



Financial Report 2015

Financial Report 2015 of NRW.BANK

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This is an unofficial translation of the Finanzbericht 2015 (German Financial Report 2015) and is provided for convenience purposes only. In the event of any ambiguity, the German text will prevail.

The Promotion Business of NRW.BANK

1 Overview

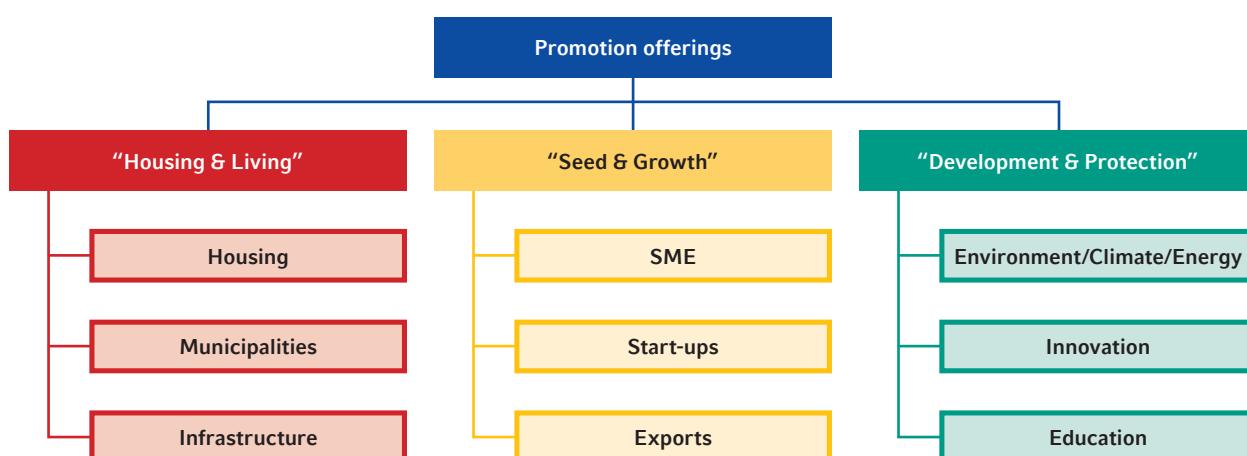
As the state development bank and central development platform of North Rhine-Westphalia, NRW.BANK supports its owner and guarantor, the State of North-Rhine Westphalia, in the fulfilment of its public duties and in the efficient implementation of development and promotion programmes in North Rhine-Westphalia with a view to minimising the impact of these activities on the state budget. NRW.BANK offers the full range of lending tools and is also in a position to act in cases where financial know-how shapes the development process.

The chargeless facilitating of monetary and non-monetary resources for the promotion business – referred to as “Förderleistung” – is an integral element of the Bank’s promotion strategy. Interest waivers are a central component of NRW.BANK’s “Förderleistung” and occur in two different forms: “margin waivers”, where NRW.BANK charges reduced interest rates on promotion loans, and “investment waivers”, where the Bank uses equity capital to extend non-interest-bearing or low-interest promotion loans and thus refrains from using this equity capital for alternative interest-bearing investments. Other components of the “Förderleistung” include risk assumptions as well as free services and benefits in kind, e.g. advisory services for customers and support services for multipliers and house banks. Especially, the supply of the „Förderleistung“ enables NRW.BANK to make available attractive promotion options to the respective target groups.

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

NRW.BANK’s promotion offerings and their further development are driven by the promotion policy principles adopted by the Board of Guarantors and NRW.BANK’s promotion strategy, which is based thereon. In developing the contents of its promotion offerings, NRW.BANK takes current developments into account. In response to the challenges resulting from the growing number of refugees, for instance, the Bank has launched separate promotion programmes catering the specific needs of the State of North Rhine-Westphalia and, most importantly, its municipalities in mastering the respective tasks. The growing digitalisation of society is a challenge of another kind. This year’s “prospect” publication is dedicated to this special aspect. The promotion projects presented here show that the diverse and multi-faceted promotion offerings of NRW.BANK already address most of the

Promotion offerings of NRW.BANK



special promotion requirements of the municipalities, enterprises and people in North Rhine-Westphalia that result from digitalisation.

In terms of contents, NRW.BANK's promotion offerings are divided into three fields of promotion: "Seed & Growth", "Development & Protection" and "Housing & Living". They denote the target areas in which NRW.BANK's promotion activities are to take effect. Each field of promotion comprises specific promotion themes which outline the promotion focal points of the Bank. They are elaborated in NRW.BANK's promotion strategy. Each field of promotion is currently divided into three specific promotion themes. The different

promotion products of NRW.BANK put the individual promotion themes into concrete terms. Each promotion product is therefore assigned to a single promotion theme.

In 2015, NRW.BANK's new promotion business continued the successful trend of the previous years in a difficult economic environment characterised by persistently low interest rates. New promotion business stayed at a high level and the Bank committed promotion funds in a total amount of € 9.7 billion (2014: € 8.9 billion), with on-lending accounting for roughly 19%. The table below breaks down the total net new commitments by fields of promotion and promotion themes:

Net volume of new commitments

	Dec. 31, 2015	Dec. 31, 2014	Changes
	€ millions	€ millions	€ millions
Field of promotion "Housing & Living"			
- Housing	5,148	4,278	870
- Municipalities	1,641	1,430	211
- Infrastructure	2,846	2,279	567
	661	569	92
Field of promotion "Seed & Growth"			
- SME	3,344	3,178	166
- Start-ups	2,700	2,607	93
- Exports	582	521	61
	62	50	12
Field of promotion "Development & Protection"			
- Environment/Climate/Energy	1,185	1,441	-256
- Innovation	1,037	1,323	-286
- Education	4	54	-50
	144	64	80
Total net volume of new commitments	9,677	8,897	780

2 Field of promotion "Housing & Living"

The activities of NRW.BANK in this field of promotion are designed to improve housing and living standards as well as the urban environment. Key elements needed to reach these goals include the promotion of (social) housing to ensure high-quality and affordable living. A functioning community additionally relies on comprehensive public services provided by solidly funded municipalities as well as an appropriate infrastructure that meets actual requirements. By combining and

coordinating these tasks across its three promotion themes of "Housing", "Municipalities" and "Infrastructure", NRW.BANK contributes to the forward-looking development of the cities and communities in North Rhine-Westphalia and their neighbourhoods.

Promotion theme "Housing"

Social housing promotion programmes have special importance in the context of the promotion theme "Housing". The relevant promotion loans of NRW.BANK

are applied for with the local governments and disbursed directly to the recipients. The promotion activities reflect the State of North Rhine-Westphalia's housing promotion plan (Wohnraumförderprogramm, WoFP) as well as the respective development guidelines.

NRW.BANK's social housing promotion programmes are designed to support, in particular, the creation of affordable, high-quality housing for lower-income households. In this context, the programme for the promotion of rent-controlled and occupancy-controlled housing construction and the support in the acquisition and construction of owner-occupied housing by low-income households plays an important role. In the field of social housing promotion, NRW.BANK additionally promotes the removal of barriers in owner-occupied and rented residential buildings. In response to the growing number of refugees and the resulting challenges for the housing market, a new social housing promotion service was launched last year to encourage investors to create and provide housing for refugees.

In contrast to the other fields of promotion and promotion themes, more than half of the net volume of new commitments of the "Housing" promotion theme relates to (housing) programmes of KfW Bankengruppe, which are passed on by NRW.BANK in its capacity as the central institution of the North Rhine-Westphalian savings banks.

Promotion theme "Municipalities"

The municipal loans and liquidity loans granted to the North Rhine-Westphalian municipalities were the main volume driver in this theme. These offerings provide local and regional governments with a funding source for their non-appropriated financing requirements. At approx. € 2.1 billion, these offerings account for most of the promotion funds granted in this promotion theme. In addition, NRW.BANK offers the North Rhine-Westphalian municipalities, their enterprises and municipal cooperatives low-interest and long-term investment loans and makes available low-interest funding in the form of global loans to encourage banks and savings banks to extend loans to these target groups. A separate promotion programme was launched already at the end of 2014 in order to provide special

support to the North Rhine-Westphalian municipalities for the accommodation of refugees. This programme supports municipal investments relating to refugee housing through long-term interest-free loans.

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

Promotion theme "Infrastructure"

A well-functioning infrastructure is an essential prerequisite for the economic growth of individual regions and the State of North Rhine-Westphalia as a whole. Financing offerings for the maintenance and expansion of the general infrastructure are assigned to the promotion theme "Infrastructure".

The capital expenditure needed to maintain and expand North Rhine-Westphalia's infrastructure requires not only public funds but also private capital. NRW.BANK therefore offers favourable terms and conditions to encourage corporate investment in social and public infrastructure projects. The Bank additionally supports infrastructure projects by way of customised corporate and project loans in the context of syndicates with other banks. In some areas, especially municipal promotion, NRW.BANK also acts as a direct financing partner to the applicants. These broad-based promotion offerings are complemented by a number of special programmes with especially attractive terms for selected objectives and investment projects, respectively, to provide stimulation in certain infrastructure sub-segments. Examples include special offerings for the promotion of broadband expansion in North Rhine-Westphalia, for the maintenance and refurbishment of buildings listed as public monuments or for the promotion of sports facilities. With a view to the ageing society, NRW.BANK additionally offers low-interest loans to support investments in care and nursing homes and the construction of new care and nursing homes.

NRW.BANK supports the public sector's efforts in this area by promoting and supporting private investment as well as by conducting economic feasibility studies comparing different forms of funding and realisation.

3 Field of promotion "Seed & Growth"

The various promotion offerings in this field of promotion primarily aim to improve the capital structure and financing situation of small and medium-sized enterprises. NRW.BANK uses a wide range of financing instruments for the promotion of SMEs such as low-interest promotion loans, risk assumption through participation in syndicate loans or liability releases for on-lending house banks as well as equity strengthening solutions. The various promotion solutions in this field of promotion allow NRW.BANK to cover the entire life-cycle of a company – from seed finance to the supply of capital in general and in phases of growth to support in difficult situations.

Promotion theme "SME"

Two promotion programmes of NRW.BANK providing standardised, low-interest promotion loans for working capital and capital expenditure of small and medium-sized enterprises are the main promotion instruments under this promotion theme. They account for the biggest portion of the net volume of new commitments in this promotion theme. Just like all promotion programmes for commercial enterprises, these two programmes of NRW.BANK also offer liability releases of 50% for the on-lending banks upwards from certain minimum loan amounts. In addition, NRW.BANK's low-interest global loans offer banks and savings banks favourable refinancing loans to fund their own SME lending activity. NRW.BANK also joins syndicates extending loans for small and mid-sized companies.

Established SMEs are offered mezzanine capital or equity investments to strengthen their equity capital. In addition, NRW.BANK supports the provision of equity for restructuring efforts via a separate fund by acting as a co-investor for capital investment companies.

Advisory services are available to SMEs both with regard to the full range of NRW.BANK's promotion

offerings and regarding the support offered by other promotion and financing institutions. NRW.BANK additionally supports small and medium-sized enterprises in change processes by way of individual advice for the optimisation of their financing structures using public funds.

Promotion theme "Start-ups"

The highest-volume programme in this promotion theme offers interest-subsidised loans for start-up and consolidation financing, some of which can be combined with liability releases for the on-lending house bank. Micro start-ups with credit requirements of up to € 25,000 benefit from a separate NRW.BANK programme, under which not only low interest rates are offered but also no collateral is required. Applications for promotion funds under this programme are channelled through the STARTERCENTERS in North Rhine-Westphalia.

The special needs of start-up projects in innovative sectors are met by NRW.BANK through a fund-of-funds initiative for seed financings. To stimulate seed investments, this initiative acts as a fund investor providing regional seed funds in North Rhine-Westphalia with capital. Another element providing target-oriented support for innovative start-ups is NRW.BANK's specialist advisory centre for technology-oriented up-and-coming business founders from universities and research institutions as well as new innovative start-ups. In addition, NRW.BANK's advisory, support and mediation activities effectively support potential investments by business angels, i.e. high net worth individuals with a proven entrepreneurial background, in innovative start-ups.

Promotion theme "Exports"

Promotion instruments under this promotion theme include low-interest loans for foreign investments as well as back-up guarantees granted by NRW.BANK to banks underwriting export guarantees for small and medium-sized enterprises. These financing solutions are complemented by advice on the use of public promotion and development funds in international projects.

4 Field of promotion “Development & Protection”

In the “Development & Protection” field, NRW.BANK helps secure the future of North Rhine-Westphalia by promoting innovation and activities in the educational sector. In addition, the Bank specifically supports investments in the protection of resources, thus making an active contribution to achieving Germany’s green energy policy targets.

In 2015, the situation in this field of promotion, which is primarily characterised by special programmes, was adversely affected by the energy policy conditions as well as by the reduced attractiveness of the special programmes resulting from the low interest rates.

Promotion theme “Environment/Climate/Energy”

NRW.BANK’s programmes in this field of promotion are primarily designed to effectively complement programmes offered at the federal level. Accordingly, the promotion programmes of KfW Bankengruppe channelled through NRW.BANK account for about one third of the reported net volume of new commitments.

Energy savings and improved energy efficiency are key objectives of Germany’s “Energiewende”, i.e. the move towards a renewable energy scheme. Against this background, NRW.BANK has launched special promotion programmes for commercial enterprises and private home owners offering particularly favourable conditions for investments in energy savings and energy efficiency in companies and private buildings. To qualify for funds under these programmes, applicants must fulfil certain minimum requirements in terms of energy savings/efficiency.

Enterprises may also receive low-interest financing for research and development projects falling under the “Masterplan Elektromobilität Nordrhein-Westfalen” (North Rhine-Westphalia’s Electromobility Masterplan) or for investments in new combined-heat-and-power (CHP) plants or the conversion or expansion of existing CHP units.

NRW.BANK supports investments in the energy infrastructure by way of both low-interest promotion programme loans and customised company and project financings within the framework of syndicates with

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

Promotion theme “Innovation”

A promotion programme offering especially attractive conditions is available under the promotion theme “Innovation”. It is meant to support small and medium-sized companies’ investments in adding new, technologically advanced products to their product ranges or in the adoption of high-tech production processes. NRW.BANK additionally acts as co-investor in venture capital financings to support young innovative enterprises.

Companies in the creative sector are characterised by special promotion requirements. Against this background, NRW.BANK has launched a specific promotion programme for this target group which provides low-interest, collateral-free advance finance for orders received or project work. Applications for this programme may be submitted directly to NRW.BANK. In addition, NRW.BANK acts as co-investor in a special fund which makes available seed and venture capital to companies in the creative sector.

Field of promotion “Education”

NRW.BANK offers municipal school operators and municipal school associations in North Rhine-Westphalia long-term loans at highly attractive terms with maturities of 20 or 30 years for the construction and refurbishing of school buildings. Moreover, NRW.BANK uses social housing promotion funds to support the construction of student dorms.

Report on Public Corporate Governance in the Year 2015

1 General Information

NRW.BANK is the State of North Rhine-Westphalia's development bank. As such it serves as a central platform supporting the State in meeting its public, especially structural, economic, social and housing policy tasks. In this context, NRW.BANK is committed to responsible and transparent action vis-à-vis the public, the guarantor and owner as well as investors, customers and employees.

Since 2006, NRW.BANK has reported annually on the corporate governance efforts undertaken by NRW.BANK on the basis of its own Public Corporate Governance Code (PCGK), which reflects the specific requirements of the Bank. Since the fiscal year 2014, NRW.BANK has done so on the basis of the amended Public Corporate Governance Code of NRW.BANK, which came into force on January 1, 2014. While the latter is based on the Code of the State of North Rhine-Westphalia, it also takes into account the specific public mission and the particularities of the competition-neutral public-law development bank, which is almost budget independent. Besides legal and statutory provisions, which only have a descriptive function, it also includes recommendations and suggestions that go beyond the legal and statutory requirements.

The members of the Managing Board, the Supervisory Board and the Board of Guarantors fully identify with the Code. Their actions are based on these rules for transparent and responsible corporate governance. For the fiscal year, the Managing Board and the Supervisory Board declare that the Bank has largely complied with the recommendations of the Code. In accordance with Clause 1.3.2 and 1.4 of the Public Corporate Governance Code, deviations from these recommendations are disclosed and explained in the following Declaration of Conformity. The duty to issue this declaration is laid down in Section 29 Para. 8 of NRW.BANK's Statutes.

2 Guarantor and Board of Guarantors

The State of North Rhine-Westphalia is the guarantor and sole owner of NRW.BANK. The State has assumed permanent institutional and guarantor liability for

NRW.BANK and has issued the Bank with an explicit funding guarantee.

The State of North Rhine-Westphalia exercises its rights in line with its legal powers and in its capacity as the owner at the Board of Guarantors, where it exercises its voting right. The voting right of the sole guarantor is exercised unanimously by the "voting agent", i.e. a member of the Board of Guarantors appointed by the guarantor. The Board of Guarantors held two meetings during the fiscal year.

In order to implement the recommendations made as a result of the evaluation of the management bodies carried out in 2014 as defined in Section 25d Para. 11 of the German Banking Act (KWG), the Board of Guarantors amended the Statutes of NRW.BANK in the fiscal year with effect from October 1, 2015. With a view to improving the effectiveness and efficiency of the Board of Guarantors, it was decided to reduce the number of its members to the minimum number of five members required pursuant to the Act on NRW.BANK.

The Board of Guarantors is now composed of three members who accede to their position by virtue of holding public office; according the Act on and Statutes of NRW.BANK, these are the Minister for Economics, the Minister for Finance and the Minister for Housing. In addition, there are another two members appointed by the guarantor, with one of them acting as the voting agent.

In the fiscal year, the Board of Guarantors discussed, among other things, the overall strategy presented by the Managing Board of NRW.BANK and adopted the principles of the business, promotion and risk policy contained therein at the recommendation of the Supervisory Board. A decision regarding the benchmarks pursuant to Section 6 Para. 1 of the Law on the Promotion and Use of Housing (WFNG) was not required in 2015, as a multi-year benchmark decision for the years from 2014 to 2017 was made by the Board of Guarantors in 2013.

Based on a Europe-wide invitation to tender for the external audit of the financial statements published in the fiscal year, the Board of Guarantors made a decision regarding the selection of the external auditor of the financial statements and further audits of the fiscal years 2016 to 2019 at the recommendation of the Supervisory Board.

In addition, the Board of Guarantors decided to renew the existing directors' and officers' liability insurance policy (D&O insurance) for the members of the Managing Board, the Supervisory Board and the Board of Guarantors for 2016. The agreed deductible amounts to 10% of each damage but of no more than 1.5 times the fixed annual remuneration.

Increasing requirements in the banking environment and constant regulatory amendments make continuous further training indispensable for the members of the Board of Guarantors. NRW.BANK continued the past year's seminar series by organising an advanced seminar on "supervision and price risks" for the members of the Board of Guarantors and the Supervisory Board in 2015. The members of the Board of Guarantors continue to benefit from a qualification budget for mandate holders, which may be used by them for such and other further training measures in consultation with the Public Corporate Governance Adviser of NRW.BANK.

3 Managing Board

The Managing Board is responsible for independently managing NRW.BANK according to commercial principles and in the interest of the Bank on a non-competitive and non-profit-driven basis, taking the public benefit into account. In doing so, the Managing Board observes, among other things, all relevant legal provisions, the Statutes and the Public Corporate Governance Code of NRW.BANK, the directives adopted by the Supervisory Board as well as the rules of procedure for the Managing Board.

The Managing Board of NRW.BANK is composed of three members, of which one is appointed Chairman. The organisational structure of NRW.BANK as well as the powers and responsibilities of the Managing Board

members take the organisational separation of front office and back office functions in the meaning of the Minimum Requirements for Risk Management (MaRisk) into account. As of December 31, 2015, women held 30.3% and men 69.7% of the management positions of the 1st to 5th level of the Bank. In accordance with the objectives of the State Equal Opportunities Act (LGG), 55.6% of all new management positions or management positions to be refilled were filled with women in the fiscal year.

The Managing Board defines the business, promotion and risk strategy to put the strategic positioning of NRW.BANK defined in the principles of the business, promotion and risk policy into more concrete terms, discusses it with the Supervisory Board and its committees, adopts it and ensures that it is put into practice. The overall strategy is geared to the sustainable development of NRW.BANK.

The Managing Board ensures well-functioning, appropriate risk management and controlling in accordance with the regulatory standards. Internal Audit plays a key role in the risk management system of NRW.BANK. Against this background, an independent quality assessment of NRW.BANK's Internal Audit was carried out in the fiscal year. This independent quality assessment performed by an external auditor confirmed the full functionality of Internal Audit.

According to Section 25d Para. 11 No. 3 and 4 KWG, an evaluation of the Managing Board and the Supervisory Board must be carried out at least once a year in order to assess the knowledge, skills and experience of their individual members as well as the bodies as a whole as well as their structure, size, composition and performance. In view of the largely unchanged form and composition of the Managing Board and the Supervisory Board, the evaluation in the fiscal year was based on the evaluation performed in 2014 and confirmed the good results of the previous year. According to this evaluation, the members of the Managing Board are able and sufficiently experienced to effectively and efficiently conduct the Bank's business activities. The cooperation between the Managing Board members,

with the Bank's other bodies and its employees is characterised by trust, openness and a sense of responsibility.

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

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

Similar to the Supervisory Board and the Board of Guarantors, the existing D&O insurance for the members of the Managing Board has been renewed. The agreed deductible amounts to 10% of each damage but of no more than 1.5 times the fixed annual remuneration.

The Managing Board is committed to ongoing and regular further training, especially in the field of regulatory amendments and requirements in the banking environment. In addition to the continuous updating of its knowledge in the course of its management activities, the Managing Board attended an external workshop on banking supervisory law which was geared to the needs of NRW.BANK in September 2015.

4 Supervisory Board

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

The past fiscal year saw the implementation of various measures aimed, in particular, at improving the Supervisory Board's banking-specific expertise. These measures flowed from the recommendations for the

Supervisory Board made in connection with the evaluation pursuant to Section 25d KWG carried out for the first time in 2014.

In view of the growing requirements, the Supervisory Board was extended by two external members with relevant knowledge in the lending sector, especially in the fields of banking business, banking law and regulations. As a result, the number of members appointed by the guarantor increased to seven. In order to ensure that representatives of the employees account for one third of the members of the Supervisory Board in accordance with Section 12 Para. 1 Letter e of the Statutes, a fifth employee representative was appointed to the Supervisory Board. The number of Supervisory Board members was hence increased by three to a total of 15 members.

In order to ensure the targeted and efficient participation of the new members in the committees, the Audit Committee, the Risk Committee and the Promotion Committee were each extended by two further members. One member each was appointed by the State as the guarantor and one by the employee representatives.

The previously independent Nomination Committee, which was composed of the same members as the Executive Committee, was merged with the latter. The Supervisory Board adopted the rules of procedure for the new Executive and Nomination Committee, which supplements the former rules of procedure for the Executive Committee by corresponding regulations for the Nomination Committee.

Irrespective of the implementation of the recommendations mentioned above, the guarantor appointed a new member to the Supervisory Board with effect from November 3, 2015 in order to refill a position which had become vacant as a result of a resignation.

In accordance with MaRisk rules, the business, promotion and risk strategy was discussed with the Supervisory Board after having previously been discussed by the Promotion Committee and the Risk Committee. The

Supervisory Board submitted a resolution proposal to the Board of Guarantors regarding the principles of the business, promotion and risk strategy which define the framework of the strategic activity.

The Supervisory Board is also responsible for the appointment and dismissal of the members of the Managing Board. The individual and joint requirements to be met by the Managing Board are taken into account in connection with the first-time and repeated appointment of Managing Board members. The required continuity and long-term planning horizon play a key role in all decisions and recommendations. To this end, the Chairman of the Supervisory Board closely cooperates with the other top guarantor representatives as well as the Managing Board. In connection with the refilling of management positions, the Bank moreover ensures that a certain number of employees at the second management level have the special skills required for a potential assumption of top management functions.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board and chairs its meetings. He liaises with the Managing Board of NRW.BANK, notably the Chairman of the Managing Board – also outside the meetings – during regular talks. Where necessitated by urgent events, the Chairman of the Supervisory Board informs the members of the Supervisory Board and convenes an extraordinary meeting if required. No extraordinary meeting was required in the fiscal year.

The Supervisory Board forms committees from among its members, which advise and support it in order to ensure an efficient division of labour. Based on the respective rules of procedure, preliminary discussions are held in the committees with a focus on the respective issues. The chairpersons of the respective committees inform the full Supervisory Board about the discussions and their results. 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 Executive and Nomination Committee prepares the meetings of the Supervisory Board and the Board of Guarantors. It supports the filling of Managing Board and Supervisory Board positions as well as the evaluation of the Managing Board and the Supervisory Board to be carried out at least once a year. It furthermore decides on the budget for the Bank's corporate citizenship activities. The Remuneration Committee is, in particular, responsible for supervising the appropriateness of the remuneration systems for the Managing Board and the employees of NRW.BANK. The Risk Committee helps the Supervisory Board monitor the Bank's risk situation. The Audit Committee supervises the accounting process, the effectiveness of the risk management system and the performance of audits. The Promotion Committee addresses various aspects of the promotion policy and the promotion business. The number and the duration of the meetings held by the Supervisory Board and the committees in the fiscal year were in line with the Bank's requirements. No member of the Supervisory Board attended less than half of the meetings.

Similar to the evaluation of the Managing Board, the evaluation of the Supervisory Board carried out in the fiscal year confirmed the good result of the previous year. Its performance was rated positively. All in all, the Supervisory Board considers itself able to fulfil its tasks. The Supervisory Board also addressed the adopted recommendations resulting from the evaluation in the previous year and welcomed the steps taken to implement them.

No business or personal relations that give rise to a material and no temporary conflict of interest exist between the members of the Supervisory Board and NRW.BANK. No relevant conflicts of interest were disclosed to the Supervisory Board in the fiscal year. No member of the Supervisory Board pursued personal interests when making decisions. The members of the Supervisory Board ensured that they had enough time to fulfil their mandates.

Similar to the Managing Board and the Board of Guarantors, the existing D&O insurance for the members of

the Supervisory Board has been renewed. The agreed deductible amounts to 10% of each damage but of no more than 1.5 times the fixed annual remuneration.

Amendments in the banking environment but also the increasing requirements to be met by the Supervisory Board make constant further training, especially in bank-specific areas, indispensable for the members of the Supervisory Board. NRW.BANK therefore organises targeted further training courses which are geared to the specific needs of the members of the Supervisory Board. In the fiscal year, the Bank organised, for instance, an advanced seminar on "supervision and price risks" for the members of the Board of Guarantors and the Supervisory Board. The members of the Supervisory Board continue to benefit from a qualification budget for mandate holders, which may be used by them for such and other further training measures in consultation with the Public Corporate Governance Adviser of NRW.BANK. In the fiscal year, selected members of the Supervisory Board also used this budget to attend individual further training events. The further training offering of the Bank is continuously developed further.

5 Cooperation between the Managing Board and the Supervisory Board

The Managing Board and the Supervisory Board cooperate closely to the benefit of the Bank. The cooperation between the Supervisory Board as the controlling body and the Managing Board as the managing body is characterised by an open and trusting dialogue in the interest of NRW.BANK and its guarantor, the State of North Rhine-Westphalia. The cooperation at the meetings is complemented by an ongoing exchange, especially between the Chairmen of the Supervisory Board and the Managing Board but also between the Managing Board and the Chairmen of the individual committees.

Regular and comprehensive information of the Supervisory Board by the Managing Board plays a key role in this context. In addition to the regular meetings of the bodies, there is a permanent written exchange of information as well as the close personal exchange

mentioned above between the Chairmen of the Managing Board and the Supervisory Board as well as the Chairmen of the committees. In particular all relevant issues and changes regarding the business development, planning, risk situation, risk management, compliance and economic environment are communicated. The Supervisory Board is moreover immediately informed of important events, especially those which could significantly influence the situation of the Bank, its liquidity or profitability, its liable equity or the liability of the guarantor.

6 Transparency

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

The Annual Report and the Disclosure Report as well as the financial calendar are published on the website of NRW.BANK. In the context of its investor relations activities, the Bank regularly reports the latest corporate news with a focus on the capital market. Press releases and further publications supplement the comprehensive range of information offered by the Bank.

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

7 Accounting

The annual financial statements and the management report of NRW.BANK are prepared by the Managing Board and audited by the auditor in accordance with the provisions of the German Commercial Code (HGB) and the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV). The Audit Committee as well as the Supervisory Board discuss the results of the audit with the auditor. The Board of Guarantors resolves on the approval of the annual financial

statements, formulates a profit appropriation proposal and appoints an auditor.

At the recommendation of the Audit Committee and the proposal of the Managing Board and in consultation with the North Rhine-Westphalian Court of Audit, the Board of Guarantors appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as auditors of NRW.BANK's financial statements for the period ended December 31, 2015.

8 Governmental Control

Government control over NRW.BANK is exercised by the Ministry of the Interior of the State of North Rhine-Westphalia, with respect to social housing promotion in cooperation with the Ministry responsible for Housing. The purpose of this control is to ensure the lawfulness of the activities of NRW.BANK.

As of November 4, 2014, the European Central Bank (ECB) has exercised direct control over NRW.BANK. In this context, the ECB continues to be supported by the national banking supervisory authority BaFin and Deutsche Bundesbank.

9 Remuneration Report

NRW.BANK reports on the key elements of the remuneration systems for its executive and controlling 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 Remuneration Act and the Remuneration Ordinance for Institutions (InstitutsVergV) of December 16, 2013 in conjunction with Article 450 of Regulation (EU) No. 575/2013.

9.1 Remuneration of the Members of the Supervisory Board

The concept of a remuneration structure which is not dependent on the business performance primarily reflects the underlying idea according to which the generation of profits is not the primary business objective. The remuneration of the Supervisory Board and its committees consists of a work remuneration that is unrelated to the meetings held and an additional meeting-related fee. As specified by the Board of Guarantors, the work remuneration and the meeting attendance fee are identical within the Supervisory Board and its com-

mittees. No distinction is made between a member, the vice chairperson or the chairperson. Besides this remuneration, travel expenses incurred by mandate holders are adequately refunded. The payment of value added tax depends on the respective tax status of the individual members.

Besides the remuneration paid to the members of the Supervisory Board, the members of the Board of Guarantors, the Advisory Board for Housing Promotion, the Advisory Board of NRW.BANK and the Parliamentary Advisory Board also receive individual remuneration on the basis of the resolution passed by the Board of Guarantors. The respective remuneration complies with the principles above, but the absolute amount varies based on the different tasks and specific responsibilities.

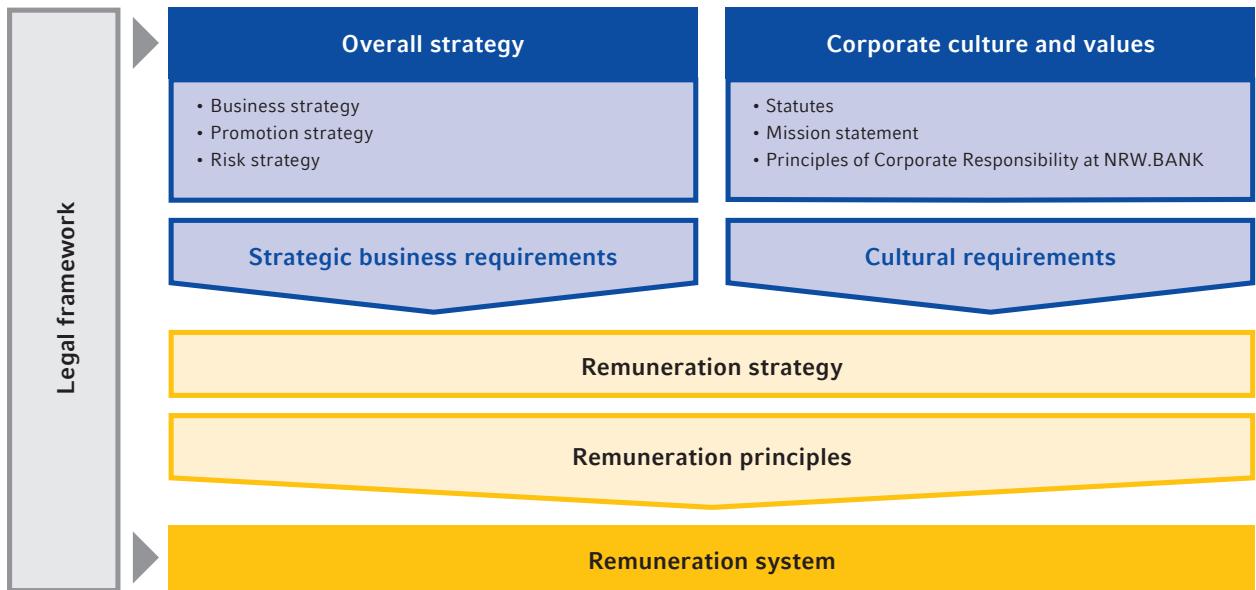
An itemised disclosure of the remuneration received by the individual members of the Supervisory Board, the Board of Guarantors and the Advisory Boards can be found in the notes to the Financial Report (page 91 et seq.).

9.2 Remuneration Strategy and Control

The State of North Rhine-Westphalia is the sole owner of NRW.BANK. Every year, the Bank's Board of Guarantors adopts the principles of the business, promotion and risk policy within the meaning of Section 10 No. 9 of its Statutes, which form the basis of NRW.BANK's strategic positioning as the development bank for North Rhine-Westphalia. These principles and the business, promotion and risk strategy derived from them constitute the overall strategy, which also complies with the regulatory requirements of MaRisk.

The remuneration strategy is not a separate strategy that forms part of the overall strategy but derives strategic business requirements for achieving the strategic objectives from the overall strategy. Additional requirements result from the Statutes of NRW.BANK, its corporate culture and values.

To meet these requirements, the remuneration strategy formulates the remuneration principles of NRW.BANK and defines measures for their implementation. The remuneration strategy thus defines the basis for implementation in NRW.BANK's remuneration system.



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

— Target-oriented incentives implementing the strategy

The remuneration system creates structures that support the implementation of the targets and objectives defined in the overall strategy. Incentives that help achieve the targets are supported, while disincentives that are opposed to the targets are prevented.

— Risk orientation

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

— Resource efficiency

Being the central promotion platform, NRW.BANK's main task consists in designing the promotion products efficiently and with a minimum impact on the state budget. In the context of its conservative investment strategy, NRW.BANK generates surpluses which are mainly used for the promotion business and to secure the Bank's performance. The remuneration system considers these principles of a cautiously operating public-law development

bank. At the same time, NRW.BANK is subject to all banking-specific requirements and requires employees with the corresponding qualifications.

— Long-term motivation

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

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

- Via a consistent top-down process and a reverse bottom-up process, the remuneration system – linked to the appraisal system – of NRW.BANK ensures the alignment with the overall strategy and supports its implementation.
- All elements of NRW.BANK's remuneration system must meet the requirements of the conservative remuneration policy of a competition-neutral development bank whose primary objective is not the generation of profits.
- Fixed remuneration geared to the respective requirements forms the basis of NRW.BANK's remuneration system to secure the livelihood of its employees.
- Variable remuneration components create target oriented incentives to meet the individual requirements without supporting the taking of disproportionately high risks.
- The disbursement of variable remuneration components is linked to the performance of the Bank and the degree to which targets and objectives are achieved and/or tasks fulfilled by the departments and the individual employees. The fulfilment of qualitative requirements plays an important role in this context.
- NRW.BANK's remuneration system comprises consistent and transparent remuneration rules.

These remuneration principles must be fulfilled by all components of NRW.BANK's remuneration system. Amendments to NRW.BANK's remuneration system and their implementation are agreed with an in-house "Remuneration Commission" at least once a year as well as on special occasions. This Commission is composed of the Heads of Internal Audit, Human Resources, Credit Management (back office) and Risk Control, Compliance as well as the "Remuneration Officer" as defined in Section 23 of the Remuneration Ordinance for Institutions (InstitutsVergV). The Heads of Finance and Legal as well as two representatives of the overall Staff Council complement the Remuneration Commission as guests. The tasks and the composition function of the Remuneration Commission have been laid down in NRW.BANK's internal written instructions.

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

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

At two meetings in the fiscal year 2015, the Supervisory Board addressed remuneration-related issues. The Remuneration Committee as defined in Section 15 InstitutsVergV and Section 25d Para. 12 KWG held two meetings. As of December 31, 2015, this committee is composed of the following members:

- Minister Garrelt Duin (Chairman), Ministry of Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia
- Minister Michael Groschek (Deputy Chairman), Ministry of Building, Housing, Urban Development and Transport of the State of North Rhine-Westphalia
- Minister Dr. Norbert Walter-Borjans (Deputy Chairman), Ministry of Finance of the State of North Rhine-Westphalia
- Director Frank Lill (representative of the employees of NRW.BANK)
- Director Thomas Stausberg (representative of the employees of NRW.BANK)

In accordance with Section 12 Para. 2 of the Statutes, three persons have been appointed permanent representatives and invited to take part in the meetings:

- Assistant Secretary Wulf Noll, Ministry of Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia
- Assistant Secretary Annett Fischer, Ministry of Building, Housing, Urban Development and Transport of the State of North Rhine-Westphalia
- Assistant Secretary Gerhard Heilgenberg, Ministry of Finance of the State of North Rhine-Westphalia

9.3 General Conditions for Appropriate Remuneration

Ever since its inception, NRW.BANK has, in agreement with its guarantor, geared its remuneration systems and parameters towards its promotion tasks. Against the background of its promotion-oriented character, the Bank bases its remuneration structure exclusively on regionally and/or nationally used remuneration parameters and ensures that the amounts of its remuneration do not exceed the market level for comparable positions. This is examined applying external standards:

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

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

9.4 Features and Success Factors for the Variable Remuneration

In accordance with Section 18 Para. 2 InstitutsVergV, NRW.BANK has, on the basis of Regulation (EU) No. 604/2014 dated March 4, 2014, conducted a risk analysis of employees with material influence on the overall risk profile; as of October 30, 2015, the Bank has identified 74 "risk takers" – in addition to the three Managing Board members and the 14 unit heads – based on their function and/or the amount of their remuneration. These persons are believed to have "material influence on the risk profile of the Bank", according to the definition under regulatory law. The disclosure duties pursuant to Section 16 InstitutsVergV in conjunction with Art. 450 of Regulation (EU) No. 575/2013 exclusively relate to these persons, all of whom are not covered by collective agreements. The information provided below therefore focuses on the Managing Board remuneration and on the remuneration systems for employees not covered by collective agreements, although large parts of the description also apply to employees covered by collective agreement. Pursuant to the Commission Delegated Regulation (EU) No. 604/2014 Article 3 Sentence 1 No. 2 of March 4, 2014 in conjunction with Article 3 Para. 1 No. 8 CRD IV, twelve external members and deputy members of the Supervisory Board of NRW.BANK have moreover been identified as risk takers.

The necessary connection between the strategic corporate objectives agreed with the owner and the remuneration 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 down-stream levels. For this purpose, the individual requirements derived from the strategic corporate objectives are documented in writing in the context of a tasks and objectives planning process at the beginning of the year. The achievement of these objectives is reviewed in an annual feedback process and documented in a performance assessment. The short, medium and long-term objectives of the Bank are laid down in the "Objectives agreement and results assessment" between the Supervisory Board and the Managing Board, in which not only the quantitative objectives but also the material qualitative and content-related objectives of the Bank are agreed. The Managing Board uses the Bank's planning and assessment system to transfer the objectives agreed with the Supervisory Board to the business units. The business unit heads and all senior managers are responsible for transferring these strategic objectives to the employees in an adequate manner using the "PUR" (planning and feedback) appraisal system. Relevant changes occurring in the course of a year must be updated in this system. This way, it is ensured that the assessment-relevant and bonus-relevant planned objectives and tasks of all employees are adjusted in the event of strategy changes.

In accordance with Section 19 Para. 3 No. 3 InstitutsVergV, the amount of the provisions for the variable remuneration to be paid out in April for the previous reporting year is defined by the Managing Board on the basis of a ratio system that reflects the sustainable total performance of NRW.BANK. This quantitative assessment is complemented by the targets agreed between the Supervisory Board and the Managing Board as well as by a qualitative assessment of the overall risk situation, which also takes into account the effects of the payout of the variable remuneration on the risk and capital ratios. The variable remuneration

components are paid out only after the responsible bodies have dealt with the annual financial statement. The income statement (to HGB) of the past reporting year forms the basis which justifies the creation of appropriate variable remuneration for the members of the Managing Board and all employees of the Bank.

Since 2011, NRW.BANK has used a key performance ratio system including an assessment matrix to ensure that the total amount of the variable remuneration is in line with the performance. When measuring the total performance, such ratios are used which reflect the goal of sustainable performance of a development bank while considering the risks taken as well as the capital and liquidity costs (total performance ratio: GEK I-III). The actual economic performance achieved is to be used as a benchmark. The income statement shows a result for the year that reflects all realised gains and losses as well as all discernible anticipated losses (impairment principle). Accordingly, a result in the HGB income statement is always conservative, includes all risk allowances and provisions that are necessary for loss-free valuation (individual allowances, general allowances, provisions) and may thus serve as the basis for the measurement of the total performance in the meaning of the InstitutsVergV. As the net profit for the year to HGB may additionally include reserves for future special risks arising from the banking business, these allowance reserves in the income statement must first be neutralised to calculate the economic performance, as they are not based on any specific discernible risks and thus distort the actual result for the period. The opposite applies when reserves are released. In addition, the promotion and development funds, which are booked in the commercial balance sheet of NRW.BANK, must be neutralised. These also act as a burden on the bottom line but are at the same time an important performance feature of a development bank (in contrast to a commercial bank). This means that changes in reserves occurring in the course of a year, promotion and development funds spent as well as extraordinary one-time effects outside the regular banking business must be taken into account as adjustment

items. The result is a total performance ratio of the Bank which includes all income and expenses of the period including income and expenses from the risks that have actually materialised or are anticipated in the respective period (GEK I).

In the context of an ex-ante risk adjustment, the resulting performance ratio is then extended

- through the consideration of standard risk costs for anticipated risks (GEK II) as well as
- through the consideration of adequate interest on the economic capital to cover unexpected default, market, liquidity and operational risks (GEK III).

The ratios thus determined are the total performance ratios of NRW.BANK in the meaning of the InstitutsVergV.

According to Section 10 Para. 2 InstitutsVergV, the variable remuneration received by executives shall be based on a multi-year assessment period. NRW.BANK applies this requirement to all employees, as it makes more sense for a development bank that operates sustainably to assess the remuneration-relevant performance on the basis of a multi-year period instead of the result for an individual year. When weighting the individual annual results, the current assessment period should have the highest relevance, which subsides over time. A weighted three-year average is thus calculated as follows:

— past reporting year	3/6
— previous reporting year	2/6
— year prior to previous reporting year	1/6

The Interpretation Guide to the Ordinance on the Supervisory Requirements for Institutions' Remuneration Systems for Section 7 InstitutsVergV stipulates that "In the case of a negative overall performance of the institution, the determination of the total amount of the variable remuneration is generally not permissible". NRW.BANK defines negative overall performance as follows: When all three total performance ratios are negative, no volume or only a very low volume is made

available. If the withdrawal from the reserve has increased compared to the previous years, it is possible to make available a bonus volume of no more than 25% of the sum total of the base rates for the variable remuneration only on the basis of a detailed qualitative analysis of the reasons for the losses incurred in conjunction with a positive outlook. Regardless of all performance ratios, the total performance of the Bank is defined as negative if the 340f reserves are used up entirely, which means that no variable remuneration is fixed for the fiscal year.

The identification of the relevant performance and sustainability ratios and their translation into a reasonable, requirements-oriented system for the variable remuneration were the task of Risk Control and Finance in consultation with Human Resources. This was agreed with the Remuneration Commission, which fully supports the procedures.

The total available volume is allocated to the Bank's business units based on a decision by the full Managing Board, which takes into account the achievement of the qualitative and strategic objectives as well as base rates for the variable remuneration. As a general rule, the available volume is not broken down further to sub pools of the business units. Within the department pools, the relative share of each individual is calculated on the basis of their fixed salary and the assessment of the achievement of objectives and their personal performance-relevant behaviour in the context of the annual planning and assessment process described above. This pool model ensures that the maximum volume defined by the Managing Board for the variable remuneration is not exceeded.

As part of the implementation of the InstitutsVergV, the Bank has put a cap for the variable remuneration at 40% of the total remuneration (i.e. max. two thirds of the fixed remuneration). This cap may be raised (to no more than 40.71% in 2015 and 2016) in individual cases only if variable remuneration components are deferred in accordance with Section 20 InstitutsVergV (see below).

As in the three previous years, the average variable remuneration of the employees not covered by collective agreements amounted to 21% of the total annual salary in 2015. 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 remuneration. The amount of the variable remuneration 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 bank strategy.

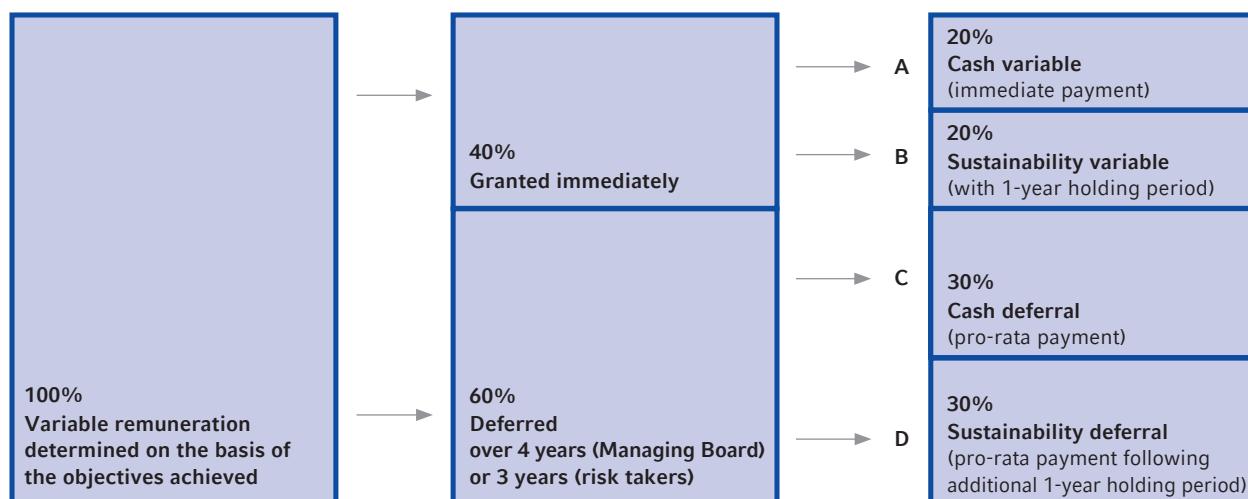
Neither the members of the Managing Board nor the employees of NRW.BANK are legally entitled to variable remuneration. Guaranteed entitlements are generally ruled out under NRW.BANK's rules and regulations; individual exceptions were permitted only in exceptional cases and only in the first year of employment.

9.5 Deferral and Payment Conditions

NRW.BANK has

- for all members of the Managing Board and the risk takers of the 2nd reporting level (business unit heads) as well as

- for all other risk takers receiving variable remuneration of 50,000 € or more, defined a deferral period of four years for Managing Board members and of three years for all other risk takers within the meaning of Section 20 Para. 1 and 2 InstitutsVergV for 60% of the variable remuneration (see C +D in chart below); pursuant to Section 20 Para. 5 InstitutsVergV in conjunction with Section 19 Para. 2 InstitutsVergV, these deferred amounts are subject to a differentiated malus regulation, which may lead to a reduction or complete cancellation of the variable remuneration within the deferral period,
 - with an additional one-year period for assessing the sustainable value increase of the Bank having been fixed for 50% each of the directly granted variable remuneration and the deferred variable remuneration within the meaning of Section 20 Para. 4 InstitutsVergV (see B +D in chart below).



The malus reservation relates to individual misbehaviour, serious mistakes resulting in considerable losses (caused by individuals or groups of employees) as well as to Bank-wide performance ratios. Individual misbehaviour (including undutiful and unethical behaviour) has been linked to labour law definitions and differentiated by degrees of severity. Serious mistakes are divided into mistakes falling under operational risks and mistakes resulting from the lending business, equity investments and price losses. As soon as differentiated threshold values are exceeded, an investigation by Risk Control and other independent control units is triggered. A Bank-wide malus is applied – also in defined steps – when the reserves established for anticipated losses are fully used up and/or as soon as regulatory capital is consumed; as a strict side condition, compliance with a minimum solvability coefficient (Pillar I) and a minimum buffer for higher future requirements (Pillar II) is assumed. The Managing Board decides on the extent of the malus application based on a recommendation by a “malus commission”, which is composed of the heads of internal control units and the Remuneration Officer.

The requirements for payment of the variable remuneration components that are subject to the sustainability arrangement are considered to be met when the net asset value of NRW.BANK as of December 31 of a year is not lower than at the beginning of that year. The basis is formed by the “adjusted basic net asset value at the beginning of the year”, which is composed of balance sheet equity plus free allowance reserves adjusted for owner-initiated capital changes. It is compared with the “net asset value at the end of the year”, which is also adjusted for defined adjustment items. If the net asset value at the end of the year is below the adjusted basic net asset value at the beginning of the year, the variable remuneration components that are subject to the sustainability arrangement are discounted at pre-defined steps (5 to 100%), depending on the amount by which the year-end net asset value is below the net asset value at the beginning of the year.

9.6 Composition of the Managing Board Remuneration

The remuneration of the Managing Board is regularly reviewed for appropriateness. For this purpose, NRW.BANK participates in an annual comparison of

Managing Board salaries performed by an external remuneration consulting firm. This comparison covers the market data of Germany’s top 30 banks, with the data of the banks directly participating in the remuneration comparison complemented by additional information taken from the annual and remuneration reports. Based on the total remuneration received by the Managing Board members of this peer group, the remuneration received by the Managing Board of NRW.BANK is below the median, in some cases even materially. Compared to other large development banks the Managing Board remuneration of NRW.BANK is at a medium level.

In accordance with the InstitutsVergV, the actual variable remuneration of the Managing Board – similar to the variable remuneration of the risk takers – for the past reporting year is defined on the basis of the Bank’s total performance ratios, a qualitative overall risk assessment and the achievement of the complementary objectives agreed with the Supervisory Board and limited by a cap for variable payments defined by the Bank.

The objectives agreed with the Supervisory Board reflect the special demands made on a development bank and take 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 municipalities 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 bank strategy. They reflect the “principles of the business, promotion and risk policy” adopted by the Board of Guarantors and the regulatory requirements.

In the past reporting year, the variable payments for the previous year were, in accordance with Section 20 InstitutsVergV, again subject to the Bank’s sustainable total performance. Payment of these amounts will be deferred over a period of five years (deferral and sustainability component).

The partial amounts of the variable remuneration for the reporting years 2011 to 2014 that are subject to the sustainability and malus arrangement reserve and due in April 2016 will be paid out following the respective review and decision by the Bank's responsible bodies in the first quarter of 2016.

For a detailed presentation of the remuneration received by the individual Managing Board members, refer to page 89 in the notes.

In the event of accident or illness and in the event of premature termination or non-renewal of the contractual relationship before reaching the age of 62, all three incumbent members of the Managing Board are entitled to the following benefits:

In the event of an inability to work caused by an accident or illness, the fixed annual salary will continue to be paid for an unlimited time but no longer than the end of the employment relationship. After the end of the employment relationship, all members of the Managing Board receive a life-long pension, in analogy to the pension granted in the event of invalidity.

Members of the Managing Board are not entitled to pension if the Bank terminates the employment relationship for reasons attributable to the Managing Board member.

The members of the Managing Board are entitled to pension benefits as they reach the age of retirement or in case of invalidity. In the event of their death their dependants are also entitled to benefits. All commitments are contractually unforfeitable or unforfeitable by law because of the number of years served. In the event of invalidity and when reaching the age of retirement, Mr. Neuhaus benefits from a pension similar to those for civil-servants in Germany. This warrants 75% of the pensionable salary, taking into account the pension from the statutory pension insurance as well as the pension from an additional pension insurance. The pensionable salary is 69% of the fixed annual salary.

Mr. Stölting benefits from a pension commitment pursuant to the German Civil Servant's Pension Act (Beamtenversorgungsgesetz) as amended from time to time. Depending on the number of pensionable service years, the maximum pension entitlement is 71.75% of the pensionable salary reachable at the age of 65. The pensionable salary is 69% of the fixed annual salary. The amount of the pension in the event of invalidity depends on the entitlement achieved as well as on the additionally agreed attributable period credited at the time the insured event occurs. In the case of Mr. Stölting, the pension from the statutory pension insurance and the pension from additional pension insurance will be counted towards the pension no earlier than from the time they are granted.

Mr. Suhlrie benefits from a contribution-linked pension commitment. In the context of this pension commitment, a personal pension account with a starting component has been set up for him, into which annual pension components are paid. The pension component is calculated at an individual contribution rate on the basis of 69% of the fixed annual salary.

The pension account carries an interest rate of 6%. At the time the insured event occurs, the pension capital built-up in the account – in the event of invalidity, plus additional components, if applicable – is actuarially converted into a pension.

After the death of a Managing Board member, their dependants receive a reduced pension. Widows receive up to 60% of the pension. The children of the Managing Board members are entitled to 20% of the pension if they are orphans and to 12% of the pension if they have lost one parent.

While any pension benefits paid out to Mr. Neuhaus and Mr. Stölting will be adjusted in accordance with the linear changes applicable to pensions paid by the state of North Rhine-Westphalia, the pension paid to Mr. Suhlrie will be increased by 2.0% p. a. As Mr. Neuhaus and Mr. Stölting benefit from commitments that are similar

to those for civil servants, they are exempted from statutory pension insurance but receive benefits as defined in the North Rhine-Westphalian "Beihilfeverordnung" in the event of illness. The expenses for the pensions of the Managing Board members and the present values of the obligations are shown in the notes on page 90.

9.7 Disclosure Pursuant to Art. 450 of Regulation (EU) Nr. 575/2013 No. 1 g et seq.

Quantitative information regarding the Managing Board remuneration

Composition of the Remuneration for the Year 2015 of All Active Members of the Managing Board

Number of beneficiaries	Non-performance-linked remuneration		Performance-linked variable remuneration committed in 2015	Total remuneration	Remuneration for mandates ²⁾
	Fixed remuneration	Other benefits ¹⁾			
3	€ 1,542,840	€ 75,937	€ 404,000	€ 2,022,777	€ 61,860

¹⁾ Non-monetary benefits in money's worth (primarily company car for private use).

²⁾ Remuneration received in 2015 for mandates / shown incl. VAT.

Both the fixed remuneration and the variable remuneration are paid in cash. There is no compensation in the form of shares or similar instruments. Only the other benefits comprise remuneration components in the form of non-monetary benefits (primarily company cars for private use).

Complementary Information Regarding the Variable Remuneration

Amount ¹⁾	Number of beneficiaries
€ 488,000	4
€ 97,600	4
€ 97,600	4
€ 292,800	4
€ 789,300	4
€ 281,800	4
€ 169,100	4
€ 338,400	4
€ -	0

Variable remuneration for the year 2014, committed in 2015
 – thereof committed and paid out in 2015
 – thereof committed in 2015 but not paid out because of sustainability arrangement
 – thereof deferred
 Deferred variable amounts from the years 2011 – 2013
 – thereof vested and paid out in 2015
 – thereof vested in 2015 but not paid out because of sustainability arrangement
 – thereof not yet vested in 2015
 – thereof reduced in 2015

¹⁾ Including variable remuneration and deferred amounts of the former Chairman of the Managing Board who retired with effect from June 30, 2014.

Information Regarding Other Remuneration Benefits

	Amount	Number of beneficiaries
Hiring bonuses paid or guaranteed payments made in 2015	€ –	0
Severance payments made in 2015	€ –	0
– thereof single highest amount	€ –	0
Persons whose remuneration in 2015 exceeded € 1.0 million	€ –	0

For a breakdown of the payments to the Managing Board members by names, please refer to page 89 of the notes.

Quantitative information regarding the remuneration of the risk takers

Composition of the Remuneration for the Year 2015 of All Active Risk Takers

Segment	Number of beneficiaries ¹⁾	Non-performance-linked remuneration		Performance-linked variable remuneration committed in 2015	Total remuneration	Remuneration for mandates
		Fixed remuneration	Other benefits ²⁾			
Programme-based Promotion	20	€ 2,400,580	€ 186,830	€ 723,880	€ 3,311,290	€ 18,149
Other Promotion/Liquidity Management	27	€ 3,255,033	€ 53,240	€ 1,413,761	€ 4,722,034	€ 0
Staff/Services	39	€ 5,027,251	€ 321,575	€ 1,469,345	€ 6,818,171	€ 0

¹⁾ employees who were identified as risk takers in 2015, incl. new entries / departures in the course of the year (excl. Managing Board).

²⁾ Benefits in money's worth, mainly for company cars.

Both the fixed remuneration and the variable remuneration are paid in cash. There is no compensation in the form of shares or similar instruments. Only the other benefits comprise remuneration components in the form of non-monetary benefits (primarily company cars for private use).

Complementary Information Regarding the Variable Remuneration

	Amount ¹⁾	Number of beneficiaries
Variable remuneration for the year 2014, committed in 2015	€ 3,655,386	88
– thereof committed and paid out in 2015	€ 2,335,301	88
– thereof committed in 2015 but not paid out because of sustainability arrangement	€ 330,021	30
– thereof deferred	€ 990,064	30
Deferred variable amounts from the years 2011 – 2013	€ 1,128,620	18
– thereof vested and paid out in 2015	€ 405,970	18
– thereof vested in 2015 but not paid out because of sustainability arrangement	€ 242,110	18
– thereof not yet vested in 2015	€ 480,540	17
– thereof reduced in 2015	€ –	0

¹⁾ Including variable remuneration and deferred amounts of risk takers who have meanwhile retired.

Information Regarding Other Remuneration Benefits

	Amount	Number of beneficiaries
Hiring bonuses paid or guaranteed payments made in 2015	€ –	0
Severance payments made in 2015	€ –	0
– thereof single highest amount	€ –	0
Persons whose remuneration in 2015 exceeded € 1.0 million	€ –	0

Declaration of Conformity

The Managing Board and the Supervisory Board of NRW.BANK jointly declare that the Bank, save for very few exceptions, complied with the recommendations of the Public Corporate Governance Code of NRW.BANK in 2015. Deviations from the recommendations are made transparent and justified below in accordance with Clauses 1.3.5 and 1.4 of the Code.

Diversity in the Composition of the Supervisory Board

Taking into account the permanent representatives, women and men accounted for 27.8% and 72.2%, respectively, of the Supervisory Board members as of December 31, 2015. This means that the 30% minimum recommendation for both genders stipulated in Clause 4.5.1 was not met. As the number of Supervisory Board members increased, however, the share of women rose notably from 13.3% in the previous year.

At the recommendation of the Nomination Committee, the Supervisory Board adopted a strategy to promote the representation of the underrepresented gender on the Supervisory Board in the past fiscal year. Under this strategy, the Supervisory Board aims to comply with the recommendation of the PCGK which came into force on January 1, 2016 according to which both genders should have a minimum representation of 40% on the Supervisory Board. Against this background, the Supervisory Board will pay special attention to considering the underrepresented gender when making proposals to the guarantor regarding the appointment of members to the Supervisory Board. Where equally qualified men and women are identified, the Supervisory Board clearly recommends giving preference to women until the target is reached. The Supervisory Board will ask NRW.BANK's staff council to consider the PCGK target when exercising its right to propose members who are to be elected to the Supervisory Board by the workforce.

Despite these measures, the accomplishment of this target may still potentially be jeopardised by the fact that certain members of the Supervisory Board automatically accede to their positions by virtue of holding public offices outside NRW.BANK's sphere of influence while the appointment of other members is dependent on the composition of the elected employee representative body.

Submission of Resolution Proposals to the Supervisory Board

Contrary to Clause 5.1.5, documents required for decisions were, in exceptional cases, submitted to the members of the Supervisory Board less than 14 days prior to the meeting. This was due, for instance, to current developments or the close timing of the committee and Supervisory Board meetings. Due to the availability of the Managing Board for answering questions, the preparation of the Supervisory Board meetings by the Executive and Nomination Committee and the possibility for extensive consultations at the meetings, it is nevertheless ensured that all issues are addressed in sufficient detail.

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

NRW.BANK
March 2016

The Managing Board
The Supervisory Board

Report of the Supervisory Board

In accordance with the tasks imposed on it by law, the Statutes and the Public Corporate Governance Code, the Bank's Supervisory Board held four meetings and two written votes in the fiscal year 2015. A total of 18 meetings were held by the Committees composed of the members of the Supervisory Board: three meetings of the Executive Committee, one extraordinary meeting as well as two written votes of the Nomination Committee, two meetings of the Remuneration Committee, four meetings of the Risk Committee, four meetings of the Promotion Committee, three meetings of the Audit Committee including one extraordinary meeting. In response to the recommendations made after the evaluation of the activities of the Supervisory Board in 2014, three additional members were appointed to the Supervisory Board with effect from October 1, 2015. Moreover, the Executive Committee and the Nomination Committee were merged to achieve greater effectiveness and efficiency. The combined Executive and Nomination Committee held one meeting in the past fiscal year.

Regular reports kept the Supervisory Board apprised of the Bank's situation and of all essential business events during the period. The Supervisory Board discussed and approved all transactions requiring its approval in accordance with legal or statutory provisions and addressed important matters of business policy in detail.

In accordance with regulatory requirements and the provisions in the Statutes, the Supervisory Board addressed the business, promotion and risk strategy for the years 2016 to 2019, which had previously been discussed by the Promotion Committee and the Risk Committee.

The principles of the business, promotion and risk policies were submitted 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 14, 2015.

KPMG AG Wirtschaftsprüfungsgesellschaft carried out the audit of the financial statements for 2015 and the management report 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 financial statements of NRW.BANK and 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 11, 2016, the Supervisory Board approved the financial statements and the management report established by the Managing Board and proposed that the Board of Guarantors approve the financial statements for the year 2015. As in the previous years, no consolidated financial statements were prepared, as the Bank is not obliged to do so under commercial law.

Düsseldorf/Münster, March 11, 2016

Garrett Duin
Chairman of the Supervisory Board

Management Report

of NRW.BANK for the Fiscal Year 2015

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

NRW.BANK is the state development bank of North Rhine-Westphalia (NRW). It has the public mission to support its sole guarantor, the State of North Rhine-Westphalia, in the completion of its structural and economic policy tasks. NRW.BANK is competition-neutral and provides the full range of lending tools while at the same time contributing its banking expertise to promotion and development processes. The Bank pools the promotion and development programmes of the State of North Rhine-Westphalia, the Federal Republic of Germany and the European Union and combines them with its own equity and debt products and advisory services.

1.1 Business Model

The business model of NRW.BANK is that of a largely budget-independent development bank with an integrated promotion and development policy. According to the "Verständigung II" agreement of March 1, 2002 between the EU Commission and the German government, NRW.BANK is a legally independent development bank engaging in competition-neutral structural and development business which permanently benefits from institutional and guarantor liability as well as from an explicit funding guarantee from its guarantor. To complete its mission, the Bank uses the resulting possibilities for funding in the international capital market,

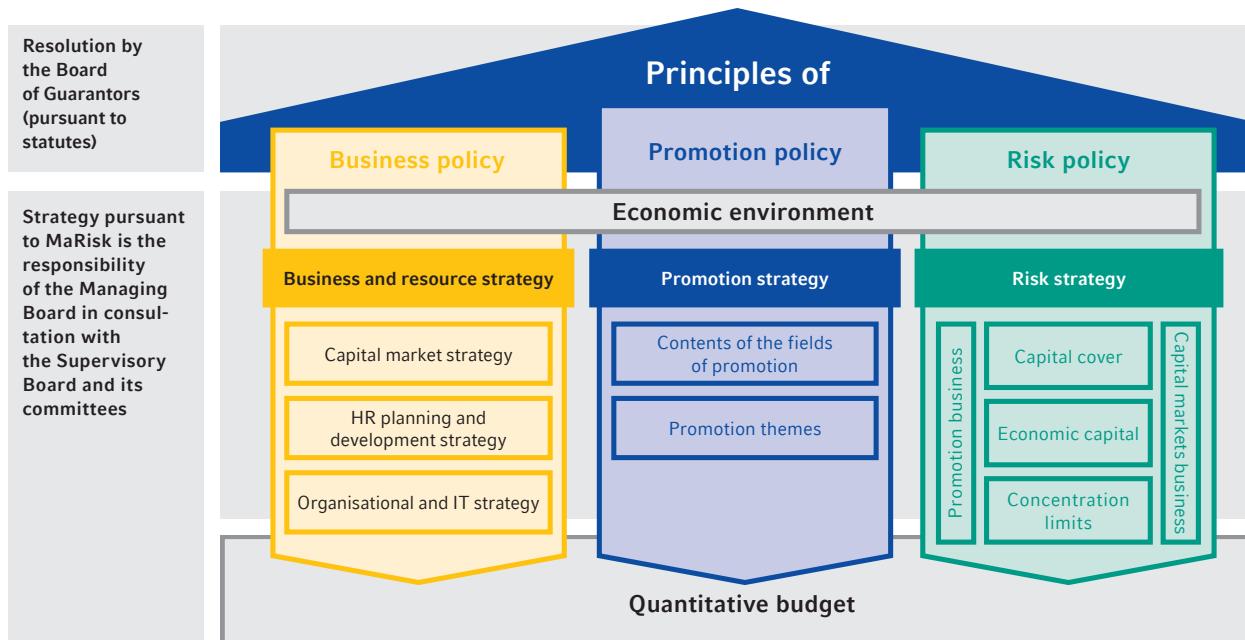
where the Bank has established itself as a reliable market participant. NRW.BANK generates its own income within the parameters of its conservative investment strategy. This income is used to finance its development and promotion activities, to secure the long-term viability of the Bank, also with regard to the creation of its own, non-interest-bearing provisions and reserves, and to finance the banking operations. The use of own resources, e.g. to reduce the interest rates on promotion loans, is a key aspect of NRW.BANK's business model. To fulfil its public mission, the Bank uses all standard financing instruments. For this purpose, it primarily grants loans, underwrites guarantees and makes equity investments.

1.2 Objectives and Strategies

The Bank's activities are geared towards sustainability. For details, refer to the "Principles of Corporate Responsibility at NRW.BANK".

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

The overall bank strategy is structured into two levels: The first level consists of principles, which, according to the Statutes, are adopted by the Board of Guarantors; the second level is the strategy level, which, according



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

The focus of the overall bank strategy is on the promotion strategy, which reflects the special importance of the promotion business. The business strategy defines the capital market strategy as well as its sub-strategies, i.e. treasury strategy, funding strategy and investment/trading strategy, as well as resource-related aspects such as human resources and IT. The risk strategy addresses the risk-relevant aspects of the strategy and is integrated with the promotion and business strategies.

The overall bank strategy is geared to NRW.BANK's public mission to support the State of North Rhine-Westphalia and its local and regional governments in completing their public tasks. Material business activities as defined in the Minimum Requirements on Risk Management (MaRisk) are the promotion business and the capital market business.

The current strategy continues the proven business model of a largely budget-independent development bank. Focal points of the promotion strategy include support for the necessary adjustments and expansion of the infrastructure, urban redevelopment and social housing promotion, support in the transition to green energy and digitalisation as well as assistance to North Rhine-Westphalia's municipalities in completing their tasks. Moreover, NRW.BANK remains committed to constantly refining its development and promotion products and processes with a view to increasing the efficiency of its development and promotion activities.

In the context of its highly qualitative and theme-oriented promotion business, NRW.BANK operates in three fields of promotion: Housing & Living, Seed & Growth and Development & Protection. These fields of promotion are divided into promotion themes, for which qualitative objectives and measures are defined. The measures result in specific promotion products. The promotion instruments used by NRW.BANK mainly include lending products, equity finance and advisory services.

The promotion strategy is implemented in the "Programme-based Promotion" segment and the "Other Promotion/Liquidity Management" segment. The Programme-based Promotion segment comprises the business units Promotion Programmes, Housing Promotion, Advisory Services & Infrastructure Finance as well as the equity investments managed as part of the NRW.BANK's mission as a development bank and the Syndicated Loans Midcap from the Corporate Finance business unit. The Other Promotion/Liquidity Management segment consists of the business unit Capital Markets including Municipal Financing.

With regard to the capital market business, NRW.BANK continued to adjust its activities to the changed environment resulting from the financial market crisis and reduced its total assets and its business volume as planned in 2015. While the buy-and-hold strategy continues to be pursued for portfolio investments, the capital market business has been scaled down primarily through maturing investments as well as through portfolio-enhancing and risk-reducing measures.

On balance, the plans and budgets for the fiscal year 2016 provide for total assets and business volume to remain constant.

1.3 Internal Management System

For its internal management, NRW.BANK generally uses controlling concepts and methods which have proven their worth and are commonly used in the banking sector. NRW.BANK's objectives and targets are primarily geared to providing its guarantor, the State of North Rhine-Westphalia, with long-term support in performing its structural and economic tasks.

Due to NRW.BANK's public mission as the development bank of North Rhine-Westphalia, development and promotion is the primary business objective.

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

Reflecting the public development mission, the net volume of new commitments represents a key performance indicator used for controlling purposes. Other

banking performance indicators include operating income, administrative expenses, total assets and the business volume as well as economic capital in the context of the risk-bearing capacity calculation under the going concern perspective. For all key performance indicators, there are defined budget values which are regularly subjected to plan/actual comparisons as well as scenario and forecast analyses in order to provide appropriate control stimuli.

Net volume of new commitments comprises the commitments for promotion funds made in the current fiscal year. Operating income comprises net interest income and net commission income as well as net income from trading operations and the other operating result. Internal management is performed at business unit level. Administrative expenses comprise personnel expenses as well as operating expenditure. The business volume comprises total assets, contingent liabilities, other commitments as well as administered funds.

Being subject to the Capital Requirements Regulation (CRR), NRW.BANK is obliged to disclose its return on investment, which is calculated as the quotient of net profit and total assets, in accordance with Section 26a Para. 1 Sentence 4 KWG (German Banking Act). As of December 31, 2015, NRW.BANK's return on investment was 0%; this ratio does not play a decisive role for NRW.BANK as due to its status as a development bank profit generation is not the key objective of NRW.BANK. Any income generated is used for promotion and development purposes, the maintenance of the bank operations and the creation of allowance reserves.

Bank-wide limits are defined for economic capital as determined in the context of the calculation of the risk-bearing capacity under the going concern perspective and the gone concern perspective.

2 Report on Economic Position

2.1 Economic Climate

2.1.1 The German Economy

Thanks to strong domestic demand, the German economy showed a robust upward trend in 2015. According to initial calculations by the Federal Statistical Office, the gross domestic product (GDP) grew by an annual average of 1.7% in price-adjusted terms, while the

unemployment rate fell from 6.5% in January to 6.3% at the end of the year (in seasonally adjusted terms). Having lasted for over ten years, the increase in employment continued, with an annual average of roughly 43 million people in employment marking a new record (+0.8%). As a result of the high employment and further rising real incomes, private consumption increased by 1.9%, making it the most important growth driver. Government spending made a bigger contribution to growth than in the previous year. This primarily reflects the strong influx of refugees, as much higher expenses were required for accommodation and social benefits. Government net lending/borrowing (including social insurance) showed a 0.5% surplus due to the strong domestic economy, which led to high tax revenues, and the extremely low interest rates.

Compared to consumption, investment activity was mostly disappointing. Having picked up sharply in the winter half-year, spending on plant and equipment declined notably in the summer. In view of weak order intake, especially from outside Europe, companies saw little need for investments in new plant capacity, and the growing uncertainty about the world economy also had an adverse effect on capital spending. Macroeconomic capacity utilisation increased only little, as the existing and normally utilised capacities were sufficient to fill the orders on hand.

In spite of the good overall environment, construction spending was weak on balance, which was primarily attributable to low public and commercial construction activity. By contrast, the upward trend in the housing property market continued, with housing construction growing by a moderate 1.5%.

Although world trade failed to show strong momentum in 2015, German exports were still growing at a fast pace in the spring. Exports to the eurozone and the USA were surprisingly strong, whereas the output markets in the emerging countries showed signs of weakness already at the beginning of the year. In the summer, exports in general clearly lost momentum, as there was no more stimulation coming from third-party countries, especially Far Eastern emerging countries, particularly China. Moreover, foreign trade contributed only little to GDP growth due to high imports.

At an annual average of 0.3%, inflation in Germany was very low in 2015. Contrary to what had been expected at the beginning of the year, the upward trend in prices has slowed down since spring. This was almost exclusively attributable to the drop in oil prices. But the prices of services also increased at a slower pace than expected. The price-increasing effect of the weaker euro on import prices was also comparatively weak.

2.1.2 The North Rhine-Westphalian Economy

Accounting for 21.8% of the German population, North Rhine-Westphalia is not only Germany's most densely populated federal state but also holds a leading position in economic terms (21.5% of GDP) and with regard to the number of people in employment (21.3%).

The long-term trend in the North Rhine-Westphalian labour market is positive. The number of people subject to social insurance contributions increased in sync with the nation-wide average and was up by 2% on the previous year. Since early 2014, the number of vacant positions in North Rhine-Westphalia has increased even more strongly than in Germany as a whole. At 7.9% (seasonally adjusted), the unemployment rate nevertheless clearly exceeded the Germany-wide average of 6.3% at the end of 2015. In the context of the structural change in North Rhine-Westphalia, employment is growing at a similar rate as in Germany as a whole in the service sector but is on the decline in the manufacturing sector, which contrasts with the other federal states. This applies to the mining industry and the energy supply sector, in particular, which are facing special challenges as a result of Germany's transition to a renewable energy regime.

Due to the specific industry mix and the stronger export focus on the still ailing eurozone, North Rhine-Westphalia's economic recovery in 2015 was weaker than the national average. However, North Rhine-Westphalian companies' assessments of the business situation and their expectations regarding future business opportunities have improved since the end of 2014, with some fluctuations. This generally positive attitude is reflected in the NRW.BANK.ifo Business Climate readings.

Due to growing demand for housing in the core cities of the large conurbations, building permits and incoming orders, especially for multi-family houses, have increased strongly in North Rhine-Westphalia. This demand is being increased even further by the influx of refugees. The high demand for housing is reflected in a higher volume of approved social housing promotion loans. With the inclusion of refugee housing requirements in social housing promotion this trend was substantially supported. So far, however, the pick-up in demand has had only little effect on construction output. This may be attributable to the time delay between the receipt of an order and the start of construction but also to growing capacity utilisation in the construction sector.

2.1.3 Financial Markets

The financial markets were influenced by continued weak growth in the world economy, very low consumer prices and, consequently, a very expansionary monetary policy in 2015. In December 2015, the European Central Bank (ECB) initiated further quantitative easing measures in order to stimulate inflation and growth in the euro-zone. Among other things, the deposit facility was reduced by another ten basis points to -0.3% and the minimum duration of the asset purchase programme was extended until March 2017 (previously September 2016) and remains linked to the achievement of the inflation target. Finally, bonds from regional and municipal issuers were added to the portfolio of eligible securities. By contrast, the US Federal Reserve Bank (Fed) increased the Federal Funds Rate by a moderate 25 basis points for the first time in nine years and announced that interest rates would be increased only gradually.

Overall, the financial environment was characterised by exceptionally low interest rates in 2015. Although these do not necessarily entail higher risks to financial stability, it may turn out to be problematic if risk premiums drop to an unusually low level. Declining interest rates may encourage market participants to acquire assets with higher and, at the same time, more risky returns. With a view to mitigating the potential risks of permanently low interest rates to the financial system, micro-prudential (regulatory) and macro-prudential supervision (gradual implementation of Basel III, banking union) in the eurozone has been increased significantly.

With regard to its stability, the global financial system proved to be quite robust towards signs of uncertainty in 2015 in spite of two major stress situations; in spring 2015, Greece's potential exit from the eurozone was on the cards, and the Chinese stock market has been going from weakness to weakness since the summer. In both cases, the markets recovered relatively quickly and the risk of a destabilising crisis spiralling out of control was averted. Further turbulences in the financial and capital markets cannot be ruled out.

Generally speaking, however, the German banking system has become more stable. The core capital ratio of German banks has increased sharply and their leverage has declined notably. Remaining capital gaps, e.g. to reach the Basel leverage ratio requirements, are small. Nevertheless, the low interest rates and the rising regulatory costs are weighing on the bottom line of small and medium-sized banks, in particular. Moreover, fierce competition and structurally poor profitability have influenced the earnings situation in the German banking market for years.

On balance, margins in the German banking sector will probably remain under pressure also in 2016, although there are currently no signs of disproportionately high risks in the German financial system. In spite of strong price increases, no exaggerations or bubbles have been identified (yet) in the securities and real estate markets.

2.2 Course of Business

2015 was a successful fiscal year for NRW.BANK.

In spite of a difficult market environment characterised by continued low interest rates, NRW.BANK's new promotion business continued the positive trend of the previous years, with the Bank achieving a net volume of new commitments of € 9.7 billion (2014: € 8.9 billion). As in the previous years, the standardised credit programmes such as NRW.BANK.Mittelstandskredit and NRW.BANK.Universalkredit, which are extended in accordance with the house bank principle, accounted for a major portion of this amount.

Compared to the previous year, demand for funds under the housing promotion programme picked up notably, as private investors and housing construction companies

stepped up their investments in the construction and modernisation of social housing. In addition, the volume of municipal loans and liquidity loans to municipalities in North Rhine-Westphalia increased markedly.

Against the background of the challenging refugee situation, municipal demand for low-interest loans for investments in refugee accommodation rose sharply. New commitments under the NRW.BANK.Flüchtlingsunterkünfte programme, which was launched in late 2014, totalled € 160 million.

With regard to the capital market business, NRW.BANK continued to adjust its activities to the changed environment resulting from the financial market crisis and reduced its total assets and business volume as planned in the fiscal year. While the buy-and-hold strategy continues to be pursued for portfolio investments, the capital market business is being scaled down primarily through maturing investments as well as through portfolio-enhancing and risk-reducing measures.

Thanks to its good creditworthiness and active investor service NRW.BANK was able to issue its bonds at favourable conditions, thus further strengthening its long-term funding base.

As of December 31, 2015, total assets amounted to € 141.2 billion (2014: € 143.8 billion). The business volume stood at € 160.5 billion (2014: € 162.5 billion). These figures were in line with expectations.

Operating income declined as expected in 2015. While net interest and commission income was more or less on a par with the previous year thanks to favourable funding conditions as well as to stable promotion and capital investment business, the fact that the discount rate for personnel provisions declined due to the low-interest environment had an adverse effect on net interest income. Accordingly, NRW.BANK generated operating income before risk provisions/valuation adjustments in the amount of € 363.8 million in the fiscal year 2015 (2014: € 381.4 million).

On March 1, 2015, the Austrian Financial Supervisory Authority imposed a debt moratorium against the bonds of Hypo Alpe-Adria Bank International AG/Heta Asset

Resolution AG (Heta). This moratorium also covers NRW.BANK's investment in Heta bonds, which are deficiency guaranteed by the Austrian Federal State of Carinthia according to the terms and conditions of the bonds. For precautionary reasons, NRW.BANK has written down the investment to 65% of its nominal value, which was in line with market expectations at the end of the fiscal year. The write-down was entirely covered by the allowance reserves pursuant to Section 340f HGB established in the past. On January 21, 2016, Kärntner Landesholding and Kärntner Ausgleichszahlsfonds published a repurchase offer for 75% of the nominal value of the senior Heta bonds including interest

accrued until March 1, 2015; the repurchase offer is limited until March 11, 2016. In view of the deficiency guarantee, the Bank continues to assume that the bonds will be repaid in full and has therefore initiated the necessary legal steps to enforce its claims.

As in the previous years, NRW.BANK was able to further increase its regulatory equity capital and risk-bearing capacity by establishing allowance reserves.

The table below shows NRW.BANK's results of operations from January 1 to December 31, 2015 broken down by segments:

	Programme-based Promotion		Other Promotion/ Liquidity Management		Staff/Services		NRW.BANK Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Net interest income	214.5	211.2	280.6	268.9	-58.3	-15.1	436.8	465.0
Net commission income	18.5	20.2	91.4	83.5	-0.4	-0.4	109.5	103.3
Net income from trading operations	0.0	0.0	3.5	5.4	0.0	0.0	3.5	5.4
Other operating result	8.0	9.7	2.0	0.1	14.4	13.1	24.4	22.9
Administrative expenses	-81.3	-81.0	-30.4	-29.2	-98.7	-105.0	-210.4	-215.2
- Personnel expenses	-41.9	-41.6	-6.9	-6.6	-74.1	-75.4	-122.9	-123.6
- Operating expenditure	-39.4	-39.4	-23.5	-22.6	-24.6	-29.6	-87.5	-91.6
Operating income before risk provisions/revaluation adjustments	159.7	160.1	347.1	328.7	-143.0	-107.4	363.8	381.4
Risk provisions/revaluation adjustments	-62.8	-108.1	-28.5	-125.3	-249.0	-125.8	-340.3	-359.2
thereof: allocation to fund for general banking risks	0.0	0.0	0.0	0.0	-50.0	-80.0	-50.0	-80.0
Taxes on income and revenues	-0.9	-0.8	-0.4	0.0	-8.4	-5.7	-9.7	-6.5
Net income/loss for the year	96.0	51.2	318.2	203.4	-400.4	-238.9	13.8	15.7
Active Employees (number)	541	539	49	48	719	696	1,309	1,283

The Programme-based Promotion segment comprises the business units Promotion Programmes, Housing Promotion, Advisory Services & Infrastructure Finance as well as the equity investments made as part of NRW.BANK's mission as a development bank and the Syndicated Loans Midcap from the Corporate Finance business unit.

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

The Staff/Services segment comprises the Service and Staff business units such as IT/Organisation/Internal Services, Risk Control and Finance as well as the Strategic Equity Investments held as part of the public mission.

2.3 Net Assets, Financial Position and Results of Operations

2.3.1 Results of Operations

Net Interest Income

NRW.BANK generated net interest income of € 436.8 million in the fiscal year 2015 (2014: € 465.0 million). While business remained stable, the reduced discount rate for personnel provisions resulting from the low-interest environment had a particularly adverse effect and was the main reason for the decline.

Net Commission Income

Net commission income increased by a total of € 6.2 million to € 109.5 million (2014: € 103.3 million), primarily as a result of higher income from surrogate loan transactions.

Net commission income includes a positive effect resulting from the changed accounting practice for restructured collateralised debt obligations (CDO) introduced as of December 31, 2013; the size of this effect was similar to that of the previous year. The changes had an adverse effect on the bottom line in fiscal 2013, which will be offset by positive effects from the systematic release of the deferred item on the liabilities side in the following years.

Net Income from Trading Operations

NRW.BANK's trading book contains short-term trading transactions with interest rate products. In the fiscal

year 2015, net income from trading operations amounted to € 3.5 million (2014: € 5.4 million).

Other Operating Result

The other operating result amounted to € 24.4 million (2014: € 22.9 million). The increase on the previous year was primarily attributable to the release of provisions that were no longer needed. The first-time imposition of the bank levy, which was fixed at € 4.0 million p.a. for NRW.BANK by the Financial Market Stabilisation Authority (FMSA) according to European regulations, had an adverse effect. Of this amount, € 1.2 million was posted in the form of a fully secured payment obligation. The corresponding cash security was recognised under the balance sheet item "Other assets".

Administrative Expenses

At € –210.4 million (2014: € –215.2 million), NRW.BANK's administrative expenses were slightly better than in the previous year. The projected moderate increase failed to materialise as the originally anticipated projects in the field of tax law were not required in the reporting period.

Personnel expenses amounted to € –122.9 million in 2015 (2014: € –123.6 million).

The prior-year figure was primarily influenced by one-off expenses in conjunction with changes in the composition of the Managing Board. Adjusted for this effect, personnel expenses increased moderately as planned in 2015 due to collective pay rises and a larger number of employees as a consequence particularly of growing regulatory requirements.

Operating expenditure declined by € 4.1 million to € –87.5 million (2014: € –91.6 million). The reduction is primarily attributable to the fact that increased expenses were incurred in the previous year in conjunction with the audits performed by the ECB in the context of the Comprehensive Assessment as well as with investments in the IT infrastructure.

Risk Provisions/Revaluation Adjustments

Risk provisions/revaluation adjustments amounted to € –340.3 million in the fiscal year 2015 (2014: € –359.2 million).

NRW.BANK again used its good operating result to strengthen its risk-bearing capacity in accordance

with its strategy. An amount of € 305.7 million (2014: € 300.3 million) was allocated to allowance reserves. Of this amount, € 255.7 million (2014: € 220.3 million) related to allowance reserves as defined in Section 340f HGB, while € 50.0 million (2014: € 80.0 million) related to the fund for general banking risks pursuant to Section 340g HGB. Part of the allocation to allowance reserves as defined in Section 340f HGB in an amount of € 152.4 million (2014: € 175.6 million) was calculated for credit risks based on statistical assumptions. To compensate for the write-down of the Heta investment (€ 96.3 million), allowance reserves which had been established in the previous years were released in the same amount.

In the lending and equity investment business, a positive result of € 22.2 million (2014: € –20.6 million) was recorded primarily because of the net release of individual allowances in the Housing Promotion business unit.

Net expenses of € –56.8 million (2014: € –38.3 million) related to the results of sales and revaluations in the securities and derivatives business; this amount includes the write-down of the Heta bonds and a special payment received under an out-of-court settlement relating to a structured exposure that had already been written off in full.

Net Income

NRW.BANK posted net income of € 13.8 million for the fiscal year 2015 (2014: € 15.7 million), which will be paid out towards federal interest expenses pursuant to Section 14 of the Act on NRW.BANK (NRW.BANK G).

Segment Results

Net interest income in the Programme-based Promotion segment comprises the results of the promotion business units and increased to € 214.5 million (2014: € 211.2 million).

At €172.1 million (2014: € 183.1 million), the Housing Promotion business unit made the biggest contribution to the segment's result. Due to the low interest rates, many borrowers took advantage of their contractual right to repay their loans in full or in part at any time without having to pay a prepayment penalty. These unscheduled repayments led to a decline in interest income in the Housing Promotion business unit. In January 2015, the liquidity received was used for the early repayment of all internal long-term funding liabilities.

The business trend in the other promotion business units was positive, with net interest income up by € 14.3 million on the previous year, primarily because of the good result from infrastructure finance and increased income from investments in the corporate finance segment.

Net commission income declined to € 18.5 million (2014: € 20.2 million) primarily because of the expiry of the subsidised grants business.

The fact that risk provisions/revaluation adjustments improved to € –62.8 million (2014: € –108.1 million) is primarily attributable to the net income of € 20.0 million in the lending and equity investment business (2014: net expense of € –20.0 million). Individual allowances were no longer required, especially in the Housing Promotion business unit, and were therefore released. Moreover, the level of new risk provisions established for the lending business was lower than in the previous year.

In 2015 NRW.BANK allocated a total amount of € 82.2 million (2014: € 84.1 million) to allowance reserves for the promotion business units.

At € 280.6 million (2014: € 268.9 million), net interest income in the Other Promotion/Liquidity Management segment was up by € 11.7 million on the previous year. The increase is attributable to a better funding base as well as to extraordinary effects related to internal liquidity management. By contrast, the reduction in the capital markets portfolio had an adverse effect.

Net commission income increased by € 7.9 million to € 91.4 million (2014: € 83.5 million) due to higher income from surrogate loan transactions. As in the previous year, this figure includes an income contribution in the same amount which is attributable to the changed accounting practice for CDO transactions introduced in 2013 and the resulting release of a deferred item on the liabilities side.

Risk provisions/revaluation adjustments in this segment improved to € –28.5 million (2014: € –125.3 million) and were influenced by contrary effects.

As in the previous years, NRW.BANK withdrew and repaid certain outstanding securities at the request and the initiative of the final investors. Reasons for investors

to return the securities include, for instance, maturity extensions, the exchange for coupons at the current market interest rate and the optimisation of existing lines. In the long term, this will improve the Bank's funding base and strengthen its profitability, as the Bank may make new issues at current conditions. The withdrawal resulted in net losses on securities sales of € –249.6 million (2013: € –127.9 million).

By contrast, the management of the overall portfolio resulted in net gains of € 224.3 million (2014: € 93.7 million) from securities and derivatives (hedges).

As a result of an out-of-court settlement, NRW.BANK received a special payment of € 65.2 million in 2015 relating to a structured exposure that had already been written off in full in the previous years.

The write-downs of NRW.BANK's Heta investment in the amount of € 96.3 million were offset by the simultaneous release of allowance reserves established in the previous years, which means that the event had no impact on the bottom line in the financial year. As of December 31, 2015, NRW.BANK established allowance reserves as defined in Section 340f HGB in the amount of € –68.4 million (2014: € –91.1 million) for credit risks in the Other Promotion/Liquidity Management segment based on statistical assumptions. This largely offset the reduction in allowance reserves resulting from the Heta write-downs.

Net interest income in the Staff/Services segment declined to € –58.3 million (2014: € –15.1 million) primarily because of a lower discount rate for personnel provisions.

Risk provisions/revaluation adjustments in the Staff/Services segment in the amount of € –249.0 million (2014: € –125.8 million) related to allocations to the fund for general banking risks and additional allowance reserves.

2.3.2 Financial Position

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

As every year, rating agencies Fitch Ratings, Moody's and Standard & Poor's reviewed NRW.BANK's creditworthiness and confirmed its good ratings with a stable outlook. In addition, Dagong Europe awarded its first rating of AA+ for NRW.BANK in June 2015.

With this rating, NRW.BANK has the possibility of improving its access to investors from the Asian region, where Dagong is well-established as an agency primarily operating in the Asian capital market.

List of current ratings

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

The Other Promotion/Liquidity Management segment is responsible for the funding of NRW.BANK. As a development bank benefiting from a state guarantee, NRW.BANK continued to experience strong demand for its debt. NRW.BANK catered to investors' need for

state-guaranteed, liquid bonds and again consolidated its market presence with further benchmark issues in 2015. During the fiscal year NRW.BANK placed debt in a net amount of € 8.8 billion (2014: € 9.6 billion) with a wide international investor base. To optimise its funding,

NRW.BANK continues to use its funding programmes, which essentially consist of the Global Commercial Paper Programme to cover maturities of up to twelve months and the Debt Issuance Programme to cover medium and long maturities as well as tap issuance programmes. In 2015, the US dollar was, for the first time, the most important issuing currency, followed by the euro and sterling. The global loans raised from the development banks (KfW Bankengruppe and European Investment Bank) totalled close to € 1.6 billion. Short-term funding under the Global Commercial Paper Programme, especially in US dollars, again met with high demand in 2015 and was again the most favourable source of funding for NRW.BANK over the course of the year.

As of December 31, 2015, the liquidity ratio as defined in the German Liquidity Regulation was 3.1 (2014: 3.7) and thus well above the regulatory required minimum of 1.0, which was met at all times throughout the year. As of December 31, 2015, the Liquidity Coverage Ratio to be determined in accordance with the Europe-wide applicable Capital Requirements Regulation (CRR) stood clearly above 1 and thus far above the minimum of 0.6 required as of October 1, 2015.

2.3.3 Net Assets

As of December 31, 2015, NRW.BANK's total assets were down, as planned, by € 2.6 billion to € 141.2 billion (2014: € 143.8 billion). The table below shows the condensed balance sheet.

Assets

	Dec. 31, 2015	Dec. 31, 2014
	€ billions	€ billions
Receivables from banks	33.4	33.7
Receivables from customers	60.3	60.2
Bonds and other interest-bearing securities	39.4	42.9
Investments in non-affiliated and affiliated companies	2.5	2.5
Other assets	5.6	4.5
Total assets	141.2	143.8

At € 33.4 billion, receivables from banks were slightly down on the previous year (2014: € 33.7 billion). The promotion business handled according to the house bank principle is included in this balance sheet item. Under this method, customers file an application for promotion funds with the house bank, which passes it on to NRW.BANK. NRW.BANK then makes the funds available to the customer through their house bank. There was again strong demand for the standardised credit programmes such as NRW.BANK.Mittelstandskredit and NRW.BANK.Universalkredit, which are extended according to the house bank principle.

Receivables from customers remained largely unchanged at € 60.3 billion (2014: € 60.2 billion). Social

housing promotion loans amounted to € 18.8 billion. The € 1.0 billion decline against the previous year (2014: € 19.8 billion) is primarily attributable to unscheduled repayments. In the securities business, the portfolio of registered instruments increased by € 0.3 billion to € 8.2 billion. The portfolio of note loans remained unchanged at € 11.0 billion.

Bonds and other interest-bearing securities declined by a total of € 3.5 billion to € 39.4 billion (2014: € 42.9 billion).

At € 2.5 billion, the book values of NRW.BANK's equity investments in non-affiliated and affiliated companies were on a par with the previous year (2014: € 2.5 billion).

Liabilities

	Dec. 31, 2015	Dec. 31, 2014
	€ billions	€ billions
Liabilities to banks	38.4	39.7
Liabilities to customers	17.8	19.3
Certificated liabilities	58.7	58.2
Provisions	2.3	2.1
Subordinated liabilities	2.1	2.2
Fund for general banking risks	0.8	0.7
Equity capital	18.0	17.9
Other liabilities	3.1	3.7
Total liabilities	141.2	143.8
Contingent liabilities	16.0	15.7
Other commitments	3.2	2.9
Administered funds	0.1	0.1
Business volume	160.5	162.5

Liabilities to banks declined by a total of € 1.3 billion to € 38.4 billion (2014: € 39.7 billion). The promotion loans mostly funded through KfW Bankengruppe, which are paid out on the assets side primarily in the form of the NRW.BANK.Mittelstandskredit, NRW.BANK.Universalkredit and NRW.BANK.Gründungskredit according to the house bank principle decreased by € 0.5 billion to € 22.1 billion (2014: € 22.6 billion). 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 decreased by € 1.5 billion to € 17.8 billion (2014: € 19.3 billion). This item primarily comprises registered instruments and note loans.

At € 16.2 billion, the portfolio of registered instruments was down by € 0.9 billion on the previous year (2014: € 17.1 billion) and the portfolio of note loans of € 0.9 billion was down by € 0.4 billion on the previous year (2014: € 1.4 billion).

At € 58.7 billion, certificated liabilities were more or less on a par with the previous year (2014: € 58.2 billion).

Equity capital as defined in the German Commercial Code (HGB) increased moderately to € 18.0 billion (2014: € 17.9 billion).

The table below shows equity and risk position amounts under the CRR as of December 31, 2015:

Risk exposure amounts and capital ratios

	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Risk weighted exposure amounts (standardised approach)	40,975.0	43,008.9
Risk exposure amount for position and foreign exchange risks	32.2	24.1
Operational risk (basic indicator approach)	1,134.6	1,128.4
Risk exposure amount for credit valuation adjustment	1,029.8	1,367.0
Total risk weighted assets	43,171.6	45,528.4
Common Equity Tier 1 capital	18,384.6	18,254.4
CET1 capital ratio	42.58%	40.09%
Own funds	20,063.1	19,991.7
Total capital ratio	46.47%	43.91%

The regulatory capital requirements were complied with at all times in the fiscal year 2015. The CET1 capital ratio reflects the Bank's high capitalisation, which is indispensable for the development and promotion business and serves to fund the development and promotion loans.

In the context of the "Supervisory Review and Evaluation Process" (SREP), the ECB stipulates minimum capital ratios for the banks it supervises. Equity capital and core capital ratios in excess of 40% mean that NRW.BANK's capitalisation exceeds the requirements by far.

3 Report on Post-Balance Sheet Date Events

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

4 Report on Expected Developments

4.1 General Information

This Report of Anticipated Developments contains forward-looking statements relating to the overall economic environment as well as to NRW.BANK's business, net assets, 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 environ-

ment and the situation in the financial markets. This means that the actual events occurring in the future may deviate from these statements, expectations and assumptions.

4.2 Development of the Economic Environment

4.2.1 The German Economy

The economic development in Germany is expected to continue its upward trend in 2016 and will structurally be similar to last year's trend. Excellent framework conditions such as low interest rates, the weak euro, a low oil price and the continued high competitiveness of the German economy should again support growth, with domestic economic activity likely to remain the main growth driver. The economic recovery in the industrialised countries suggests that the economy may additionally be stimulated by growing exports. In view of the probably slow pace of growth in the emerging countries, however, the recent weakness in exports will probably be overcome only gradually.

As far as the domestic economy is concerned, private consumption is expected to continue growing strongly and remain the main driver of the good domestic activity. This is suggested by the anticipated continued increase in employment and a generally stable labour market situation which should have a positive effect primarily on the more domestically oriented services sector. As

inflation is likely to accelerate moderately in 2016, real purchasing power will probably not grow as dynamically as in the previous year in spite of further pay rises.

Driven by demographic trends and domestic migration, the growing demand for housing in the core cities will combine with the rising need for refugee housing in large parts of North Rhine-Westphalia in supporting and stimulating housing construction in general and social housing construction in particular. Housing construction will additionally benefit from the very low interest rates on loans as well as from high employment. Construction activity is nevertheless expected to grow only moderately in 2016. With capacity utilisation already at an above-average level, the construction sector is expected to experience major bottlenecks and the commercial construction segment will probably have only a low order intake as private spending on plant and equipment is expected to remain moderate in 2016.

Capital spending is likely to remain slack in the foreseeable future. Capacity utilisation in the manufacturing sector corresponds to the long-term average, which means that there is no need yet for investments in new plant capacity. For the time being, companies will use their good financial position and the extremely favourable financing conditions, i.e. low interest rates and good access to loans, primarily for replacement and modernisation investments.

As the year progresses, however, investment activity should pick up more strongly and greatly increase the degree of capacity utilisation due to additional impulses provided by foreign demand from the EU and North America. This is based on the assumption that the traditionally stable and close correlation between exports and investment activity in Germany, which does not so much apply to domestic economic activity, will remain intact. It cannot be ruled out, however, that an unexpectedly weak world economy – resulting from the numerous economic and political crises as well as military disputes – will lead to increased uncertainty among enterprises and reduce their spending propensity, which means that the anticipated upturn in spending would be further delayed.

By contrast, government revenues will continue to benefit from the strong domestic economy. Growing private consumption should primarily be reflected in increased turnover tax revenues. As gross wages and salaries will probably not rise quite as dynamically as in the previous year, the increase in social security contributions and wage tax revenues will probably be somewhat lower in 2016. On balance, tax revenues in 2016 should grow at a lower rate than in the previous year. By contrast, public spending is expected to increase more strongly than in the previous year in spite of a renewed decline in interest expenses. The increase should primarily be caused by government investments. Moreover, refugee-related spending will also pick up notably. Unlike last year, the government budget will post no surpluses but achieve a balanced result and comply with the debt brake.

On balance, the German economy will continue to grow at an almost unchanged pace in 2016. Accordingly, NRW.BANK expects real GDP to increase by approx. 1.8%. Inflation will probably climb above the 1% mark, as the dampening effects of the reduced energy prices will no longer be felt. Headline and core inflation rates will be much closer than in 2015. Moreover, the good domestic economy should lead to growing price pressure in the services sector and the latest strong increase in wages and salaries should also take effect on prices in Germany. If the euro continues to depreciate as currently expected, import prices will pick up and fuel inflation in Germany.

4.2.2 The North Rhine-Westphalian Economy

While the North Rhine-Westphalian economy remained below the Germany-wide average in 2015, it will probably catch up in 2016, as North Rhine-Westphalia stands to benefit from its above-average export focus on the eurozone and the latter's slowly accelerating upswing. In addition, the gradual recovery in exports and investment activity will stimulate economic activity in the manufacturing sector, where North Rhine-Westphalia holds a strong position in upstream sectors such as basic chemicals and metal production. Stimulation will also be provided by the strong influx of refugees, which is numerically above the nation-wide average in North

Rhine-Westphalia. The accommodation, provision and integration of foreign refugees will lead not only to growing private and public consumption in the short term but also to a growing need for infrastructure and affordable housing, especially in conurbations, in the medium to long term.

In the short term, however, i.e. until the refugees are properly integrated, additional burdens are expected for the labour market in North Rhine-Westphalia. In view of the high share of structural unemployment in North Rhine-Westphalia, the federal state will face special challenges when it comes to integrating immigrants with low qualifications. The gap between required and existing qualifications will initially become wider. Against the background of the growing shortage of skilled labour, however, the additional supply of labour may also open up opportunities in the medium term.

The expectations of the economic players regarding the economic environment are an important indicator for the future economic trend. At the end of the fiscal year, the NRW.BANK.ifo Business Climate indicated growing optimism for industry and trade (manufacturing, construction, wholesaling, retail) for 2016. While the NRW.BANK.ifo Business Climate failed to continue its upward trend in January 2016, it stayed well within positive territory.

4.2.3 Financial Markets

To prevent potential future risks to financial market stability, banking supervision will increase and entail significant challenges to the banking system. As of January 2016, global systemically important banks must build up an additional buffer of Common Equity Tier 1 capital, and a capital buffer may also be imposed on national systemically important banks as of 2016. For the recovery and resolution of financial institutions, the latter must demonstrate an adequate total loss absorbing capacity (equity and eligible liabilities). Moreover, a countercyclical capital buffer will be introduced in 2016, which provides for additional capital to be built up during times of excess credit growth to hedge against future crises. Additional measures designed to strengthen financial market stability are being discussed for introduction in the medium term; these in-

clude the capital backing of claims against eurozone sovereigns or the introduction of macro-prudential instruments for the financing of housing properties in Germany.

Monetary policies on both sides of the Atlantic will point in opposite directions in 2016. While the US Fed has already begun to raise interest rates – albeit cautiously by a moderate 25 basis points in December 2015 (the first interest rate hike in nine years) – the ECB is making available additional liquidity. In view of the anticipated consumer price trend in the eurozone – with the inflation rate being expected to reach the ECB's "close to but below 2%" target in 2017 at the earliest – monetary policy in the eurozone will remain expansionary. While experience has shown that European interest rates are unable to defy the US trend in the long term, the ECB will take further quantitative easing measures should rising interest rates entail deflationary and/or economic risks. Eurozone interest rates are therefore expected to stay at historically low levels in 2016.

4.3 Development of the Bank

By developing and marketing efficient development and promotion products, NRW.BANK will continue to support the economic and structural development of North Rhine-Westphalia; in keeping with its mission, the Bank will, in particular, remain a strong partner to the North Rhine-Westphalian municipalities, which will continue to benefit from target-oriented financing, promotion and consulting services.

NRW.BANK expects the net volume of new commitments to remain below the prior year level in 2016. While NRW.BANK should defend its position as the largest provider of municipal finance in North Rhine-Westphalia, demand for municipal loans is expected to decline due to the positive effects of the "Stärkungspakt".

Continued attractive conditions in conjunction with a widely expected interest rate hike should again lead to demand for longer-term financing of corporate growth projects and infrastructure projects in 2016.

Based on the assumption that the discount rate for personnel provisions will continue to decline if the legal situation remains unchanged, NRW.BANK expects much lower operating income in 2016.

Future net interest income may benefit from a planned statutory amendment regarding the valuation of pension provisions. According to a draft bill dated January 27, 2016, the period for the determination of the average discount rate for old age pension obligations is to be extended from seven to ten years, which would result in a higher average rate and lower interest expenses.

Income from promotion activities will decline primarily because of the reduced receivables of the Housing Promotion business unit, which are attributable to high unscheduled repayments by borrowers.

As a result of the reduction in the international capital market business in the past years, net interest income and net commission income are expected to be lower than in the previous year.

NRW.BANK assumes that administrative expenses will again be adversely affected by statutory and regulatory requirements and pick up moderately in 2016. On the one hand, personnel expenses will increase due to planned hirings, especially because of new regulatory requirements. On the other hand, externally induced projects, (special) charges and extraordinary measures relating to the new statutory and regulatory requirements including another stress test will result in additional operating expenses.

Planning uncertainty arises from potential further requirements in the regulatory environment. The amount of the necessary investments in information technology and personnel cannot be exactly quantified yet; an additional significant burden in a million euro amount cannot be ruled out, however. Ongoing measures aimed at identifying and leveraging potential for efficiency increases will have a dampening effect on costs.

NRW.BANK therefore expects its operating income before risk provisions/valuation adjustments in 2016 to be much lower than in the past fiscal year.

In 2016, risk provisions/valuation adjustments should again be influenced by the allocation of general allowance reserves.

While ongoing allocations to allowance reserves will further strengthen the risk-bearing capacity, they will be much lower than in 2015 due to the anticipated increase in interest expenses on allocations to pension provisions.

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

NRW.BANK expects both total assets and the business volume to remain stable at a constant level in 2016.

NRW.BANK expects the Bank-wide limit for economic capital to be met under the going concern perspective also in 2016.

5 Risk and Opportunity Report

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

NRW.BANK uses a comprehensive set of risk monitoring and management tools to manage the risks to which it is exposed. The Bank has implemented a framework of guidelines, organisational structures and processes which ensure that risks are identified, measured, aggregated and managed in accordance with the Bank's risk-bearing capacity.

5.1 Organisation of Risk Management

The Managing Board of NRW.BANK is responsible for the risk management system. This includes, in particular, the proper organisation of risk management, the risk strategy, the risk-bearing capacity concept as well as

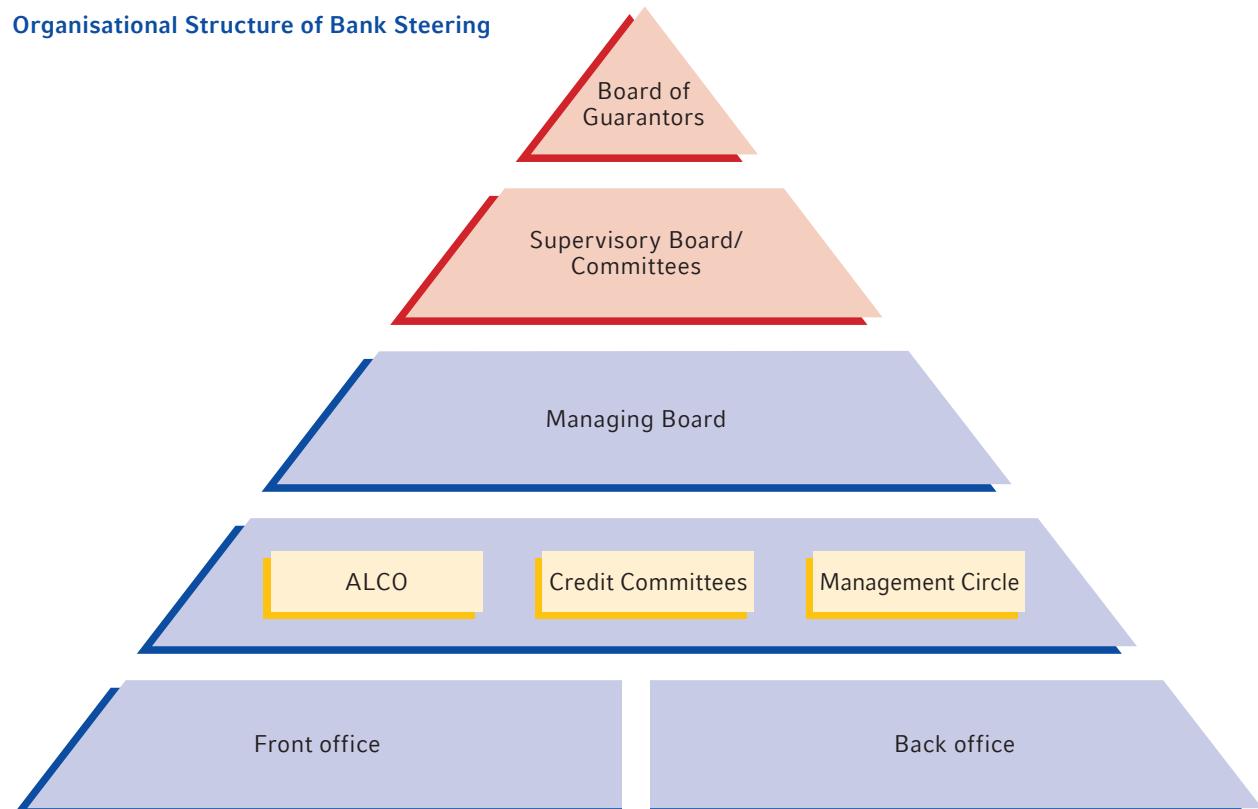
risk monitoring. In the context of the general reporting process, the Managing Board is regularly informed about the Bank-wide risk situation.

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

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

The Asset Liability Committee (ALCO), which is composed of the Managing Board and five business unit Heads, is responsible for issues relating to market risks and liquidity risks. It also addresses general topics such as capital allocation, profit management and balance

Organisational Structure of Bank Steering



sheet structure management. Through active capital management, the ALCO ensures that the Bank-wide risk limit is met at all times.

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

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

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

The Bank has entrusted the Head of Risk Control with the risk control function as defined by the MaRisk. He participates in all important management decisions relating to the risk policy, especially through his involvement in the ALCO and other committees.

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

The Credit Management business unit performs the traditional back-office functions together with other

business units, especially voting and loan processing in the promotion and capital market business and the preparation of the watchlist (for high-risk exposures). In addition, the Credit Management business unit is responsible for coordinating the meetings of the Credit Committee.

The effectiveness and appropriateness of the risk management structures and processes are subject to regular reviews by Internal Audit, which acts as an independent body on behalf of the Managing Board.

According to the "Gesetz zur Sanierung und Abwicklung von Finanzinstituten und Finanzgruppen" (SAG – Act on the recovery and resolution of financial institutions and financial groups), which came into force in early 2015, financial institutions are generally obliged to prepare a recovery plan. In spite of its very solid financial situation, the liability instruments granted by its guarantor and its de-facto inability to become insolvent, NRW.BANK – like all banks supervised by the ECB – was asked by the ECB to draw up such a plan in June 2015. The first plan of this kind was then prepared and submitted to the ECB within the deadline specified. The main purpose of the plan is to show how a crisis can be identified at an early stage and what measures are appropriate to master the crisis. The plan is to be updated annually or as required.

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

5.2 Risk Policy and Strategy

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

Together with the promotion and business strategy, the risk strategy is part of the overall strategy of NRW.BANK. It builds on the promotion and business strategies and aims to ensure balanced risk management within NRW.BANK. It puts the risk policy principles

adopted by the Board of Guarantors into more concrete terms by way of adequate limits as part of the operational controlling process. It covers a planning period of four years.

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

5.3 Risk Inventory

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

The material risks identified are the credit and the market risk as well as the liquidity, operational and pension risk. The three latter risk types contribute less to the Bank-wide risk and therefore rank behind the credit and the market risk.

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

5.4 Risk-bearing Capacity

Economic capital is the relevant risk management parameter of NRW.BANK across all risk types and business units. It forms the basis on which risks are comprised into a Bank-wide figure using a consistent methodology.

The going concern perspective is taken for the direct management of the risk-bearing capacity. It is based on the German Commercial Code (HGB) in accordance with the Bank's accounting policy. The focus is on avoiding losses in the balance sheet in order to protect creditors and owners. Accordingly, those risks that could adversely affect a balance sheet under HGB are considered in economic capital.

Risk-bearing capacity is additionally analysed from a gone concern perspective. Against the background of the liability instruments "institutional liability", "guarantor liability" and "explicit funding guarantee" granted to NRW.BANK by the guarantor to perform its promotion and development tasks, this is merely a fictitious analysis, though.

Under both perspectives, the risk-mitigating effects of the above liability instruments are not taken into consideration.

The risk-bearing capacity concept has been defined in accordance with regulatory requirements (especially with the BaFin publication "Aufsichtliche Beurteilung bankinterner Risikotragfähigkeitskonzepte" [supervisory assessment of banks' internal risk-bearing capacity concepts]). It reflects the risks identified as material according to the risk inventory as well as the business and cost risk.

NRW.BANK uses a value-at-risk (VaR) concept covering a risk horizon of one year to quantify the individual risks and aggregate them into an overall ratio. The choice of the confidence level depends on the perspective taken (99% under the going concern perspective; 99.96% in the gone concern perspective).

The credit risk is a Bank-wide key risk. Differences between the going concern and the gone concern perspective primarily result from the confidence level used in the Credit VaR model.

Under the going concern perspective, the market risk is determined on the basis of a "HGB-VaR". In this context, the market risks that may have an adverse impact on the income statement prepared according to HGB are taken into account. By contrast, the gone concern perspective addresses the market risks on a mark-to-market basis.

The liquidity risk under the going concern perspective takes into account changes in NRW.BANK's funding spread that are relevant for the HGB income statement, as an increase in funding costs leads to higher expenses. Liquidity risks are not part of the gone concern perspective but are limited by the amount of the available liquid funds (liquidity buffer).

Economic capital for the operational risk is determined based on the Basle basic indicator approach. Differences between the going concern and the gone concern perspective result exclusively from scaling to the confidence level used.

The pension risk is determined by means of a scenario analysis, which takes into account changes in the statistical assumptions regarding invalidity and mortality which could lead to an increase in pension obligations. Differences between the going concern and the gone concern perspective result exclusively from different interest rates used to discount the cash flows. Interest rate risks relating to pension obligations are incorporated into the market risk.

For the business and cost risk, a general risk amount is determined on the basis of a simplified method.

Differences between the going concern perspective and the gone concern perspective result from the scaling to the confidence level used.

More detailed information on the individual risk types and the methods used for their calculation is provided on the following pages of the risk and opportunity report.

Under the going concern perspective and the gone concern perspective, Bank-wide economic capital is determined by way of a simple addition of the economic capital of the risk types without taking diversification effects into account.

The table below shows the composition of economic capital from the going concern perspective.

Bank-wide Economic Capital under the going concern perspective

	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Credit risk	977	1,243
Market risk	70	63
Liquidity risk	11	11
Operational risk	35	35
Pension risk	60	60
Business and cost risk	50	50
Total economic capital	1,202	1,462

Rating improvements and the reduction of risk assets led to a notable reduction in the credit risk. As of the reporting date, economic capital under the gone concern perspective amounted to € 10,653 million (2014: € 10,997 million).

The economic capital is compared with the maximum capital cover that is available to cover risks. Just like the economic capital, the capital cover is calculated in accordance with the respective perspective taking into account regulatory and balance sheet equity components, adjusted for specific corrections. Under the

going concern perspective, for instance, the capital components tied up in accordance with the Capital Requirements Regulation (CRR) are deducted, with the minimum capital ratio defined by the ECB in the context of the SREP also taken into consideration. Under the gone concern perspective, hidden charges and reserves, in particular from securities, are deducted if they are negative when balanced. Positive own credit risk effects are not accepted as mitigating factors on the liabilities side. As of the reporting date, the capital cover amounts to € 14.4 billion (2014: € 15.9 billion) under the going concern perspective and to € 18.5 billion

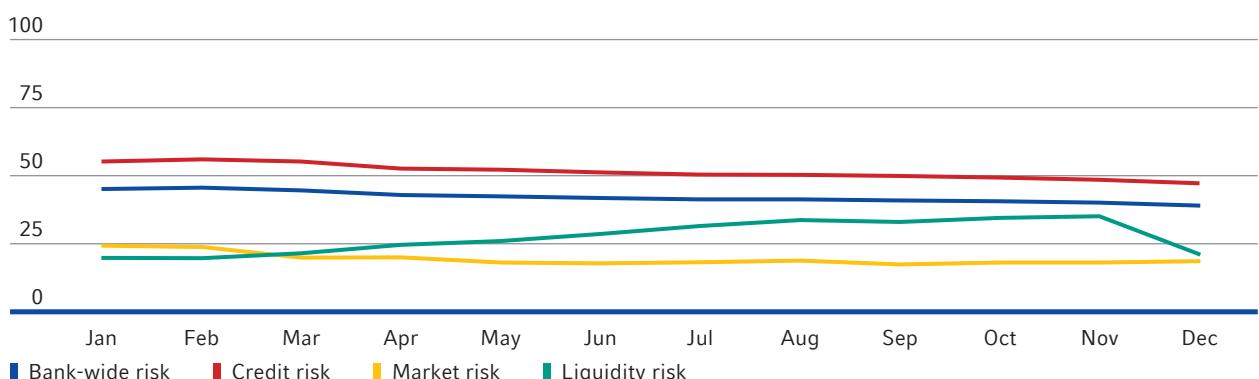
(2014: € 18.2 billion) under the gone concern perspective. These amounts include the allocations to allowance reserves made in the fiscal year, which strengthen the capital cover in both perspectives. Other changes in the capital cover result from the new SREP minimum capital ratio defined by the ECB under the going concern perspective and from lower interest rates under the gone concern perspective.

For the direct management of risks under the going concern perspective, a Bank-wide economic capital limit is defined, which is much lower than the available capital cover. The latter is allocated to the material risk types and departments in the context of the annual strategy process. This ensures that sufficient risk capital

is available to achieve the planned income and that the risks are limited at the same time. Utilisation of the limits is determined on the basis of the economic capital. As a strict side condition, the economic capital shall not exceed the capital cover under the gone concern perspective.

The chart below shows the limit utilisation for the credit, market and liquidity risk in the course of the year. Economic capital for the operational risk, the business and cost risk and the pension risk is determined once a year. I.e. it remains constant throughout the year and the Bank makes no distinction between limit and utilisation. Therefore, the mentioned risk types are not shown in the chart.

Limit utilisation in the course of 2015 in %



The risk types and the overall bank risk stayed within the limits defined for the going concern perspective at all times. The Bank's risk-bearing capacity was intact at all times throughout the fiscal year.

In addition, the regulatory equity requirements under the CRR were met at all times. NRW.BANK has very comfortable capital ratios. For information on the regulatory equity requirements, the equity capital and the capital ratios, please refer to paragraph 2.3.3 Net Assets.

In order to minimise the uncertainties resulting from the statistical processes of the value-at-risk approach, NRW.BANK takes various measures to validate the data used as well as the risk results that are determined. In addition, regular stress tests are performed.

5.5 Stress Tests

The risk management concept is complemented by Bank-wide stress and scenario analyses. The Bank takes an integrated approach which takes into account effects on the material risk types, the HGB income statement and the capital cover.

The stress tests are performed at a Bank-wide level on a quarterly basis and due to single events occurring. Similar to the risk-bearing capacity concept, separate stress tests are performed under the going concern perspective and the gone concern perspective. Both historical and hypothetical scenarios are analysed.

Historical scenarios translate past crises to the current portfolio. Examples include a scenario reflecting the height of the financial crisis at the time of the Lehman bankruptcy in 2008.

Hypothetical scenarios are developed by the Bank on the basis of market analyses and expert estimates. For instance, a scenario entitled "Deterioration of the sovereign and financial institution crisis" assumes an increase in the risk factors that are relevant for the sovereign portfolio.

The stress scenarios examine the combined effects of a deterioration in exposures (increases in probabilities of default and loss given default) and of changes in market data (interest rates, credit spreads).

In addition, inverse stress tests are performed on a regular basis. Inverse stress tests examine which events could potentially jeopardise the Bank's ability to survive.

Under the going concern perspective, the stress tests are dominated by changes in the field of credit risks. The assumed defaults of borrowers and rating migrations lead to a reduction in the capital cover and/or to an increase in the economic capital for credit risks.

Under the gone concern perspective, credit risks and market risks play an equally important role in the stress tests. Under this perspective, the capital cover reacts much more sensitively to changes in market data under stress.

The stress tests confirm the adequacy of the capital situation under the going concern perspective.

5.6 Credit Risk

5.6.1 Definition

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

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

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

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

In NRW.BANK's view, a country risk exists where the Bank has an exposure to customers headquartered outside Germany. This definition covers all aspects of the country risk (creditworthiness, transfer and economic risks).

The risk from equity holdings results from the risk of incurring losses from the provision of equity capital to enterprises. NRW.BANK's equity holdings comprise investments which are primarily held on behalf of the Federal State of North Rhine-Westphalia and were transferred to the Bank upon its inception as well as investments entered into as part of the Bank's mission as a development bank.

5.6.2 Methods

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

- The amount of the exposure is the sum total of all relevant amounts that are subject to a risk of default. In the case of loans, this is the remaining capital plus binding payment obligations; in the case of securities, it is the higher of the amortised cost price and the nominal value. Credit equivalents are recognised to calculate counterparty risks from derivatives, taking netting and collateral pursuant to standardised framework agreements into account. In addition, credit derivatives are recognised at their nominal value; thereby the purchase of protection reduces the exposure of the respective reference counterparty, while the sale

- of protection increases it. The total exposure (the credit risk-related amount of the exposure) thus differs from the business volume.
- The probability of default is derived from the debtor's internal rating. For this purpose, NRW.BANK uses differentiated risk classification methods. The portfolios of corporates, financials and real estate clients are classified using rating procedures meeting the requirements of the internal rating based (IRB) approach of the CRR. The ratings for exposures to foreign governments are determined on the basis of external agency ratings and structured internal plausibilisation. In view of the joint liability scheme and the fiscal equalisation scheme, uniform ratings are used in particular for savings banks and domestic municipalities, respectively. Simplified internal risk classification methods are used for smaller portfolios. Depending on the type of debtor, each rating is assigned a probability of default based on a 26-step scale, so that all debtors are included as risk-relevant in the calculation of the economic capital on a staggered basis.
 - The loss given default (LGD) describes the portion of the exposure which would irrecoverably be lost in the case of insolvency proceedings after realisation of potential collateral. Differentiated LGDs are assigned to the exposures depending on the type of debtor. They are determined for housing promotion exposures based on an analysis of own historical data. For other asset classes, they are primarily determined on the basis of external data sources, as there is no statistically significant number of defaults in the Bank's portfolio.
- NRW.BANK determines the economic capital for the credit risk on the basis of a credit value-at-risk. The risk horizon is one year, the confidence level is 99% under the going concern perspective and 99.96% under the gone concern perspective.
- The credit value-at-risk is calculated according to the formula of the IRB approach under the CRR. Initially, there is only a methodological difference made between the treatment of defaulted and non-defaulted debtors. Through an additional maturities adjustment rating migrations that may lead to additional capital requirements are then also taken into account.
- As the IRB approach is based on the assumption of an indefinitely granular portfolio, an additional concentration surcharge is determined on the basis of a simulation process and reflected in the economic capital. As a result, high exposures which either exist separately or are composed of different exposures within an economic grouping make a disproportionate contribution to the risk, which means that the surcharge takes concentrations into account.
- In order to further limit concentrations – not only with regard to risks but also regarding income – single name concentration limits at Group level and cross-borrower concentration limits at country level are defined for the amount of the exposure.
- Besides the economic capital (unexpected loss), standard risk costs (expected loss) are generally taken into account when defining the terms and conditions. This way, it is ensured that the expected losses are compensated by corresponding income.
- In the context of the Bank-wide stress tests, various historical and hypothetical scenarios are analysed, which assume deteriorations in the rating quality that are differentiated by asset classes.
- The above risk management methods allow NRW.BANK to appropriately monitor credit risks, to identify unbalanced portfolio developments and risk concentrations and to take any measures that may be required at an early stage.
- ### 5.6.3 Validation
- The ratings and loss given defaults are validated at least once per year. For the social housing promotion portfolio, which is the biggest portfolio of NRW.BANK in terms of number of individual exposures, differentiated analyses are performed for individual segments such as investors and owner-occupiers.
- Besides the ratings and the loss given defaults, the methodological assumptions that serve as the basis for the calculation of economic capital are also reviewed annually. For instance, the maturity adjustments implemented to reflect rating migrations are checked for plausibility.

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

5.6.4 Risk Assessment and Limitation

NRW.BANK uses suitable limits and processes to ensure that the credit risk is limited. On the one hand, there are concentration limits which limit the exposures, especially at individual debtor level, Group level and at country level. Limit utilisation is determined by the amount of the exposure. New transactions are immediately counted against the limits. On the other hand, there is a Bank-wide and a business unit-specific limitation of the economic capital under the going concern perspective. The limits take into account both the Bank's risk-bearing capacity and the budgets prepared by the individual business units as part of the strategy process.

Key elements used to monitor the credit risk:

- Event-related bad news process including immediate analysis and decision on individual measures (e. g. rating review, limit adjustments)
- Daily monitoring of single name, group and country limits
- Daily monitoring of capital market investments in the context of an early warning system (e. g. changes in credit spreads and ratings)
- Monthly monitoring of economic capital limits

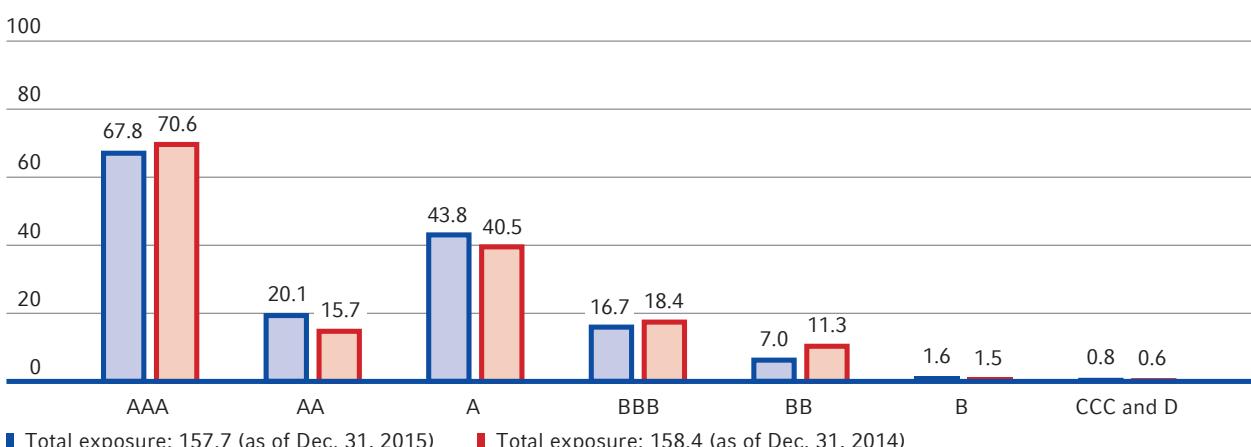
- At least annual monitoring of individual credit exposures
- Ongoing monitoring of the exposures on the watchlist, which contains intensive care and problem exposures

Where limits are exceeded, reasons must be given in each case; if these deviations are material – according to clearly defined criteria – they must be decided by the Managing Board and be submitted to the executive bodies for information.

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

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

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



NRW.BANK's total exposure amounts to € 157.7 billion, which represents a decline by € 0.7 billion from the previous year's € 158.4 billion.

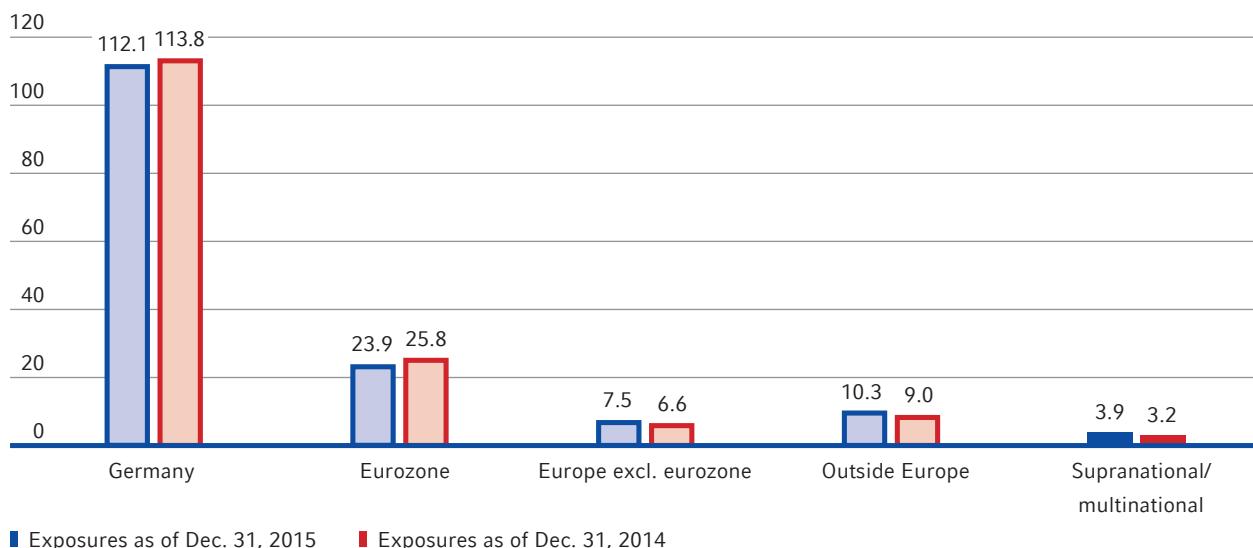
Due to the high proportion of government and domestic municipal loans, most of the ratings remain within the internal rating class AAA. 94.1% of the portfolio (2014: 91.6%) are investment grade exposures.

At € 112.1 billion (2014: € 113.8 billion), exposures in Germany account for the biggest portion of the portfolio (71.1% of the total exposure; 2014: 71.9%). Of this amount, € 79.4 billion (2014: € 79.7 billion) relates to North Rhine-Westphalia; this amount includes direct exposures to municipalities of € 16.9 billion (2014: € 16.3 billion). This concentration is the result of the public development mission, because of which the Bank has a special responsibility towards the municipalities and provides them with reliable funding.

As a largely independent development bank, NRW.BANK uses the income from its international exposures to fulfil its development mission. The international exposure totals € 45.6 billion (28.9% of the total exposure; 2014: € 44.6 billion) and is composed of exposures to European countries in the amount of € 31.4 billion (2014: € 32.4 billion) and of exposures to non-European countries as well as supranational and multinational organisations in the amount of € 14.2 billion (2014: € 12.2 billion). The international exposure is focused almost exclusively (97.8%; 2014: 95.8%) on investment-grade countries.

The European exposure comprises investments in the eurozone in the amount of € 23.9 billion (2014: € 25.8 billion) and investments outside the eurozone of € 7.5 billion (2014: € 6.6 billion). The non-European exposures focus on North America with € 6.7 billion (2014: € 6.1 billion) and Asia with € 1.2 billion (2014: € 1.1 billion). Supranational organisations and multinational exposures account for a total of € 3.9 billion (2014: € 3.2 billion).

Geographic breakdown of exposures incl. derivatives, in € billions



The sub-investment-grade country exposure is exclusively rated in the BB range and totals € 1.0 billion (2014: € 1.6 billion), of which € 0.7 billion (2014: € 1.1 billion) relates to Portugal. It exclusively results

from rating downgrades of investments already held in the portfolio. As a general rule, no new capital investments are made in these rating classes. The exposures to these countries were further reduced in the course

of the fiscal year. New burdens faced by the governments or a more pronounced economic slowdown could put the ratings under renewed pressure.

In the fiscal year, securitisation exposures increased by a moderate € 302.0 million due to new positions of first-class auto ABS securitisations as well as to exchange rate effects in the portfolio. As of the balance sheet date, the securitisation exposures – mostly of investment-grade quality – amounted to € 5.9 billion (2014: € 5.6 billion). A major portion of the portfolio (67.0%) additionally benefits from a comprehensive state guarantee (e. g. from the US Department of Education). NRW.BANK constantly monitors the credit risk associated with the underlying reference pools of securitisation exposures.

The equity investment business comprises strategic investments which are primarily held on behalf of the Federal State of North Rhine-Westphalia and were transferred to the Bank upon its inception as well as investments entered into as part of the Bank's development mission. The credit risks arising from the investments are largely based on strategic and operational risks, which are primarily analysed using the corporate data made available for investment controlling purposes. Controlling for these companies includes continuous monitoring of profits and losses and of conformity to projections. In the case of major equity holdings, the quarterly report also includes a review of risk-relevant developments. As such, risk management is a systematic and continuous process that enables rapid adaptation to changing conditions. At some of these investments, the Bank is represented through mandates on bodies such as advisory councils, supervisory boards or investment committees. Moreover, the investment contracts usually contain regulations which reserve a veto/approval right for NRW.BANK in specific cases.

For some equity investments, the credit risk is reduced due to a strong involvement of the public sector. In the case of eight participation funds in the promotion business with a total exposure of € 157.7 million (2014: € 138.6 million) the credit risk is reduced by a

guarantee from the Federal 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 Portigon AG, which is held on behalf of the Federal State of North Rhine-Westphalia, is secured by a guarantee from the federal state.

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

5.6.5 Economic Capital

As of the reporting date, the economic capital set aside for credit risks amounts to € 1.0 billion (2014: € 1.2 billion) under the going concern perspective and to € 4.2 billion (2014: € 5.1 billion) under the gone concern perspective. Differences between the two perspectives are primarily attributable to the confidence level used. Under both perspectives, rating improvements and the reduction of risk assets led to a marked reduction in the risk.

5.6.6 Risk Provisions

Defined criteria are used to determine whether risk provisions need to be established for credit claims. Where they are needed, the amount of the required individual allowances is determined in a timely manner in the course of the year. Thereby, existing collateral is taken into account. In evaluating collateral, the usual methods applied for the valuation of real estate are used for social housing promotion loans. The result is reduced by a discount calculated on the basis of historical data. By contrast, generalised individual allowances are established for problem exposures to volume business in social housing promotion (remaining capital of less than € 750 thousand). A general allowance is formed for latent credit risks. The amount of this allowance is based on historical averages for default rates and loss given defaults.

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

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

5.6.7 Opportunities

In accordance with its business model and the risk strategy principles, NRW.BANK takes risks only within clearly defined limits. This means that unexpected opportunities arising from potential future developments or events which may lead to a positive deviation from forecasts or targets exist only to a very limited extent. The positive business trend anticipated in the context of the business model is incorporated into the annual strategic planning process.

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

NRW.BANK determines anticipated losses on the basis of probabilities of default and loss given default and incorporates them in the planning and extrapolation for its result under HGB. There is an opportunity that the actual defaults are lower than the anticipated losses. At the end of the fiscal year 2015, for instance, an amount of € 152.4 million (2014: € 175.6 million) was allocated to reserves, which helped to strengthen the capital cover and the risk-bearing capacity.

Opportunities also arise from the equity investments entered into as part of the promotion activities. If these perform positively, there is a possibility to sell them at a profit.

5.7 Market Risk

5.7.1 Definition

The market risk refers to a potential loss resulting from unfavourable changes in market prices or price-influencing parameters. This definition covers interest rate, foreign exchange rate and option risks. The Bank

does not take equity 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).

5.7.2 Methods

The Bank controls and monitors its market 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.

Under the going concern perspective, market risks are primarily managed on the basis of a VaR concept (net-interest-income approach, respectively). Under this approach, all market risks which may influence the HGB income statement are taken into account. In the investment portfolio, this may include interest or foreign exchange rate risks resulting from assets and liabilities with different fixed interest periods or currencies which still have to be hedged on a nominal value basis in the context of asset/liability management. For the trading portfolio and the liquidity reserve, all relevant risks types are additionally measured on a mark-to-market basis. Accordingly, temporary market value changes, e. g. from specific interest rate risks (credit spreads), are counted under the HGB perspective for the trading portfolio and the liquidity reserve. Due to the strategic objective of hedging most of the interest and rate and currency risks, the correspondingly conservative limitation as well as active management, only low market risks exist in the investment and trading portfolios under the going concern perspective. The HGB-VaR calculation is based on the sensitivity of the HGB income statement towards changes in market prices ("HGB sensitivities"). In contrast to a mark-to-market VaR concept, the focus is not on the mark-to-market sensitivities but on the sensitivity of the HGB result.

The HGB-VaR is calculated for the current and for the next two fiscal years as well as generally for all future periods using a variance-covariance approach.

Under the gone concern perspective, the VaR is additionally examined on a mark-to-market VaR basis (economic value of equity). The (mark-to-market) sensitivities used to calculate the VaR take into account general and specific interest rate risks, exchange rate risks and volatility risks. Under this approach, the general interest rate risks from the largely equity-funded social housing promotion business as well as the specific interest rate risks (credit spreads) are considered in the investment portfolio. The VaR is calculated on the basis of a Monte Carlo simulation, which produces 3,000 scenarios per trading day. Nonlinear products are taken into account via new valuation.

The volatilities and correlations needed to determine the VaR figures are identical for both perspectives. The historical observation period is 250 days, with a greater weight placed on incidents in the more recent past.

Above and beyond this day-to-day management of the interest-bearing business, strategic interest rate risks from pension obligations (incl. benefit obligations) and strategic investments are also considered in the economic capital. Strategic interest rate risks from pension obligations result from the Bank's strategic decisions regarding the capital investment of pension provisions in cases where the maturity of the investment does not exactly match the payment profile. There is a risk that the provisions and the interest income generated from the investment need to be complemented by other operating income to meet all pension obligations. In addition, minor interest rate risks result from strategic investments if the term of the refinancing differs from the assumed term of the strategic investment.

The calculation of VaR is supplemented with daily stress scenario computations. In this context, hypothetical scenarios are considered for interest rates, foreign exchange rates, implicit volatilities and credit spreads. In addition, the effects of changes in interest rates and credit spreads are examined for the identified historical scenarios. The standardised stress scenarios are supple-

mented if needed with individual, situational considerations tailored to the risk structure of the Bank's portfolio. Moreover, the analysis of the sensitivities and risk concentrations from the above risk factors is an integral element of daily market risk measurement.

5.7.3 Validation

Daily backtesting is used to check the quality of the VaR projection. In this context, the losses projected by the VaR model are compared with the changes in the result. The Bank performs clean backtesting without ageing, which means that only changes resulting from changes in the market data are taken into account. In accordance with the two perspectives, backtesting is performed for both HGB losses and mark-to-market losses.

If the regulatory traffic-light model for internal models (for the calculation of the equity capital needed to back market risks in the trading book) is applied to NRW.BANK's backtesting with a confidence level of 95% and 250 backtesting observations, the model is "in the green" for both perspectives (going concern and gone concern perspective). This means that the validity of the model is confirmed also by backtesting.

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

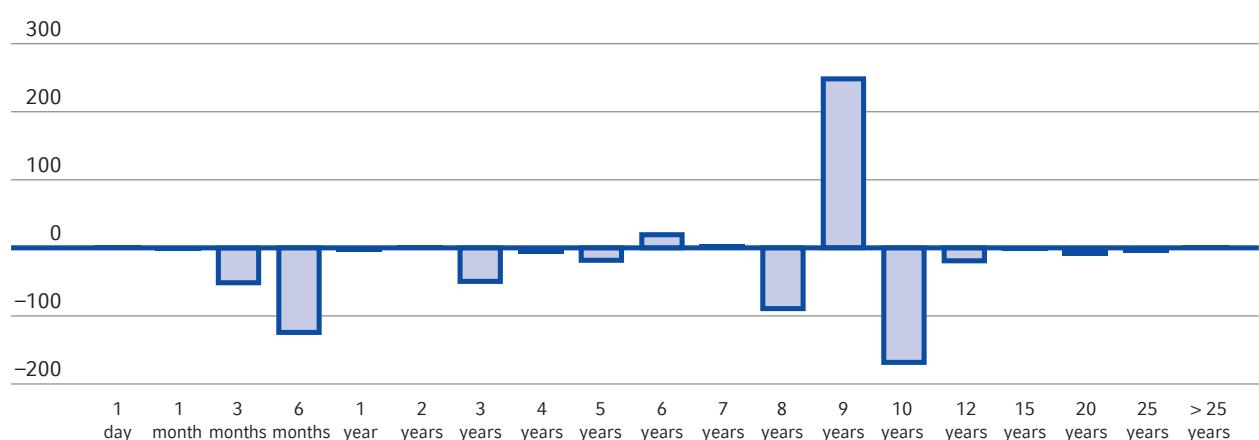
5.7.4 Risk Assessment and Limitation

The focus of the market risk under the gone concern perspective is on general and specific interest rate risks in the investment portfolio. The resulting market value fluctuations are not reflected in profit/loss under the HGB-oriented going concern perspective, provided there is no permanent impairment. As investments in the investment portfolio are made with the intention of being held to maturity permanently, the hedges used by the Bank relate to the nominal value at maturity. Accordingly, there are only minor fixed-interest-period and currency mismatches under the HGB-oriented going concern perspective, which are limited by the HGB-VaR for the risks of all future fiscal years as well as for the current and the next two fiscal years. In addition, the Bank has minor active positions in the trading

portfolio. These are limited by a separate limit for the trading portfolio. Compliance with the limits is monitored on a daily basis; all limits were met at all times in the fiscal year.

Due to the hedges in place, there are no material fixed-interest-period mismatches at Bank-wide level under the HGB-oriented going concern perspective the following graph shows sensitivities of max. € 252 thousand and min. € –172 thousand at the 9 and 10 year points, respectively).

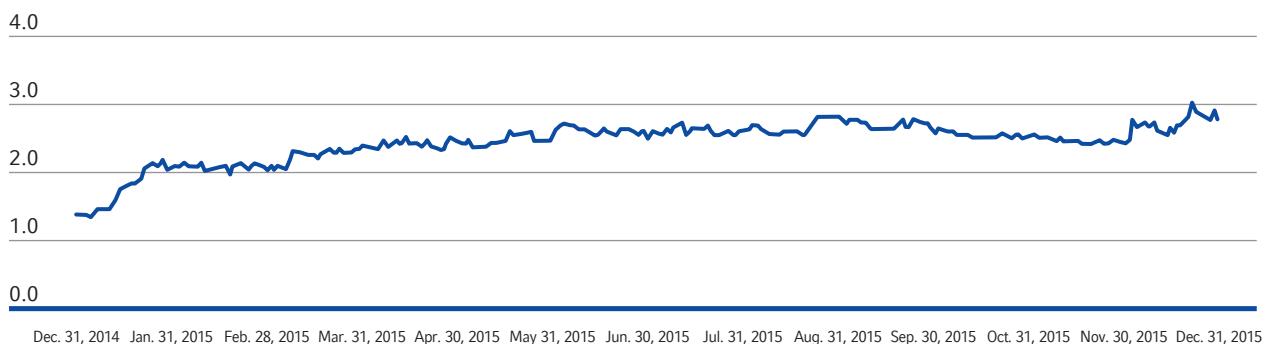
HGB interest rate sensitivities (all periods) to a 1 bp interest rate hike in € thousands as of Dec. 31, 2015



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

Reflecting the low interest rate and exchange rate risks, the Bank-wide HGB-VaR for market risks for all future fiscal years amounted to € 2.8 million as of December 31, 2015 (2014: € 1.2 million).

HGB-VaR going concern (all periods) in € millions



The average HGB-VaR for market risks in the fiscal year was € 2.4 million (2014: € 1.1 million). The minimum was € 1.3 million on January 6, 2015 and the maximum was € 3.0 million on December 22, 2015.

The allocation of the HGB-VaR to the risk types confirms the relatively low overall market risks taken, which, as described above, are largely closed by hedges and limited additionally. After hedging, the relevant market risks essentially include the interest rate risk and the exchange rate risk (focus on future USD interest margins).

HGB-VaR going concern (all periods)

	March 31, 2015 € millions	June 30, 2015 € millions	Sep. 30, 2015 € millions	Dec. 31, 2015 € millions
Interest rate risk	0.6	0.3	0.6	0.8
Foreign exchange rate risk	2.1	2.5	2.6	2.5
Credit spread risk	0.5	0.3	0.2	0.1
Interest rate volatility risk	0.0	0.0	0.0	0.0
Diversification	-0.8	-0.5	-0.7	-0.6
Total VaR	2.3	2.6	2.7	2.8

No material positions were held in the trading portfolio in the fiscal year. Accordingly, the maximum VaR in the fiscal year was € 2.4 million (2014: € 0.6 million). The increase on the previous year which occurred in the course of the year is the result of a position in US dollar bonds that was built up at the beginning of the year and where the US dollar FX risk was hedged by other investment book positions. This position was closed in the second half of 2015.

5.7.5 Economic Capital

For the strategic management of economic capital, the Bank uses a confidence level of 99% under the going concern perspective and of 99.96% under the gone concern perspective. A risk horizon of one year with a shorter holding period of 110 days (2014: 95 days) is considered, which results from the differentiated analysis of different holding periods per asset and liquidity class. The latter reflects the possibility to take risk management measures, e.g. by reducing risk positions in the

event of an unfavourable market trend. The economic capital for market risks is determined conservatively from a stress VaR with stressed correlations and volatilities. This way, the Bank ensures that the calculation of economic capital also reflects unfavourable market phases. Accordingly, the economic capital remains relatively constant.

Under the going concern perspective, the economic capital for market risks including strategic interest rate risks amounted to € 69.6 million (2014: € 62.8 million). An amount of € 11.3 million (2014: € 9.8 million) related to strategic interest rate risks.

The economic capital for market risks under the gone concern perspective primarily includes general interest rate risks from the social housing promotion loans. These are primarily funded with own equity funds. To comply with MaRisk, the own equity funds used to fund housing promotion loans may not be taken into account

in the risk calculation. The MaRisk thus imply that housing promotion loans are funded fully mismatched with overnight deposits. This results in a high assumption based interest position. In addition, economic capital includes all mark-to-market strategic interest rate rates and all credit spread risks of the investment portfolio, although any resulting fluctuations in the market value are usually not recognised in profit/ loss in NRW.BANK's HGB income statement. As of the reporting date, the economic capital set aside for market risk amounted to € 6.1 billion (2014: € 6.5 billion).

5.7.6 KWG Interest Rate Shock

The effect of the sudden and unexpected interest rate change in the investment book defined by BaFin circular 11/2011 – currently +/-200 basis points – is dominated by the above-mentioned assumption based interest position of the housing promotion loans. As of December 31, 2015, the negative change in the present value of the Bank's investment book resulting from a +200 bp interest rate shock amounted to 18.0% of the regulatory equity capital (2014: 14.5%). The marked increase is primarily attributable to more concrete regulatory discounting requirements.

Besides calculating the effects of the KWG interest rate shock on the present value, the Bank also calculates the effects of interest rate changes on the HGB result under the going concern perspective. In contrast to the above-described particularities of housing promotion under the mark-to-market perspective, interest rate risks under the going concern perspective are negligible. As the positions in the Bank's investment portfolio fall under the buy-and-hold strategy, this perspective is in accordance with the Bank's primary risk management approach.

5.7.7 Opportunities

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

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

5.8 Liquidity Risk

5.8.1 Definition

The liquidity risk includes, in particular:

- the risk of being unable to meet payment obligations at maturity (liquidity risk in the narrower sense),
- the risk of being unable to provide sufficient liquidity at the anticipated conditions (funding risk) when needed and
- the risk of being unable to unwind or liquidate transactions or to do so only at a loss because of insufficient market depth or market disruptions (market liquidity risk).

5.8.2 Methods

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

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

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

The funding risk, as the income risk for the HGB result, is determined on the basis of the planned issuance volume of the next 12 months and the volatility of the own fund spread and limited in the context of the risk-bearing capacity in the going concern perspective. In addition, the funding base is diversified in terms of investor groups, regions and products, which helps to minimise the funding risk.

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

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

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

5.8.3 Risk Assessment and Limitation

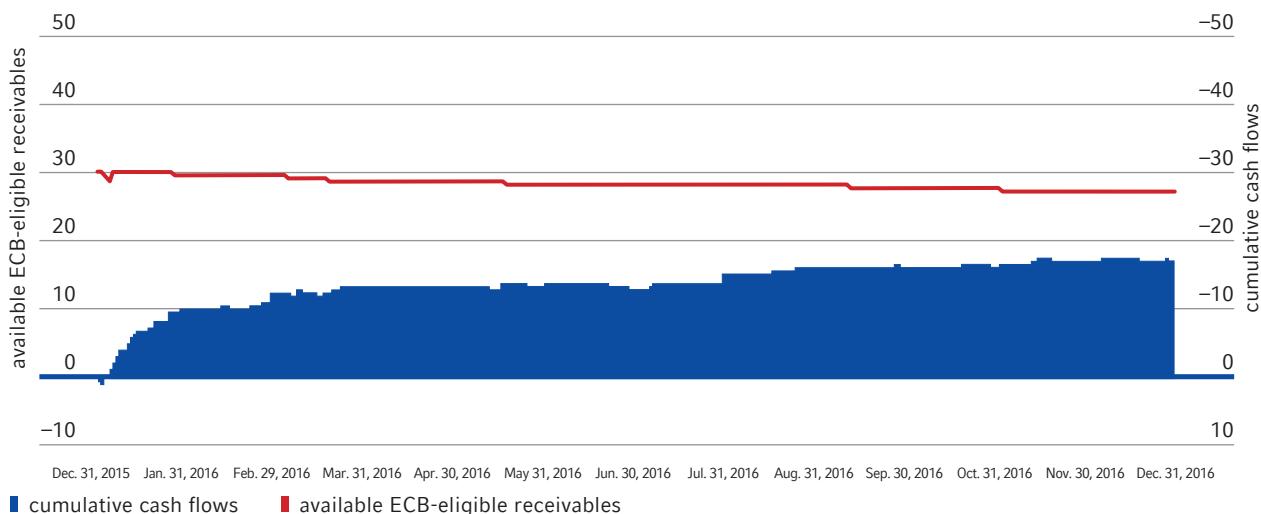
Because of the explicit funding guarantee extended by NRW.BANK's guarantor and its correspondingly good rating, the Bank can generate the required liquidity at short notice at any time. The Bank usually funds itself in the money and capital markets. NRW.BANK continues to benefit from a very favourable funding environment.

To ensure it is able to meet its payment obligations at all times, the Bank additionally holds a substantial portfolio of liquid ECB/repo-eligible securities. Regardless of the buy-and-hold strategy, the securities may be used in the repo market or for ECB open-market transactions with a view to generating liquidity. Sales of securities in the investment portfolio are therefore not required for this purpose.

To limit liquidity gaps, a limit system graded according to maturities is in place, which is based on the MaRisk requirements for assets to be held as liquidity buffer even in a stress scenario (up to 1 week: highly liquid securities that can be liquidated in private markets without significant losses at any time and that are ECB-eligible; up to 1 month: unencumbered ECB-eligible securities and unencumbered securities deposited with the Bundesbank). The limit system also requires liquid securities for observation periods of more than one month. The liquidity buffer is thus an important element of the system for liquidity gap limitation. In addition, there are further funding possibilities of the money and capital markets, which are reflected in the limit system in a second step, with haircuts being applied.

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

Liquidity gap analysis of NRW.BANK in € billions



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

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

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

The results are analysed at least on a monthly basis. Even assuming these stress scenarios, NRW.BANK is able to meet its payment obligations at all times. In addition, the HGB result is subjected to stress tests in the form of rising costs from USD exchange rate hedges.

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

5.8.4 Economic Capital

As of the reporting date, the economic capital for liquidity risks under the going concern perspective (income risks of the HGB result for the issuance volume planned for the next 12 months) was € 10.5 million (2014: € 10.5 million).

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

5.8.5 Funding Structure

As a state-guaranteed development bank, NRW.BANK again saw strong demand for funding instruments in the past fiscal year. The Bank met investors' demand for state-guaranteed liquid bonds and strengthened its market presence through further benchmark issues.

Two USD benchmark bonds were issued in 2015. The issue was made against the background of very high demand from investors and in view of a funding advantage compared to the euro. The benchmark volume amounted to \$ 2.0 billion or approx. € 1.8 billion (2014: € 1.5 billion). Both issues were placed with a broad investor base. 2015 also saw NRW.BANK issue another Greenbond. The 10-year € 500 million bond met with very good demand.

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

NRW.BANK also used its international funding programmes. These essentially comprise the Debt Issuance Programme, which covers medium and long-term maturities, and the Global Commercial Paper Programme, which covers maturities of up to twelve months. The GCP Programme constituted a particularly favourable source of funding for NRW.BANK throughout the fiscal year.

The funding structure of NRW.BANK primarily comprises certificated liabilities in the amount of € 58.7 billion (2014: € 58.2 billion) (mostly bearer instruments € 28.6 billion (2014: € 25.6 billion), bearer bonds € 17.4 billion (2014: € 21.9 billion), commercial paper € 12.7 billion (2014: € 10.7 billion)), liabilities to banks of € 38.4 billion (2014: € 39.7 billion) (mostly on-lending € 22.1 billion (2014: € 22.6 billion), promissory loans € 9.1 billion (2014: € 9.9 billion), registered bonds € 4.2 billion (2014: € 4.4 billion)) as well as liabilities to customers of € 17.8 billion (2014: € 19.3 billion) (mostly registered bonds € 16.2 billion (2014: € 17.1 billion)).

5.8.6 Opportunities

NRW.BANK continues to attract strong demand from investors thanks to its status as a development bank and the funding guarantee granted by the Federal State of North Rhine-Westphalia. This is reflected in a favourable funding environment for the Bank – even in times of tight financial markets. But even in case of a further reduction in the Bank's own funding spread, there are no plans to increase the funding volume

materially. Additional opportunities may arise, however, for the coverage of short-term liquidity, which may take place in different money market segments, depending on the financial markets.

5.9 Operational Risk

5.9.1 Definition

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

5.9.2 Methods

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

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

Since 2004, NRW.BANK has collected information on losses and loss-free risk events in a central risk event database and categorised them in accordance with the Basle event categories. The data collection serves as the basis for the assessment of operational risks at NRW.BANK. The results of the annual forward-looking self-assessments and the findings resulting from the monitoring of risk indicators are also included in the overall assessment of the risk situation.

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

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

NRW.BANK uses standardised contracts to minimise legal risks from transactions. Deviations from standardised contracts and individual transactions are approved by the Legal business unit. In conjunction with the debt moratorium imposed by the Austrian Financial Supervisory Authority against Heta Asset Resolution AG, which also affects claims of NRW.BANK, the Bank has filed a suit with the Frankfurt district court to enforce its claims. The Bank is currently not involved in any other significant pending proceedings.

Operational risks are mitigated by, among other things, the instructions in the written orders as defined in the internal control system (ICS). These comprise all processes, methods and control measures ordered by the Managing Board which serve to ensure the proper and safe functioning of the operational processes. The ICS comprises general principles and requirements for working and behavioural practices, e.g. the four-eye principle, but also specific process-related instructions. In the event of material changes in the structural and operational organisation as well as in the IT systems, the business units involved in the downstream workflows as well as the Risk Control function, the Compliance function and Internal Audit analyse the effects on the control procedures and the intensity of control.

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

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

sation concepts and processes additionally have a risk-mitigating effect. Contingency plans exist for the breakdown of all critical IT systems.

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

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

5.9.3 Risk Assessment and Limitation

In the context of the identification and assessment of risks, all losses and risk events are analysed for their causes (including the observation of early warning indicators). Regardless of the current amount of the risk or the risk potential, this is done to ensure that countermeasures can be taken at an early stage if similar events occur.

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

Neither the operational risk losses and loss-free risk events identified in 2015 nor the findings from the self-assessments and the observation of early warning indicators have revealed any risks that could jeopardise the existence of the Bank.

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

5.9.4 Economic Capital

With regard to the economic capital for operational risks derived from the regulatory basic indicator approach, differences between the going concern perspective and the gone concern perspective result exclusively from scaling to the respective confidence level. As of the reporting date, the economic capital set aside for operational risks amounted to € 35 million (2014: € 35 million) under the going concern perspective and to € 120 million (2014: € 140 million) under the gone concern perspective.

5.10 Pension Risk

5.10.1 Definition

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

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

5.10.2 Methods

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

With regard to the period during which pensions are received, invalidity and death must be modelled in the cash flows. This is done on the basis of actuarial mortality tables (Heubeck 2005 G), which are generally accepted for Germany and approved by the tax authorities.

For the mortality tables, no historical changes covering sufficiently long periods are available from which the volatilities required for a VaR model can be derived. This is why the risk of changes in the statistical assumptions regarding invalidity and death is quantified using a

scenario analysis in which the cash flows increase based on the assumption of a growing life expectancy. In addition, the probabilities of invalidity are modified as well. To quantify the risk, the scenario showing the strongest impact on the Bank is applied.

Differences between the going concern perspective and the gone concern perspective exclusively result from different interest rates used to discount the cash flows.

5.10.3 Risk Assessment and Limitation

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

Economic capital is determined once a year, i.e. it is constant throughout the year, the Bank makes thus no distinction between limit and utilisation.

5.10.4 Economic Capital

The economic capital set aside for pension risks as of the reporting date amounted to € 60 million under the going concern perspective and to € 110 million under the gone concern perspective. No changes have occurred compared to the previous year.

5.11 Business and Cost Risk

5.11.1 Definition

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

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

5.11.2 Methods

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

5.11.3 Risk Assessment and Limitation

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

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

5.11.4 Economic Capital

As of the reporting date, the economic capital set aside for the business and cost risk amounted to € 50 million under the going concern perspective and to € 65 million under the gone concern perspective (differences result from different interest rates used to discount the cash flows). No changes have occurred compared to the previous year.

5.12 Reporting

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

Daily reports are produced for the Managing Board both on Bank-wide level and for the capital market business. These include risk positions and trading results as well as all cases where limits for market risks

and liquidity risks as well as counterparty and issuer limits are exceeded.

As a general standard, the monthly risk report covers the following topics: Bank-wide risk management, credit risks, market risks, liquidity risks, operational risks and profit performance. It forms the basis for the discussion of the risk situation in the ALCO and the Credit Committee for capital markets. Besides the standardised content, the report covers risk-relevant special topics as required. Every quarter, it covers the Bank-wide stress tests across all risk types.

The quarterly reports to the Risk Committee are based on the monthly reports that are relevant for the quarter; while the level of detail is reduced with a view to the recipients, all material aspects are addressed. In addition, extraordinary events which are material from a risk perspective immediately trigger an (ad-hoc) report.

6 Internal Control System Relevant for the Financial Reporting Process

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

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

Accounting-related business events are mostly handled locally. All accounting-relevant events are initiated in IT systems. The respective business units are responsible

for full and proper capture and for implementing and documenting the required controls. Bank-wide functional responsibility for the accounting rules, the booking system, accounting and the definition of the valuation principles rests with the Finance business unit. This ensures that consistent accounting and valuation principles are applied within NRW.BANK even where business transactions are recorded locally. Risk Control is responsible for the trading-independent valuation and results analysis.

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

The financial statements are prepared by the Finance business unit and drawn up by the Managing Board. In accordance with the Statutes, the Board of Guarantors of NRW.BANK approves and endorses the financial statements, which are published in the electronic Federal Gazette within the statutory deadlines.

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

The Finance business unit examines all new legislation for its potential relevance to the Bank's accounting process. Necessary adjustments to processes and manuals are implemented in a timely manner. The management and monitoring of new products are

coordinated by the Risk Control business unit in a standardised process. In this context, an accounting-related analysis of the products and the associated risks is carried out with a view to ensuring accurate accounting.

The front-office business units are functionally and organisationally separated from the business units responsible for settlement, monitoring and control. This separation is also reflected in the responsibilities of the individual Managing Board members. The authorities and responsibilities are laid down in detail in the individual specialist business units. Employees involved in accounting-relevant processes have the knowledge and experience required for their respective tasks. Where required, external experts are called in for certain calculations, e.g. the measurement of pension obligations.

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

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

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

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

The functionality of the accounting-related internal control system is additionally monitored by Internal Audit through regular process-independent tests in accordance with the MaRisk requirements published by the Federal Financial Supervisory Authority (BaFin).
The Managing Board and the Supervisory Board are informed of the results of the tests in a timely manner.

Balance Sheet

of NRW.BANK at December 31, 2015

Assets

see Notes No.

	€	Dec. 31, 2014 € thousands
1. Cash		
a) cash on hand	18,898.16	25
b) balances with central banks	<u>750,833,032.97</u>	321,978
thereof:		
with Deutsche Bundesbank € 750,833,032.97		(321,978)
		750,851,931.13
		322,003
2. Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks		
a) treasury bills and discounted treasury notes as well as similar debt instruments issued by public institutions	24,571,659.82	23,747
thereof:		
eligible for refinancing with Deutsche Bundesbank € 24,571,659.82		(23,747)
3. Receivables from banks 1, 11, 23, 27		
a) payable on demand	1,032,239,128.26	1,268,070
b) other	<u>32,417,126,342.93</u>	32,451,135
		33,449,365,471.19
		33,719,205
4. Receivables from customers 2, 11, 23, 27		
thereof:		
secured by mortgages € 7,149,667.02	60,273,797,863.22	60,246,233
loans to public authorities and entities under public law € 36,943,962,767.90		(17,149)
		(36,166,691)
	To be carried forward:	94,498,586,925.36
		94,311,188

Liabilities

see Notes No.

	€	Dec. 31, 2014
	€ thousands	
1. Liabilities to banks	13, 23, 26, 27	
a) payable on demand	1,808,744,896.53	
b) with agreed maturity or period of notice	36,624,781,789.08	
		38,433,526,685.61
2. Liabilities to customers	14, 23, 27	
a) other liabilities		
aa) payable on demand	267,774,095.13	
ab) with agreed maturity or period of notice	17,543,515,204.62	
		17,811,289,299.75
3. Certificated liabilities	15, 23, 27	
a) bonds and notes issued by the bank	58,731,250,261.99	
		58,731,250,261.99
3a. Trading portfolio	16	58,162,678
4. Trust liabilities	17	58,162,678
thereof:		
trust loans € 1,603,595,403.55		(1,686,714)
5. Other liabilities	18, 23	1,686,904
6. Deferred items	19, 23	(1,686,714)
7. Provisions	20	575,084
a) provisions for pensions and similar obligations	1,837,854,205.00	
b) tax reserves	6,719,028.17	
c) provisions for interest rate subsidies	102,580,461.97	
d) other	372,889,889.21	
		2,320,043,584.35
8. Subordinated liabilities	21	2,096,477
thereof:		
due in less than two years € 211,000,000.00		2,211,920
		(270,400)
	To be carried forward:	122,435,615,826.49
		125,203,078

Balance Sheet

of NRW.BANK at December 31, 2015

Assets

see Notes No.

	€	€	Dec. 31, 2014
	Carried forward:	€ thousands	
5. Bonds and other interest-bearing securities	3, 8, 12, 23, 25, 27	94,498,586,925.36	94,311,188
a) money market instruments			
aa) of public institutions	21,861,682,715.47		21,788,718
thereof: eligible as collateral for Deutsche Bundesbank advances € 18,734,393,969.42			(19,792,062)
ab) of other issuers	17,572,870,129.96		21,054,007
thereof: eligible as collateral for Deutsche Bundesbank advances € 13,104,088,215.81			(15,876,959)
	39,434,552,845.43		42,842,725
b) bonds issued by the bank	8,212.16		101,396
principal amount € 7,515.99			(92,748)
		39,434,561,057.59	42,944,121
6a. Trading portfolio	4, 23	68,996,391.41	144,438
7. Equity investments in non-affiliated companies	5, 8	2,286,660,497.52	2,279,468
thereof: equity investments in banks € 2,243,772,546.20			(2,243,773)
8. Equity investments in affiliated companies	5, 8	180,642,099.72	175,963
9. Trust assets	6	1,669,244,803.55	1,686,904
thereof: trust loans € 1,603,595,403.55			(1,686,714)
10. Intangible assets	8	4,938,830.03	8,431
11. Tangible assets	8	71,332,854.90	72,050
12. Other assets	7, 23	2,593,213,543.74	1,990,206
13. Deferred items	9, 23	367,070,193.04	230,299
Total assets		141,175,247,196.86	143,843,068

Liabilities

see Notes No.

	€	Dec. 31, 2014 € thousands
	Carried forward:	
9. Fund for general banking risks	122,435,615,826.49	125,203,078
thereof: special item pursuant to Section 340e (4) of the German Commercial Code (HGB) € 2,727,000.00	757,727,000.00	707,338
		(2,338)
10. Equity capital	22	
a) subscribed capital	17,000,000,000.00	17,000,000
b) capital reserves	726,157,241.95	676,905
c) reserves from retained earnings		
ca) reserves required by NRW.BANK's statutes	36,100,000.00	36,100
cb) other reserves	219,647,128.42	219,647
d) profit for the year	0.00	0
	17,981,904,370.37	17,932,652
Total liabilities	141,175,247,196.86	143,843,068
1. Contingent liabilities	23, 24	
liabilities from guarantees and indemnity agreements		15,675,883
2. Other commitments	23, 24	
irrevocable loan commitments		2,884,376
3. Administered funds	64,880,628.58	94,626

Income Statement

of NRW.BANK for the Period January 1–December 31, 2015

see Notes No.

Jan. 1 –
Dec. 31, 2014

	€	€	€ thousands
1. Interest income from			
a) lending and money market transactions	3,778,013,988.08		4,033,902
b) interest-bearing securities and book-entry securities	1,143,275,066.59		1,390,524
thereof:		4,921,289,054.67	5,424,426
from negative interest € 975,692.88			(581)
2. Interest expenses	<u>4,503,597,497.37</u>		4,974,486
thereof:			(604)
from positive interest € 11,792,948.26			449,940
3. Income from			
a) equity investments in non-affiliated companies	8,397,267.22		3,052
b) equity investments in affiliated companies	9,457,706.68		10,227
		17,854,973.90	13,279
4. Income from profit pooling, profit transfer and partial profit transfer agreements		1,228,996.71	1,787
5. Commission income	28	119,705,042.58	114,434
6. Commission expenses		10,184,017.35	11,133
			109,521,025.23
			103,301
7. Net profit from trading portfolio		3,496,394.09	5,381
8. Other operating income	29		32,753
9. General administrative expenses			
a) personnel expenses	31		
aa) wages and salaries	99,556,728.11		97,713
ab) social security contributions and expenses for pensions and other employee benefits	23,366,984.54		25,894
thereof: for pensions € 9,275,613.84		122,923,712.65	123,607 (13,614)
b) other administrative expenses	30	80,405,766.03	83,186
			203,329,478.68
			206,793
10. Depreciation and value adjustments on intangible and tangible assets	8	7,117,652.16	8,443
11. Other operating expenses	29	7,554,522.56	9,663
		To be carried forward:	363,897,008.21
			381,542

see Notes No.

	€	Jan. 1 – Dec. 31, 2014
	€ thousands	
	Carried forward:	
12. Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions thereof: allocation to fund for general banking risks € 50,000,000.00	363,897,008.21	381,542
	547,084,528.40	452,575
	(80,000)	
13. Income from write-ups of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as tangible assets	206,841,603.12	93,416
14. Expenses from the assumption of losses	22,511.26	0
15. Result from normal operations	23,631,571.67	22,383
16. Taxes on income and revenues	9,686,113.62	6,531
17. Other taxes not shown under other operating expenses	148,903.17	129
18. Net income	9,835,016.79	6,660
19. Designated payout due to legal requirements	13,796,554.88	15,723
20. Profit for the year	13,796,554.88	15,723
	0.00	0

Notes

of NRW.BANK for the Fiscal Year 2015

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.

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

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

Accounting and Valuation Principles

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

1. General

Receivables are reported at their amortised cost less any discounts where appropriate. Premiums and discounts from notes and bonds are released by the end of the term. Liabilities are carried at their settlement amount, with any related discounts reported under deferred items. Premiums on receivables and liabilities are reported under deferred items as an asset or liability, respectively. The proportionate amount of accrued interest on a receivable or liability at year-end is generally included with the receivable or liability to which it applies. These items are valued on a straight-line basis. Non-interest-bearing loans to employees are reported at their amortised cost in accordance with tax regulations. Zero-coupon bonds are carried as liabilities at their issue price plus interest accrued as of the reporting date.

According to a decision made by the Specialist Committee on Banking of IDW (Institut der Wirtschaftsprüfer/Institute of Public Auditors in Germany, In-

corporated Association) on June 23, 2015, negative interest included in the net interest income has to be shown separately. The Specialist Committee on Banking justifies this by saying that negative interest is an unusual phenomenon in money and capital markets. In the fiscal year 2015, NRW.BANK therefore discloses negative interest by open deduction within the items interest income and interest expenses.

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

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

Discernible risks in the lending business were adequately covered by individual value adjustments and provisions. A global provision was formed in

accordance with tax valuation methods for latent risks from receivables and recourse receivables. Value adjustments were deducted from assets in the longest remaining maturity range. Non-performing loans were written off.

The principles of the IDW statement on accounting (IDW RS HFA 22) of September 2, 2008 are incorporated in the current financial statements. According to these principles, each structured financial instrument held in the investment book including securities issued is generally recognised as an integral asset or an integral liability. In those cases where the structured financial instrument has much higher or additional risks or opportunities than the basic instrument due to an embedded derivative, each individual component of the asset or liability is recognised separately as an underlying transaction and a derivative in accordance with the relevant HGB principles. In those cases where the recognition as an integral asset or an integral liability gives a fair view of the net assets, financial position and results of operations, such recognition is applied.

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

Structured derivatives and other structured products are valued on the basis of generally accepted models (Black 76, Normal-Black 76, Normal-Black 76 with extension for CMS spread instruments, One, 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 (such as Reuters or Markit).

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

2. Promotion Loans of the Housing Promotion Department

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 funded at matching maturities from equity capital and takes into account the interest balance guarantee under which the State of North Rhine-Westphalia would compensate for any negative interest balance for all promotion loans granted by the Housing Promotion Department up to December 31, 2009. No negative interest balance existed for these receivables as of the balance sheet date.

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

3. Loss-Free Valuation of the Banking Book

According to the statement RS BFA 3 "Einzelfragen der verlustfreien Bewertung von zinsbezogenen Geschäften des Bankbuchs" (Individual Aspects of the Loss-Free Valuation of Interest-Related Transactions in the Banking Book) of the IDW's Specialist Committee on Banking, a provision for contingent losses must be established for a surplus of obligations resulting from the banking and interest book in an overall view of the transactions. NRW.BANK performed the corresponding calculations in the 2015 financial statements, for which a periodic (P&L-oriented) view was taken. The present value of the future interest result of the banking book was reduced by pro-rated risk and administrative costs for the total term. The calculation did not result in a surplus of obligations, which means that there was no need to establish a provision for contingent losses.

4. Securities and Derivatives in the Investment Portfolio

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

For securities held in the financial investment portfolio with a carrying value of € 3,627,287,681.79 lower market values of € 3,549,502,963.73 were determined.

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

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 currency derivatives, which serve to manage the Bank's overall exposure to interest rate risk, as well as credit default swaps, which are used as credit substitute transactions.

5. Securities Held in the Liquidity Reserve

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

A portfolio valuation by the formation of hedge relationships also permissible for the liquidity reserve pursuant to Section 254 HGB was not used in the 2015 financial statements. The hedge relationship existing in the previous year was released in the first quarter of 2015 due to the expiry of the hedges and the hedged items.

6. Financial Instruments of the Trading Portfolio

In accordance with Section 340e Para. 3 HGB, financial instruments in the trading portfolio are measured at fair value less a risk discount of € 0.6 million (2014: € 0.4 million).

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

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

In order to comply with the distribution restriction for unrealised gains required pursuant to Section 340e Para. 4 HGB, an amount of € 389,000.00 (2014: € 598,000.00) of the net result of the trading portfolio was allocated to the "fund for general banking risks" pursuant to Section 340g HGB.

7. Equity Investments in Non-Affiliated and Affiliated Companies

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.

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

NRW.BANK treats the equity investment in Portigon AG and the value guarantee as a hedge relationship as defined in Section 254 HGB, which is accounted for using the net hedge presentation method. Accordingly, the equity investment in Portigon AG was recognised at an amount of € 2,190.8 million as of December 31, 2015.

8. Tangible and Intangible Assets

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

9. Provisions

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

Provisions with a remaining maturity of more than one year are discounted using the average market rate of the past seven years as appropriate for the remaining maturities.

Pension, benefit and other personnel provisions are 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-Richttafeln-GmbH in Cologne, average wage and salary rises of 2.5% were applied for this purpose.

In accordance with the option granted under Section 253 Para. 2 Sentence 2 HGB, NRW.BANK has discounted provisions for pension obligations or comparable long-term obligations using the average market rate for an assumed remaining maturity of fifteen years. The interest rate of 3.89% used for discounting was stipulated by Deutsche Bundesbank.

The accumulation for pension, benefit and other personnel provisions was recognised in the net interest income in an amount of € 153.5 million (2014: € 109.7 million).

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

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.

In accordance with Article 67 Para. 1 Sentence 2 EGHGB (Introductory Act to the Commercial Code), the option was used insofar as the existing provisions are maintained due to excess cover, as the amount to be released in the context of a required release would have to be reallocated by December 31, 2024 at the latest. As of December 31, 2015, excess cover of € 44 thousand exists for these provisions.

10. Currency Translation

Foreign currency amounts are translated in accordance with Section 256a HGB in conjunction with Section 340h HGB as well as the statement RS BFA 4 of the IDW. Assets, liabilities and pending transactions denominated in foreign currencies were translated using the spot exchange rate on December 31, 2015. In this context, NRW.BANK uses the reference rates of the European System of Central Banks (ESCB). In case of foreign exchange forwards, the forward rate is split into a spot rate and a swap rate.

For the translation of foreign currencies, NRW.BANK determines the foreign currency positions by offsetting the claims and obligations of all foreign currency assets, liabilities and pending transactions in the respective foreign currency. In accordance with Section 256a HGB in conjunction with Section 340h HGB, these transactions are classified and valued as being specifically covered in all currencies. Accordingly, all income and expenses from foreign currency translation are stated in the income statement pursuant to Section 340h HGB. The foreign currency results from currency translation are shown in "net profit or net expenditure from trading portfolio".

Positive revaluation adjustments resulting from the translation of foreign exchange forwards are recognised as "adjustment item from currency translation in accordance with Section 340h HGB" under "other assets".

Balance Sheet

Receivables from Banks (1)

Breakdown by maturity	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Payable on demand	1,032.2	1,268.1
Other receivables		
– up to 3 months	1,512.2	1,940.5
– between 3 months and 1 year	2,389.3	3,301.6
– between 1 and 5 years	12,281.8	10,833.4
– more than 5 years	16,233.9	16,375.6
Total receivables from banks	33,449.4	33,719.2

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 € 13.6 million (2014: € 14.7 million).

Receivables from Customers (2)

Breakdown by maturity	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
– up to 3 months	4,781.0	4,063.7
– between 3 months and 1 year	2,933.8	3,457.3
– between 1 and 5 years	13,319.4	13,417.9
– more than 5 years	39,239.6	39,307.3
Total receivables from customers	60,273.8	60,246.2

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 € 1.6 million (2014: € 1.6 million).

Bonds and Other Interest-Bearing Securities (3)

Marketability	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Bonds and other interest-bearing securities		
– listed on a stock exchange	36,316.9	39,129.9
– not listed on a stock exchange	3,117.7	3,814.2
Total bonds and other interest-bearing securities	39,434.6	42,944.1

Of the bonds and other interest-bearing securities, an amount of € 3,441.3 million (2014: € 6,521.4 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 or companies in which equity investments are held.

Of the total bonds and other interest-bearing securities € 662.0 million (2014: € 101.4 million) are held as part of the liquidity reserve and € 38,772.6 million (2014: € 42,842.7 million) are held in the financial investment portfolio.

Trading Portfolio (Assets) (4)

Breakdown of trading portfolio	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Derivative financial instruments	0.8	0.3
Receivables	25.1	34.1
Bonds and other interest-bearing securities	43.7	110.4
Risk discount pursuant to Section 340e Para. 3 Sentence 1 HGB	–0.6	–0.4
Total trading portfolio	69.0	144.4

Derivative financial instruments include futures with a positive market value of € 0.1 million (2014: € 0.1 million). This market value is offset against the opposite variation margin received from futures.

Equity Investments in Non-Affiliated and Affiliated Companies (5)

NRW.BANK holds € 2,286.7 million (2014: € 2,279.5 million) in equity investments in non-affiliated companies and € 180.6 million (2014: € 176.0 million) in equity investments in affiliated companies. Of the equity investments in non-affiliated companies, € 2,191.3 million (2014: € 2,191.1 million) are securitised by marketable securities. However, none are listed on a stock exchange.

An itemised list of NRW.BANK's investments pursuant to Section 285 No. 11 and 11a HGB is shown separately in these notes.

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

- Portigon AG
- Investitionsbank des Landes Brandenburg (ILB)

Trust Assets (6)

Trust assets comprise the following:

Breakdown by asset type	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Receivables from banks	100.4	117.6
Receivables from customers	1,503.2	1,569.1
Equity investments in affiliated companies	65.6	0.2
Total trust assets	1,669.2	1,686.9

Other Assets (7)

Breakdown by individual items	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Adjustment item from currency translation in accordance to Section 340h HGB	1,538.2	904.2
Interest receivables from the State of North Rhine-Westphalia under the Guarantee for the equity investment in Portigon AG	559.8	559.3
Option premiums paid	230.3	243.4
Option premiums not yet received	209.2	223.2
Compensation claims to Helaba Landesbank Hessen-Thüringen relating to pension provisions for "dual contract holders"	28.5	23.2
Compensation claims to Portigon AG relating to service cost of "dual contract holders"	9.0	15.1
Other	18.2	21.8
Total other assets	2,593.2	1,990.2

The "Other" item includes a cash deposit in the amount of € 1.2 million (2014: € 0.0 million) made by NRW.BANK in connection with the bank levy.

Fixed Assets (8)

Schedule of fixed assets	Acquisition cost/ Production cost		Additions	Retirements	Total depreciation and amortisation	Net book value	Depreciation and amortisation in the fiscal year
	Jan. 1, 2015	€ millions					€ millions
Bonds and other interest-bearing securities forming part of fixed assets	42,117.0				Net change pursuant to Section 34 Para. 3 Sentence 2 RechKredV: € 5,532.9 million	38,194.5	0.0
Equity investments in non-affiliated companies	3,851.4					2,286.7	0.0
Equity investments in affiliated companies	226.3					180.6	1.4
Intangible assets	68.9	0.5	0.0		64.5	4.9	4.0
Land and buildings	72.1	1.1	0.0		8.6	64.6	1.3
Office equipment	25.6	1.3	1.4		18.7	6.8	1.8

€ 64.5 million (2014: € 64.7 million) of the amount shown under land and buildings represent land and buildings used for business purposes.

Deferred Items (Assets) (9)

Breakdown of deferred items	Dec. 31, 2015		Dec. 31, 2014
	€ millions	€ millions	€ millions
Discounts from underwriting business	101.6		106.0
Prepaid swap fees	199.3		76.3
Prepaid CDS fees	57.6		39.1
Other	8.6		8.9
Total deferred items	367.1		230.3

Deferred Tax Assets (10)

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

Subordinated Assets (11)

Subordinated assets are included in:

Breakdown by asset type	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Receivables from banks	0.8	0.8
Receivables from customers	25.2	20.0
Total subordinated assets	26.0	20.8

Pledged Assets (12)

Of the assets reported, NRW.BANK pledged € 96.2 million (2014: € 400.2 million) under repurchase agreements.

Liabilities to Banks (13)

Breakdown by maturity	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Payable on demand	1,808.7	1,480.3
Other liabilities		
– up to 3 months	2,128.8	2,354.6
– between 3 months and 1 year	2,134.3	3,483.6
– between 1 and 5 years	13,778.3	14,543.4
– more than 5 years	18,583.4	17,826.3
Total liabilities to banks	38,433.5	39,688.2

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 € 5.3 million (2014: € 6.8 million).

Liabilities to Customers (14)

Breakdown by maturity	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Payable on demand	267.8	124.6
Other liabilities		
– up to 3 months	667.3	623.6
– between 3 months and 1 year	947.6	1,215.1
– between 1 and 5 years	4,152.5	3,940.3
– more than 5 years	11,776.1	13,377.2
Total liabilities to customers	17,811.3	19,280.8

Liabilities to customers include liabilities to affiliated companies in the amount of € 29.0 million (2014: € 19.1 million). As in the previous year, liabilities to customers do not include liabilities to other companies in which equity investments are held.

Certificated Liabilities (15)

Breakdown of certificated liabilities	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Notes issued		
- mortgage bonds	0.6	0.6
- municipal bonds	247.0	295.1
- other bonds	58,483.7	57,867.0
Total certificated liabilities	58,731.3	58,162.7

€ 28,353.0 million (2014: € 22,744.0 million) of the notes issued is due in the following year.

Trading Portfolio (Liabilities) (16)

Breakdown of trading portfolio	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Derivative financial instruments	0.0	0.4
Liabilities from repurchase agreements	3.3	445.1
Total trading portfolio	3.3	445.5

Derivative financial instruments include futures with a negative market value of € 28 thousand (2014: € 13.5 thousand). This market value is offset against the opposite variation margin paid on futures.

Trust Liabilities (17)

Trust liabilities comprise the following:

Breakdown by liability type	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Liabilities to banks	6.7	8.5
Liabilities to customers	1,662.5	1,678.4
Total trust liabilities	1,669.2	1,686.9

Other Liabilities (18)

Breakdown by individual items	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Option premiums received	230.0	243.1
Option premiums not yet paid	209.2	223.2
Liabilities owed to the State of North Rhine-Westphalia from repayment discounts granted for housing promotion programmes	109.5	66.1
Liabilities owed to the State of North Rhine-Westphalia	13.8	15.7
Due profit participation rights	0.0	11.0
Other	14.8	16.0
Total other liabilities	577.3	575.1

Deferred Items (Liabilities) (19)

Breakdown of deferred items	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Swap fees received in advance	572.2	656.0
Premiums from underwriting business	95.3	110.1
Transfer of pension obligation provisions for employees of Portigon AG under "dual contracts"	86.4	202.8
CDS fees received in advance	56.4	84.1
Transfer of salaries for employees of Portigon AG under "dual contracts"	20.8	2.3
Other	0.3	0.2
Total deferred items	831.4	1,055.5

Provisions (20)

The provisions for pensions include € 1,315.7 million (2014: € 1,197.2 million) in pension obligations to employees of Portigon AG who have claims for or are entitled to a pension under the laws relating to civil servants. Pursuant to Article 1 Section 4 Para. 1 Sentence 4 of the Bank Redefining Act (Neuregelungsgesetz) of July 2, 2002, these obligations passed from the former Westdeutsche Landesbank Girozentrale to NRW.BANK. Pursuant to the regulations of the assessment dated August 1, 2002, Portigon AG and NRW.BANK agreed in the fiscal year 2013, to finally settle NRW.BANK's claims resulting from the compensation entitlement, with the exception of the future service cost, by means of a one-time payment. With this one-time payment, responsibility for managing and handling the pension payments has passed to NRW.BANK.

The provisions for pensions additionally include pension obligations in the amount of € 28.5 million (2014: € 23.2 million) towards employees of Helaba Landesbank Hessen-Thüringen who also have contractual claims or are entitled to a pension under the laws relating to civil servants. NRW.BANK is entitled to reimbursement from Helaba Landesbank Hessen-Thüringen in the same amount, which is shown in other assets.

NRW.BANK's provisions for additional benefits are at € 242.5 million (2014: € 220.4 million). This amount includes € 201.4 million (2014: € 186.0 million) in obligations to persons covered under the former pension agreement of the former Westdeutsche Landesbank Girozentrale, for which NRW.BANK has assumed the additional benefit payments since the spin-off from the former Westdeutsche Landesbank Girozentrale. An additional € 41.1 million (2014: € 34.4 million) has been set aside for claims to additional benefits that employees of NRW.BANK have for their retirement.

Provisions in an amount of € 76.7 million (2014: € 76.7 million) exist for potential compensation claims under the value guarantee.

Subordinated Liabilities (21)

The subordinated liability as described below exceeds 10% of the total subordinated liabilities of € 2,058.2 million (2014: € 2,211.9 million).

The State of North Rhine-Westphalia has to 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 has to 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 has to be repaid by the year 2044 in accordance with a defined repayment plan. Based on the repayments made to date, the subordinated loan was stated in an amount of € 1,783.2 million as of December 31, 2015.

The remaining subordinated liabilities of € 275.0 million have original maturities between twelve and thirty years and carry interest rates of between 0.0% and 6.0%. There is no early redemption obligation.

Subordinated liabilities include liabilities with a remaining term of less than two years in an amount of € 211.0 million (2014: € 270.4 million).

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

Interest expenses of € 9.1 million (2014: € 9.8 million) incurred for subordinated liabilities.

The subordinated liabilities carried by NRW.BANK comply with the requirements of Article 63 CRR (Capital Requirements Regulation).

Equity Capital (22)

As of December 31, 2015, NRW.BANK's subscribed capital was € 17,000.0 million (2014: € 17,000.0 million). The reserves totalled € 981.9 million (2014: € 932.6 million).

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

Commercial law equity	Dec. 31, 2015	Dec. 31, 2014
	€ millions	€ millions
Subscribed capital	17,000.0	17,000.0
Capital reserves	726.2	676.9
Reserves from retained earnings		
– reserves required by NRW.BANK's statutes	36.1	36.1
– other reserves	219.6	219.6
Profit for the year	0.0	0.0
Total equity capital	17,981.9	17,932.6

Once the annual accounts are approved, the capital of NRW.BANK required for regulatory purposes under Section 10 KWG will total € 20,129.9 million (2014: € 20,111.1 million).

Foreign Currency Assets/Foreign Currency Liabilities (23)

At year-end, NRW.BANK had foreign currency assets valued at € 10,001.3 million (2014: € 9,426.9 million) and foreign currency liabilities valued at € 30,512.1 million (2014: € 22,474.2 million). Contingent liabilities and other commitments denominated in foreign currencies totalled € 6,731.7 million (2014: € 5,060.6 million).

Contingent Liabilities and Other Commitments (24)

Contingent liabilities totalled € 15,956.5 million (2014: € 15,675.9 million) and incorporate € 15,160.3 million (2014: € 14,918.0 million) for credit derivatives (thereof € 250.0 million for embedded derivatives [2014: € 350.0 million]) and € 796.2 million (2014: € 757.9 million) for other guarantees and indemnity agreements.

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

The other guarantees and indemnity agreements primarily comprise liability releases for house banks for promotion loans granted in the context of the development of sports facilities as well as global guarantees, guarantee lines and SME financing. Claims under these guarantees would potentially be raised in the event of the non-fulfilment of contractual obligations of the main borrower towards the beneficiary. This would arise, for instance, in the event of the delayed (or non-)repayment of loans or the improper completion of promised services. 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.

Other commitments comprise irrevocable credit commitments in an amount of € 3,270.1 million (2014: € 2,884.4 million). Of this total, € 855.7 million (2014: € 719.8 million) relate to commitments in conjunction with the housing promotion business.

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 (25)

Bonds and notes in a nominal amount of € 6,309.5 million (2014: € 6,785.4 million) were pledged to the Deutsche Bundesbank and notes in a nominal amount of € 5,971.9 million (2014: € 5,644.1 million) were submitted to the Deutsche Bundesbank in the context of the “KEV” process (KEV: Kreditforderungen – Einreichung und Verwaltung/credit claims – submission and administration) as collateral for funding facilities. Securities in a nominal amount of € 22.8 million (2014: € 22.8 million) were deposited for the Eurex (electronic futures and options exchange) as collateral for forward transactions. In addition, securities in a nominal amount of € 2,999.3 million (2014: € 3,979.2 million) were transferred in the past fiscal year to secure off-exchange derivatives; these securities were deposited as collateral with the counterparty. Furthermore, an amount of € 268.6 million (2014: € 276.8 million) was transferred as collateral for repurchase agreements and securities in an amount of € 4.0 million (2014: € 2.0 million) were assigned as rent deposit.

Collateral for Own Liabilities (26)

Collateral for registered municipal bonds and notes totalled € 2.2 million (2014: € 2.2 million).

Cover (27)

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

On December 31, 2015, the nominal amounts of the cover are as follows:

Cover	Dec. 31, 2015	Dec. 31, 2014
Municipal bonds issued	Municipal bonds (cover register II) € millions	Municipal bonds (cover register II) € millions
Loans raised secured with registered municipal bonds and notes	1,788.5	2,236.6
Liabilities requiring cover	1,790.7	2,238.8
Municipal loans	3,867.6	4,037.2
Excess cover	65.6	65.6
Cover funds	3,933.2	4,102.8
Excess cover	2,142.5	1,864.0

The cover register for mortgage bonds (cover register I) was closed with effect from June 29, 2012, as NRW.BANK will not issue any mortgage bonds for the time being. Accordingly, the cover only includes the cover register for municipal bonds (cover register II).

Income Statement

Services Rendered for Third Parties (28)

The net commission income includes € 11.1 million (2014: € 14.1 million) resulting from the administration of loans and subsidies held in trust.

Other Operating Income and Expenses (29)

The principal contributions towards other operating income are composed of € 13.2 million (2014: € 10.4 million) in income from the write-back of other provisions as well as € 9.0 million (2014: € 15.1 million) in income from the reimbursement of the service cost of Portigon AG.

The principal contributions towards other operating expenses are composed of € 4.2 million (2014: € 9.5 million) for allocations to pension and benefit provisions for employees of Portigon AG who have claims for or are entitled to a pension under the laws relating to civil servants as well as € 2.8 million (2014: € 0.0 million) in expenses for the bank levy.

Fee Paid to Auditor of the Annual Accounts (30)

In the fiscal year 2015, the auditor charged a total fee of € 1.6 million (2014: € 1.7 million). € 1.3 million (2014: € 1.2 million) of which accounted for the auditing of the annual accounts, € 0.1 million (2014: € 0.2 million) for other auditing services and € 0.2 million (2014: € 0.3 million) for other services.

Miscellaneous

Other Financial Obligations

NRW.BANK has long-term obligations in the amount of € 86.0 million (2014: € 113.1 million) up to the end of the contractual term. These include obligations in the amount of € 1.2 million (2014: € 0.7 million) with a remaining term of up to one year, obligations in the amount of € 4.2 million (2014: € 6.9 million) with a remaining term of up to three years, obligations in the amount of € 80.6 million (2014: € 40.5 million) with a remaining term of up to five years as well as obligations in the amount of € 0.0 million (2014: € 65.0 million) with a remaining term of more than five years. In addition, there are other annual financial obligations with an indefinite remaining term in the amount of € 2.1 million (2014: € 2.1 million).

Other financial obligations primarily result from rental, maintenance and IT service agreements.

There is an obligation to make additional contributions in the amount of € 16.0 million (2014: € 16.0 million) to the European Investment Fund.

Other Obligations

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

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

Deposit Insurance

The state bank of the State of North Rhine-Westphalia became the development bank for North Rhine-Westphalia and was renamed NRW.BANK pursuant to the "Act on the Reorganisation of the State Bank of the State of North Rhine-Westphalia into the Development Bank of North Rhine-Westphalia and on the Amendment of Other Laws" (Gesetz zur Umstrukturierung der Landesbank Nordrhein-Westfalen zur Förderbank des Landes Nordrhein-Westfalen und zur Änderung anderer Gesetze). 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 (EdÖ) by order of the Federal Financial Supervisory Authority (BaFin).

Derivative Transactions

As of December 31, 2015, the total nominal value of derivative transactions is € 192,525 million (2014: € 186,102 million).

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

Banking book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2015
Interest rate derivatives				
Interest rate swaps	135,960	135,633	7,990	-11,033
Interest rate options				
- bought (long)	5,198	4,520	144	-
- written (short)	5,749	5,309	-	-66
Stock market contracts				
- bought (long)	-	-	-	-
- written (short)	10	-	-	-
Other interest rate forwards	466	373	12	-40
Total interest rate derivatives	147,383	145,835	8,146	-11,139
Currency derivatives				
Foreign exchange forwards, swaps	8,052	8,995	111	-32
Currency swaps/ interest rate currency swaps	15,083	21,876	1,919	-1,509
Total currency derivatives	23,135	30,871	2,030	-1,541
Credit derivatives				
- bought (long)	619	396	8	-15
- written (short)	14,918	15,160	107	-36
Total credit derivatives	15,537	15,556	115	-51
Total banking book	186,055	192,262	10,291	-12,731

Trading book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2015
	€ millions	€ millions	€ millions	€ millions
Interest rate derivatives				
Interest rate swaps	32	221	1	0
Stock market contracts				
– bought (long)	15	10	–	0
– written (short)	–	27	0	–
Total interest rate derivatives	47	258	1	0
Currency derivatives				
Currency swaps/				
interest rate currency swaps	–	5	–	–
Total currency derivatives	–	5	–	–
Total credit derivatives	–	–	–	–
Total trading book	47	263	1	0

Banking book and trading book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2015
	€ millions	€ millions	€ millions	€ millions
Total interest rate derivatives	147,430	146,093	8,147	-11,139
Total currency derivatives	23,135	30,876	2,030	-1,541
Total credit derivatives	15,537	15,556	115	-51
Total banking book and trading book	186,102	192,525	10,292	-12,731

The presentation of derivative transactions also reflects embedded derivative instruments that have to be separated of a nominal value of € 5,839 million (2014: € 6,556 million) (of which € 416 million [2014: € 490 million] relates to credit derivatives).

The average nominal value of the derivative transactions and other forward transactions entered into by NRW.BANK for the period from January 1, 2015 to December 31, 2015 was € 194,571 million (2014: € 192,663 million).

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

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

Option premiums paid/received are shown under other assets and other liabilities; prepaid swap fees and swap fees received in advance are included in the respective deferred item.

The breakdown of derivative transactions by counterparty is as follows:

Banking book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2015
OECD banks	€ millions 166,878	€ millions 174,454	€ millions 8,949	€ millions -10,553
OECD public-sector entities	9,696	8,663	1,122	-1,781
Other counterparties	9,481	9,145	220	-397
Total banking book	186,055	192,262	10,291	-12,731

Trading book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2015
OECD banks	€ millions 43	€ millions 241	€ millions 1	€ millions 0
Other counterparties	4	22	0	0
Total trading book	47	263	1	0

Banking book and trading book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2015
Total banking book and trading book	€ millions 186,102	€ millions 192,525	€ millions 10,292	€ millions -12,731

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

The interest rate contracts are spread across the entire spectrum of maturities, with approx. 46% (2014: 48%) of the interest rate contracts having a remaining time to maturity of more than five years.

Banking book	Interest rate derivatives		Currency derivatives		Credit derivatives	
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015
Residual maturity	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
- up to 3 months	6,647	11,246	7,929	10,765	532	151
- more than 3 months to 1 year	16,623	9,766	3,082	4,252	890	2,091
- more than 1 to 5 years	53,650	57,469	9,992	13,275	12,748	12,095
- more than 5 years	70,463	67,354	2,132	2,579	1,367	1,219
Total banking book	147,383	145,835	23,135	30,871	15,537	15,556

Trading book	Interest rate derivatives		Currency derivatives		Credit derivatives	
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015
Residual maturity	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
- up to 3 months	26	238	-	5	-	-
- more than 5 years	21	20	-	-	-	-
Total trading book	47	258	-	5	-	-

Banking book and trading book	Interest rate derivatives		Currency derivatives		Credit derivatives	
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015
Total banking book and trading book	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Total banking book and trading book	147,430	146,093	23,135	30,876	15,537	15,556

Number of Employees

Active employees as at Dec. 31, 2015*

	2015			2014		
	Women	Men	Total	Women	Men	Total
Full-time employees	390	564	954	377	562	939
Part-time employees	281	36	317	265	29	294
Apprentices and trainees	14	24	38	18	32	50
Total	685	624	1,309	660	623	1,283
Thereof						
Former "dual contract" holders of Portigon AG outside of the approved headcount	5	5	10	1	0	1
In addition						
Employees under limited employment contracts	26	27	53	36	30	66
Employees employed outside of NRW.BANK (leave, secondments, employee assignments)	8	12	20	3	5	8

* Excl. employees on parental leave and similar leave.

NRW.BANK employed 734 female employees (2014: 715) and 628 male employees (2014: 624) – employees under unlimited and limited contracts, employees on parental leave and similar but excluding apprentices as well as interns – on an annual average.

Managing Board Remuneration (31)

Non-performance-linked and performance-linked components of the Managing Board remuneration paid in 2015 and 2014:

In € thousands	Non-performance-linked remuneration				Performance-linked variable remuneration ¹⁾		Total remuneration		Remuneration for mandates ²⁾
	Fixed remuneration		Other remuneration		2015	2014	2015	2014	2015
	2015	2014	2015	2014	2015	2014	2015	2014	2015
Klaus Neuhaus	600.0	566.3	32.0	28.6	120.4	92.4	752.4	687.3	17.3
Michael Stöltzing	465.0	465.0	30.1	37.1	118.8	92.4	613.9	594.5	43.1
Dietrich Suhlrie	477.8	477.8	13.8	13.5	118.8	92.4	610.4	583.7	1.5
Total Managing Board	1,542.8	1,509.1	75.9	79.2	358.0	277.2	1,976.7	1,865.5	61.9

¹⁾ The two years are not fully comparable, as the amount for 2015 includes parts of the bonuses for the years 2011 to 2014, while the amount for 2014 includes parts of the bonuses for the years 2011 to 2013. The variable performance-linked compensation paid to Mr Binkowska (resigned with effect from 30 June 2014) for the years mentioned above is included in "payments to retired and resigned Managing Board members and present values of their retirement benefits".

²⁾ Amounts incl. VAT, where applicable.

Breakdown of the variable Managing Board remuneration granted in 2015 into components paid-out immediately and components retained over several years:

In € thousands	Variable remuneration for the year 2014, granted in 2015	Thereof retained	Thereof paid out in 2015	Thereof committed in 2015 but not paid out because of sustainability arrangement	Reduction pursuant Section 20 Para. 5 InstitutsVergV
Klaus Neuhaus	140.0	84.0	28.0	28.0	0
Michael Stölting	132.0	79.2	26.4	26.4	0
Dietrich Suhrlie	132.0	79.2	26.4	26.4	0
Dietmar P. Binkowska ¹⁾	84.0	50.4	16.8	16.8	0
Total Managing Board	488.0	292.8	97.6	97.6	0

¹⁾ Pro-rated variable remuneration until the resignation date June 30, 2014.

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

In case of a premature resignation not attributable to an extraordinary termination for serious cause, the Managing Board members will receive the agreed remuneration until the end of their contractual term. Thereafter, they receive an early pension based on the pension that would be paid in case of invalidity until they reach the age of retirement.

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

In the fiscal year 2015, there were no changes in the commitments for old-age/invalidity and dependants' pension for the Managing Board members of NRW.BANK.

Expenses and present values of the benefits promised to the Managing Board members in case of regular termination of their activity:

In € thousands	Expenses ¹⁾		Present value of the obligation	
	2015	2014	2015	2014
Klaus Neuhaus	339.0	1,292.3	6,100.2	5,761.2
Michael Stölting	559.9	293.1	3,287.6	2,727.7
Dietrich Suhrlie	356.5	261.7	1,330.0	973.5
Total Managing Board	1,255.4	1,847.1	10,717.8	9,462.4

¹⁾ The expenses shown here comprise personnel and interest expenses. In the fiscal year 2015 in particular, they comprise the portion of the interest expenses that results from the change in the interest rate used for calculation (reduced from 4.58% on December 31, 2014 to 3.89% on December 31, 2015).

Payments to retired and resigned Managing Board members and present values of their retirement benefits:

In € thousands	Payments from active employment ¹⁾		Payments from pension claims		Present value of the obligation ²⁾	
	2015	2014	2015	2014	2015	2014
Former Managing Board members	134.2	117.4	566.0	554.5	20,828.1	18,907.8

¹⁾ Remuneration components from the previous fiscal year and/or retained portions of the previous years paid in the respective year.

²⁾ The increase in the present value of the obligation is attributable to the reduction in the discount rate from 4.58% on December 31, 2014 to 3.89% on December 31, 2015.

Remuneration of the Members of the Supervisory Board and Its Committees, the Board of Guarantors as well as the Advisory Board

The tables below show the remuneration of the members of the Supervisory Board and its Committees, the Board of Guarantors as well as the Advisory Board in itemised form. The remuneration of the members of the Supervisory Board varies depending on their committee membership.

Disclosure of the Remuneration Paid to Members of the Supervisory Board and Its Committees

	Total remuneration	Total remuneration
	€	€
Members Pursuant to Section 12 Para. 1 Letters a to c of the Statutes		
Garrelt Duin Minister for Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	30,000	25,567
Michael Groschek Minister for Building, Housing, City Development and Transport of the State of North Rhine-Westphalia	19,700	14,067
Dr. Norbert Walter-Borjans Minister of Finance of the State of North Rhine-Westphalia	30,300	24,067
Permanent Representatives Pursuant to Section 12 Para. 2 of the Statutes		
Wulf Noll Assistant Secretary Ministry of Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia		
Annett Fischer Assistant Secretary Ministry for Building, Housing, City Development and Transport of the State of North Rhine-Westphalia		
Gerhard Heilgenberg Assistant Secretary Ministry of Finance of the State of North Rhine-Westphalia		

	Total remuneration	Total remuneration
	€	€
Members Pursuant to Section 12 Para. 1 Letter d of the Statutes		
Horst Becker, MdL Parliamentary State Secretary Ministry for Climate Protection, Environment, Agriculture, Conservation and Consumer Affairs of the State of North Rhine-Westphalia		
	6,200	3,100
Ute Gerbaulet (since October 1, 2015) Member of the Extended Executive Board Bankhaus Lampe KG		
	1,550	18,300
Bernd Krückel, MdL (since November 3, 2015) Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia		
	1,133	18,300
Lutz Lienenkämper, MdL (until April 30, 2015) Parliamentary State Secretary of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia		
	6,867	16,900
Johannes Remmel Minister for Climate Protection, Environment, Agriculture, Conservation and Consumer Affairs of the State of North Rhine-Westphalia		
	17,400	21,200
Norbert Römer, MdL Chairman of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia		
	18,000	
Dr. Birgit Roos (since October 1, 2015) Chairwoman of the Managing Board Sparkasse Krefeld		
	1,550	
Svenja Schulze, MdL Minister for Innovation, Science and Research of the State of North Rhine-Westphalia		
	17,400	

1. On the basis of the rules adopted by the Board of Guarantors, turnover tax and travel expenses are refunded by the Bank upon request.
2. The labour remuneration for members who join or leave the Supervisory Board or its Committees during the year is paid on a pro-rata temporis basis for each calendar month.
3. Potential duties of payment of the mandate holders and/or payments made are not taken into account.

Disclosure of the Remuneration Paid to Members of the Board of Guarantors

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 8 Para. 1 Letters a to c of the Statutes		Members Pursuant to Section 8 Para. 1 Letter d of the Statutes	
Garrett Duin Minister for Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	5,000	Sylvia Löhrmann (until September 30, 2015) Minister for School and Further Education of the State of North Rhine-Westphalia	4,050
Michael Groschek Minister for Building, Housing, City Development and Transport of the State of North Rhine-Westphalia	5,300	Dr. Rüdiger Messal (until September 30, 2015) State Secretary Ministry of Finance of the State of North Rhine-Westphalia	3,750
Dr. Norbert Walter-Borjans Minister of Finance of the State of North Rhine-Westphalia	5,600	Dr. Wilhelm D. Schäffer (until September 30, 2015) State Secretary Ministry of Work, Social Integration and Welfare of the State of North Rhine-Westphalia	3,750
Members Pursuant to Section 8 Para. 1 Letter d of the Statutes		Permanent Guests	
Martina Hoffmann-Badache (since October 1, 2015) State Secretary Ministry of Health, Equalities, Care and Ageing of the State of North Rhine-Westphalia	1,550	Martin Bösenberg Staff Representative NRW.BANK	600
Dr. Günther Horzetzky (until September 30, 2015) State Secretary Ministry for Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	3,750	Frank Lill Staff Representative NRW.BANK	600
Peter Knitsch (until September 30, 2015) State Secretary Ministry for Climate Protection, Environment, Agriculture, Conservation and Consumer Affairs of the State of North Rhine-Westphalia	4,050		
Thomas Kutschay, MdL (until September 30, 2015) Minister of Justice of the State of North Rhine-Westphalia	4,050		
Franz-Josef Lersch-Mense Minister for Federal Affairs, Europe and Media (since October 1, 2015) as well as Head of the State Chancellery of the State of North Rhine-Westphalia	5,600		

1. On the basis of the rules adopted by the Board of Guarantors, turnover tax and travel expenses are refunded by the Bank upon request.
2. The labour remuneration for members who join or leave the Board of Guarantors during the year is paid on a pro-rata temporis basis for each calendar month.
3. Potential duties of payment of the mandate holders and/or payments made are not taken into account.

Disclosure of the Remuneration Paid to Members of the Advisory Board of NRW.BANK

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 25 of the Statutes			
Garrett Duin Minister for Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	2,600	Matthias Löb Director of LWL Regional Association of Westphalia-Lippe	2,600
Michael Ackermann Managing Director Klinikum Bielefeld gem. GmbH	2,300	Ulrike Lubek Director of LVR Regional Association of the Rhineland	2,300
Frank Baranowski Lord Mayor City of Gelsenkirchen	2,000	Wolfgang Lubert Managing Director EnjoyVenture Management GmbH	2,300
Prof. Dr. Gerd Bollermann (until August 30, 2015) District President Arnsberg Regional Government	1,633	Anne Lütkes District President Düsseldorf Regional Government	2,600
Michael Breuer President Savings Banks and Giro Association of the Rhineland	2,300	Prof. Dr.-Ing. Wolfgang Marquardt Chairman of the Executive Board Forschungszentrum Jülich GmbH	2,300
Heinrich Otto Deichmann Chairman of the Supervisory Board Deichmann SE	2,000	Andreas Meyer-Lauber District Chairman Deutscher Gewerkschaftsbund NRW	2,300
Andreas Ehlert President Düsseldorf Chamber of Handicrafts	2,600	Dr. Paul-Josef Patt Chairman of the Managing Board eCAPITAL entrepreneurial Partners AG	2,600
Andreas Feicht Chairman Verband kommunaler Unternehmen e. V. – Regional Group North Rhine-Westphalia –	2,300	Martin Renker (since July 1, 2015) Chairman of the Managing Board Bankenverband Nordrhein-Westfalen e. V.	1,300
Dr. Reinhold Festge Managing Partner HAVER & BOECKER OHG Drahtweberei und Maschinenfabrik	2,300	Jürgen Roters (until December 31, 2015) Lord Mayor (until October 20, 2015) City of Cologne	2,000
Heinz Fiege FIEGE Logistik Holding Stiftung & Co. KG	2,600	Dr. Eckhard Ruthemeyer (since July 1, 2015) Mayor President Städte- und Gemeindebund Nordrhein-Westfalen e. V.	1,000
Otto Rudolf Fuchs (†) (until December 4, 2015) Shareholder Otto Fuchs KG	0	Roland Schäfer (until June 30, 2015) Mayor 1st Vice President Städte- und Gemeindebund Nordrhein-Westfalen e. V.	1,300
Prof. Dr. Ursula Gather (until December 31, 2015) Deputy Chairwoman Directors Conference of the Universities in North Rhine-Westphalia	2,000	Prof. Dr. Uwe Schneidewind President and Academic Managing Director Wuppertal Institut für Klima, Umwelt, Energie gGmbH	2,000

	Total remuneration	Total remuneration	
	€	€	
Members Pursuant to Section 25 of the Statutes			
Dieter Gebhard Chairman Regional Assembly of Westphalia-Lippe	2,600	Dr. Otilie Scholz (until December 31, 2015) Lord Mayor (until October 20, 2015) City of Bochum	2,000
Dr. Rolf Gerlach President Savings Banks and Giro Association of Westphalia-Lippe	2,300	Dr. Jochen Stemplewski Chairman of the Managing Board EMSCHERGENOSSENSCHAFT und LIPPEVERBAND	2,000
Thomas Hendele District Administrator President Landkreistag Nordrhein-Westfalen e. V.	2,300	Peter Terium Chairman of the Managing Board RWE AG	2,600
Thomas Hunsteger-Petermann Lord Mayor City of Hamm	2,600	Marianne Thomann-Stahl District President Detmold Regional Government	2,600
Peter Jung (until December 31, 2015) Lord Mayor (until September 27, 2015) Chairman Städtetag Nordrhein-Westfalen	2,000	Reza Vaziri (until December 31, 2015) Chairman of the Executive Board 3M Deutschland GmbH	2,000
Ralf Kersting (since May 1, 2015) President Düsseldorf Chamber of Handicrafts	0	Hans-Josef Vogel Mayor City of Arnsberg	2,600
Arndt G. Kirchhoff Managing Partner & CEO KIRCHHOFF Holding GmbH & Co. KG	2,000	Gisela Walsken District President Cologne Regional Government	2,600
Dipl.-Ing. Hanspeter Klein Chairman of the Managing Board Verband Freier Berufe im Lande Nordrhein-Westfalen e. V.	2,600	Prof. Dr. Jürgen Wilhelm Chairman Regional Assembly of the Rhineland	2,600
Prof. Dr. Reinhard Klenke District President Münster Regional Government	2,300	Klaus Winterhoff Legal Vice President Evangelical Church of Westphalia	2,300
Norbert Kleyboldt Permanent Delegate Apostolic Administrator of Bischöfliches Generalvikariat Münster	2,300	Hans-Bernd Wolberg Chairman of the Managing Board WGZ BANK AG	2,000
Dr. Thomas A. Lange (until June 30, 2015) Deputy Chairman of the Managing Board Bankenverband Nordrhein-Westfalen e. V.	1,300	Westdeutsche Genossenschafts-Zentralbank Matthias Zachert Chairman of the Managing Board	2,300
Markus Lewe Lord Mayor City of Münster	2,300	LANXESS AG	

1. On the basis of the rules adopted by the Board of Guarantors, turnover tax and travel expenses are refunded by the Bank upon request.
2. The labour remuneration for members who join or leave the Advisory Board during the year is paid on a pro-rata temporis basis for each calendar month.
3. Potential duties of payment of the mandate holders and/or payments made are not taken into account.

Disclosure of the Remuneration Paid to Members of the Parliamentary Advisory Council of NRW.BANK

Members Pursuant to Section 26 of the Statutes	Total remuneration	Total remuneration
	€	€
Elisabeth Müller-Witt, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	375	Dr. Marcus Optendrenk, MdL Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia
Mehrdad Mostofizadeh, MdL Member of the Bündnis 90/Die Grünen Parliamentary Group State Assembly of North Rhine-Westphalia	375	Dietmar Schulz, MdL Member of the Piraten Parliamentary Group State Assembly of North Rhine-Westphalia
Marc Herter, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	375	Ralf Witzel, MdL Member of the FDP Parliamentary Group State Assembly of North Rhine-Westphalia
Stefan Kämmerling, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	250	Hendrik Wüst, MdL Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia
Gerda Kieninger, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	375	Gudrun Zentis, MdL Member of the Bündnis 90/Die Grünen Parliamentary Group State Assembly of North Rhine-Westphalia
Christian Möbius, MdL Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia	375	Stefan Zimkeit, MdL (since January 28, 2015) Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia

1. On the basis of the rules adopted by the Board of Guarantors, turnover tax and travel expenses are refunded by the Bank upon request.
2. Potential duties of payment of the mandate holders and/or payments made are not taken into account.

Disclosure of the Remuneration Paid to Members of the Advisory Board for Housing Promotion of NRW.BANK

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 23 Para. 1		Members Pursuant to Section 23 Para. 1	
Letter a of the Statutes		Letter c of the Statutes	
Michael Groschek Minister for Building, Housing, City Development and Transport of the State of North Rhine-Westphalia	3,600	Daniela Schneckenburger, MdL (until April 14, 2015) Deputy Chairwoman of the Bündnis 90/Die Grünen Parliamentary Group State Assembly of North Rhine-Westphalia	1,000
Members Pursuant to Section 23 Para. 1		Members Pursuant to Section 23 Para. 1	
Letter b of the Statutes		Letter d of the Statutes	
Günther Bongartz Senior Principal Ministry of Finance of the State of North Rhine-Westphalia	3,600	Olaf Wegner, MdL Member of the Piraten Parliamentary Group State Assembly of North Rhine-Westphalia	3,600
Dr. Michael Henze Assistant Secretary Ministry for Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	3,300	Ingo Apel Member of the Managing Board Haus und Grund Düsseldorf und Umgebung Verband des Haus-, Wohnungs- und Grund- eigentums im Regierungsbezirk Düsseldorf e. V.	3,600
Hans Lauf Assistant Secretary Ministry of Work, Social Integration and Welfare of the State of North Rhine-Westphalia	3,600	Dr. Werner Küpper BFW Landesverband Nordrhein-Westfalen e. V.	3,600
Members Pursuant to Section 23 Para. 1		Members Pursuant to Section 23 Para. 1	
Letter c of the Statutes		Letter e of the Statutes	
Martin Börschel, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	3,600	Alexander Rychter Association Director Verband der Wohnungswirtschaft Rheinland Westfalen e. V.	3,600
Holger Ellerbrock, MdL Member of the FDP Parliamentary Group State Assembly of North Rhine-Westphalia	3,300	Rudolf Graaff Deputy Mayor Städte- und Gemeindebund Nordrhein-Westfalen e. V.	3,600
Dieter Hilser, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	3,600	Thomas Hendele District Administrator Kreis Mettmann	3,300
Gerda Kieninger, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	3,600	Stefan Raetz Mayor City of Rheinbach	3,600
Arndt Klocke, MdL (since June 24, 2015) Member of the Bündnis 90/Die Grünen Parliamentary Group State Assembly of North Rhine-Westphalia	2,050		
Bernhard Schemmer, MdL Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia	3,300		

	Total remuneration	Total remuneration
	€	€
Members Pursuant to Section 23 Para. 1 Letter e of the Statutes		
Hilmar von Lojewski Deputy Mayor for Urban Development, Construction, Housing and Transport Städtetag Nordrhein-Westfalen	3,600	
Members Pursuant to Section 23 Para. 1 Letter f of the Statutes		
Hans-Jochem Witzke 1st Chairman Mieterverein Düsseldorf e. V. and Chairman of the Managing Board of Deutscher Mieterbund Nordrhein-Westfalen e. V.	3,600	
Members Pursuant to Section 23 Para. 1 Letter g of the Statutes		
Dipl.-Ing. Ernst Uhing President Architektenkammer Nordrhein-Westfalen		3,300
Permanent Representative of the Chairing Member Pursuant to Section 23 Para. 2 of the Statutes		
Sigrid Koeppinghoff Assistant Secretary Ministry for Building, Housing, City Development and Transport of the State of North Rhine-Westphalia		3,600

1. On the basis of the rules adopted by the Board of Guarantors, turnover tax and travel expenses are refunded by the Bank upon request.
2. The labour remuneration for members who join or leave the Advisory Board for Housing Promotion during the year is paid on a pro-rata temporis basis for each calendar month.
3. Potential duties of payment of the mandate holders and/or payments made are not taken into account.

Advances and Loans

For members of the Supervisory Board of NRW.BANK loans totalling € 38 thousand (2014: € 45 thousand) exist whose interest rates range from 0% to 5.15%.

Disclosure of Seats Held Pursuant to Section 340a Para. 4 No. 1 HGB

Seats Held by Members of the Managing Board

Klaus Neuhaus
Portigon AG

Michael Stölting
Investitionsbank des Landes Brandenburg (ILB)
Erste Abwicklungsanstalt

Dietrich Suhrlie
Investitionsbank des Landes Brandenburg (ILB)
Fiege Logistik (Schweiz) AG (until December 31, 2015)

Seats Held by Employees

Christiane Jansen
Investitionsbank des Landes Brandenburg (ILB)
(until December 31, 2015)

Dr. Peter Güllmann
Investitionsbank des Landes Brandenburg (ILB)

Disclosure Pursuant to Section 26a Para. 1 Sentence 2 KWG in Conjunction with Section 64r Para. 15 Sentence 1 KWG

NRW.BANK has dual head offices in Düsseldorf and Münster and has no branches performing banking activities outside the Federal Republic of Germany. All figures in the financial statements as defined in Section 26a Para. 1 Sentence 2 KWG therefore relate exclusively to the Federal Republic of Germany.

Itemised List of NRW.BANK's Investments Pursuant to Section 285 No. 11 and 11a HGB

Name and head office of the company	Direct (D)/ Indirect (I)	Capital share in %	Equity in € thou- sands	Net income/ loss for the year in € thou- sands	As at
1 Equity investments in affiliated companies					
1.1 Other companies					
Bremer Spielcasino GmbH & Co. KG, Bremen	D/I	51.00%	138	525	Dec. 31, 2014
Casino Duisburg GmbH & Co. KG, Duisburg	I	100.00%	10,000	3,845	Dec. 31, 2014
Nordwestlotto in Nordrhein-Westfalen GmbH, Münster	D	100.00%	156	0	Dec. 31, 2014
NRW.BANK.Kreativwirtschaftsfonds GmbH & Co. KG, Düsseldorf	D	100.00%	1,699	-181	Dec. 31, 2014
NRW.BANK.Mittelstandsfonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	25	0	Dec. 31, 2014
NRW.BANK.Mittelstandsfonds GmbH & Co. KG, Düsseldorf	D	100.00%	63,623	-873	Dec. 31, 2014
NRW.BANK.Mittelstandsfonds Zwei GmbH & Co. KG, Düsseldorf	D	100.00%	96	-4	Dec. 31, 2014
NRW.BANK.Seed Fonds GmbH & Co. KG, Düsseldorf	D	100.00%	8,976	-1,685	Dec. 31, 2014
NRW.BANK.Seed Fonds Zwei GmbH & Co. KG, Düsseldorf	D	100.00%	1,560	-911	Dec. 31, 2014
NRW.BANK.Spezialfonds GmbH & Co. KG, Düsseldorf	D	100.00%	7,785	217	Dec. 31, 2014
NRW.BANK.Venture Fonds GmbH & Co. KG, Düsseldorf	D	100.00%	12,515	-799	Dec. 31, 2014
NRW.BANK.Venture Fonds Zwei GmbH & Co. KG, Düsseldorf	D	100.00%	23,619	-817	Dec. 31, 2014
Unterstützungseinrichtungen GmbH der Westdeutsche Lotterie GmbH & Co. OHG, Münster	D/I	100.00%	26	-1,627	Dec. 31, 2014
Westdeutsche Lotterie GmbH & Co. OHG, Münster	D	100.00%	105,930	9,405	Dec. 31, 2014
Westdeutsche Lotto-VertriebsGmbH, Münster	I	100.00%	28	-2	Dec. 31, 2014
Westdeutsche Spielbanken GmbH, Duisburg	D	100.00%	26	0	Dec. 31, 2014
Westdeutsche Spielbanken GmbH & Co. KG, Duisburg	D/I	100.00%	14,803	4,413	Dec. 31, 2014
Westdeutsche Spielcasino Service GmbH, Duisburg	D	100.00%	9,525	0	Dec. 31, 2014
WestEvent GmbH & Co. KG, Münster	D/I	100.00%	3,927	479	Dec. 31, 2014
WestSpiel Entertainment GmbH, Duisburg	I	100.00%	25	0	Dec. 31, 2014

Name and head office of the company	Direct (D)/ Indirect (I)	Capital share in %	Equity in € thou- sands	Net income/ loss for the year in € thou- sands	As at
2 Other equity investments					
2.1 Financial institutions					
Investitionsbank des Landes Brandenburg, Potsdam	D	50.00%	205,709	11,426	Dec. 31, 2014
Portigon AG, Düsseldorf	D	30.51%	2,016,989	-221,210	Dec. 31, 2014
2.2 Other companies					
abbino GmbH, Dortmund	I	35.15%	-2,239	-444	Mar. 31, 2011
AplaGen GmbH, Baesweiler	I	26.21%	-3,141	-2,015	Dec. 31, 2008
BGB Ges. Bankenkonsortium ZENIT GmbH, Mülheim	D	33.40%	2,647	269	Dec. 31, 2014
BLSW Seedfonds GmbH & Co. KG, Wuppertal	I	49.96%			Dec. 31, 2015
Bomedus GmbH, Bonn	I	22.72%	-453	-220	Dec. 31, 2014
CAP-CMV GmbH, Cologne	I	25.82%	31	-1,402	Dec. 31, 2014
CellAct Pharma GmbH, Dortmund	I	38.67%	90	-766	Dec. 31, 2014
CEVEC Pharmaceuticals GmbH, Cologne	I	22.34%	-1,014	-2,061	Dec. 31, 2014
DIREVO Industrial Biotechnology GmbH, Cologne	I	30.02%	4,071	-4,551	Dec. 31, 2014
ELS Fonds GmbH & Co. KG, Recklinghausen	I	32.30%	3,642	-1,468	Dec. 31, 2014
Gardeur Beteiligungs GmbH, Mönchengladbach	I	49.00%	7,859	652	Sep. 30, 2014
Gründerfonds Bielefeld-Ostwestfalen GmbH & Co. KG, Münster	I	38.42%	2,868	-514	Dec. 31, 2014
Gründerfonds Münsterland GmbH & Co. KG, Münster	I	37.81%	2,088	-467	Dec. 31, 2014
Haverkamp GmbH, Münster	I	49.00%	477	-298	Dec. 31, 2014
Kapitalbeteiligungsgesellschaft für die mittelständische Wirtschaft in NRW mbH, Neuss	D	49.63%	1,723	170	Dec. 31, 2014
Langendorf GmbH, Waltrop	I	37.00%	1,463	427	Sep. 30, 2015
LSI Pre-Seed-Fonds GmbH, Bonn	D	35.13%	12,174	-951	Dec. 31, 2014
NRW International GmbH, Düsseldorf	D	33.33%	25	1	Dec. 31, 2014
ODS Oddset Deutschland Sportwetten GmbH, Munich	I	33.44%	-3,876	-1,730	Dec. 31, 2014
O-Flexx Technologies GmbH, Duisburg	I	21.59%	692	-1,989	Dec. 31, 2014
Phenox GmbH, Bochum	I	27.61%	5,480	641	Dec. 31, 2014
Protagen AG, Dortmund	I	20.14%	406	-3,381	Dec. 31, 2014
Reformhaus Bacher GmbH & Co. KG, Düsseldorf	I	45.00%	2,432	1,453	Dec. 31, 2014
Rheinland Venture Capital GmbH & Co. KG, Cologne	I	39.92%	3,493	-149	Dec. 31, 2014
saperatec GmbH, Bielefeld	I	23.76%	912	-1,366	Dec. 31, 2014
Schnöring GmbH, Schalksmühle	I	39.00%	1,957	301	Dec. 31, 2014
Scienion AG, Dortmund	I	31.97%	3,780	1,507	Dec. 31, 2014
SeedCapital Dortmund GmbH & Co. KG, Dortmund	I	46.51%	3,864	87	Dec. 31, 2014
Seed Fonds für die Region Aachen GmbH & Co. KG, Aachen	I	46.95%	4,239	-280	Dec. 31, 2014
Seed Fonds II für die Region Aachen GmbH & Co. KG, Aachen	I	46.14%	2,729	-766	Dec. 31, 2014
SeedCapital Dortmund II GmbH & Co. KG, Dortmund	I	47.62%	649	-19	Dec. 31, 2014
Sirius Seedfonds Düsseldorf GmbH & Co. KG, Düsseldorf	I	44.61%	52,770	302	Dec. 31, 2014
WINDTEST Grevenbroich GmbH, Hamburg	D	25.00%	497	201	Dec. 31, 2014

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 c of the Statutes**

Garrelt Duin

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

Michael Groschek

Deputy Chairman
Minister for Building, Housing,
City Development and Transport
of the State of North Rhine-Westphalia
Düsseldorf

Dr. Norbert Walter-Borjans

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

Members Appointed by the Board of Guarantors

Martina Hoffmann-Badache (since October 1, 2015)
State Secretary
Ministry of Health, Equalities,
Care and Ageing
of the State of North Rhine-Westphalia
Düsseldorf

Dr. Günther Horzetzky (until September 30, 2015)
State Secretary
Ministry of Economic Affairs,
Energy and Industry
of the State of North Rhine-Westphalia
Düsseldorf

Peter Knitsch (until September 30, 2015)

State Secretary
Ministry for Climate Protection, Environment,
Agriculture, Conservation and Consumer Affairs
of the State of North Rhine-Westphalia
Düsseldorf

Thomas Kutschaty, MdL (until September 30, 2015)

Minister of Justice
of the State of North Rhine-Westphalia
Düsseldorf

Franz-Josef Lersch-Mense

Minister for Federal Affairs, Europe and Media
(since October 1, 2015) as well as
Head of the State Chancellery
of the State of North Rhine-Westphalia
Düsseldorf

Sylvia Löhrmann (until September 30, 2015)

Minister for School and Further Education
of the State of North Rhine-Westphalia
Düsseldorf

Dr. Rüdiger Messal (until September 30, 2015)

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

Dr. Wilhelm D. Schäffer (until September 30, 2015)

State Secretary
Ministry of Work, Social Integration and Welfare
of the State of North Rhine-Westphalia
Düsseldorf

Supervisory Board

Members Pursuant to Section 12 Para. 1
Letters a to c of the Statutes

Garrett Duin

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

Michael Groschek

Deputy Chairman
Minister for Building, Housing,
City Development and Transport
of the State of North Rhine-Westphalia
Düsseldorf

Dr. Norbert Walter-Borjans

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

Members Appointed by the Board of Guarantors

Horst Becker, MdL

Parliamentary State Secretary
Ministry for Climate Protection, Environment,
Agriculture, Conservation and Consumer Affairs
of the State of North Rhine-Westphalia
Düsseldorf

Ute Gerbaulet (since October 1, 2015)

Member of the Extended Executive Board
Bankhaus Lampe KG
Düsseldorf

Bernd Krückel, MdL (since November 3, 2015)

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

Lutz Lienenkämper, MdL (until April 30, 2015)

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

Johannes Remmel

Minister for Climate Protection, Environment,
Agriculture, Conservation and Consumer Affairs
of the State of North Rhine-Westphalia
Düsseldorf

Norbert Römer, MdL

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

Dr. Birgit Roos (since October 1, 2015)

Chairwoman of the Managing Board
Sparkasse Krefeld
Krefeld

Svenja Schulze, MdL

Minister for Innovation, Science and Research
of the State of North Rhine-Westphalia
Düsseldorf

Representatives of the Bank's Staff

Iris Aichinger (since October 1, 2015)

Staff Representative
NRW.BANK
Düsseldorf

Martin Bösenberg

Staff Representative
NRW.BANK
Münster

Matthias Elzinga

Staff Representative
NRW.BANK
Münster

Frank Lill

Staff Representative
NRW.BANK
Düsseldorf

Thomas Stausberg

Director
NRW.BANK
Düsseldorf

**Permanent Representatives of the Members Pursuant
to Section 12 Para. 1 Letters a to c of the Statutes**

Wulf Noll

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

Annett Fischer

Assistant Secretary
Ministry for Building, Housing,
City Development 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

Managing Board

Klaus Neuhaus

Chairman of the Managing Board

Michael Stöting

Member of the Managing Board

Dietrich Suhlrie

Member of the Managing Board

Düsseldorf/Münster, February 12, 2016

NRW.BANK

The Managing Board

Neuhaus, Stöting, Suhlrie

Cash Flow Statement

of NRW.BANK as of December 31, 2015

The cash flow statement shows the changes in cash and cash equivalents and the cash flows of NRW.BANK, divided into operating activities, investing activities and financing activities. The cash and cash equivalents shown include the balance sheet items "cash" and "debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks". Cash flows are allocated to operating activities as operating income accrues. The cash flow from investing activities results primarily from cash received and cash used in connection with selling or acquiring financial and tangible assets. The change in cash from financing activities captures the relationships to equity capital providers. The statement was prepared in accordance with German Accounting Standard No. 21 (DRS 21).

	2015
	€ millions
1. Net income	13.8
2. Depreciation, write-downs/write-ups of receivables and tangible assets	84.8
3. Increase/decrease in provisions	71.3
4. Changes in other non-cash items	303.6
5. Gain/loss on the sale of tangible assets	-299.7
6. Other adjustments (balance)	0.1
7. Increase/decrease in receivables from banks	177.4
8. Increase/decrease in receivables from customers	-359.0
9. Increase/decrease in securities (with the exception of financial assets)	-483.5
10. Increase/decrease in other assets from operating activities	-100.4
11. Increase/decrease in liabilities to banks	-1,078.7
12. Increase/decrease in liabilities to customers	-1,639.8
13. Increase/decrease in certificated liabilities	499.0
14. Increase/decrease in other liabilities from operating activities	-1,197.3
15. Interest expenses/income	-436.8
16. Expenses for/income from extraordinary items	0.0
17. Income tax expenses/income	9.7
18. Interest and dividends received	5,287.6
19. Interest paid	-4,348.6
20. Extraordinary cash received	0.0
21. Extraordinary cash disbursed	0.0
22. Income tax payments	-6.1
23. Cash flow from operating activities	-3,502.6

	2015
	€ millions
24. Cash from the disposal of financial assets	4,089.8
25. Disbursements for investments in financial assets	-35.5
26. Cash from the disposal of tangible assets	0.0
27. Disbursements for investments in tangible assets	-2.4
28. Cash from the disposal of intangible assets	0.0
29. Disbursements for investments in intangible assets	0.5
30. Changes in cash from other investing activities (balance)	0.0
31. Cash flow from investing activities	4,052.4
32. Cash from allocations to equity capital	49.2
33. Disbursements from equity reductions	0.0
34. Dividends paid to shareholders	-15.7
35. Cash changes from other capital (balance)	-153.7
36. Cash flow from financing activities	-120.2
37. Net change in cash and cash equivalents	429.6
38. Other changes in cash and cash equivalents	0.0
39. Cash and cash equivalents at the beginning of the period	345.8
40. Cash and cash equivalents at the end of the period	775.4

Statement of Changes in Equity

of NRW.BANK as of December 31, 2015

	Subscribed capital	Capital reserves	Reserves from retained earnings	Profit for the year	Total
			Reserves required by NRW.BANK's statutes	Other reserves from retained earnings	
As of Dec. 31, 2013	€ millions	€ millions	€ millions	€ millions	€ millions
17,000.0	627.7	36.1	219.6	0.0	17,883.4
Compensation payments of the Federal Government for new promotion measures		49.2			49.2
Net income				15.7	15.7
Designated payout due to legal requirements				-15.7	-15.7
As of Dec. 31, 2014	17,000.0	676.9	36.1	219.6	0.0
Compensation payments of the Federal Government for new promotion measures		49.3			49.3
Net income				13.8	13.8
Designated payout due to legal requirements				-13.8	-13.8
As of Dec. 31, 2015	17,000.0	726.2	36.1	219.6	0.0
					17,981.9

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, the notes to the financial statements, the cash flow statement and the statement of changes in equity, together with the bookkeeping system, and the management report of the NRW.BANK, Düsseldorf and Münster, for the business year from 1 January to 31 December 2015. 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 the Company'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 § 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 German 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 the 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 supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the NRW.BANK in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the NRW.BANK's position and suitably presents the opportunities and risks of future development.”

Düsseldorf, February 18, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bormann
Wirtschaftsprüfer
(German Public Auditor)

Schulz
Wirtschaftsprüfer
(German Public Auditor)

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of NRW.BANK, and the management report includes a fair review of the development and performance of the business and the position of NRW.BANK, together with a description of the principal opportunities and risks associated with the expected development of NRW.BANK.

Düsseldorf/Münster, February 12, 2016

NRW.BANK

The Managing Board



Klaus Neuhaus
Chairman 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 23 Para. 1

Letter a of the Statute

Michael Groschek

Chairman

Minister for Building, Housing,
City Development and Transport
of the State of North Rhine-Westphalia
Düsseldorf

Members Pursuant to Section 23 Para. 1

Letter b of the Statute

Günther Bongartz

Senior Principal
Ministry of Finance
of the State of North Rhine-Westphalia
Düsseldorf

Dr. Michael Henze

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

Hans Lauf

Assistant Secretary
Ministry of Work, Social Integration and Welfare
of the State of North Rhine-Westphalia
Düsseldorf

Members Pursuant to Section 23 Para. 1

Letter c of the Statute

Martin Börschel, MdL

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

Holger Ellerbrock, MdL

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

Dieter Hilser, MdL

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

Gerda Kieninger, MdL

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

Arndt Klocke, MdL (since June 24, 2015)

Member of the
Bündnis 90/Die Grünen Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Bernhard Schemmer, MdL

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

Daniela Schneckenburger, MdL (until April 14, 2015)

Deputy Chairwoman of the
Bündnis 90/Die Grünen Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Eva-Maria Voigt-Küppers, MdL

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

Klaus Voussem, MdL

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

Olaf Wegner, MdL

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

Members Pursuant to Section 23 Para. 1

Letter d of the Statute

Ingo Apel

Member of the Managing Board
Haus und Grund Düsseldorf und Umgebung
Verband des Haus-, Wohnungs- und Grundeigentums
im Regierungsbezirk Düsseldorf e. V.
Düsseldorf

Dr. Werner Küpper

BFW Landesverband Nordrhein-Westfalen e. V.
Bonn

Alexander Rychter

Association Director
Verband der Wohnungswirtschaft
Rheinland Westfalen e. V.
Düsseldorf

Members Pursuant to Section 23 Para. 1

Letter e of the Statute

Rudolf Graaff

Deputy Mayor
Städte- und Gemeindebund Nordrhein-Westfalen e. V.
Düsseldorf

Thomas Hendele

District Administrator
Kreis Mettmann
Mettmann

Stefan Raetz

Mayor
City of Rheinbach
Rheinbach

Hilmar von Lojewski

Deputy Mayor
for Urban Development, Construction,
Housing and Transport
Städtetag Nordrhein-Westfalen
Cologne

Members Pursuant to Section 23 Para. 1

Letter f of the Statute

Hans-Jochem Witzke

1st Chairman
Mieterverein Düsseldorf e. V. and
Chairman of the Managing Board of
Deutscher Mieterbund Nordrhein-Westfalen e. V.
Düsseldorf

Members Pursuant to Section 23 Para. 1

Letter g of the Statute

Dipl.-Ing. Ernst Uhing

President
Architektenkammer Nordrhein-Westfalen
Düsseldorf

**Permanent Representatives of the Chairing Member
Pursuant to Section 23 Para. 2 of the Statute**

Sigrid Koeppinghoff

Assistant Secretary
Ministry for Building, Housing,
City Development and Transport
of the State of North Rhine-Westphalia
Düsseldorf

Members of the Parliamentary Advisory Board

Members Pursuant to Section 26 of the Statute

Elisabeth Müller-Witt, MdL

Chairwoman

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

Mehrdad Mostofizadeh, MdL

Deputy Chairman

Member of the
Bündnis 90/Die Grünen Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Marc Herter, MdL

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

Stefan Kämmerling, MdL

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

Gerda Kieninger, MdL

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

Christian Möbius, MdL

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

Dr. Marcus Optendrenk, MdL

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

Dietmar Schulz, MdL

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

Ralf Witzel, MdL

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

Hendrik Wüst, MdL

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

Gudrun Zentis, MdL

Member of the
Bündnis 90/Die Grünen Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Stefan Zimkeit, MdL (since January 28, 2015)

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

Members of the Advisory Board

Members Pursuant to Section 25 of the Statute

Garrett Duin

Minister for Economic Affairs,
Energy and Industry
of the State of North Rhine-Westphalia
Düsseldorf

Michael Ackermann

Managing Director
Klinikum Bielefeld gem. GmbH
Bielefeld

Frank Baranowski

Lord Mayor
City of Gelsenkirchen
Gelsenkirchen

Prof. Dr. Gerd Bollermann (until August 30, 2015)

District President
Arnsberg Regional Government
Arnsberg

Michael Breuer

President
Savings Banks and Giro Association of the Rhineland
Düsseldorf

Pit Clausen (since January 1, 2016)

Lord Mayor
Deputy Chairman
Städtetag Nordrhein-Westfalen
Düsseldorf

Heinrich Otto Deichmann

Chairman of the Supervisory Board
Deichmann SE
Essen

Andreas Ehlert

President
Düsseldorf Chamber of Handicrafts
Düsseldorf

Thomas Eiskirch (since January 1, 2016)

Lord Mayor
City of Bochum
Bochum

Diana Ewert (since January 1, 2016)

District President
Arnsberg Regional Government
Arnsberg

Andreas Feicht

Chairman
Verband kommunaler Unternehmen e. V.
– Regional Group North Rhine-Westphalia –
Cologne

Marcelino Fernández Verdes

(until December 31, 2014)
Chairman of the Managing Board
HOCHTIEF AG
Essen

Dr. Reinhold Festge

Managing Partner
HAVER & BOECKER OHG
Drahtweberei und Maschinenfabrik
Oelde

Heinz Fiege

FIEGE Logistik Holding Stiftung & Co. KG
Greven

Otto Rudolf Fuchs (†) (until December 4, 2015)

Shareholder
Otto Fuchs KG
Meinerzhagen

Prof. Dr. Ursula Gather (until December 31, 2015)
Deputy Chairwoman
Directors Conference of the Universities
in North Rhine-Westphalia
Dortmund

Dieter Gebhard
Chairman
Regional Assembly of Westphalia-Lippe
Münster

Dr. Rolf Gerlach
President
Savings Banks and Giro Association
of Westphalia-Lippe
Münster

Thomas Hendele
District Administrator
President
Landkreistag Nordrhein-Westfalen e. V.
Düsseldorf

Thomas Hunsteger-Petermann
Lord Mayor
City of Hamm
Hamm

Peter Jung (until December 31, 2015)
Lord Mayor (until September 27, 2015)
Chairman
Städtetag Nordrhein-Westfalen
Düsseldorf

Ralf Kersting (since May 1, 2015)
President
Düsseldorf Chamber of Handicrafts
Düsseldorf

Arndt G. Kirchhoff
Managing Partner & CEO
KIRCHHOFF Holding GmbH & Co. KG
Iserlohn

Dipl.-Ing. Hanspeter Klein
Chairman of the Managing Board
Verband Freier Berufe
im Lande Nordrhein-Westfalen e. V.
Düsseldorf

Prof. Dr. Reinhard Klenke
District President
Münster Regional Government
Münster

Norbert Kleyboldt
Permanent Delegate
Apostolic Administrator of
Bischöfliches Generalvikariat Münster
Münster

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Bankenverband Nordrhein-Westfalen e. V.
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City of Münster
Münster

Matthias Löb
Director of LWL
Regional Association of Westphalia-Lippe
Münster

Ulrike Lubek
Director of LVR
Regional Association of the Rhineland
Cologne

Wolfgang Lubert
Managing Director
EnjoyVenture Management GmbH
Düsseldorf

Anne Lütkes

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Düsseldorf Regional Government
Düsseldorf

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Forschungszentrum Jülich GmbH
Jülich

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Deutscher Gewerkschaftsbund NRW
Düsseldorf

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eCAPITAL entrepreneurial Partners AG
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Cologne

Martin Renker (since July 1, 2015)

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Düsseldorf

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Cologne

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President
Städte- und Gemeindebund Nordrhein-Westfalen e. V.
Düsseldorf

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(since January 1, 2016)
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Directors Conference
of the Universities in North Rhine-Westphalia
Dortmund

Roland Schäfer (until June 30, 2015)

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1st Vice President
Städte- und Gemeindebund Nordrhein-Westfalen e. V.
Düsseldorf

Prof. Dr. Uwe Schneidewind

President and Academic Managing Director
Wuppertal Institut für Klima, Umwelt, Energie gGmbH
Wuppertal

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City of Bochum
Bochum

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Chairman of the Managing Board
EMSCHERGENOSSENSCHAFT und LIPPEVERBAND
Essen/Dortmund

Peter Terium

Chairman of the Managing Board
RWE AG
Essen

Marianne Thomann-Stahl

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Detmold Regional Government
Detmold

Reza Vaziri (until December 31, 2015)

Chairman of the Executive Board
3M Deutschland GmbH
Neuss

Hans-Josef Vogel

Mayor
City of Arnsberg
Arnsberg

Gisela Walsken

District President
Cologne Regional Government
Cologne

Prof. Dr. Jürgen Wilhelm

Chairman
Regional Assembly of the Rhineland
Cologne

Klaus Winterhoff

Legal Vice President
Evangelical Church of Westphalia
Bielefeld

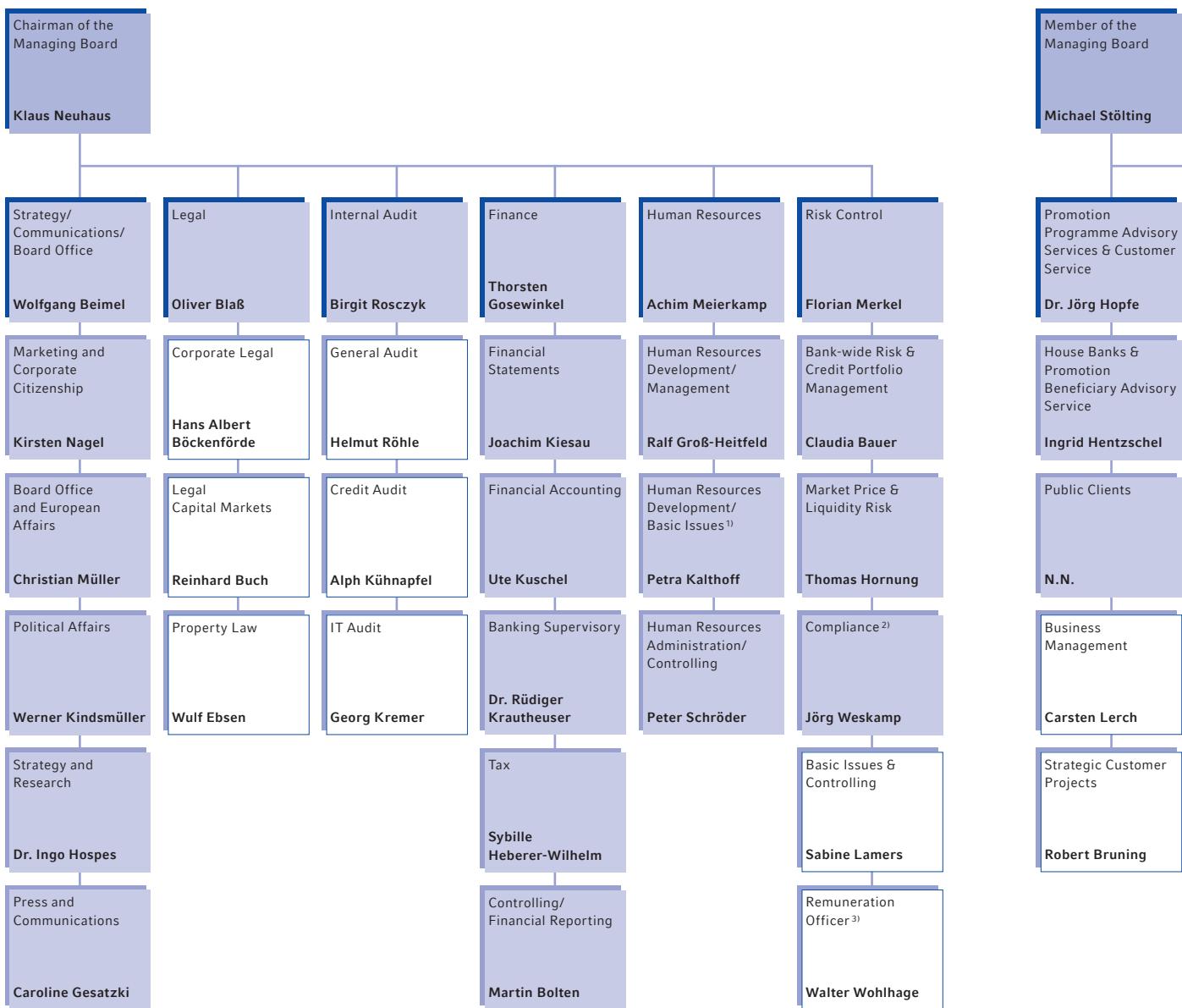
Hans-Bernd Wolberg

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

Matthias Zachert

Chairman of the Managing Board
LANXESS AG
Leverkusen

Organisation Chart



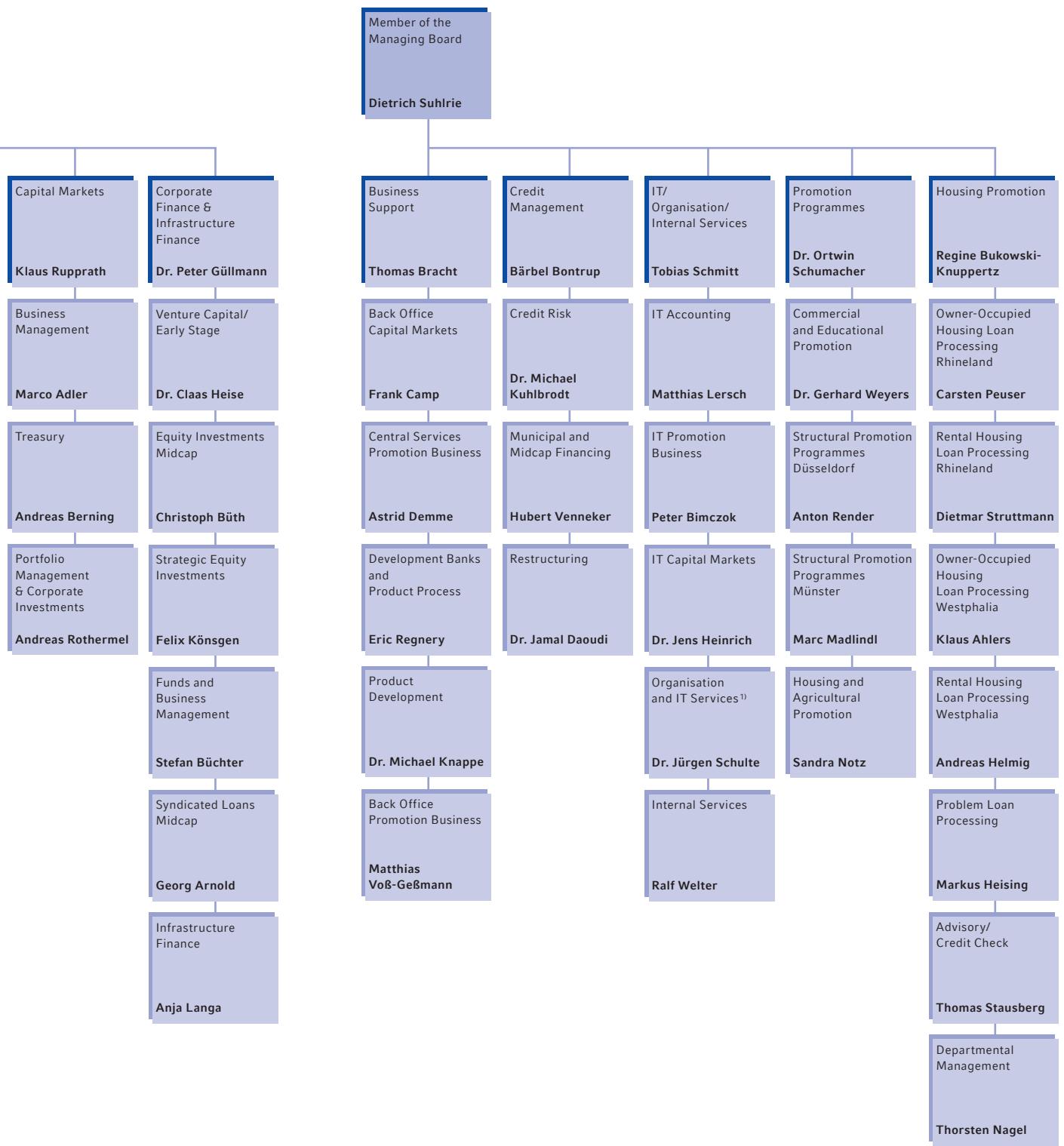
Business Unit Department Team with direct reporting line to the Business Unit Head

¹⁾ Occupational Safety Officer, Equal Opportunities Officer and Data Protection Officer report directly to the Managing Board.

²⁾ The Money Laundering Officer, who is in charge of the central function for the prevention of money laundering, terrorist financing and other criminal acts pursuant to § 25h KWG, the WpHG Compliance Officer and the MaRisk Compliance Officer report directly to the Managing Board and are bound by instructions only from the latter.

³⁾ The Remuneration Officer reports directly to the Supervisory Board and the Remuneration Control Committee.

Note: The Staff Council is not shown as an organisational unit in the organisational chart of NRW.BANK as it is an elected body which has no reporting relationship with the Managing Board.



NRW.BANK at a Glance

NRW.BANK Facts

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

Guarantors

- State of North Rhine-Westphalia (100%)

Liabilities/Guarantees

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

Legal Status Public law bank

Head Offices Düsseldorf and Münster

Information Services of NRW.BANK

NRW.BANK.Infoline

Phone +49 211 91741-4800

Fax +49 211 91741-7832

info@nrwbank.de

Initial advice and information on the promotion products

Service hours: Mondays to Thursdays from 8.00 a.m. to 6 p.m. and Fridays from 8.00 a.m. to 5.30 p.m.

For further advice, you may also contact:

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Concept and Design,

Production and Typesetting

vE&K Werbeagentur GmbH & Co. KG,
Essen

Print

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

Financial Calendar 2016

March 14, 2016
August 25, 2016
October 25, 2016

Annual accounts press conference
Publication of the promotion result for the second quarter
Publication of the promotion result for the third quarter

Net Volume of New Commitments

	2015	2014
	€ millions	€ millions
Housing & Living	5,148	4,278
Seed & Growth	3,344	3,178
Development & Protection	1,185	1,441
Total	9,677	8,897

Key Figures

	2015	2014
	€ millions	€ millions
Total assets	141,175	143,843
Equity capital pursuant to the German Commercial Code (HGB)	17,982	17,933
Common Equity Tier 1 capital	18,385	18,254
Own funds	20,063	19,992
Net interest and net commission income	546	568
Administrative expenses	210	215
Operating income	364	381
CET1 capital ratio	42.58%	40.09%
Total capital ratio	46.47%	43.91%
Staff	1,309	1,283

Ratings

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

Sustainability

Rated by	oekom research	imug	Sustainalytics	Vigeo
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