21.4	0.0	0.0	0.0	0.0	0.0	- 21.4
<b>Net income/loss for the year</b>	<b>119.1</b>	<b>72.0</b>	<b>178.9</b>	<b>94.0</b>	<b>- 202.6</b>	<b>4.8</b>	<b>95.4</b>	<b>170.8</b>
<b>Average risk-weighted assets (in € billion)</b>	<b>15.2</b>	<b>12.8</b>	<b>14.4</b>	<b>16.7</b>	<b>0.2</b>	<b>0.2</b>	<b>29.8</b>	<b>29.7</b>
<b>Employees (number)</b>	<b>543</b>	<b>563</b>	<b>44</b>	<b>44</b>	<b>637</b>	<b>617</b>	<b>1,224</b>	<b>1,224</b>

As in the previous year, NRW.BANK employed 1,224 people as of December 31, 2010, thereof 1,171 (2009: 1,181) active employees as well as 53 (2009: 43) trainees/apprentices.

The **Programme-based Promotion** segment comprises the departments Promotion Programmes, Special Promotion, Housing Promotion, Central Product Management as well as the equity investments made as part of the NRW.BANK's mission as a development bank.

The **Other Promotion/Liquidity Management** segment consists of Capital Markets including the Municipal Financing unit.

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 and Net Commission Income

At € 603.9 million, net interest and commission income was up by € 35.5 million on the good level of the previous year.

Net interest income increased by € 17.8 million to € 523.5 million (2009: € 505.7 million).

The decline in net commission income in the Programme-based Promotion segment by € 36.2 million to € 211.3 million is primarily attributable to an accounting change. Starting with the fiscal year 2010, the promotion funds used to reduce the interest rates on loans, which amounted to € 27.1 million (2009: € 21.4 million), are no longer stated separately as a promotion dividend but are included in net interest income. Adjusted for this change, net interest income in this segment remained more or less stable.

Net interest in the Other Promotion/Liquidity Management segment improved by € 27.7 million to € 228.8 million primarily due to higher income generated in the context of general liquidity management. This was mainly attributable to increased interest income from government bonds (mainly Germany, France and Netherlands) with short remaining maturities acquired above par. The resulting interest income must, however, be compared against the changes in market prices and revaluation adjustments included in risk provisions/revaluation adjustments.

Net interest income in the Staff/Services segment exceeded the prior year level. In conjunction with the investments held as part of the public mission, the Bank benefited from higher profit contributions as well as reduced funding costs resulting from the lower interest rates.

Net commission income climbed by € 17.7 million to € 80.4 million. The increase was primarily due to higher income from surrogate loan transactions, which is mainly attributable to higher margins and, to a minor extent, to slightly higher average volumes in 2010. In these transactions, NRW.BANK usually acts as hedge provider (seller). Most of the counterparties are European governments.

### 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. In the fiscal year 2010, net income from trading operations was almost balanced at € 0.1 million (2009: € 2.8 million).

### Other Operating Income

Other operating income rose by € 17.5 million to € 31.3 million. The increase is primarily attributable to the release of provisions no longer needed, especially for unused interest rate subsidies.

### Administrative Expenses

Compared to the previous year, administrative expenses increased by € 10.4 million to € – 200.6 million.

**Personnel expenses** increased by € 4.7 million to € – 106.8 million in 2010, while the headcount remained unchanged. This was primarily attributable to valuation effects from the necessary adjustment of the parameters for pension provisions. Directly controllable personnel expenses remained almost unchanged.

At € – 93.8 million, **operating expenses** were slightly higher than in the previous year.

### Risk Provisions/Revaluation Adjustments

In the fiscal year 2010, NRW.BANK used its good operating result to strengthen its regulatory equity capital and its risk-bearing capacity by allocating € 180.0 million to the Fund for general banking risks. Adjusted for this effect, risk provisions/revaluation adjustments were much better than in the previous year at € – 150.7 million.

The economic upswing was reflected in NRW.BANK's lending business in the form of reduced individual allowances. Taking into account the credit defaults that were anticipated based on long-term average defaults but did not materialise in the fiscal year, risk provisions/revaluation adjustments in the lending business improved, which was especially evident in the Programme-based Promotion segment.

In fiscal 2010, NRW.BANK began to selectively reduce its securities portfolio in the Other Promotion/Liquidity Management segment as part of its refined risk

strategy. Sales proceeds realised in this context led to an improved result from securities. These were partly offset, however, by market price markdowns from the premature closing of surrogate loan transactions in the context of further risk reductions. At the bottom line, risk provisions/revaluation adjustments in this segment were up by € 46.8 million on the previous year, as NRW.BANK had established appropriate provisions for the special risks resulting from the financial market crisis already in 2008 and 2009 and no further allocations were required in the fiscal year 2010.

Risk provisions/revaluation adjustments in the equity investments business are largely determined by write-downs on investments held as part of NRW.BANK's investments in the Programme-based Promotion segment as well as by write-downs on strategic investments held on behalf of the federal state in the Staff/Services segment.

### Extraordinary Result

The extraordinary result exclusively comprised the effects of the first-time adoption of the Balance Sheet Modernisation Act with effect from January 1, 2010.

### Net Profit

In fiscal 2010, NRW.BANK generated a net profit before income tax of € 102.5 million.

NRW.BANK is exempt from income tax. The income tax incurred in an amount of € – 7.1 million (2009: € – 6.5 million) is attributable to income from strategic investments in partnerships not covered by NRW.BANK's exemption from income tax.

The 2010 net profit after taxes came in at € 95.4 million. Section 4 of the Wfa Liquidation Act, provides for € 18.2 million to be paid out towards federal interest expenses. Net income after allocations to the statutory reserves of € 10.0 million amounted to € 67.2 million, which will be retained.

### Net Worth Position

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

	Dec. 31, 2010	Dec. 31, 2009	Change	
	€ billions	€ billions	€ billions	%
Programme-based promotion (incl. guarantees)	50.5	48.0	2.5	5.2
State and municipal finance (mainly domestic)	52.9	56.4	- 3.5	- 6.2
Liquidity management	72.9	74.6	- 1.7	- 2.3
Other	3.6	5.2	- 1.6	- 30.8
<b>Total</b>	<b>179.9</b>	<b>184.2</b>	<b>- 4.3</b>	<b>- 2.3</b>

While the promotion business was expanded, other business declined due to the selective reduction of the securities portfolio in the context of the refined risk strategy.

At € 29.8 billion, average risk-weighted assets remained almost unchanged from the previous year.

Receivables from banks were almost on a par with the previous year at € 32.2 billion (2009: € 32.8 billion). The promotion business handled according to the "local relationship bank method" is included in this balance sheet item. 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 2010. A portion of NRW.BANK's earnings is used to further optimise the lending terms.

Receivables from customers increased by € 3.7 billion to € 65.7 billion primarily due to higher municipal loans. Time deposits rose by € 2.4 billion and registered instruments climbed € 1.3 billion.

The balance sheet item "bonds and other interest-bearing securities" declined by € 8.9 billion to € 51.0 billion in the fiscal year 2010. Contrary effects occurred with regard to the structure. The portfolio of instruments from domestic public-sector issuers dropped by € 5.7 billion to € 11.5 billion. Instruments from domestic banks decreased by € 2.6 billion to € 11.2 billion, while those from foreign banks fell by € 0.8 billion to € 9.5 billion. Instruments from mostly European companies in the financial sector declined by € 1.1 billion to € 6.2 billion. Papers from foreign public-sector issuers



rose by € 1.3 billion to € 11.9 billion, while instruments from domestic companies and organisations remained unchanged at € 0.6 billion.

At € 2.4 billion, the book values of NRW.BANK's equity investments in non-affiliated and affiliated companies remained nearly unchanged.

Trust assets and trust liabilities declined by € 0.1 billion to € 2.0 billion due to the decrease in importance of the "trustee" promotion activities.

### List 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 shares the same excellent rating 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, continued to experience strong demand for its debt. NRW.BANK catered to investors' need for state-guaranteed, liquid bonds and filled out its liquid curve in the euro primarily through two benchmark issues with maturities of three to five years. The three-year USD benchmark issue marked NRW.BANK's return to the market for USD benchmark bonds. During the fiscal year NRW.BANK placed debt worth approx. € 13 billion (2009: € 18 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 € 20.0 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. In view of the market situation, investors show increased interest in secure products with good ratings. Thanks to the first-class creditworthiness of NRW.BANK, our debt remained in demand even in the challenging market environment.

Liabilities to banks increased by € 9.8 billion to € 38.8 billion. NRW.BANK reduced its repo transactions by a high € 6.3 billion. Money-market transactions in the form of time deposits also declined by

€ 4.8 billion, while registered instruments were down by € 1.2 billion. By contrast, note loans increased by € 1.8 billion. The promotion loans funded through KfW Bankengruppe, which are paid out on the assets side primarily in the form of the NRW.BANK.Mittelstandskredit according to the "local relationship bank method, showed a very positive trend and increased by € 0.6 billion on the previous year. The largely programme-driven lending business is also funded to a lesser degree through Landwirtschaftliche Rentenbank, the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).

Liabilities to customers increased by € 0.3 billion to € 24.8 billion; they continue to be dominated by registered instruments in an amount of € 20.7 billion, which declined by € 0.8 billion in the past fiscal year, though. Repo transactions were down by € 0.5 billion, although the money-market business in the form of time deposits increased by € 1.6 billion.

Certificated liabilities rose by € 4.8 billion to € 68.1 billion. Bearer bonds climbed by € 3.7 billion to € 18.1 billion. The portfolio of money-market instruments increased by € 1.8 billion to € 48.8 billion. By contrast, municipal bonds declined by € 0.7 billion to € 1.2 billion.

## Equity Capital

Equity Capital of NRW.BANK	Subscribed Capital	Capital Reserves	Reserves from Retained Earnings	Profit for the Year	Total		
			Special Reserves Pertaining to Wfa	Reserves Required by NRW.BANK's Statutes	Other Reserves from Retained Earnings		
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
<b>As at Dec. 31, 2009</b>	<b>675.0</b>	<b>255.8</b>	<b>18,953.0</b>	<b>19.8</b>	<b>25.2</b>	<b>0.0</b>	<b>19,928.8</b>
Capital increase	16,540.0		- 16,539.1		- 0.8		0.1
Reclassification into subordinated loans			- 2,413.9				- 2,413.9
Compensation payments of the federal government for new promotion measures		95.9					95.9
Net profit						95.4	95.4
Designated payout due to legal requirements						- 18.2	- 18.2
Allocation to reserves required by NRW.BANK's statutes in statement of income				10.0		- 10.0	0.0
<b>As at Dec. 31, 2010</b>	<b>17,215.0</b>	<b>351.7</b>	<b>0.0</b>	<b>29.8</b>	<b>24.4</b>	<b>67.2</b>	<b>17,688.1</b>

In the context of the legally stipulated integration, the state housing assets of Wohnungsbauförderungsanstalt, which were recognised as a capital reserve in an amount of € 18,953.0 million as of December 31, 2009, were allocated to the subscribed capital of NRW.BANK in an amount of € 16.539.1 million and recognised as a subordinated liability of NRW.BANK towards the state of North Rhine-Westphalia in an amount of € 2,413.9 million. To fund the federal state's debt service towards the federal government, NRW.BANK must, in future, transfer the required funds from the repayment of housing promotion loans to the state budget.

The federal government's compensation payments for new promotion measures relate to funds earmarked for social housing promotion, which have been assigned to NRW.BANK through the state of North Rhine-Westphalia.

As of December 31, 2010, NRW.BANK's guarantors had the following shares in the subscribed capital, which increased from € 675.0 million to € 17,215.0 million due to the integration of Wohnungsbauförderungsanstalt: the state of North Rhine-Westphalia held 98.62%, while the Regional Associations of Westphalia-Lippe and the Rhineland held 0.69% each.

The equity capital as defined in the German Banking Act (KWG) amounted to € 5,282.7 million (2009: € 3,394.3 million), as of December 31, 2010. The increase in equity capital as defined in the German Banking Act (KWG) as well as in the overall capital ratio and the core capital ratio is attributable to the integration of Wohnungsbauförderungsanstalt into NRW.BANK.

### Capital Ratios

	Dec. 31, 2010	Dec. 31, 2009
	%	%
Overall capital ratio	18.02	11.88
Core capital ratio	15.17	11.88

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, 2010.

## 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 and to limit them in accordance with the Bank's risk-bearing capacity.

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, with temporary fluctuations in the investment portfolio 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 risks of new financial products are identified, measured and limited. In addition, the risk management instruments and processes are generally updated on an ongoing basis.

In response to the growing debt levels, especially of European countries, and the resulting distortions in the international financial market (government debt crisis), the Bank refined its risk strategy and initiated portfolio-enhancing measures at an early stage. Against the background of continued volatility in the financial markets, the risk management instruments and processes of NRW.BANK have proven to be effective.

## 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), the Credit Committee and the Strategy 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.

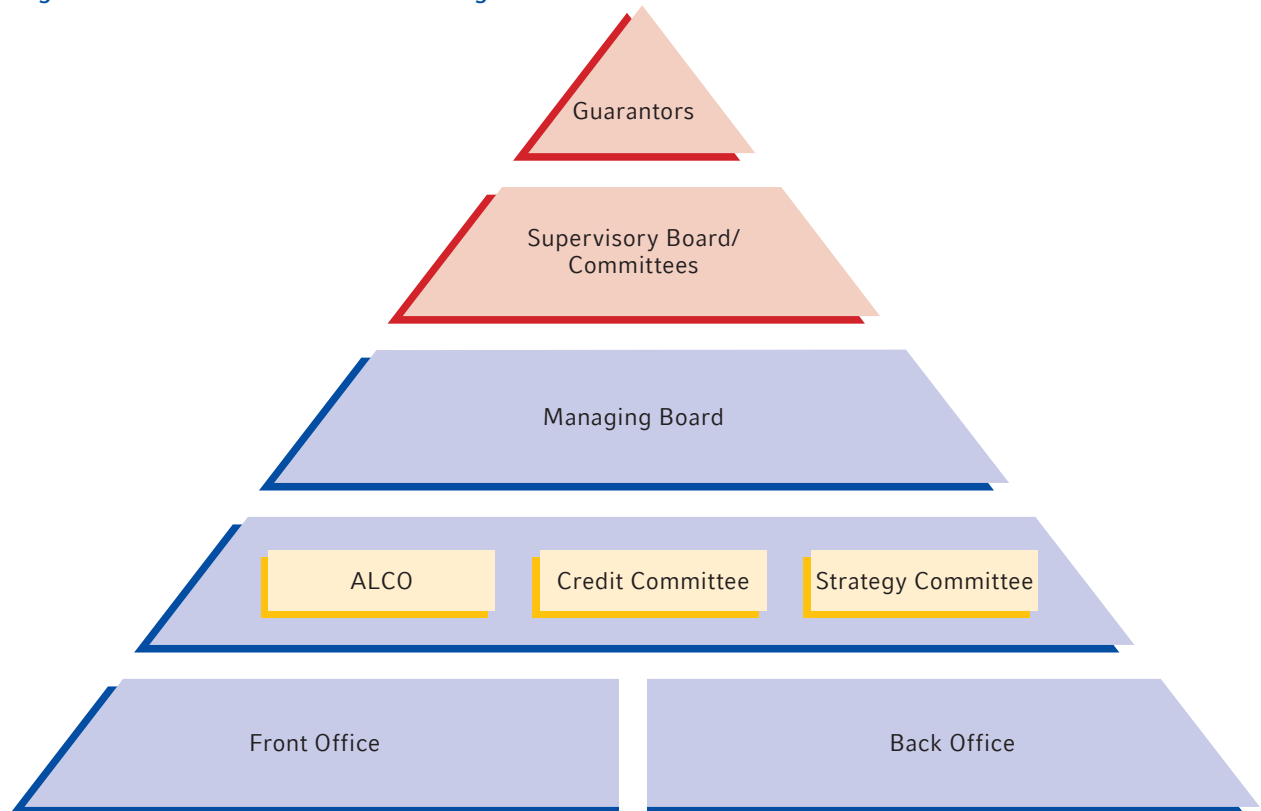
The Credit Committee prepares credit decisions to be made by the Managing Board and makes credit decisions based on their limits and level of competence. In addition, it addresses issues of a general nature relating to counterparty default risks.

The Strategy Committee addresses issues of strategic relevance. The main focus is on refining the overall Bank strategy and on assessing the consistency of sub-strategies and the overall Bank strategy with the business and risk policies and the components of the promotion policy objectives of the federal state.

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 overall bank strategy, which comprises the business, promotion and risk strategies, is analysed, revised and adapted to new conditions in the context of the annual strategy process. The strategy is 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 business, promotion and risk policies.

## Organisational Structure of Bank Steering



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 a good risk structure.

In addition, the Bank manages a portfolio of securities and receivables, which are held with the intention of being held permanently. From a risk point of view, new additions to this portfolio must be of investment grade quality. The earnings from this portfolio are fed into the development and promotion business which allows the Bank to extend development and promotion loans at preferential rates.

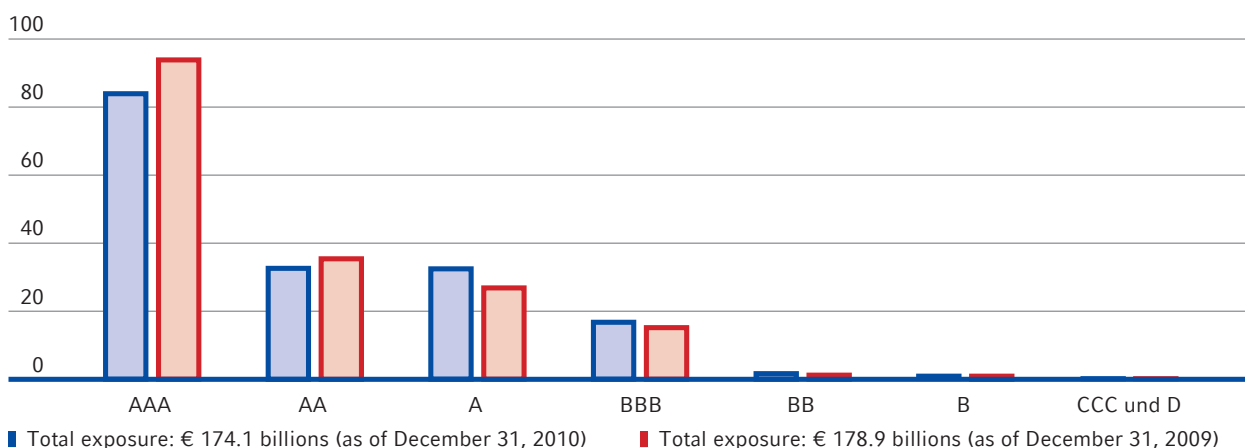
NRW.BANK enters into derivatives on the stock exchange or over the counter using standardised contracts with selected counterparties with a good credit standing.

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. The Bank

assesses all counterparty default risks on a 24-step rating scale. The rating procedures are reviewed and refined continuously.

**Total Exposure by Rating Class (in € billions)**



NRW.BANK's total exposure in 2010 was € 174.1 billion (2009: € 178.9 billion). This computation includes binding payment obligations, derivatives-based credit equivalents and the cost price 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.

97% (2009: 98%) 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. the promotion of SMEs and in the case of social housing promotion.

As a result of the government debt crisis, several lenders, especially foreign authorities, came under growing rating pressure. In this context, risk-mitigating measures were taken, e.g. limit reductions and the elimination of risk assets.

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. Due to its mission, NRW.BANK has special responsibility towards the local authorities in North Rhine-Westphalia. As a reliable partner, the Bank provides them with funding, which entails certain concentrations.

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. In 2010, no new exposures were taken on in this segment.

Geographically, NRW.BANK is primarily exposed to Germany in an amount of € 121.7 billion (69.9% of the total exposure, prev. year 70.5%), with the main emphasis on North Rhine-Westphalia. The current foreign exposure in an amount of € 52.4 billion (30.1% of the total exposure, prev. year 29.5%) is focused almost entirely (97.3%) on countries with investment-grade ratings. European countries account for € 39.4 billion, while non-European countries account for € 13.0 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. Different historical and hypothetical scenarios are used to simulate deteriorations in the rating quality and in potential realisation proceeds. The analysis covers not only the effects on the risk-bearing capacity but also the effects on the income statement under stress. The economic capital set aside for counterparty default risk was € 4.1 billion (2009: € 4.0 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 equity investment business comprises investments held on behalf of the federal state as well as investments held as part of the Bank's mission. The resulting counterparty default risks of the investments are largely based on the strategic and operational risks, which are analysed using the corporate data made available for investment controlling purposes. 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.

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. In the case of participation funds in promotion business, e.g. NRW.BANK.Mittelstandsfonds, 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.

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

#### **Risk Provisions**

The Bank used its good operating result to allocate € 180.0 million to the Fund for general banking risks. This helps to further strengthen the regulatory equity base and the risk-bearing capacity of NRW.BANK. Adjusted for this one-time effect, risk provisions/valuation adjustments, reported at € – 330.7 million, amount to € – 150.7 million, which is a better result than the previous year's (€ – 196.1 million).

Risk provisions/revaluation adjustments in the lending business comprise individual and general valuation allowances, provisions and reserves for credit defaults that are anticipated based on the long-term average but did not materialise in the fiscal year. The amount of individual allowances is determined in a timely manner in the course of the year for credit claims that are reviewed for risk provisioning on the basis of defined criteria; existing collateral is taken into account. 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 provisions/revaluation adjustments in the securities business primarily comprise market markdowns for securities and derivatives which form a hedging relationship. They also include markdowns from the premature closing of CDS. The amount of the risk provisions is determined on the basis of market information, arithmetical models and individual credit-worthiness estimates. 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 and option risks. The Bank does not take share price and commodity risks. As far as the interest rate risk is concerned, a distinction is made between the general and the specific interest rate risk. It comprises both changes in general interest rates and changes in the credit spread of issuer classes and changes in the credit spread of individual issuers (residual risk).

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 debt 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 to a minor extent.

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 and takes into account all risk factors relevant for the portfolio, 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. In 2010, the historical observation period for determining statistical parameters was extended from 50 to 250 days, with a greater weight placed on incidents in the more recent past. The extended observation period is more in line with the Bank's permanent holding intention and HGB accounting. Back testing is used to check the quality of the VaR projection. These tests have confirmed the validity of the risk model.

The calculation of VaR is supplemented with daily scenario computations. In this context, interest rates, foreign exchange rates, implicit volatilities and credit spreads as well as defined hypothetical scenarios are analysed for the risk factor groups. Historical scenarios are additionally examined for interest rates and credit spreads. 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 market price risk limits, the changes in profitability as well as any unusual events. Additionally, the monthly reports particularly analyse the results of stress computations and backtesting.

As of December 31, 2010, the VaR for general market price risks in the investment book and the trading book totalled € 38.6 million (2009: € 20.3 million). No material trading book existed in 2010. The average VaR for general market risks in the fiscal year was € 30.3 million. This VaR increased markedly as the year

progressed. Accordingly, the minimum of € 15.5 million on May 19, 2010 contrasted with a maximum of € 47.6 million on August 17, 2010. The large bandwidth is primarily due to the high volatility of the market parameters resulting from the government debt crisis.

Given that the Bank is controlled in accordance with HGB standards, a distinction is made when accounting for specific interest rate risks; positions of the trading portfolio are fully accounted for, while those positions of the financial investment portfolio and liquidity reserve are accounted for which do not meet internal minimum ratings defined on the basis of debtor/asset classes. This approach reflects the fact that NRW.BANK acquires positions with the intention of holding them permanently and usually holds them until final maturity. As of the end of the year, the VaR for specific interest rate risks was € 26.9 million (2009: € 17.9 million). This increase is also attributable to the higher volatility of the credit spreads resulting from the government debt crisis.

For strategic management of economic capital, the Bank uses a 99.98% confidence level. A risk horizon of one year is analysed, with different holding periods assumed for positions of the investment book and the trading book. These reflect the possibility to exert influence, e.g. by reducing risk positions in the event of an unfavourable market trend.

The economic capital for general and specific market price risks was € 1.1 billion (2009: € 0.6 billion) as of the reporting date. Just like the increase in the VaR, the increase in economic capital is attributable to the financial market uncertainties resulting from the European government debt crisis and the related higher volatilities and changed correlations between individual segments of the financial market.

### 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. Moreover, the Bank can generate liquidity at short notice at any time without having to sell securities/receivables thanks to the explicit funding guarantee extended by NRW.BANK's guarantors and its correspondingly high rating.

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 fiscal year 2010. The liquidity ratio as of the reporting date was 5.0 (2009: 4.1), well above the regulatory required minimum of 1.0.

### Operational Risk

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 each year 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 € 0.2 billion (2009: € 0.1 billion) as of December 31, 2010.

### 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 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 Com-

mission. 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 specific interest rate risks, also of the investment portfolio, as well as operational risk) and combines them in a methodologically consistent manner 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.

Bank-wide economic capital is determined taking diversification effects between the counterparty default risk and the market price risk into account. It totals € 5.1 billion.

### Bank-wide Economic Capital

Economic Capital	Dec. 31, 2010	Dec. 31, 2009
	€ billions	€ billions
Counterparty default risk	4.1	4.0
Market price risk	1.1	0.6
Operational risk	0.2	0.1
<b>Sub-total</b>	<b>5.4</b>	<b>4.7</b>
Diversification effect	-0.3	-0.2
<b>Total economic capital</b>	<b>5.1</b>	<b>4.5</b>

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 € 10.7 billion (2009: € 10.2 billion) as of the reporting date.

In keeping with the differentiated accounting of specific interest rate risks in the market price risk, a differentiated view is taken of undisclosed reserves/liabilities. This approach combines NRW.BANK's primary HGB-based control with a marked-to-market perspective. 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 takes 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 Bank-wide stress and scenario analyses. These were extended in the reporting period. The Bank takes an integrated approach, which consistently integrates the main risk types, i.e. counterparty default risk and

market price risk. Historical and hypothetical scenarios are used to analyse the effects on the risk-bearing capacity and the income statement of the Bank.

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.

### **Internal Control System with Regard to the Accounting Process**

The accounting-related internal control system (IKS) primarily comprises regulations governing the organisational and operational structure and makes a clear distinction between responsibilities as well as processes, procedures and measures to ensure the appropriateness and reliability of internal and external accounting.

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

Accounting-related business events are mostly handled locally. All accounting-relevant events are initiated in IT systems. The respective units are responsible for full and proper capture and for implementing and documenting the required controls. Functional responsibility

for the account rules, the booking system, accounting and the definition of the valuation principles rests with the Finance unit. Risk Management is responsible for the trading-independent valuation and results analysis.

In the context of the Management Information System, a standardised report is sent to the Managing Board each month to ensure timely reporting.

The accounting process of NRW.BANK is laid down in a written regulation comprised of regularly updated manuals and work instructions. The Finance unit examines all new legislation for its potential relevance to the Bank's accounting process. Necessary adjustments to processes and manuals are implemented in a timely manner. The management and monitoring of new products are coordinated by Risk Management in a standardised process. In this context, an accounting-related analysis of the financial instruments and the associated risks is carried out with a view to ensuring accurate accounting.

Besides the minimum requirements of the four-eye principle, the use of standard software is a key element of the internal control system; the software is protected against unauthorised access by means of authorisations reflecting users' competence levels. In addition, system-immanent plausibility checks, standardised coordination routines and target-actual comparisons serve to check completeness and avoid and identify errors. The front-office units are functionally and organisationally separated from the units responsible for settlement, monitoring and control.

The functionality of the accounting-related internal control system is monitored by Internal Audit through regular process-independent tests. The Managing Board informs the Supervisory Board and its committees about the current business performance of NRW.BANK. The Audit Committee addresses relevant issues relating to the accounting process, the auditor's audit assignment and the focal points of the audit.

## 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 of preparation. 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 bad debt and 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

NRW.BANK assumes that the recovery in the German economy will continue through the next two years. The leading indicators are signalling that the domestic forces of growth are persisting while international demand is likely to continue supporting the recovery. However, economic growth will presumably lose in momentum in the first half of 2011 and subsequently embark on a moderate upward trend. As for the full year 2011, NRW.BANK anticipates real economic growth in Germany to amount to 2.0–2.5 percent compared to the previous year's average. We note that this range overstates the actual dynamics in the course of the year, given that a clear statistical overhang is to be expected from 2010 (percentage deviation in the Q4 GDP result from the annual average). Export stimulation will presumably decrease in the first half of the year as the expansion of world trade weakens. The second half of the year is likely to see renewed momentum in global demand, and, consequently, German exports. Stimulation from domestic demand will play a larger role in 2011 than in 2010. The favourable investment climate suggests that capital formation in machinery and equipment will grow strongly in 2011, although the momentum is likely

to be slightly lower than in 2010; growing international competition and rising capacity utilisation should drive spending on modernisation and expansions. Companies' financing positions should continue to relax, aided by an improvement in their profitability and equity positions. However, relief will be only light, given that rising funding needs will contrast with banks' preparations for more stringent regulatory requirements (Basle III, in particular), which will tend to be restrictive. NRW.BANK continues not to anticipate a credit squeeze. The annual average level of construction investment is expected to be higher in 2011 than in the previous year, even though the momentum in the course of the year is likely to be appreciably weaker. Growth in private and commercial construction spending might be almost completely offset by a decline in demand for public construction. Private consumption will presumably make the largest contribution to economic growth in 2011, as a favourable consumption climate will be created by rising incomes, moderate price increases, good employment prospects as well as the pent-up demand resulting from the consumer restraint seen to date. Inflation in the euro-zone is likely to accelerate in 2011 and come in slightly above the European Central Bank's 2 percent target, with rising commodity prices being the main driver. However, the annual growth rate of consumer prices should drop below the 2 percent mark in 2012.

Public sector budgets will embark on a consolidation course in 2011; its dampening effects will remain limited. Consolidation measures in other euro area countries are not expected to weigh on the German economy to a significant extent.

The situation of government finances will continue to mark developments in the financial markets in 2011. As the underlying structural problems can presumably be resolved only over a longer period, the potential for heightened insecurity remains in place. Monetary policy is likely to remain expansionary in the year 2011. The low-interest environment prevailing until year-end

2010 is expected to remain stable far into the year 2011. As the markets relax slightly and the economy recovers moderately, we are likely to see a slow upward trend in capital market yields; 2011 levels should remain low by historic comparison. The yield curve will remain steep also in 2011.

These economic projections are subject to great uncertainty (e.g. due to the potential impact of geopolitical developments). NRW.BANK's forecasts assume that the institutions and states of the European Monetary Union as well as the European Central Bank will take, or initiate, the required measures to stabilise the financial markets in the euro area and that a robust recovery will become evident in world trade.

#### Development of the Bank

Last year the principles of NRW.BANK's business, promotion and risk policy were laid down for the years 2011 to 2014. The following fields of promotion have been defined:

- Housing & Living (covering the promotion themes Local Governments, Housing as well as Social and Other Infrastructure),
- Start-ups & Growth (covering the promotion themes Provision of Capital to Mid-sized Businesses, Start-ups and Exports),
- Development & Protection (covering the promotion themes Environment/Climate/Energy, Innovation and Education).

Based on these principles, promotion strategies have been developed for the individual fields of promotion. NRW.BANK's promotion activities in the coming years will be aligned consistently with these strategies.

NRW.BANK anticipates being able to further strengthen its position as the development bank for North Rhine-Westphalia in consultation with its owners. The range of promotion instruments is to be expanded further and optimised with a view to meeting the structural policy

challenges in North Rhine-Westphalia. The risk strategy has been updated in accordance with the business strategy with the aim of reducing risks selectively and refining the controlling functions.

The economic recovery expected by NRW.BANK has materialised and should continue to be positively reflected in the Bank's promotion business.

Due to the selective reduction of the securities portfolio, NRW.BANK expects to see a slight decline in net interest income and net commission income in the coming years. Moreover, NRW.BANK expects demand for interest-subsidised investment loans to pick up further, meaning that higher interest subsidies may be required in 2011 compared to the prior year.

According to the Bank's budgets, administrative expenses will be slightly higher in 2011 and 2012 than in the 2010 reporting period.

As NRW.BANK currently assumes a constant headcount, personnel expenses should rise only slightly, mainly on account of collectively agreed wage rises as well as higher pension provisions.

Operating expenditure will continue to reflect the Bank's consistent focus on the implementation of its IT strategy for the replacement of heritage systems. The replacement of the loan systems is scheduled to be completed in 2012. Apart from the temporary parallel operation of old and new systems, additional project costs will also be incurred in the form of the required testing procedures. The implementation of this IT strategy is expected to deliver cost savings over the medium term.

Current estimates suggest that the year 2011 will continue to be marked by the public debt crisis. Consequently NRW.BANK cannot rule out the possibility of having to set aside provisions in the future. However, risk provisions/revaluation adjustments will presumably

come in lower than in the previous year. At the bottom line, NRW.BANK aims to achieve a 2011 result on par with the prior year.

NRW.BANK expects its promotion business to perform well in 2011 and 2012 without resulting in a significant change in total assets.

The Bank's plans regarding volumes, income and risks are based on current estimates. Earnings may be affected by unexpected delays in the implementation of the major projects being undertaken within the framework of the IT strategy. Another element of uncertainty subject to external factors lies in the performance of the investments held in the interest of the state of North Rhine-Westphalia.

#### Development of the Segments

The performance of the Programme-based Promotion segment is closely tied to the adopted principles for the business, promotion and risk policy.

Under the promotion theme "Provision of Capital to Mid-sized Businesses", the future focus will be on the expansion of promotion programmes using releases from liability, measures to improve borrowers' equity ratios as well as the aspect of growth financing. The provision of growth or debt capital is an essential objective of the "Start-up" promotion theme. The targeted improvement of the collaboration with the STARTERCENTER advisory offices in North Rhine-Westphalia is to contribute to the state-wide roll-out of the NRW/EU.Mikrodarlehen loan. In relations with local authorities, NRW.BANK will continue to act as a reliable partner in municipal finance and as an advisor on customised municipal investment solutions. In this context, the Bank also actively supports the consolidation of local authority budgets in North Rhine-Westphalia.

NRW.BANK's promotion strategy for Social Housing Promotion is essentially determined by the stipulations of the Law on the Promotion and Use of Housing for the State of North Rhine-Westphalia (WFNG NRW) and the benchmark process laid down in the law. The benchmark process serves to integrate the state government's promotion policy objectives with NRW.BANK's promotion strategy. Apart from the promotion of barrier-free living and the creation of new forms of housing for the elderly, two areas which have already been particularly important in the past, an additional focus will be on energy efficiency and climate protection.

An expansion of the qualitative promotion offerings is envisaged for all fields of promotion. This means that apart from the expansion of specific advisory services, NRW.BANK will facilitate the provision of case-by-case and problem-oriented promotion solutions based on its existing promotion offerings. Promotion beneficiaries will continue to be offered direct added value through the provision of qualitative promotion services alongside the use of subsidised promotion.

In view of the trailing indicators of the financial market crisis, NRW.BANK continues to play an important role as the development bank for the state of North Rhine-Westphalia. In general terms, NRW.BANK's product portfolio will remain oriented towards the appreciable economic recovery and the resulting promotion requirements.

In the Other Promotion/Liquidity Management segment, NRW.BANK aims to strengthen its position in business with municipal customers, in particular by expanding its advisory services on issues of financial management and control. The securities portfolio is to be optimised further, aiming at risk diversification



and earnings stabilisation as provided for in the Bank's risk strategy. Concentration risks will be selectively reduced in this context. The Bank aims to optimise its funding costs by broadening its investor basis and evolving its debt issuance programmes.

In the Staff/Services segment, the development of the investment portfolio, especially of WestLB AG, will be of material importance.

The book value of NRW.BANK's share in WestLB AG is secured by a value guarantee from the state of North Rhine-Westphalia. This guarantee frees NRW.BANK from any risks arising in this context.

On February 15, 2011, the federal government submitted, among other things, a restructuring plan that has been revised by WestLB AG to the European Commission.

Based on this restructuring plan, NRW.BANK has not identified any indication that future burdens may arise for the Bank.

This should, in particular, be seen against the background of the fact that NRW.BANK has previously been released from any burdens, especially in the context of the restructuring of WestLB AG, and that the North Rhine-Westphalian government has declared that this will also be done in future.

### Post Balance Sheet Events

In February 2001, the regional associations of the Rhineland and of Westphalia-Lippe announced that they will make use of a contractual option to resign from the group of owners of NRW.BANK and to convert their shareholdings of 0.69 percent each into direct shares in WestLB AG. Due to this conversion, the subscribed capital of NRW.BANK will be reduced moderately.

As the sole shareholder of NRW.BANK, the state of North Rhine-Westphalia will ensure that the strategic positioning of NRW.BANK as the development bank for companies, municipalities and families in North Rhine-Westphalia will remain unchanged.

# Balance Sheet

of NRW.BANK at December 31, 2010

## Assets

see Notes No.

Dec. 31, 2009

	€	€	€ thousands
<b>1. Cash</b>			
a) cash on hand	54,373.93		10
b) balances with central banks	1,344,581,368.48		571,164
thereof:			
with Deutsche Bundesbank			
€ 1,344,581,368.48			(571,164)
		<b>1,344,635,742.41</b>	571,174
<b>2. Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks</b>			
a) treasury bills and discounted treasury notes as well as similar debt instruments issued by public institutions		<b>20,715,045.53</b>	20,020
thereof:			
eligible for refinancing with Deutsche Bundesbank € 20,715,045.53			(20,020)
<b>3. Receivables from banks</b>	<b>1, 13, 25, 29</b>		
a) payable on demand	2,607,683,894.04		2,934,870
b) other	29,621,145,987.93		29,836,360
		<b>32,228,829,881.97</b>	32,771,230
<b>4. Receivables from customers</b>	<b>2, 3, 13, 25, 29</b>	<b>65,718,252,899.90</b>	61,954,182
thereof:			
secured by mortgages € 20,275,267,533.31			(20,209,788)
loans to public authorities and entities under public law € 38,126,952,398.07			(34,523,607)
		<b>99,312,433,569.81</b>	95,316,606
	To be carried forward:		

## Liabilities

		see Notes No.	€	€	Dec. 31, 2009 € thousands
<b>1. Liabilities to banks</b>	<b>15, 25, 28, 29</b>				
a) payable on demand			241,416,970.15		253,671
b) with agreed maturity or period of notice			38,600,294,747.17		48,388,260
				<b>38,841,711,717.32</b>	<b>48,641,931</b>
<b>2. Liabilities to customers</b>	<b>16, 25</b>				
a) other liabilities					
aa) payable on demand			130,280,501.09		131,577
ab) with agreed maturity or period of notice			24,640,768,317.34		24,375,196
				<b>24,771,048,818.43</b>	<b>24,506,773</b>
<b>3. Certificated liabilities</b>	<b>17, 25, 29</b>				
a) bonds and notes issued by the bank			68,074,364,227.62		63,280,307
				<b>68,074,364,227.62</b>	<b>63,280,307</b>
<b>3a. Trading portfolio</b>	<b>18</b>			<b>54,439,854.03</b>	<b>0</b>
<b>4. Trust liabilities</b>	<b>19</b>			<b>2,020,124,756.64</b>	<b>2,125,187</b>
thereof:					
trust loans € 2,020,124,756.64					(2,125,187)
<b>5. Other liabilities</b>	<b>20, 25</b>			<b>67,805,563.41</b>	<b>36,065</b>
<b>6. Deferred items</b>	<b>21, 25</b>			<b>314,421,502.39</b>	<b>312,043</b>
<b>7. Provisions</b>	<b>22</b>				
a) for pensions and similar obligations			1,305,941,757.89		946,493
b) tax reserves			34,112,524.33		31,577
c) for interest rate subsidies			68,952,873.99		69,694
d) other			608,683,779.24		634,507
				<b>2,017,690,935.45</b>	<b>1,682,271</b>
<b>8. Subordinated liabilities</b>	<b>23</b>			<b>2,711,772,152.36</b>	<b>405,000</b>
thereof:					
due in less than two years € 223,851,945.36					(0)
				<b>138,873,379,527.65</b>	<b>140,989,577</b>
			To be carried forward:		

# Balance Sheet

of NRW.BANK at December 31, 2010

## Assets

see Notes No.		Dec. 31, 2009	
	€	€	€ thousands
		To be carried forward:	
		99,312,433,569.81	95,316,606
<b>5. Bonds and other interest-bearing securities</b>	<b>4, 10, 13, 14, 25, 27, 29</b>		
a) money market instruments			
aa) of public institutions	146,045,097.78		0
thereof: eligible as collateral for Deutsche Bundesbank advances	€ 146,045,097.78		
ab) of other issuers	0.00		209,751
thereof: eligible as collateral for Deutsche Bundesbank advances	€ 0.00		(209,751)
	146,045,097.78		
b) bonds and notes			
ba) of public institutions	23,294,571,148.60		27,845,354
thereof: eligible as collateral for Deutsche Bundesbank advances	€ 21,502,986,963.06		(26,401,173)
bb) of other issuers	27,391,371,072.24		31,344,540
thereof: eligible as collateral for Deutsche Bundesbank advances	€ 22,530,269,939.57		(25,930,281)
	50,685,942,220.84		59,189,894
c) bonds issued by the bank	125,851,637.73		499,575
principal amount	€ 121,371,311.58		(483,998)
		<b>50,957,838,956.35</b>	<b>59,899,220</b>
<b>6. Shares and other non-interest-bearing securities</b>	<b>5, 10, 13</b>		
		1,957,200.00	1,957
<b>6a. Trading portfolio</b>	<b>6</b>		
		574,626,528.30	0
<b>7. Equity investments in non-affiliated companies</b>	<b>7, 10</b>		
thereof: equity investments in banks	€ 2,252,989,508.98	2,263,192,968.68	2,260,138
			(2,255,174)
<b>8. Equity investments in affiliated companies</b>	<b>7, 10</b>		
		101,639,309.60	96,135
<b>9. Trust assets</b>	<b>8</b>		
thereof: trust loans	€ 2,020,124,756.64	2,020,124,756.64	2,125,187
			(2,125,187)
<b>10. Intangible assets</b>	<b>10</b>		
		25,954,977.76	27,515
<b>11. Tangible fixed assets</b>	<b>10</b>		
		74,950,038.06	66,644
<b>12. Other assets</b>	<b>9, 25</b>		
		1,213,620,883.67	921,173
<b>13. Deferred items</b>	<b>11, 25</b>		
		291,171,798.37	299,782
<b>Total assets</b>		<b>156,837,510,987.24</b>	<b>161,014,357</b>

## Liabilities

see Notes No.		Dec. 31, 2009	
	€	€	€ thousands
	To be carried forward:	<b>138,873,379,527.65</b>	140,989,577
<b>9. Capital with participation rights</b>	<b>23</b>	<b>11,000,000.00</b>	11,000
thereof:			
due in less than two years	€ 0.00		(0)
<b>10. Fund for general banking risks</b>		<b>265,008,222.13</b>	85,000
thereof: special item pursuant to Section 340e (4) of the German Commercial Code (HGB)	€ 8,222.13		(0)
<b>11. Equity capital</b>	<b>24</b>		
a) subscribed capital	17,215,000,000.00		675,000
b) capital reserves	351,756,285.24		19,208,820
thereof:			
special reserves pertaining to the Wohnungsbauförderungsanstalt	€ 0.00		(18,952,986)
c) reserves from retained earnings			
ca) reserves required by NRW.BANK's statutes	29,800,000.00		19,800
cb) other reserves	24,366,952.22		25,160
d) profit for the year	67,200,000.00		0
		<b>17,688,123,237.46</b>	19,928,780
<b>Total liabilities</b>		<b>156,837,510,987.24</b>	161,014,357
<b>1. Contingent liabilities</b>	<b>26</b>		
liabilities from guarantees and indemnity agreements		<b>23,057,032,987.67</b>	23,183,076
<b>2. Other commitments</b>	<b>26</b>		
irrevocable loan commitments		<b>4,095,860,672.46</b>	3,749,132
<b>3. Administered funds</b>		<b>172,058,856.05</b>	148,846

# Profit and Loss Account

of NRW.BANK for the Period January 1 – December 31, 2010

		see Notes No.		Jan. 1 – Dec. 31, 2009
		€	€	€ thousands
<b>1. Interest income from</b>				
a) lending and money market transactions		2,798,899,963.85		2,937,512
b) interest-bearing securities and book-entry securities		2,076,227,806.44		2,312,068
			4,875,127,770.29	5,249,580
<b>2. Interest expenses</b>		4,374,192,363.00		4,759,046
			500,935,407.29	490,534
<b>3. Income from</b>				
a) equity investments in non-affiliated companies		11,580,436.43		15
b) equity investments in affiliated companies		9,092,256.53		12,626
			20,672,692.96	12,641
<b>4. Income from profit pooling, profit transfer and partial profit transfer agreements</b>			1,917,279.05	2,532
<b>5. Commission income</b>	30		179,094,593.47	150,249
<b>6. Commission expenses</b>			98,691,111.72	87,586
			80,403,481.75	62,663
<b>7. Net profit from trading operations</b>			0.00	2,777
<b>8. Net profit from trading portfolio</b>			73,999.13	0
<b>9. Other operating income</b>	31		32,058,897.00	14,920
<b>10. General administrative expenses</b>				
a) personnel expenses				
aa) wages and salaries		86,734,984.39		86,077
ab) social security contributions and expenses for pensions and other employee benefits		20,103,361.66		16,061
thereof:			106,838,346.05	102,138
for pensions € 10,457,770.79				(4,864)
b) other administrative expenses	32		79,341,185.19	79,429
			186,179,531.24	181,567
<b>11. Depreciation and value adjustments on intangible and tangible fixed assets</b>			14,502,608.95	8,626
<b>12. Other operating expenses</b>	31		662,916.12	1,015
			434,716,700.87	394,859
			To be carried forward:	

see Notes No.	€	€	€ thousands
To be carried forward:		434,716,700.87	394,859
<b>13. Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions</b>		<b>478,729,246.85</b>	<b>144,175</b>
thereof: allocation to fund for general banking risks € 180,000,000.00			(0)
<b>14. Write-downs and value adjustments on equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as tangible fixed assets</b>		<b>0.00</b>	<b>51,904</b>
<b>15. Income from write-ups of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as tangible fixed assets</b>		<b>152,415,465.85</b>	<b>0</b>
<b>16. Expenses from the assumption of losses</b>		<b>4,352,497.64</b>	<b>0</b>
<b>17. Result from normal operations</b>		<b>104,050,422.23</b>	<b>198,780</b>
<b>18. Taxes on income and revenues</b>	7,052,509.19		6,506
<b>19. Other taxes not shown under other operating expenses</b>	<b>87,178.49</b>		<b>68</b>
		<b>7,139,687.68</b>	<b>6,574</b>
<b>20. Extraordinary expenses</b>		<b>1,527,474.24</b>	<b>0</b>
<b>21. Allocation to provisions for promotion dividend</b>		<b>0.00</b>	<b>21,426</b>
<b>22. Net profit</b>		<b>95,383,260.31</b>	<b>170,780</b>
<b>23. Allocation to capital of Wohnungsbauförderungsanstalt NRW</b>		<b>0.00</b>	<b>143,381</b>
<b>24. Designated payout due to legal requirements</b>		<b>18,183,260.31</b>	<b>19,799</b>
<b>25. Allocation of net income to reserves from retained earnings</b>			
a) reserves required by NRW.BANK's statutes		<b>10,000,000.00</b>	<b>7,600</b>
<b>26. Profit for the year</b>		<b>67,200,000.00</b>	<b>0</b>

# Notes

## of NRW.BANK at December 31, 2010

### 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.

Based on the "Gesetz zur Umsetzung der Föderalismusreform im Wohnungswesen, zur Steigerung der Fördermöglichkeiten der NRW.BANK und zur Änderung anderer Gesetze" (Act on the Implementation of the Federalism Reform in the Housing Sector, on Increasing the Scope for NRW.BANK's Development and Promotion Activities and on the Amendment of Other Laws), which was adopted by the North Rhine-Westphalian Parliament in December 2009 and came into force on January 1, 2010, Wohnungsbauförderungsanstalt was integrated into NRW.BANK as the new Housing Promotion Department.

In the context of the legally stipulated integration, the state housing assets of Wohnungsbauförderungsanstalt, which were recognised as a capital reserve in an amount of € 18,953.0 million as of December 31, 2009, were allocated to the subscribed capital of NRW.BANK in an amount of € 16,539.1 million and recognised as a subordinated liability of NRW.BANK towards the state of North Rhine-Westphalia in an amount of € 2,413.9 million. To fund the federal state's debt service towards the federal government, NRW.BANK must, in future, transfer the required funds from the repayment of housing promotion loans to the state budget.

As of December 31, 2010, NRW.BANK's guarantors had the following shares in the subscribed capital, which increased from € 675.0 million to € 17,215.0 million due to the integration of Wohnungsbauförderungsanstalt: the state of North Rhine-Westphalia held 98.62%, while the Regional Associations of Westphalia-Lippe and the Rhineland held 0.69% each.

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 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).

Due to the first-time adoption of the German Balance Sheet Modernisation Act (BilMoG) and the resulting changed form of presentation and the changes to the previously applied valuation methods, Section 252 para. 1 No. 6 of the German Commercial Code (HGB), Section 265 para. 1 of the German Commercial Code (HGB) and Section 284 para. 2 No. 3 of the German Commercial Code (HGB) were not applied in accordance with Article 67 para. 8 EGHGB. The prior year figures were not adjusted, either.

Receivables are reported at their amortised cost less any discounts. Liabilities are carried at their repayment amounts, with any related discounts reported under deferred items. Premiums and discounts from notes and bonds were released by the end of the term. 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.



The Housing Promotion Department's promotion loans to customers and banks, most of which are at no interest or below-market interest, are carried at their nominal value. This recognises the fact that these loans are quite predominantly funded at matching maturities from the former state housing assets – which were allocated to NRW.BANK's subscribed capital effective January 1, 2010 – and takes into account the "interest balance guarantee" under which the state of North Rhine-Westphalia would compensate for any negative interest balance.

All loans granted by the Housing Promotion Department after December 31, 2009 are not covered by the interest guarantee of the state of North Rhine-Westphalia. To ensure the loss-free valuation of these claims, the Bank developed a concept for the commercial law valuation of the loans granted by the Housing Promotion Department at no interest or below-market interest last year. For this purpose, the Bank reviews the present value result of future periods. If the present value is negative, a provision for anticipated losses is established for the portfolio of promotion loans granted by the Housing Promotion Department. As of the reporting date, the calculations, which took into account standard risk costs and attributable funding costs, resulted in a positive present value, which means that no provision for anticipated losses was required. Administrative expenses are charged to the borrowers in addition to the interest and are therefore not taken into account in the calculation of the present value of this portfolio.

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.

To hedge against interest rate risks, assets with a carrying amount of € 123.3 million and derivatives with a nominal volume of € 160.0 million were combined into a hedge relationship. The hedged risks had a total volume of € 121.8 million on the balance sheet date. The transactions covered have a maximum remaining maturity until January 27, 2020. Given that the transactions in the derivatives portfolios include hedges, interest-induced movements in the market values of the hedged items and the hedges will be mutually offsetting in future. Interest rate risks are managed on the basis of sensitivities.

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 € 16,798,322,271.47, an aggregate market value of € 15,456,223,423.12 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 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, interest 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.

In accordance with the principles of the IDW statement on accounting (IDW RS BFA 2) of March 3, 2010, NRW.BANK recognised interest expenses for liabilities used to fund trading activities in the net result of the trading portfolio. These were recognised in the income statement for the period ended December 31, 2010 in an amount of € 3.1 million (2009: € 0.0 million).

In the past fiscal year, an amount of € 8,222.13 (2009: € 0.0) was allocated to the special item "Fund for general banking risks" from the net result of the trading portfolio in accordance with Section 340e para. 4 of the German Commercial Code (HGB) shown as a sub-item in the balance sheet.

Derivatives and other structured products are valued on the basis of generally accepted models (Black 76, One, Two and Three 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.

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

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

NRW.BANK incorporated the principles of the IDW statement on accounting (IDW RS HFA 22) of September 2, 2008 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.

As in the previous years, NRW.BANK used interest rate subsidies for certain loans in order to fulfil its state promotion tasks. When the loan is extended, the interest rate subsidy is provisioned for in the amount of the

present value. As a result of the new provisions of the BilMoG Act, the recognition of the interest accrual in the past fiscal year changed insofar as it is now recognised in interest expenses for the first time. In this context, NRW.BANK decided to show the complete interest rate subsidy under interest expenses for reasons of presentation. This item in an amount of € 27.1 million was shown as a separate item of € 21.4 million in the previous year's statement of income.

Adequate provisions have been made for contingent liabilities and anticipated losses from open contracts.

Pension, early retirement, anniversary and benefit obligations were measured by using the internationally accepted projected unit credit method, taking the future development of wages and pensions into account. Based on the 2005 G tables of Heubeck-Richttafel-GmbH in Cologne, average wage and salary rises of 2.5% were applied for this purpose. The interest rate of 5.16% used for discounting was stipulated by Deutsche Bundesbank.

Provisions with a remaining maturity of more than one year must be discounted using the average market rate of the past seven years as appropriate for the remaining maturities. In accordance with the option granted under Section 253 para. 2 sentence 2 of the German Commercial Code (HGB), NRW.BANK has discounted provisions for pension obligations or comparable long-term obligations using the average market rate for an assumed remaining maturity of 15 years.

The accumulation for pension, early retirement, anniversary and benefit obligations was recognised in interest expense in an amount of € 0.9 million (2009: € 24.3 million).

The provisions for healthcare benefits were again calculated using an annual cost increase of 3%. The average rate of the benefit payments over the past three or five years, respectively, was taken as the basis.

The projected unit credit method was applied to provisions for pensions of WestLB AG employees with dual contracts who hold a full entitlement to reimbursement in respect of WestLB AG.

In accordance with Article 67 para. 1 sentence 2 EGHGB, the option was used insofar as the existing provisions are maintained due to excess cover, as the required release would have to be reallocated by December 31, 2024 at the latest. As of December 31, 2010, excess cover of € 1.4 million existed for these provisions.

Foreign currency amounts have been translated in accordance with Section 340h and Section 256a of the German Commercial Code (HGB) and statement BFA 3/95 of the IDW. Assets and liabilities denominated in foreign currencies were translated using the spot exchange rate on December 31, 2010. In this context, NRW.BANK uses the reference rates of the European System of Central Banks (ESCB).

Pursuant to Section 340h and Section 256a of the German Commercial Code (HGB), foreign-currency balance sheet items and pending transactions of NRW.BANK are classified and valued as being specifically covered in all currencies.

## Balance Sheet

### Receivables from Banks (1)

Breakdown by Maturity	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
Payable on demand	2,607.7	2,934.9
With residual maturities of		
– up to 3 months	2,471.3	3,029.3
– between 3 months and 1 year	1,531.8	1,564.4
– between 1 and 5 years	10,584.9	9,389.8
– more than 5 years	15,033.1	15,852.8
<b>Total receivables from banks</b>	<b>32,228.8</b>	<b>32,771.2</b>

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 € 427.6 million (2009: € 475.9 million).

### Receivables from Customers (2)

Breakdown by Maturity	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
With residual maturities of		
– up to 3 months	6,036.2	3,962.3
– between 3 months and 1 year	1,785.3	2,232.5
– between 1 and 5 years	12,083.2	10,549.8
– more than 5 years	45,813.6	45,209.6
<b>Total receivables from customers</b>	<b>65,718.3</b>	<b>61,954.2</b>
including:		
– receivables with indefinite maturities	0.0	0.0

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 € 0.8 million (2009: € 4.7 million).

### Receivables Secured by Mortgages (3)

#### Breakdown by Maturity

	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
Receivables from customers with residual maturities of		
– up to 3 months	105.3	150.5
– between 3 months and 1 year	403.2	370.3
– between 1 and 5 years	1,779.3	1,814.1
– more than 5 years	17,987.5	17,874.9
<b>Total receivables secured by mortgages</b>	<b>20,275.3</b>	<b>20,209.8</b>

### Bonds and Other Interest-Bearing Securities (4)

#### Marketability

	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
Bonds and other interest-bearing securities		
– listed on a stock exchange	46,800.6	56,175.2
– not listed on a stock exchange	4,157.2	3,724.0
<b>Total bonds and other interest-bearing securities</b>	<b>50,957.8</b>	<b>59,899.2</b>

Of the bonds and other interest bearing securities, an amount of € 4,642.8 million (2009: € 8,550.6 million) is due in the following year.

As in the previous year, bonds and other interest-bearing securities do not include securities from affiliated companies. Securities in an amount of € 51.1 million (2009: € 0.0 million) were recognised for companies in which equity investments are held.

Of the total bonds and other interest-bearing securities € 588.4 million (2009: € 2,739.4 million) are held as part of the liquidity reserve and € 50,369.4 million (2009: € 57,032.9 million) are held in the investment portfolio. In the previous year, an amount of € 126.9 million was carried as trading portfolio. In the past fiscal year, a new balance sheet item “trading portfolio” was introduced, under which an amount of € 152.5 million was recognised.

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

#### Marketability

	Dec. 31, 2010	Dec. 31, 2009
	€ 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
<b>Total shares and other non-interest-bearing securities</b>	<b>1.9</b>	<b>1.9</b>

Of the total shares and other non-interest-bearing securities € 1.9 million (2009: € 1.9 million) are held in the investment portfolio.

### Trading Portfolio (6)

Breakdown of Trading Portfolio	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
Derivative financial instruments	0.5	0.0
Receivables	424.0	0.0
Bonds and other interest-bearing securities	152.5	0.0
Shares and other non-interest-bearing securities	0.0	0.0
Other assets	0.0	0.0
Risk discount pursuant to Section 340e para. 3 sentence 1 HGB	- 2.4	0.0
<b>Total trading portfolio</b>	<b>574.6</b>	<b>0.0</b>

The risk discount was calculated on the basis of the Value-at-Risk (VaR) model (Monte-Carlo simulation), which the Risk Management Department also uses for internal monitoring of the market price risks. The regulatory requirements of a confidence level of 99% and a holding period of 10 days were applied. The historical observation period for the determination of the statistical parameters is 250 days, with a greater weight placed on incidents in the more recent past.

### Equity Investments in Non-Affiliated and Affiliated Companies (7)

NRW.BANK holds € 2,263.2 million (2009: € 2,260.1 million) in equity investments in non-affiliated companies and € 101.6 million (2009: € 96.1 million) in equity investments in affiliated companies. Of this amount, € 2,200.0 million (2009: € 2,202.2 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.

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

- WestLB AG
- InvestitionsBank des Landes Brandenburg (ILB)

### Trust Assets (8)

Breakdown by Asset Type	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
Receivables from banks	150.2	161.1
Receivables from customers	1,869.9	1,964.1
<b>Total trust assets</b>	<b>2,020.1</b>	<b>2,125.2</b>

### Other Assets (9)

The total figure of € 1,213.6 million (2009: € 921.2 million) contains, among other things, € 992.8 million (2009: € 635.5 million) in receivables from WestLB AG for reimbursement of pension and benefit obligations, € 0.0 million (2009: € 143.9 million) balancing item from foreign exchange valuation (in accordance with Section 340h of the German Commercial Code [HGB]) as well as € 200.0 million (2009: € 119.2 million) in receivables from the state of North Rhine-Westphalia under the value guarantee.

## Fixed Assets (10)

Schedule of Fixed Assets	Acquisition Cost/ Production Cost	Additions	Retirements	Total Depreciation and Amortisation	Net Book Value	Depreciation and Amortisation in the Financial Year
	Jan. 1, 2010				Dec. 31, 2010	
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Bonds and other interest-bearing securities forming part of fixed assets	55,959.3				49,387.3	0.0
Shares and other non-interest-bearing securities forming part of fixed assets	1.9	Net change pursuant to Section 34 para. 3 sentence 2 RechKredV: € 8,147.2 millions			1.9	0.0
Equity investments in non-affiliated companies	3,829.8				2,263.2	2.2
Equity investments in affiliated companies	110.2				101.6	11.9
Intangible assets	54.4	10.1	0.0	38.6	25.9	11.7
Land and buildings	53.6	7.5	0.2	1.9	59.0	1.1
Office equipment	19.3	4.0	0.4	6.9	16.0	1.7

€ 58.6 million of the amount shown under land and buildings represent land and buildings used for business purposes (2009: € 52.7 million).

## Deferred Items (11)

Breakdown of Deferred Items	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
Discounts from underwriting business	103.8	116.8
Discounts from liabilities	0.0	0.1
Pre-paid swap fees	75.5	70.1
Pre-paid CDS fees	81.4	84.6
Other	30.5	28.2
<b>Total deferred items</b>	<b>291.2</b>	<b>299.8</b>

**Deferred Tax Assets (12)**

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

**Subordinated Assets (13)**

Subordinated assets are included in:

Breakdown by Asset Type	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
Receivables from banks	0.8	0.8
Receivables from customers	37.9	51.6
Bonds and other interest-bearing securities	20.4	20.4
Shares and other non-interest-bearing securities	1.9	1.9
<b>Total subordinated assets</b>	<b>61.0</b>	<b>74.7</b>

**Pledged Assets (14)**

Of the assets reported, NRW.BANK pledged € 392.1 million (2009: € 6,712.1 million) under repurchase agreements.

**Liabilities to Banks (15)**

Breakdown by Maturity	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
Payable on demand	241.4	253.7
With residual maturities of		
– up to 3 months	4,395.5	9,911.0
– between 3 months and 1 year	1,887.7	7,415.4
– between 1 and 5 years	13,118.8	10,024.4
– more than 5 years	19,198.3	21,037.4
<b>Total liabilities to banks</b>	<b>38,841.7</b>	<b>48,641.9</b>

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 € 268.4 million (2009: € 1,592.4 million).



## Liabilities to Customers (16)

### Breakdown by Maturity

	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
Payable on demand	130.3	131.6
With residual maturities of		
– up to 3 months	2,413.4	1,305.8
– between 3 months and 1 year	1,294.5	745.4
– between 1 and 5 years	5,442.4	4,541.0
– more than 5 years	15,490.4	17,783.0
<b>Total liabilities to customers</b>	<b>24,771.0</b>	<b>24,506.8</b>

## Certificated Liabilities (17)

### Breakdown of Certificated Liabilities

	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
Notes issued		
– mortgage bonds	0.0	0.9
– municipal bonds	1,176.9	1,847.8
– other bonds	66,897.5	61,431.6
<b>Total certificated liabilities</b>	<b>68,074.4</b>	<b>63,280.3</b>

€ 27,622.4 million (2009: € 24,483.2 million) of the notes issued is due in the following year.

## Trading Portfolio (18)

### Breakdown of Trading Portfolio

	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
Derivative financial instruments	15.1	0.0
Liabilities	39.3	0.0
<b>Total trading portfolio</b>	<b>54.4</b>	<b>0.0</b>

### Trust Liabilities (19)

#### Breakdown of Trust Liabilities

	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
Liabilities to banks	32.0	41.1
Liabilities to customers	1,365.2	1,440.6
Other liabilities	622.9	643.5
<b>Total trust liabilities</b>	<b>2,020.1</b>	<b>2,125.2</b>

### Other Liabilities (20)

Other liabilities totalling € 67.8 million (2009: € 36.1 million) include € 20.3 million (2009: € 0.0 million) in balancing item from foreign exchange valuation (in accordance with Section 340h of the German Commercial Code [HGB]) as well as € 18.2 million (2009: € 19.8 million) in liabilities owed to the state of North Rhine-Westphalia, € 7.5 million (2009: € 1.9 million) in variation margins paid for unsettled futures, € 4.4 million (2009: € 0.0 million) in liabilities from profit and loss transfer agreements, € 1.5 million (2009: € 2.3 million) in unpaid premiums from credit default swaps, € 4.2 million (2009: € 1.3 million) in liabilities owed to the Tax Office and € 3.6 million (2009: € 3.6 million) in interest to be paid on existing profit participation rights and subordinated liabilities once the annual accounts have been approved.

### Deferred Items (21)

#### Breakdown of Deferred Items

	Dec. 31, 2010	Dec. 31, 2009
	€ millions	€ millions
Premiums from underwriting business	57.4	34.2
Swap fees received in advance	242.4	275.5
Other	14.6	2.3
<b>Total deferred items</b>	<b>314.4</b>	<b>312.0</b>

### Provisions (22)

The provision for pensions includes € 991.7 million (2009: € 634.9 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 para. 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 € 198.5 million (2009: € 216.5 million). This amount includes € 170.2 million (2009: € 187.0 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 and another € 1.1 million (2009: € 0.6 million) for employees with dual contracts involving private-law entitlements to additional benefits. An additional € 27.2 million (2009: € 28.9 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 € 300.8 million (2009: € 300.8 million) were established for structuring measures that may be required for the CDO portfolio. In addition, there is an amount of € 54.4 million (2009: € 66.1 million) for agreed loan collateralisation costs, which will be incurred in future periods.

#### Subordinated Liabilities and Capital with Participation Rights (23)

The following subordinated liability exceed 10% of the total subordinated liabilities of € 2,711.8 million (2009: € 405.0 million):

Currency	Nominal Amount	Interest Rate	Term
	€ millions	%	
EUR	2,306.8	0.0	2010 – 2044

The state of North Rhine-Westphalia must make repayments towards the federal government in conjunction with the use of house promotion loans granted by the federal government. Under applicable federal state law, NRW.BANK must transfer the required funds from the repayment of housing promotion loans to the state budget. This transfer duty takes the form of a non-interest-bearing subordinated loan in an amount of € 2,413.9 million granted by the state of North Rhine-Westphalia to NRW.BANK, which must be repaid by the year 2044 in accordance with a defined repayment plan. Based on the repayments made to date, the subordinated loan was stated in an amount of € 2,306.8 million as of December 31, 2010.

The remaining subordinated liabilities of € 405.0 million carry an average interest rate of 4.0% (2009: 4.7%) and have original maturities between 10 and 30 years. There is no early redemption obligation.

Subordinated liabilities include liabilities with a remaining term of less than two years in an amount of € 223.9 million (2009: € 0.0 million).

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

Interest expenses of € 11.1 million (2009: € 13.4 million) were incurred for subordinated liabilities.

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

In 2010, 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 (2009: € 11.0 million).

#### Equity Capital (24)

As of December 31, 2010, NRW.BANK's subscribed capital was € 17,215.0 million (2009: € 675.0 million). The reserves totalled € 405.9 million (2009: € 19,253.8 million).

As a result of the integration of Wohnungsbauförderungsanstalt into NRW.BANK with effect from January 1, 2010, the special housing promotion reserve of € 18,953.0 million was allocated to the subscribed capital in an amount of € 16,539.1 million and recognised as a subordinated liability in an amount of € 2,413.9 million. In addition, an amount of € 0.9 million was reclassified from the revenues reserves in the past fiscal year to arrive at a subscribed capital in an even amount of € 17,215.0 million as of December 31, 2010.

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, 2010	Dec. 31, 2009
	€ millions	€ millions
Subscribed capital	17,215.0	675.0
Capital reserves	351.7	19,208.8
thereof:		
Special reserves pertaining to the Wohnungsbauförderungsanstalt	(0.0)	(18,953.0)
Reserves from retained earnings		
– reserves required by NRW.BANK's statutes	29.8	19.8
– other reserves	24.4	25.2
Profit for the year	67.2	0.0
<b>Total equity capital</b>	<b>17,688.1</b>	<b>19,928.8</b>

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 € 5,874.1 million (2009: € 3,451.1 million).

#### Foreign Currency Assets/Foreign Currency Liabilities (25)

At year-end, NRW.BANK had foreign currency assets valued at € 10,496.7 million (2009: € 9,954.9 million) and foreign currency liabilities valued at € 24,964.4 million (2009: € 17,455.8 million). Contingent liabilities and other commitments denominated in foreign currencies totalled € 5,038.1 million (2009: € 3,726.0 million).

#### Contingent Liabilities and Other Commitments (26)

Contingent liabilities totalled € 23,057.0 million (2009: € 23,183.1 million) and incorporate € 22,685.5 million (2009: € 22,850.1 million) for credit derivatives (thereof € 514.7 million for embedded derivatives [2009: € 1,150.4 million]) and € 371.5 million (2009: € 333.0 million) for other guarantees and indemnity agreements.

Of the € 4,095.9 million in irrevocable credit commitments (2009: € 3,749.1 million), € 1,179.1 million (2009: € 1,364.2 million) was for commitments in conjunction with the housing promotion business.

The guarantees and indemnity agreements primarily comprise liability releases for relationship banks for promotion loans granted in the context of the development of sports facilities as well as global guarantees and guarantee lines. Claims under these guarantees would potentially be raised in the event of the non-fulfilment of contractual obligations of the main borrower towards the beneficiary. This would arise, for instance, in the event of the delayed (or non-)repayment of loans or the improper completion of promised services. As there were no indications of such events as of the balance sheet date, there are currently no signs of future claims being raised under these guarantees.

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

The irrevocable credit commitments result from transactions in which NRW.BANK has made a binding commitment towards its customers and is therefore exposed to a future credit risk. Based on historical experience from the previous years, it is expected that the irrevocable credit commitments will be utilised with a probability of almost 100%.

#### Assets Used as Collateral (27)

Bonds and notes in a nominal amount of € 7,807.8 million (2009: € 13,081.1 million) were pledged to the Deutsche Bundesbank and notes in a nominal amount of € 7,110.3 million (2009: € 7,545.3 million) were submitted to the Deutsche 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 € 23.0 million (2009: € 85.0 million) were deposited with the EUREX (electronic futures and options exchange) as collateral for forward transactions. In addition, an amount of € 52.5 million (2009: € 414.6 million) was transferred as collateral for repo transactions and securities in an amount of € 2.0 million (2009: € 2.0 million) were assigned as rent deposit. In addition, securities in a nominal amount of € 1,115.0 million (2009: € 0.0 million) were transferred in the past fiscal year to secure off-exchange derivatives; these securities were deposited as collateral with the counterparty.

#### Collateral for Own Liabilities (28)

Collateral for registered mortgage bonds amounted to € 0.3 million (2009: € 0.3 million) and registered municipal bonds and notes totalled € 110.9 million (2009: € 115.9 million).

#### Cover (29)

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, 2010, the details of the cover were as follows:

Cover	Dec. 31, 2010		Dec. 31, 2009	
	DR I € millions	DR II € millions	DR I € millions	DR II € millions
Mortgage bonds and municipal bonds issued	31.3	7,953.7	39.0	10,054.0
Loans raised secured with registered mortgage bonds or registered municipal bonds and notes	0,3	110.9	0.3	115.9
<b>Liabilities requiring cover</b>	<b>31.6</b>	<b>8,064.6</b>	<b>39.3</b>	<b>10,169.9</b>
Mortgage and/or municipal loans	177.6	19,302.5	268.2	21,803.2
Other ordinary cover (securities)	0.0	330.2	0.0	802.6
Excess cover	15.0	390.0	5.0	400.0
<b>Cover funds</b>	<b>192.6</b>	<b>20,022.7</b>	<b>273.2</b>	<b>23,005.8</b>
<b>Excess cover</b>	<b>161.0</b>	<b>11,958.1</b>	<b>233.9</b>	<b>12,835.9</b>

## Statement of Income

### Services Rendered for Third Parties (30)

The net commission income includes € 14.4 million (2009: € 11.1 million) resulting from the administration of loans and subsidies held in trust.

### Other Operating Income and Expenses (31)

The principal contribution towards other operating income is composed of € 1.6 million (2009: € 1.5 million) in cash payments and payments from settlements involving the improper use of public housing and € 25.7 million (2009: € 10.2 million) in income from the write-back of other provisions.

Other operating expenses include book losses from the disposal of tangible fixed assets in an amount of € 0.1 million (2009: € 0.1 million) and € 0.0 million (2009: € 0.2 million) in addition to the provisions for additional benefits established for employees of WestLB AG.

### Fee Paid to Auditor of the Annual Accounts (32)

In fiscal 2010, the auditor charged a total fee of € 1.4 million. € 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 other services.

## Miscellaneous

### Other Financial Obligations

NRW.BANK had annual long-term obligations for IT service agreements, building rents and the computer centre of € 7.0 million with a remaining term of 10 years, € 0.4 million with a remaining term of 9 years, € 6.1 million with a remaining term of 8.5 years as well as € 2.4 million with a remaining term of 5.5 years.

There is an obligation to make additional contributions in the amount of € 8.0 million (2009: € 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 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 € 239,091 million (2009: € 207,749 million).

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

### Derivatives – Volumes

Banking Book	Nominal Values		Positive Market Values	Negative Market Values
	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2010	Dec. 31, 2010
	€ millions	€ millions	€ millions	€ millions
<b>Interest rate risks</b>				
Interest rate swaps	151,102	169,732	4,446	8,141
Interest rate options				
– bought (long)	6,473	4,674	163	–
– written (short)	2,121	2,419	–	127
Caps, floors	20	20	0	–
Stock market contracts				
– bought (long)	82	11,405	3	4
– written (short)	1,878	1,488	4	0
Other interest rate forwards	720	891	27	31
<b>Total interest rate risks</b>	<b>162,396</b>	<b>190,629</b>	<b>4,644</b>	<b>8,304</b>
<b>Currency risks</b>				
Foreign exchange forwards, swaps	7,517	11,353	135	172
Currency swaps/Interest currency swaps	10,923	10,704	515	890
<b>Total currency risks</b>	<b>18,440</b>	<b>22,057</b>	<b>650</b>	<b>1,062</b>
<b>Share price and other price risks</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Credit derivatives</b>				
– bought (protection buyer)	2,623	2,345	165	28
– written (protection seller)	22,850	22,685	35	1,504
<b>Total credit derivatives</b>	<b>25,473</b>	<b>25,030</b>	<b>200</b>	<b>1,532</b>
<b>Total banking book</b>	<b>206,309</b>	<b>237,716</b>	<b>5,494</b>	<b>10,898</b>

Trading Book	Nominal Values		Positive Market Values	Negative Market Values
	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2010	Dec. 31, 2010
	€ millions	€ millions	€ millions	€ millions
<b>Interest rate risks</b>				
Interest rate swaps	434	1,169	1	16
Interest rate options				
– bought (long)	–	–	–	–
– written (short)	150	–	–	–
Stock market contracts				
– bought (long)	818	–	–	–
– written (short)	24	171	0	1
<b>Total interest rate risks</b>	<b>1,426</b>	<b>1,340</b>	<b>1</b>	<b>17</b>
<b>Currency risks</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Share price and other price risks</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Credit derivatives</b>				
– bought (protection buyer)	7	–	–	–
– written (protection seller)	7	35	0	–
<b>Total credit derivatives</b>	<b>14</b>	<b>35</b>	<b>0</b>	<b>0</b>
<b>Total trading book</b>	<b>1,440</b>	<b>1,375</b>	<b>1</b>	<b>17</b>

Banking Book and Trading Book	Nominal Values		Positive Market Values	Negative Market Values
	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2010	Dec. 31, 2010
	€ millions	€ millions	€ millions	€ millions
<b>Total interest rate risks</b>	<b>163,822</b>	<b>191,969</b>	<b>4,645</b>	<b>8,321</b>
<b>Total currency risks</b>	<b>18,440</b>	<b>22,057</b>	<b>650</b>	<b>1,062</b>
<b>Total share price and other price risks</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total credit derivatives</b>	<b>25,487</b>	<b>25,065</b>	<b>200</b>	<b>1,532</b>
<b>Total banking book and trading book</b>	<b>207,749</b>	<b>239,091</b>	<b>5,495</b>	<b>10,915</b>

The presentation of derivatives also reflects embedded derivative instruments that must be separated.

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



The average nominal value of the derivatives and other forward transactions entered into by NRW.BANK for the period from January 1, 2010 to December 31, 2010 was € 225,410 million (2009: € 212,221 million).

The market values of the derivatives are shown inclusive of accrued interest.

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.

The breakdown of derivative transactions by counterparty is as follows:

### Derivatives – Breakdown by Counterparty

Banking Book	Nominal Values		Positive Market Values	Negative Market Values
	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2010	Dec. 31, 2010
	€ millions	€ millions	€ millions	€ millions
OECD banks	186,344	209,244	5,228	9,757
Non-OECD banks	–	0	0	0
OECD public-sector entities	852	463	20	3
Other counterparties	19,113	28,009	246	1,138
<b>Total banking book</b>	<b>206,309</b>	<b>237,716</b>	<b>5,494</b>	<b>10,898</b>

Trading Book	Nominal Values		Positive Market Values	Negative Market Values
	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2010	Dec. 31, 2010
	€ millions	€ millions	€ millions	€ millions
OECD banks	1,398	1,371	1	17
Non-OECD banks	–	–	–	–
OECD public-sector entities	–	–	–	–
Other counterparties	42	4	0	0
<b>Total trading book</b>	<b>1,440</b>	<b>1,375</b>	<b>1</b>	<b>17</b>

Banking Book and Trading Book	Nominal Values		Positive Market Values	Negative Market Values
	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2010	Dec. 31, 2010
	€ millions	€ millions	€ millions	€ millions
<b>Total banking book and trading book</b>	<b>207,749</b>	<b>239,091</b>	<b>5,495</b>	<b>10,915</b>

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. 36% (2009: 45%) having a remaining time to maturity of more than five years.

### Derivatives – Breakdown by Maturity

Banking Book	Interest Rate Risks		Currency Risks		Credit Derivatives	
	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
With residual maturities of						
– up to 3 months	16,872	31,356	7,767	11,323	105	275
– between 3 months to 1 year	19,336	24,257	3,252	935	420	344
– between 1 to 5 years	53,150	66,008	3,854	6,649	7,141	9,141
– more than 5 years	73,038	69,008	3,567	3,150	17,808	15,271
<b>Total banking book</b>	<b>162,396</b>	<b>190,629</b>	<b>18,440</b>	<b>22,057</b>	<b>25,473</b>	<b>25,030</b>

Trading Book	Interest Rate Risks		Currency Risks		Credit Derivatives	
	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
With residual maturities of						
– up to 3 months	192	996	–	–	0	5
– between 3 months to 1 year	500	29	–	–	0	30
– between 1 to 5 years	325	125	–	–	14	–
– more than 5 years	409	190	–	–	0	–
<b>Total trading book</b>	<b>1,426</b>	<b>1,340</b>	<b>–</b>	<b>–</b>	<b>14</b>	<b>35</b>

Banking Book and Trading Book	Interest Rate Risks		Currency Risks		Credit Derivatives	
	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
<b>Total banking book and trading book</b>	<b>163,822</b>	<b>191,969</b>	<b>18,440</b>	<b>22,057</b>	<b>25,487</b>	<b>25,065</b>

### **Number of Employees**

The average number of female staff employed by NRW.BANK in 2010 was 651 (2009: 657), and the average number of male staff, including the Managing Board, employed over the year was 631 (2009: 625). At the end of the year, there were 1,171 (2009: 1,181) active employees and 53 (2009: 43) trainees/apprentices, which means that the total headcount remained unchanged at 1,224.

### **Remuneration**

The remuneration (including remuneration in kind) of Managing Board Chairman Dietmar P. Binkowska amounted to € 880,456.76 in the year 2010 (2009: € 694,508.28), while the remuneration of the other members of the Managing Boards totalled € 1,873,702.33 (2009: € 1,571,580.11).

Provisions for pensions in an amount of € 7,082 thousand (2009: € 10,589 thousand) have been established to cover the Bank's obligations arising from Managing Board members' contractual entitlements in respect of retirement benefits, invalidity benefits as well as death benefits to their surviving dependants.

The total remuneration for former members of the Managing Board and their surviving dependants amounted to € 418 thousand (2009: € 278 thousand). Pension provisions for this group of persons totalled € 10,803 thousand (2009: € 7,382 thousand).

The remuneration of the Supervisory Board totalled € 0.4 million (2009: € 0.3 million). The remuneration of the Advisory Board amounted to € 0.1 million (2009: € 0.1 million).

### **Advances and Loans**

The members of the Supervisory Board of NRW.BANK received advances and loans totalling € 0.1 million (2009: € 0.9 million). This sum includes € 47 thousand in loans granted on the conditions of the Housing Promotion Regulations of the state of North Rhine-Westphalia, whose interest rates range from 0% to 3.75%. Loans in an amount of € 8 thousand were granted at interest rates between 0% and 5.3%.

**Disclosure of Seats Held Pursuant to  
Section 340a Para. 4 No. 1 of the  
German Commercial Code (HGB) et al.**

**Seats Held by Members of the Managing Board**

**Dietmar P. Binkowska**

Deka (Swiss) Privatbank AG (until December 31, 2010)  
Galeria Kaufhof GmbH  
InvestitionsBank des Landes Brandenburg (ILB)  
Ströer Out-of-Home Media AG  
WestLB AG  
Fiege Logistik (Schweiz) AG (since June 1, 2010)  
InCity Immobilien AG (since August 27, 2010)

**Ernst Gerlach** (until May 31, 2010)

Mannesmannröhren-Werke GmbH (until May 31, 2010)

**Michael Stölting**

Börse Düsseldorf  
InvestitionsBank des Landes Brandenburg (ILB)  
Erste Abwicklungsanstalt

**Seats Held by Employees**

**Dr. Peter Güllmann**

InvestitionsBank des Landes Brandenburg (ILB)

**Gabriela Pantring**

InvestitionsBank des Landes Brandenburg (ILB)

## Itemised List of NRW.BANK's Investments Pursuant to Section 285 No. 11 and 11a of the German Commercial Code (HGB)

Name and Head Offices of the Company	Direct (D)/ Indirect (I)	Equity Capital %	Equity in € thousands	Net Income/ Loss for the Year in € thousands	As at
<b>1 Equity investments in affiliated companies</b>					
<b>1.1 Other companies</b>					
Bremer Spielcasino GmbH & Co. KG, Bremen	D	51.00%	4,543	- 345	Dec. 31, 2009
Casino Duisburg GmbH & Co. KG, Duisburg	I	100.00%	10,000	6,718	Dec. 31, 2009
Casino Erfurt GmbH & Co. KG, Erfurt	I	100.00%	54	- 860	Dec. 31, 2009
Deutsche Lotto Marketing GmbH, Münster	I	100.00%	61	- 6	Dec. 31, 2010
Life Science Inkubator Betriebs GmbH & Co. KG, Bonn	I	95.00%	6,243	- 407	Dec. 31, 2009
LSI Pre-Seed-Fonds GmbH, Bonn	D	65.79%	6,604	- 18	Dec. 31, 2009
Mediencluster NRW GmbH, Düsseldorf	D	100.00%	25	0	Dec. 31, 2009
Neue Deutsche Spielcasino GmbH & Co. KG, Berlin	I	100.00%	3,700	656	Dec. 31, 2009
Nordwestlotto in Nordrhein-Westfalen GmbH, Münster*	D	100.00%	156	0	Dec. 31, 2009
NRW.BANK.Kreativwirtschaftsfonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	26	2	Dec. 31, 2009
NRW.BANK.Kreativwirtschaftsfonds GmbH & Co. KG, Düsseldorf	D	98.65%	88	- 1,520	Dec. 31, 2009
NRW.BANK.Mittelstandsfonds Beteiligungs-GmbH, Düsseldorf*	D	100.00%	25	0	Dec. 31, 2009
NRW.BANK.Mittelstandsfonds GmbH & Co. KG, Düsseldorf	D	100.00%	11,157	- 826	Dec. 31, 2009
NRW.BANK.Seed Fonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	26	4	Dec. 31, 2009
NRW.BANK.Seed Fonds GmbH & Co. KG, Düsseldorf	D	100.00%	6,078	- 2,682	Dec. 31, 2009
NRW.BANK.Venture Fonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	19	2	Dec. 31, 2009
NRW.BANK.Venture Fonds GmbH & Co. KG, Düsseldorf	D	100.00%	17,954	- 2,684	Dec. 31, 2009
Unterstützungseinrichtungen GmbH der Westdeutsche Lotterie GmbH & Co. OHG, Münster	D/I	100.00%	26	0	Dec. 31, 2010
Westdeutsche Lotterie GmbH & Co. OHG, Münster	D	100.00%	81,873	8,870	Dec. 31, 2009
Westdeutsche Lotto-VertriebsGmbH, Münster	I	100.00%	19	2	Dec. 31, 2010
Westdeutsche Spielbanken GmbH, Duisburg*	D	100.00%	26	0	Dec. 31, 2009
Westdeutsche Spielbanken GmbH & Co. KG, Duisburg	D/I	100.00%	27,886	- 7,904	Dec. 31, 2009
Westdeutsche Spielcasino International GmbH, Duisburg*	D	100.00%	25	0	Dec. 31, 2009
Westdeutsche Spielcasino Service GmbH, Duisburg*	D	100.00%	9,525	500	Dec. 31, 2009
Westdeutsche Spielcasino Verwaltung GmbH, Duisburg	I	100.00%	25	6	Dec. 31, 2009
WestEvent GmbH & Co. KG, Münster	D/I	100.00%	3,927	453	Dec. 31, 2009
WestNet Lottoservice GmbH, Münster	I	100.00%	37	17	Dec. 31, 2010
WestSpiel Entertainment GmbH, Duisburg*	I	100.00%	25	0	Dec. 31, 2009
<b>2 Other equity investments</b>					
<b>2.1 Financial institutions</b>					
InvestitionsBank des Landes Brandenburg, Potsdam	D	50.00%	182,849	5,609	Dec. 31, 2009
WestLB AG, Düsseldorf	D	30.86%	3,733,000	- 531,000	Dec. 31, 2009
<b>2.2 Other companies</b>					
abbino GmbH, Dortmund	I	36.34%	- 1,812	- 1,299	Mar. 31, 2009
AplaGen GmbH, Baesweiler	I	26.21%	- 3,141	- 2,015	Dec. 31, 2008
azeti Networks AG, Lünen	I	27.42%	1,010	- 543	Dec. 31, 2009
BGB Ges. Bankenkonsortium ZENIT GmbH, Mülheim	D	33.40%	1,558	285	Dec. 31, 2009
CellAct Pharma GmbH, Dortmund	I	29.20%	- 310	- 1,963	Dec. 31, 2008
ELS Fonds GmbH & Co. KG, Recklinghausen	I	32.30%	3,516	- 9	Dec. 31, 2009
Gründerfonds Bielefeld-Ostwestfalen GmbH & Co. KG, Münster	I	38.42%	596	- 888	Dec. 31, 2009
Gründerfonds Münsterland GmbH & Co. KG, Münster	I	37.81%	148	- 26	Dec. 31, 2009
IMECH GmbH – Institut für Mechatronik – i. L., Moers	D	25.00%	61	1	July 31, 2000
Kapitalbeteiligungsgesellschaft für die mittelständische Wirtschaft in NRW mbH, Neuss	D	49.63%	2,161	0	Dec. 31, 2009
NRW.International GmbH, Düsseldorf	D	33.33%	24	- 3	Dec. 31, 2009
Phenox GmbH, Bochum	I	27.61%	821	- 56	Dec. 31, 2009
PK Logistik Beteiligungs GmbH, Munich	I	39.66%	11,124	2,329	Dec. 31, 2009
Reformhaus Bacher GmbH & Co. KG, Düsseldorf	I	35.00%	- 492	- 1,229	Dec. 31, 2009
Rheinland Venture Capital GmbH & Co. KG, Cologne	I	39.92%	2,597	- 10,024	Dec. 31, 2009
Scienion AG, Dortmund	I	23.50%	- 2,947	- 951	Dec. 31, 2009
Seed Capital Dortmund GmbH & Co. KG, Dortmund	I	46.51%	3,615	- 829	Dec. 31, 2009
Seed Fonds für die Region Aachen GmbH & Co. KG, Aachen	I	46.95%	3,604	16	Dec. 31, 2009
Servtag GmbH, Berlin	I	20.00%	84	0	Dec. 31, 2009
Sirius Seedfonds Düsseldorf GmbH & Co. KG, Düsseldorf	I	46.73%	8,399	- 159	Dec. 31, 2009
WINDTEST Grevenbroich GmbH, Hamburg	D	25.00%	- 204	52	Dec. 31, 2009
Xsite GmbH, Düsseldorf	I	22.95%	179	- 390	Dec. 31, 2009

\* Profit and loss transfer agreement

NRW.BANK is a personally liable shareholder of Westdeutsche Lotterie GmbH & Co. OHG, Münster.

## Board of Guarantors/Supervisory Board/ Managing Board

### Board of Guarantors

#### Members Pursuant to Section 8 Para. 1 Letters a) to e) of the Statutes

##### **Christa Thoben** (until July 14, 2010)

Chairwoman  
Minister of State (retired)  
Ministry of Economics, Small Business and Energy  
of the State of North Rhine-Westphalia  
Düsseldorf

##### **Harry K. Voigtsberger**

Chairman (since July 15, 2010)  
Minister for Economic Affairs, Energy,  
Building, Housing and Transport  
of the State of North Rhine-Westphalia  
Düsseldorf

##### **Dr. Helmut Linssen** (until July 14, 2010)

Deputy Chairman  
Minister of State (retired)  
Finance Ministry  
of the State of North Rhine-Westphalia  
Düsseldorf

##### **Dr. Norbert Walter-Borjans** (since July 15, 2010)

Deputy Chairman  
Minister of Finance  
of the State of North Rhine-Westphalia  
Düsseldorf

##### **Lutz Lienenkämper, MdL** (until July 14, 2010)

Deputy Chairman  
Minister of State (retired)  
Ministry of Construction and Transport  
of the State of North Rhine-Westphalia  
Düsseldorf

##### **Harry K. Voigtsberger**

Director of LVR (retired) (until July 14, 2010)  
Regional Association of the Rhineland  
Cologne

##### **Ulrike Lubek** (since November 1, 2010)

Director of LVR  
Regional Association of the Rhineland  
Cologne

##### **Dr. Wolfgang Kirsch**

Director of LWL  
Regional Association of Westphalia-Lippe  
Münster

### Members Appointed by the Board of Guarantors

##### **Dr. Jens Baganz** (until September 22, 2010)

Under Secretary (retired)  
Ministry of Economics, Small Business and Energy  
of the State of North Rhine-Westphalia  
Düsseldorf

##### **Horst Becker, MdL** (since September 22, 2010)

Parliamentary State Secretary  
Ministry of Economic Affairs, Energy,  
Building, Housing and Transport  
of the State of North Rhine-Westphalia  
Düsseldorf

##### **Karsten Beneke** (until September 22, 2010)

Under Secretary (retired)  
Head of the State Chancellery (retired)  
of the State of North Rhine-Westphalia  
Düsseldorf

##### **Helmut Dockter** (since September 22, 2010)

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

##### **Dr. Walter Döllinger**

(January 19 until September 22, 2010)  
Under Secretary (retired)  
Ministry of Employment, Health and Social Affairs  
of the State of North Rhine-Westphalia  
Düsseldorf

**Dr. Marion Gierden-Jülich**

(January 19 until September 22, 2010)  
Under Secretary (retired)  
Ministry for Intergenerational Affairs, Family,  
Women and Integration  
of the State of North Rhine-Westphalia  
Düsseldorf

**Dr. Günther Horzetzky** (since September 22, 2010)

Under Secretary  
Ministry of Economic Affairs, Energy, Building,  
Housing and Transport  
of the State of North Rhine-Westphalia  
Düsseldorf

**Günter Kozłowski** (until September 22, 2010)

Under Secretary (retired)  
Ministry of Construction and Transport  
of the State of North Rhine-Westphalia  
Düsseldorf

**Franz-Josef Lersch-Mense** (since September 22, 2010)

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

**Sylvia Löhrmann, MdL** (since September 22, 2010)

Minister of Schools and Education  
of the State of North Rhine-Westphalia  
Düsseldorf

**Angelika Marienfeld** (until September 22, 2010)

Under Secretary (retired)  
Ministry of Finance  
of the State of North Rhine-Westphalia  
Düsseldorf

**Dr. Rüdiger Messal** (since September 22, 2010)

Under Secretary  
Ministry of Finance  
of the State of North Rhine-Westphalia  
Düsseldorf

**Udo Paschedag** (since September 22, 2010)

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

**Dr. Wilhelm D. Schäffer** (since September 22, 2010)

Under Secretary  
Ministry of Employment, Integration and Social Affairs  
of the State of North Rhine-Westphalia  
Düsseldorf

**Dr. Alexander Schink** (until September 22, 2010)

Under Secretary (retired)  
Ministry of Environment and Nature Conservation,  
Agriculture and Consumer Protection  
of the State of North Rhine-Westphalia  
Düsseldorf

**Dr. Michael Stückradt** (until September 22, 2010)

Under Secretary (retired)  
Ministry of Innovation, Science, Research and Technology  
of the State of North Rhine-Westphalia  
Düsseldorf

**Supervisory Board**

**Members Pursuant to Section 12 Para. 1 Letters a) to e)  
of the Statutes**

**Christa Thoben** (until July 14, 2010)

Chairwoman  
Minister of State (retired)  
Ministry of Economics, Small Business and Energy  
of the State of North Rhine-Westphalia  
Düsseldorf

**Harry K. Voigtsberger**

Chairman (since July 15, 2010)  
Minister for Economic Affairs, Energy,  
Building, Housing and Transport  
of the State of North Rhine-Westphalia  
Düsseldorf

**Dr. Helmut Linssen** (until July 14, 2010)

Deputy Chairman  
Minister of State (retired)  
Ministry of Finance  
of the State of North Rhine-Westphalia  
Düsseldorf

**Dr. Norbert Walter-Borjans** (since July 15, 2010)  
Deputy Chairman  
Minister of Finance  
of the State of North Rhine-Westphalia  
Düsseldorf

**Lutz Lienenkämper, MdL** (until July 14, 2010)  
Deputy Chairman  
Minister of State (retired)  
Ministry of Construction and Transport  
of the State of North Rhine-Westphalia  
Düsseldorf

**Harry K. Voigtsberger**  
Director of LVR (retired) (until July 14, 2010)  
Regional Association of the Rhineland  
Cologne

**Ulrike Lubek** (since November 1, 2010)  
Director of LVR  
Regional Association of the Rhineland  
Cologne

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

#### Members Appointed by the Board of Guarantors

**Volkmar Klein, MdB** (until January 19, 2010)  
Member of the CDU Parliamentary Group  
Berlin

**Hannelore Kraft, MdL** (until July 31, 2010)  
Prime Minister  
of the State of North Rhine-Westphalia  
Düsseldorf

**Karl-Josef Laumann, MdL**  
(January 19 until September 22, 2010)  
Minister of State (retired)  
Ministry of Employment, Health and Social Affairs  
of the State of North Rhine-Westphalia  
Düsseldorf

**Prof. Dr. Andreas Pinkwart, MdL**  
(until September 22, 2010)  
Minister of State (retired)  
Ministry of Innovation, Science, Research and Technology  
of the State of North Rhine-Westphalia  
Düsseldorf

**Johannes Remmel, MdL** (since September 22, 2010)  
Minister for Climate Protection, Environment,  
Agriculture, Nature Conservation  
and Consumer Protection  
of the State of North Rhine-Westphalia  
Düsseldorf

**Norbert Römer, MdL** (since September 22, 2010)  
Chairman of the SPD Parliamentary Group NRW  
State Assembly of North Rhine-Westphalia  
Düsseldorf

**Ute Schäfer, MdL** (since January 10, 2011)  
Minister of Family, Children, Youth, Culture and Sports  
of the State of North Rhine-Westphalia  
Düsseldorf

**Guntram Schneider** (since September 22, 2010)  
Minister of Labour, Integration and Social Affairs  
of the State of North Rhine-Westphalia  
Düsseldorf

**Svenja Schulze, MdL** (since September 22, 2010)  
Minister of Innovation, Science, Research and Technology  
of the State of North Rhine-Westphalia  
Düsseldorf

**Eckhard Uhlenberg, MdL**  
(January 19 until September 22, 2010)  
Minister of State (retired)  
Ministry of Environment and Nature Conservation,  
Agriculture and Consumer Protection  
of the State of North Rhine-Westphalia  
Düsseldorf

**Christian Michael Weisbrich, MdL**  
(since January 19, 2010)  
Member of the CDU Parliamentary Group NRW  
State Assembly of North Rhine-Westphalia  
Düsseldorf



## Representatives of the Bank's Staff

### **Iris Aichinger**

Banker  
NRW.BANK  
Düsseldorf

### **Martin Bösenberg**

Representative  
NRW.BANK  
Münster

### **Hannelore Heger-Golletz**

Director  
NRW.BANK  
Münster

### **Frank Lill**

Representative  
NRW.BANK  
Düsseldorf

### **Michael Tellmann**

Associate Director  
NRW.BANK  
Düsseldorf

## Permanent Representatives of the Members Pursuant to Section 12 Para. 1 Letters a) to e) of the Statutes

### **Dietmar Düring** (until September 24, 2010)

Senior Principal (retired)  
Ministry of Economics, Small Business and Energy  
of the State of North Rhine-Westphalia  
Düsseldorf

### **Dieter Krell** (since September 24, 2010)

Assistant Secretary  
Ministry of Economic Affairs, Energy,  
Building, Housing and Transport  
of the State of North Rhine-Westphalia  
Düsseldorf

### **Gerhard Heilgenberg**

Assistant Secretary  
Ministry of Finance  
of the State of North Rhine-Westphalia  
Düsseldorf

### **Gertraud Flocke**

(February 19 until September 24, 2010)  
Assistant Secretary  
Ministry of Construction and Transport  
of the State of North Rhine-Westphalia  
Düsseldorf

### **Renate Hötte**

Regional Councillor  
General Representative of the Regional Director  
(July 15 until October 31, 2010)  
Regional Association of the Rhineland  
Cologne

### **Dr. Fritz Baur** (until October 31, 2010)

Regional Councillor (retired)  
Regional Association of Westphalia-Lippe  
Münster

### **Matthias Löb** (since November 1, 2010)

Regional Councillor  
Regional Association of Westphalia-Lippe  
Münster

## Managing Board

### **Dietmar P. Binkowska** (Chairman)

**Ernst Gerlach** (until May 31, 2010)

### **Klaus Neuhaus**

### **Michael Stölting**

**Dietrich Suhlrie** (since June 1, 2010)

Düsseldorf/Münster, March 1, 2011

NRW.BANK

The Managing Board  
Binkowska, Neuhaus, Stölting, Suhlrie

# Cash Flow Statement

of NRW.BANK as of December 31, 2010

The cash flow statement shows the changes in cash and cash equivalents and the cash flows of NRW.BANK, divided into operating activities, investing activities and financing activities. The cash and cash equivalents shown include the balance sheet items "cash" and "debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks." Cash flows are allocated to operating activities as operating income accrues. Cash flow from investing activities results primarily from cash received and cash used in connection with selling or acquiring financial and tangible assets. The changes in cash from financing activities capture the relationships to equity capital providers. The statement was prepared in accordance with German Accounting Standard No. 2 (DRS 2), as supplemented by the bank-specific German Accounting Standard No. 2-10 (DRS 2-10).

	2010
	€ millions
1. Net result	95.4
Reconciliation	
2. Write-downs, value adjustments and write-ups on receivables, tangible and financial assets	46.5
3. Increase/decrease of provisions	179.6
4. Other non-cash expenses/income	72.8
5. Gain/loss on the sale of financial and tangible assets	
Losses	87.2
Gains	- 255.4
6. Other adjustments	- 510.5
<b>7. Subtotal</b>	<b>- 284.4</b>
8. Changes in receivables	
a) from banks	384.3
b) from customers	- 3,695.1
9. Changes in securities (with the exception of financial assets)	1,546.9
10. Changes in other assets from operating activities	10.4
11. Changes in liabilities	
a) to banks	- 9,778.4
b) to customers	164.4
12. Changes in certificated liabilities	4,846.7
13. Changes in other liabilities from operating activities	187.3
14. Interest and dividends received	4,973.7
15. Interest paid	- 4,317.3
16. Receipts for extraordinary items	0.0
17. Payments for extraordinary items	0.0
18. Payments for taxes on income	- 3.2
<b>19. Cash flow from operating activities</b>	<b>- 5,964.6</b>

	2010
	€ millions
20. Cash from the disposal of	
a) financial assets	6,708.4
b) tangible fixed assets	0.0
21. Cash payments for investments in	
a) financial assets	– 24.3
b) tangible fixed assets	– 11.3
22. Changes in cash from other investing activities	– 10.1
<b>23. Cash flow from investing activities</b>	<b>6,662.7</b>
24. Cash from allocations to equity capital	95.9
25. Distributions on equity	
a) dividend payments	– 19.8
b) other payments	0.0
26. Cash changes from other capital	0.0
<b>27. Cash flow from financing activities</b>	<b>76.1</b>
<b>28. Cash and cash equivalents at the beginning of the period</b>	<b>591.2</b>
29. Cash flow from operating activities	– 5,964.6
30. Cash flow from investing activities	6,662.7
31. Cash flow from financing activities	76.1
32. Other changes in cash and cash equivalents	0.0
<b>33. Cash and cash equivalents at the end of the period</b>	<b>1,365.4</b>

# Equity Capital

Equity Capital of NRW.BANK	Subscribed Capital	Capital Reserves	Reserves from Retained Earnings	Profit for the Year	Total		
			Special Reserves Pertaining to Wfa	Reserves Required by NRW.BANK's Statutes	Other Reserves from Retained Earnings		
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
<b>As of Dec. 31, 2008</b>	<b>675.0</b>	<b>255.8</b>	<b>18,700.3</b>	<b>12.2</b>	<b>25.2</b>	<b>11.0</b>	<b>19,679.5</b>
Distribution of profit for the year			11.0			- 11.0	0.0
Compensation payments of the federal government for new promotion measures			98.3				98.3
Net profit						170.8	170.8
Designated payout due to legal requirements						- 19.8	- 19.8
Allocation to reserves required by NRW.BANK's statutes in statement of income				7.6		- 7.6	0.0
Allocation to capital of Wohnungsbauförderungs- anstalt NRW			143.4			- 143.4	0.0
<b>As of Dec. 31, 2009</b>	<b>675.0</b>	<b>255.8</b>	<b>18,953.0</b>	<b>19.8</b>	<b>25.2</b>	<b>0.0</b>	<b>19,928.8</b>
Capital increase	16,540.0		- 16,539.1		- 0.8		0.1
Reclassification into subordinated loans			- 2,413.9				- 2,413.9
Compensation payments of the federal government for new promotion measures		95.9					95.9
Net profit						95.4	95.4
Designated payout due to legal requirements						- 18.2	- 18.2
Allocation to reserves required by NRW.BANK's statutes in statement of income				10.0		- 10.0	0.0
<b>As of Dec. 31, 2010</b>	<b>17,215.0</b>	<b>351.7</b>	<b>0.0</b>	<b>29.8</b>	<b>24.4</b>	<b>67.2</b>	<b>17,688.1</b>

# Reproduction of the Auditor's Report

We have issued the following unqualified Auditor's Report:

## "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 NRW.BANK, Düsseldorf und Münster, for the business year from January 1 to December 31, 2010. 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's 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 NRW.BANK's position and suitably presents the opportunities and risks of future development."

Düsseldorf, March 1, 2011

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Kügler  
Wirtschaftsprüfer

Saschek  
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, March 1, 2011

The Managing Board of NRW.BANK



Dietmar P. Binkowska  
Chairman of the Managing Board



Klaus Neuhaus  
Member of the Managing Board



Michael Stölting  
Member of the Managing Board



Dietrich Suhlrie  
Member of the Managing Board

# Members of the Advisory Board for Housing Promotion

## Members Pursuant to Section 21 Para. 1 Letter a) of the Statutes

**Lutz Lienenkämper, MdL** (until July 14, 2010)

Chairman  
Minister of State (retired)  
Ministry of Construction and Transport  
of the State of North Rhine-Westphalia  
Düsseldorf

**Harry K. Voigtsberger** (since July 15, 2010)

Chairman  
Minister for Economic Affairs, Energy, Building,  
Housing and Transport  
of the State of North Rhine-Westphalia  
Düsseldorf

## Members Pursuant to Section 21 Para. 1 Letter b) of the Statutes

**Dr. Gert Leis**

Assistant Secretary  
Ministry of Finance  
of the State of North Rhine-Westphalia  
Düsseldorf

**Dr. Michael Henze**

Assistant Secretary  
Ministry for Economic Affairs, Energy, Building,  
Housing and Transport  
of the State of North Rhine-Westphalia  
Düsseldorf

**Hans Lauf**

Assistant Secretary  
Ministry of Employment, Integration and Social Affairs  
of the State of North Rhine-Westphalia  
Düsseldorf

## Members Pursuant to Section 21 Para. 1 Letter c) of the Statutes

**Horst Becker, MdL** (until June 8, 2010)

Member of the Alliance 90/Green party Parliamentary  
Group  
State Assembly of North Rhine-Westphalia  
Düsseldorf

**Martin Börschel, MdL** (since September 29, 2010)

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

**Özlem Alev Demirel, MdL** (since September 29, 2010)

Member of the parliamentary party DIE LINKE NRW  
State Assembly of North Rhine-Westphalia  
Düsseldorf

**Dieter Hilser, MdL**

(until June 8, 2010) / (since September 29, 2010)  
Member of the SPD Parliamentary Group  
State Assembly of North Rhine-Westphalia  
Düsseldorf

**Olaf Lehne, MdL** (since September 29, 2010)

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

**Jochen Ott, MdL** (since September 29, 2010)

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

**Christof Rasche, MdL**

(until June 8, 2010) / (since September 29, 2010)  
Deputy Chairman of the FDP Parliamentary Group  
State Assembly of North Rhine-Westphalia  
Düsseldorf

**Wolfgang Röken, MdL** (until June 8, 2010)  
Member of the SPD Parliamentary Group  
State Assembly of North Rhine-Westphalia  
Düsseldorf

**Heinrich Sahnen, MdL** (until June 8, 2010)  
Member of the CDU Parliamentary Group  
State Assembly of North Rhine-Westphalia  
Düsseldorf

**Bernhard Schemmer, MdL**  
(until June 8, 2010) / (since September 29, 2010)  
Member of the CDU Parliamentary Group  
State Assembly of North Rhine-Westphalia  
Düsseldorf

**Winfried Schittges, MdL** (until June 8, 2010)  
Member of the CDU Parliamentary Group  
State Assembly of North Rhine-Westphalia  
Düsseldorf

**Daniela Schneckenburger, MdL**  
(since September 29, 2010)  
Deputy Chairwoman of the Alliance 90/Green party  
Parliamentary Group  
State Assembly of North Rhine-Westphalia  
Düsseldorf

**Bernd Schulte, MdL** (until June 8, 2010)  
Member of the CDU Parliamentary Group  
State Assembly of North Rhine-Westphalia  
Düsseldorf

**Gisela Walsken, MdL** (until June 8, 2010)  
Deputy Chairwoman  
of the SPD Parliamentary Group  
State Assembly of North Rhine-Westphalia  
Düsseldorf

**Christian Weisbrich, MdL** (since September 29, 2010)  
Member of the CDU Parliamentary Group  
State Assembly of North Rhine-Westphalia  
Düsseldorf

#### **Members Pursuant to Section 21 Para. 1 Letter d) of the Statutes**

**Ingo Apel**  
(until June 8, 2010) / (since September 27, 2010)  
Vice President  
Haus & Grund Nordrhein-Westfalen e. V.  
Düsseldorf

**Dr. Werner Küpper**  
(until June 8, 2010) / (since September 4, 2010)  
BFW Landesverband Nordrhein-Westfalen e. V.  
Bonn

**Alexander Rychter**  
(until June 8, 2010) / (since September 4, 2010)  
Association Director  
Verband der Wohnungswirtschaft  
Rheinland Westfalen e. V.  
Düsseldorf

#### **Members Pursuant to Section 21 Para. 1 Letter e) of the Statutes**

**Folkert Kiepe**  
(until June 8, 2010) / (since September 4, 2010)  
Deputy Mayor  
for Urban Development, Construction, Housing  
and Transport  
Städtetag Nordrhein-Westfalen  
Cologne

**Thomas Hendele**  
(until June 8, 2010) / (since September 4, 2010)  
District Administrator  
Kreis Mettmann  
Mettmann

**Friedhelm Wolf** (until June 8, 2010)  
Mayor (retired)  
Sundern



**Dr. Stephan Keller**

(since September 4, 2010) / (until December 31, 2010)

Deputy Mayor

Städte- und Gemeindebund Nordrhein-Westfalen

Düsseldorf

**Wolfgang Oberbüscher** (until June 8, 2010)

Mayor (retired)

Engelskirchen

**Stefan Raetz** (since September 4, 2010)

Mayor

City of Rheinbach

**Members Pursuant to Section 21 Para. 1 Letter f)  
of the Statutes**

**Jürgen Becher**

(until June 8, 2010) / (since September 4, 2010)

Deputy Chairman

Deutscher Mieterbund

Nordrhein-Westfalen e. V.

Düsseldorf

**Permanent Representatives of the Chairing Member  
Pursuant to Section 21 Para. 2 of the Statutes**

**Günter Kozlowski** (until July 14, 2010)

Under Secretary (retired)

Ministry of Building and Transport

of the State of North Rhine-Westphalia

Düsseldorf

**Dr. Uwe Günther** (since August 31, 2010)

Department Head

Ministry for Economic Affairs, Energy, Building,

Housing and Transport

of the State of North Rhine-Westphalia

Düsseldorf

# Members of the Advisory Board

## Members Pursuant to Section 23 of the Statutes

### **Christa Thoben** (until July 14, 2010)

Chairwoman  
Minister of State (retired)  
Ministry of Economics, Small Business and Energy  
of the State of North Rhine-Westphalia  
Düsseldorf

### **Harry K. Voigtsberger** (since July 15, 2010)

Chairman  
Minister for Economic Affairs, Energy, Building,  
Housing and Transport  
of the State of North Rhine-Westphalia  
Düsseldorf

### **Prof. Dr. Achim Bachem**

(until July 14, 2010) / (since January 1, 2011)  
Chairman of the Managing Board  
of Forschungszentrum Jülich GmbH  
Jülich

### **Frank Baranowski** (since January 1, 2011)

Lord Mayor  
City of Gelsenkirchen

### **Paul Bauwens-Adenauer** (since January 1, 2011)

President  
of the Chamber of Industry and Commerce in  
North Rhine-Westphalia  
Düsseldorf

### **Dr. Wulf H. Bernotat** (until July 14, 2010)

Former Chairman of the Managing Board of E.ON AG  
Düsseldorf

### **Werner Böhnke**

(until July 14, 2010) / (since January 1, 2011)  
Chairman of the Managing Board of WGZ BANK AG  
Westdeutsche Genossenschafts-Zentralbank  
Düsseldorf

### **Prof. Dr. Gerd Bollermann** (since January 1, 2011)

Head of the Arnsberg Regional Government

### **Manfred Breuer**

(until July 14, 2010) / (since January 1, 2011)  
Chairman of the Board of Bankenvereinigung  
Nordrhein-Westfalen e. V.  
Düsseldorf

### **Michael Breuer**

(until July 14, 2010) / (since January 1, 2011)  
President of the Savings Banks  
and Giro Association of the Rhineland  
Düsseldorf

### **Norbert Bude** (until July 14, 2010)

Lord Mayor  
Former Chairman of Städtetag Nordrhein-Westfalen  
Cologne

### **Jürgen Büssow** (until July 14, 2010)

Head of the Düsseldorf Regional Government (retired)

### **Heinrich Otto Deichmann**

(until July 14, 2010) / (since January 1, 2011)  
Chairman of the Supervisory Board of  
Deichmann SE  
Essen

### **Helmut Diegel** (until July 14, 2010)

Head of the Arnsberg Regional Government (retired)

### **Dr. Reinhold Festge**

(until July 14, 2010) / (since January 1, 2011)  
Managing Partner of HAVER & BOECKER OHG  
Drahtweberei und Maschinenfabrik  
Oelde

### **Heinz Fiege** (until July 14, 2010) / (since January 1, 2011)

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

**Univ.-Prof. Dr. rer. nat. Axel Freimuth**  
(until July 14, 2010)  
Former Chairman of the Directors Conference of the  
Universities in NRW  
Cologne

**Otto Rudolf Fuchs**  
(until July 14, 2010) / (since January 1, 2011)  
Shareholder of Otto Fuchs Metallwerke  
Meinerzhagen

**Prof. Dr. Ursula Gather** (since January 1, 2011)  
Chairman of the Directors Conference of the  
Universities in NRW  
Dortmund

**Dieter Gebhard**  
(April 1, 2010 until July 14, 2010) / (since January 1, 2011)  
Chairman of the Regional Assembly of  
Westphalia-Lippe  
Münster

**Dr. Rolf Gerlach**  
(until July 14, 2010) / (since January 1, 2011)  
President of the Savings Banks and  
Giro Association of Westphalia-Lippe  
Münster

**Günter Gressler**  
(until July 14, 2010) / (since January 1, 2011)  
Director General of 3M Deutschland GmbH  
Neuss

**Dr. Jürgen Großmann**  
(until July 14, 2010) / (since January 1, 2011)  
Chairman of the Managing Board of RWE AG  
Essen

**Thomas Hunsteger-Petermann**  
(until July 14, 2010) / (since January 1, 2011)  
Lord Mayor  
City of Hamm

**Dr. Hermann Janning** (since January 1, 2011)  
Chairman of  
Verband kommunaler Unternehmen e. V.  
– Landesgruppe Nordrhein-Westfalen  
Cologne

**Peter Jung** (since January 1, 2011)  
Lord Mayor  
Chairman of Städtetag Nordrhein-Westfalen  
Cologne

**Arndt G. Kirchhoff** (since January 1, 2011)  
Managing Partner of the  
KIRCHHOFF Group  
Iserlohn

**Dipl.-Ing. Hanspeter Klein**  
(until July 14, 2010) / (since January 1, 2011)  
Chairman of the Managing Board of Verband  
Freier Berufe im Lande Nordrhein-Westfalen e. V.  
Düsseldorf

**Norbert Kleyboldt**  
(until July 14, 2010) / (since January 1, 2011)  
Permanent Delegate of the Apostolic  
Administrator of Bischöfliches Generalvikariat  
Münster

**Dr. Johannes Kramer**  
(until July 14, 2010) / (since January 1, 2011)  
Managing Director of Städtische  
Kliniken Bielefeld gem. GmbH  
Bielefeld

**Thomas Kubendorff**  
(until July 14, 2010) / (since January 1, 2011)  
District Administrator  
President of Landkreistag Nordrhein-Westfalen e. V.  
Düsseldorf

**Markus Lewe**  
(until July 14, 2010) / (since January 1, 2011)  
Lord Mayor  
City of Münster

**Hans Peter Lindlar** (until July 14, 2010)  
Head of the Cologne Regional Government (retired)

**Wolfgang Lubert**  
(until July 14, 2010) / (since January 1, 2011)  
Managing Director of enjoyventure  
Management GmbH  
Düsseldorf

**Anne Lütkes** (since January 1, 2011)  
Head of the Düsseldorf Regional Government

**Dr.-Ing. Herbert Lütkestratkötter**  
(until July 14, 2010) / (since January 1, 2011)  
Chairman of the Managing Board of HOCHTIEF AG  
Essen

**Andreas Meyer-Lauber** (since January 1, 2011)  
District Chairman of Deutscher Gewerkschaftsbund  
NRW  
Düsseldorf

**Dr. Thomas Middelhoff** (until July 14, 2010)  
Former Partner of Investmentgesellschaft  
Berger Lahnstein Middelhoff & Partners  
(BLM Partners)

**Konstantin Neven DuMont** (until July 14, 2010)  
Former Managing Director of Mediengruppe  
M. DuMont Schauberg  
GmbH & Co. KG  
Cologne

**Dr. Paul-Josef Patt**  
(until July 14, 2010) / (since January 1, 2011)  
Member of the Managing Board of eCAPITAL  
entrepreneurial Partners AG  
Münster

**Dr. Peter Paziorek**  
(until July 14, 2010) / (since January 1, 2011)  
Head of the Münster Regional Government

**Gerd Pieper** (until July 14, 2010)  
Former President of IHK im mittleren Ruhrgebiet  
zu Bochum  
Düsseldorf

**Jürgen Roters**  
(until July 14, 2010) / (since January 1, 2011)  
Lord Mayor  
City of Cologne

**Dr. Eckhard Ruthemeyer** (since January 1, 2010)  
Mayor  
President of Städte- und Gemeindebund  
Nordrhein-Westfalen  
Düsseldorf

**Roland Schäfer** (until July 14, 2010)  
Mayor  
Former President of Städte- und Gemeindebund  
Nordrhein-Westfalen  
Düsseldorf

**Guntram Schneider** (until July 14, 2010)  
Minister of Labour, Integration and Social Affairs  
of the State of North Rhine-Westphalia  
Düsseldorf  
Former District Chairman of Deutscher Gewerkschafts-  
bund NRW  
Düsseldorf

**Prof. Dr. Uwe Schneidewind** (since January 1, 2011)  
President and Academic Managing Director of  
Wuppertaler Institut für Klima, Umwelt, Energie GmbH  
Wuppertal

**Dr. Otilie Scholz**  
(until July 14, 2010) / (since January 1, 2011)  
Lord Mayor  
City of Bochum

**Dr. Joachim Schorr**  
(until July 14, 2010) / (since January 1, 2011)  
Managing Director of QIAGEN GmbH  
Hilden

**Prof. Wolfgang Schulhoff**  
(until July 14, 2010) / (since January 1, 2011)  
President of the Düsseldorf Chamber of Handicrafts

**Prof. Dr.-Ing. Ekkehard D. Schulz** (until July 14, 2010)  
Former Chairman of the Managing Board of  
ThyssenKrupp AG  
Essen

**Maria Seifert** (until March 3, 2010)  
Former Chairwoman of the Regional Assembly of  
Westphalia-Lippe  
Münster

**Dr. Jochen Stemplewski** (since January 1, 2011)  
Chairman of the Managing Board of  
Wasserwirtschaftsverbände EMSCHERGENOSSEN-  
SCHAFT und LIPPEVERBAND  
Essen/Dortmund

**Dr. Johannes Teysen** (since January 1, 2011)  
Chairman of the Managing Board of  
E.ON AG  
Düsseldorf

**Marianne Thomann-Stahl**  
(until July 14, 2010) / (since January 1, 2011)  
Head of the Detmold Regional Government

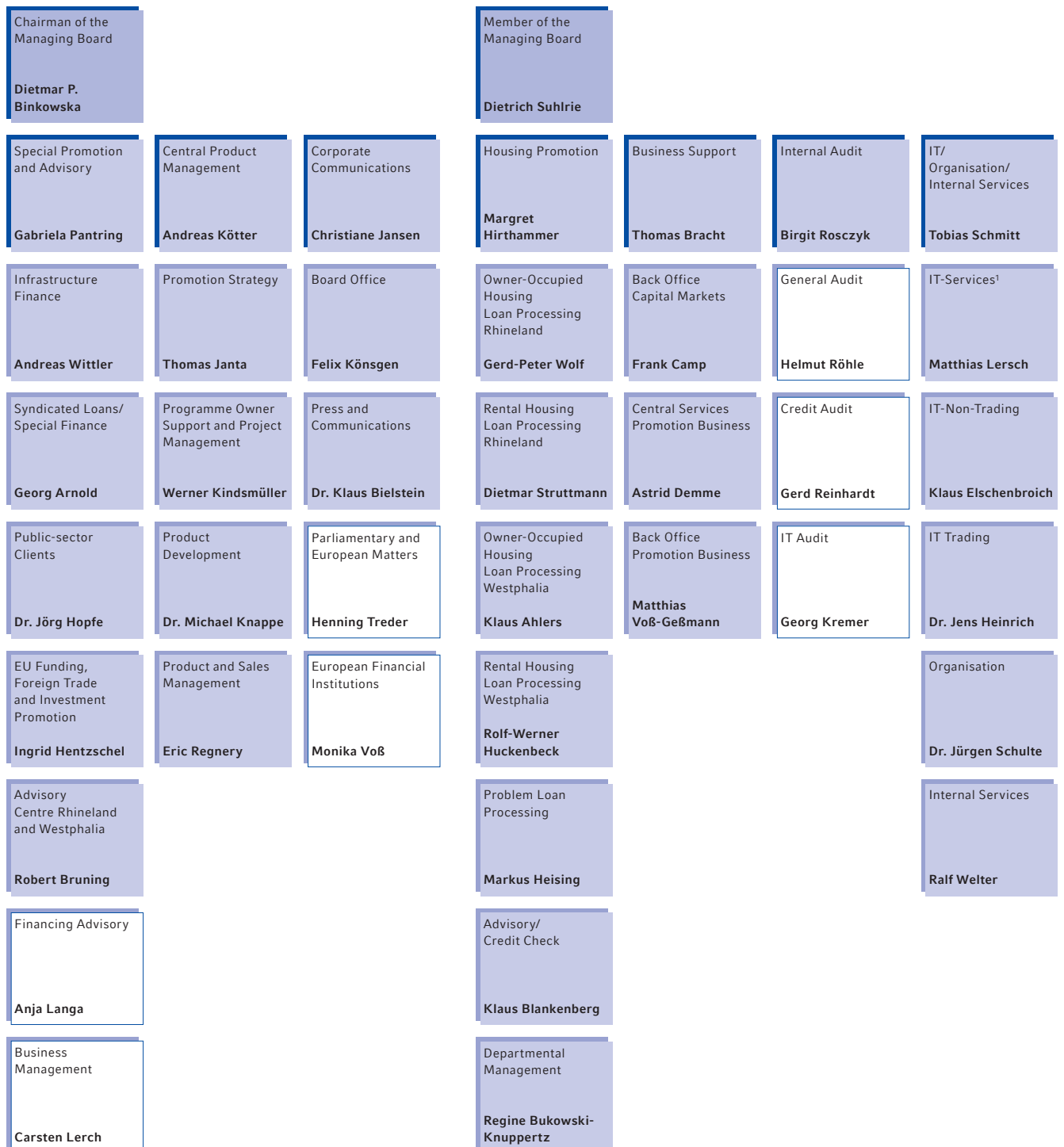
**Hans-Josef Vogel**  
(until July 14, 2010) / (since January 1, 2011)  
Mayor  
City of Arnsberg

**Gisela Walsken** (since January 1, 2011)  
Head of the Cologne Regional Government

**Dr. Jürgen Wilhelm**  
(until July 14, 2010) / (since January 1, 2011)  
Chairman of the Regional Assembly of the Rhineland  
Cologne

**Klaus Winterhoff**  
(until July 14, 2010) / (since January 1, 2011)  
Council Member  
Legal Vice President of the Evangelical Church of  
Westphalia  
Bielefeld

# Organisation Chart of NRW.BANK



Department
  Unit
  Team with direct reporting line to the Department Head

<sup>1</sup> Compliance/MLP as well as Occupational Safety Officer, Equal Opportunities Officer and Data Protection Officer report directly to the Managing Board.

Member of the Managing Board <b>Klaus Neuhaus</b>				Member of the Managing Board <b>Michael Stölting</b>		
Risk Management <b>Florian Merkel</b>	Legal, Compliance, Money Laundering Prevention <b>Oliver Blaß</b>	Finance <b>Wolfgang Beimel</b>	Human Resources <b>Achim Meierkamp</b>	Promotion Programmes <b>Dr. Ortwin Schumacher</b>	Equity Investments <b>Dr. Peter Güllmann</b>	Capital Markets <b>Klaus Rupprath</b>
Credit Risk <b>Dr. Michael Kuhlbrodt</b>	Compliance, Money Laundering <sup>1</sup> <b>Manfred Gorka</b>	Accounting <b>Joachim Kiesau</b>	Personnel Development/ Management Training <b>Ralf Groß-Heitfeld</b>	Commercial and Educational Promotion <b>Dr. Gerhard Weyers</b>	Technology/ Innovation Finance <b>Dr. Claas Heise</b>	Business Management <b>Marco Adler</b>
Municipal and SME Financing <b>Hubert Venneker</b>	Corporate Legal <b>Hans-Albert Böckenförde</b>	Financial Accounting <b>Ute Kuschel</b>	Personal Development/ Basic Issues <sup>1</sup> <b>Petra Kalthoff</b>	Structural Promotion Programmes <b>Anton Render</b>	SME Finance <b>Christoph Büth</b>	Treasury <b>Andreas Berning</b>
Bank-Wide Risk & Credit Portfolio Management <b>Thomas Stausberg</b>	Legal Capital Markets <b>Reinhard Buch</b>	Banking Supervision <b>Dr. Rüdiger Krautheuser</b>	Human Resources Administration and Controlling <b>Peter Schröder</b>	Housing and Agricultural Promotion <b>Uwe Beckmann</b>	Strategic Equity Investments <b>Jutta Heitzer</b>	Credits <b>Jörg Eicker</b>
Market Price Risk & Liquidity Risk <b>Thomas Hornung</b>	Property Law <b>Wulf Ebsen</b>	Tax <b>Sybille Heberer-Wilhelm</b>		Objective 2 Quality Management <b>Joachim Michelmann</b>	Funds and Business Management <b>Stefan Büchter</b>	Portfolio Management & Financial Engineering <b>Andreas Rothermel</b>
Restructuring <b>Dr. Jamal Daoudi</b>		Controlling <b>Walter Wohlhage</b>				
Basic Issues & Controlling <b>Sabine Lamers</b>						

# NRW.BANK at a Glance

## NRW.BANK Facts

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

### Guarantors

- State of North Rhine-Westphalia (98.6%)
- Regional Association of the Rhineland (0.7%)
- Regional Association of Westphalia-Lippe (0.7%)

### Liabilities/Guarantees

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

**Legal Status** Public law bank

**Head Offices** Düsseldorf and Münster

## Phone-based Information Services of NRW.BANK

### NRW.BANK.Infoline

Initial phone-based advice and information on the promotion programmes

#### Advisory Centre Rhineland

Phone +49 211 91741-4800  
Fax +49 211 91741-9219  
info-rheinland@nrwbank.de

#### Advisory Centre Westphalia

Phone +49 251 91741-4800  
Fax +49 251 91741-2666  
info-westfalen@nrwbank.de

### Financing Advisory

Phone +49 211 91741-4700  
Fax +49 211 91741-6629  
finanzierungsberatung@nrwbank.de

### EU and Foreign Trade & Investment Promotion

Phone +49 211 91741-4000  
Fax +49 211 91742-6218  
europa@nrwbank.de

### Housing Promotion Advisory NRW

Phone +49 211 91741-7647  
Fax +49 211 91741-7760  
info@nrwbank.de

### Accounting Management – Public Sector Clients

Phone +49 251 91741-4600  
Fax +49 251 91741-2666  
oeffentliche-kunden@nrwbank.de

### Press and Communications

Phone +49 211 91741-1846  
Fax +49 211 91741-1801  
presse@nrwbank.de

### Investor Relations

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Fax +49 211 91741-3771  
investorrelations@nrwbank.de

**Hotline for tuition fee loans** 01805 103830

### NRW.BANK

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**Concept and design,  
production and typesetting**  
vE&K Werbeagentur GmbH & Co. KG,  
Essen

#### Printed by

Woeste Druck + Verlag  
GmbH & Co. KG, Essen-Kettwig



## Financial Calendar 2011

<b>March 17, 2011</b>	Annual accounts press conference
<b>September 9, 2011</b>	Publication of the promotion result for the second quarter
<b>November 10, 2011</b>	Publication of the promotion result for the third quarter

## Promotion Volumes

	2010	2009
	€ millions	€ millions
Promotion of start-ups and SME's	3,244	2,409
Infrastructure and municipal promotion	2,333	2,651
Social housing promotion	1,039	1,141
Individual promotion	1,937	1,719
<b>Total</b>	<b>8,553</b>	<b>7,920</b>

## Key Figures

	2010	2009
	€ millions	€ millions
Total assets	156,838	161,014
Equity capital pursuant to the German Commercial Code (HGB)	17,688	19,929
Equity capital as defined in the German Banking Act (KWG)	5,283	3,394
Net interest and net commission income	604	568
Personnel expenses	107	102
Operating expenses	94	88
Operating income before risk provisions/revaluation adjustments	435	395
Core capital ratio	15.17	11.88
Staff	1,224	1,224

## 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

