

# Financial Report 2009

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# Financial Report 2009 of NRW.BANK

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# Corporate Responsibility

## Commitment to Corporate Social Responsibility

Under its statutory mission, NRW.BANK supports the state of North Rhine-Westphalia and its local and regional governments in performing their tasks. For this purpose, the Bank provides a wide range of promotion, funding and advisory services in the fields of structural, economic, social and housing policy.

Sustainability is a central leitmotiv for NRW.BANK and an essential criterion in taking decisions on policies and business. This is reflected in all phases of NRW.BANK's corporate activity, starting from its strategic and business policy decisions to the shaping of its product and service offerings, from the implementation of individual financing transactions to its capital market activities and its advisory services.

The Bank's "Principles of Corporate Responsibility at NRW.BANK" were adopted in 2008. They take into account the special aspects resulting from the special framework – i.e. "Verständigung II" agreement<sup>1</sup>, public mission and local relationship bank approach.

NRW.BANK's proprietary standard for the definition of sustainability aspects is fully consistent with the Bank's normative catalogue of tasks. The latter obliges the Bank to observe the principle of sustainability in fulfilling its tasks (cf. Section 3 sub-section 1 of the Act on NRW.BANK and corresponding Section 5 sub-section 1, sentence 2 of the Statutes).

When adopting the "Principles of Corporate Responsibility at NRW.BANK", it was decided to also sign the German Diversity Charter, the ten principles of the UN Global Compact and the Financial Institutions Initiative of the United Nations Environmental Programme (UNEP FI).

- The German Diversity Charter represents a commitment to treating people with respect and as partners irrespective of their gender, age, nationality, ethnical background and religion.
- The ten principles of the UN Global Compact represent commitments to comply with human rights and labour standards such as freedom of association and abolition of forced and child labour. They also include environmental protection measures and the fight against corruption.
- Under the UNEP statement, financial service providers commit themselves to gearing their business activities towards sustainable development and taking a forward-looking environmental management approach so as to identify and prevent environmental risks at an early stage. The signatories are also obliged to communicate the measures taken, e.g. in the field of environmental protection, and cooperate with other financial institutions and environmental organisations in a spirit of partnership and support them in their sustainable development efforts.

The above commitments were signed in August 2009.

On this basis, NRW.BANK incorporates sustainability aspects into its business activity, thus contributing to the sustainable economic and social development of North Rhine-Westphalia. This way, the Bank facilitates growing prosperity for today's generation without jeopardising the prosperity of future generations. This is a key task of NRW.BANK as a development bank for the state of North Rhine-Westphalia, as the Bank has great responsibility towards the people of North Rhine-Westphalia.

<sup>1</sup> NRW.BANK's statutory mission is based on the provisions of the "Verständigung II" agreement between the German government and the EU Commission. According to this understanding, NRW.BANK continues to benefit from the state guarantees known as guarantor liability and institutional liability, in consideration of which the Bank has accepted the constraints imposed on its business model as set out in the document.

Apart from the value created by NRW.BANK for society as a result of its commitment to sustainable action, the Bank also uses these topics for communication with the public, NGOs and rating agencies. Sustainability aspects enjoy growing public awareness not least as a result of the increasingly widespread discussion about climate change.

The sustainability performance of NRW.BANK has been rated by Sustainalytics GmbH and oekom research AG, two rating agencies for sustainable investments.



Bank Sarasin & Cie AG has included NRW.BANK in its “sustainable investment universe”.



### Shaping Sustainable Development and Promotion for Customers

NRW.BANK rose to its responsibility in the difficult macroeconomic environment of the year 2009. In its capacity as a development and promotion bank for North Rhine-Westphalia, the Bank was challenged to help cushion the effects of the economic downturn while at the same time providing stimulation for an economic recovery. In response to these challenges, NRW.BANK showed great flexibility in adapting its products and services. Thanks to its readjusted offerings, NRW.BANK was able to support a record number of funding recipients in the field of start-up/ SME financing and housing promotion – as measured by the number of commitments made.

Nevertheless new business commitments declined by 12.7% as compared to the boom year 2008, primarily due to the cyclically induced shift in demand to relatively small working capital loans. The commitment volume still reached € 7.9 billion.

Using its own income for the promotion and development business is an integral element of NRW.BANK’s business strategy. As in the previous years, this “direct promotion dividend” was primarily used to lower the interest rates of start-up and SME promotion programmes and, to a minor extent, for infrastructure funding programmes. An amount of € 21.4 million was allocated to the available promotion dividend in 2009. In addition, NRW.BANK makes available comprehensive qualitative promotion services; these include, in particular, NRW.BANK’s advisory services for clients as well as support services for multipliers and relationship banks.

### Start-up and SME Promotion

In 2009, the ROI expectations of many small and medium-sized businesses declined amidst the economic crisis. As a result, capital spending contracted markedly, as did demand for investment loans. New business volumes of these promotion programmes were therefore below the prior year level. Subsidised interest rate no longer had a positive impact on SME’s spending propensity in this macroeconomic environment. The new business volume of the NRW.BANK.Mittelstandskredit – NRW.BANK’s flagship product of – was down 44.5% on the boom year 2008. It was nevertheless positive to see that, in spite of this unfavourable trend, promotion loans in an amount of € 850.1 million were disbursed to 3,766 companies in the context of this programme.

As a result of the economic crisis, many companies were confronted with a sharp drop in incoming orders as well as payment defaults and bad debts. Accordingly, numerous small and medium-sized businesses were faced with a very tight liquidity situation last year. SME demand therefore focused primarily on working capital loans. The NRW.BANK.Universalkredit is particularly well suited to cover this demand, as its freely selectable maturities between four and ten years give SME's great flexibility in covering their liquidity requirements. Accordingly, this programme met with high demand, with commitments made to almost 400 companies (+ 86.4%). The new business volume of the NRW.BANK.Universalkredit rose by 10.9% to approximately € 209.9 million.

Between July and November 2009, NRW.BANK, in close cooperation with Landwirtschaftliche Rentenbank, offered the "NRW.BANK.Agrar Liquiditätshilfe" programme to help agricultural businesses stabilise their liquidity position. The programme provided agricultural businesses with low-interest working capital loans. Dairy farmers were offered additionally subsidised interest rates in the context of a special sub-programme financed from state funds. Due to its favourable conditions, the programme met with strong demand and was used by a total of 1,662 agricultural businesses. Some 60% of the relevant target group took advantage of this product, with commitments totalling € 83.2 million.

As a result of the financial and economic crisis, banks were in 2009 confronted with a deteriorated funding situation and were forced to set aside additional provisions for anticipated write-downs on corporate loans. This prompted many banks to adopt increasingly restrictive lending policies. This trend was relevant also for promotion loans, given that the borrower's relationship bank usually retains a part of the exposure on its books. To provide business start-ups and SME's with continued access to low-interest promotion loans, NRW.BANK therefore expanded its range of solutions incorporating liability releases for relationship banks. In the context of the "NRW.BANK.Mittelstandskredit" and "NRW.BANK.Universalkredit" programmes, new products with a 50% liability release for investment loans between € 1.25 million and € 5 million were launched in the market. These product variants complemented the product variant with 80% default guarantee previously launched in cooperation with Bürgschaftsbank NRW for the benefit of small and mid-sized enterprises (SMW) as defined by the EU.

In view of the demand for working capital loans, the NRW.BANK.Konjunkturkredit was launched in mid-May 2009. Scheduled for an initial run until year-end 2010, this programme offers small and medium-sized companies liability releases not only for investment loans but also for working capital loans. Relationship banks can apply for the 50% risk reduction from credit volumes as low as € 125,000. As the programme is operated within the parameters of the "Bundesregelung für Kleinbeihilfen" subsidy guideline, it is also available to companies in financial trouble, provided that the crisis started after July 1, 2008. The programme was received very well, not least due to the liability release for working capital loans, and provides an adequate response to the requirements of small and medium-sized businesses affected by the economic crisis.

Due to the crisis, mid-market demand for support and advice increased markedly in the past year. Against this background, NRW.BANK and the Ministry of Economics, Small Business and Energy launched a telephone-based information and advisory service at the beginning of the year, which complements the Bank's existing range of advisory services. Strong use was made of the new service not only by SME's but also by multipliers and relationship banks, with 10,200 first-time callers receiving advice in the course of the year. In view of the strong response, NRW.BANK intends to establish this infoline as a permanent service in the current fiscal year. In June 2009, NRW.BANK additionally established a special advisory service for crisis prevention and crisis management for small and medium-sized businesses. Since then, some 80 companies have taken advantage of the new financial advisory service of NRW.BANK.

Young companies have a positive influence on structural change, competition and innovation. Supporting business start-ups is therefore one of NRW.BANK's prime tasks. The Bank operates two programmes under which new business start-ups receive financing. The first is the "NRW.BANK.Gründungskredit", which offers low-interest loans for their start-up projects with a minimum volume of € 25,000. In 2009, 1,180 founders took advantage of this offering. The second programme, the "NRW/EU.Mikrodarlehen" was launched specifically for micro start-ups with credit requirements between € 5,000 and € 25,000. This programme was very well received by the market. Last year, 222 founders were granted a loan under this programme. Loans are extended in cooperation with regional "STARTERCENTER NRW" branches, which provide advisory services to potential borrowers and accept the credit applications. Given that no collateral is required, the micro loans are a particularly interesting option for unemployed people to finance their own businesses.

Not all start-ups are equal. Companies offering innovative and technologically new products and services are critical for an economy's competitiveness and ability to innovate. In the first years of their existence, these companies usually create more jobs than other newly established companies. NRW.BANK supports this special target group of high-tech start-ups with the "NRW.BANK.Seed Fonds". This fund-of-funds invests in seven regional seed funds in North Rhine-Westphalia. The regional seed funds focus on partly different sectors and provide investment capital of usually up to € 500,000 to business start-ups in the high-tech sector. The "NRW.BANK.Venture Fonds" additionally offers young, innovative companies focusing on information and telecommunication technologies, life sciences, optical technologies and materials technologies a possibility to receive a second-round investment of up to € 3 million.

Innovations are a key factor for survival in the market and the development of new business segments even for established companies. Against this background, NRW.BANK last year launched the "NRW.Innovationsdarlehen" in cooperation with the Ministry for Innovation, Science, Research and Technology. The programme finances innovative investment projects of established small and medium-sized companies aimed at adding new, technologically advanced products to their product ranges or introducing the respective production processes and improving existing products and processes. In the context of the programme, such projects are financed with between € 25,000 and € 5 million.

### Infrastructure and Municipal Financing

A functioning infrastructure is the very basis for the forward-looking and sustainable development of North Rhine-Westphalia. Against this background, NRW.BANK supports infrastructure projects in the state. Under the "NRW.BANK.Infrastruktur" programme, the Bank raises private capital to finance investments in the technical and social infrastructure. The programme provides attractive promotion loans for businesses, self-employed people and private investors. Investments by local authorities, municipally owned companies and municipal cooperatives are supported by "NRW.BANK.Kommunal Invest" and "NRW.BANK.Kommunal Invest Plus", two coordinated funding programmes. As local authorities rescheduled their long-term debt into short-term debt for budget reasons, demand for these programmes declined. The funds made available to local authorities by the federal government in the context of its second economic stimulus package also led to a decline in credit demand at NRW.BANK.

Besides the infrastructure development programmes, NRW.BANK operates the "NRW.BANK.Pflege und Betreuung" programme to meet the requirements of demographic change and help preserve the social fabric. Lending under the programme is subsidised from NRW.BANK's income. Loans are available for investments in facilities for the care of the elderly, assisted living as well as homes and workshops for handicapped people. The NRW.BANK.Sportstätten supports the acquisition, modernisation and expansion of sports facilities by non-profit sports organisations such as clubs or associations. To ensure the coherence between the proposed projects and the existing sports infrastructure, all proposals are screened by a working committee composed of members of the state government, the state sports federation. Infrastructure

investment in sewage protection is supported under the "Investitionsprogramm Abwasser" (IPA) programme whose interest rates are subsidised from state funds. IPA loans are available for investments in new sewage treatment and soil filtration plants by local authorities and municipal cooperatives. Similar investments by companies are supported through interest-subsidised loans under a separate leg of the IPA programme.

### Housing Promotion

Social housing promotion remained an important field of promotion also in 2009. The total promotion volume amounted to € 1,140.7 million (up 20.4% on the previous year), meaning that the promotion increased by € 193.1 million. NRW.BANK noted a particularly pronounced rise from € 491.9 million (up 42.5% on the previous year) in the rented accommodation segment. In accordance with the state government's objectives and targets, the Bank is rising to the challenge of protecting the climate particularly in the area of social housing promotion. The approval of promotion loans has been subject to particularly strict energy consumption ratings<sup>1</sup> since 2009; only reduced loans are available to buyers of existing homes which do not meet certain energy consumption standards. In addition, the Bank is operating a programme to promote investment in building efficiency in the rent-controlled housing stock. This programme aims at improving the energy efficiency of up to 200,000 social housing units built between the 1960s and 1980s which have to date not been refurbished or only partially refurbished. Almost 2,400 units have benefited from energy efficiency investments under this programme since 2007.

<sup>1</sup> Primary energy consumption of no more than 60 kWh per square metre of floor space; transmission heat loss through the building shell must undercut the maximum value stipulated in the German Energy Saving Ordinance by at least 30%.

In its capacity as a conduit of promotion funding, NRW.BANK makes available KfW Banking Group's federal promotion programmes to the savings banks group in North Rhine-Westphalia. Compared to the previous year, the volume of new business contracted especially under energy promotion programmes rose by roughly 50%. This increase was driven by KfW-funded and federally funded interest rate subsidies as well as increased environmental awareness in the general population.

#### Education financing

Education is another focus of NRW.BANK's promotion funding activities. The Bank's commitment to this field is reflected in the NRW.BANK.Tuition Fee Loan. This programme offers students enrolled at public universities interest-subsidised loans for the exclusive purpose of funding their tuition fees. With loan approval not being subject to a credit check and the maximum amount repayable by Bafög grant recipients being capped at € 10,000, this programme effectively helps ensure that youths from lower-income households are not excluded from access to universities. The programme continued to attract strong demand in 2009, with approximately 17,000 first time contracts being received. Some 83,000 students, equivalent to approximately 22% of the fee-paying and eligible students in the state, are users of the NRW.BANK programme.

#### Exercising Sustained Responsibility for Employees

##### Headcount Development

In 2009, the Bank's headcount increased by a moderate 3.3%. At the end of the year, NRW.BANK employed 1,224 people.

The low staff turnover rate of the previous year was more than halved. The total rate of 1.47% comprises 0.90% in age-related departures and 0.57% in terminations. As a result of the periodic-specific decline

in retirements, the average age increased to 42.8 years. While the low number of terminations does not permit to identify a clear trend for the past fiscal year, it is safe to assume that the main reason for the low staff turnover – besides the financial market crisis – is employees' strong identification and satisfaction with NRW.BANK.

There was virtually no change in the headcount ratios between the Düsseldorf and Münster offices and the male-to-female ratio. The percentage of part-time jobs declined moderately, with most of the part-time positions held by women. Interest in reduced working hours has increased also among female executives, with 9 of 41 women in executive positions working part-time. One male executive has chosen to work under a part-time arrangement. The percentage of women in executive positions declined moderately.

##### Equal Opportunities

As part of its equal opportunities policy, NRW.BANK continues to focus on fostering a good work-life balance for its employees. Demand for the existing child care scheme in Düsseldorf and Münster for toddlers under the age of three remained strong in the past fiscal year. In addition, customised child and elder care services were provided through pme Familienservice GmbH. Generally, all employees can take advantage of part-time work schemes in line with their individual requirements. While these schemes have so far been used primarily by women, the number of men who took a short family leave or signed up for part-time work increased in 2009.

In the past fiscal year, NRW.BANK not only held general information events to raise awareness for equal opportunities but also organised lectures focusing on “cooperation between men and women” as well as a strategy workshop on “Leveraging Expertise – Marketing Performance”.

#### Vocational training

NRW.BANK continued to increase the number of apprenticeships in 2009 in order to be prepared for the stronger demand for training positions from the one-time doubling of the number of school-leavers in 2013 as well as to cushion the demographically induced scarcity of qualified personnel. The newly created work-and-study position leading up to a Bachelor of Science degree was filled for the first time. In addition, the Bank hired seven students for the Bachelor of Arts (BA) – banking course – and twelve apprentices for the KfB programme (office communication merchants with additional qualification in bank operations). As a result, 42 young people across all relevant age brackets were in training with NRW.BANK during the period.

As in the previous years, all graduates from the apprenticeship programmes were offered permanent positions with NRW.BANK. Three additional apprenticeship positions were created at external service providers based on a sponsoring agreement (cf. page 18).

In addition, five trainee scheme participants assumed their target positions last year. All vacant positions will be filled again successively.

In order to handle the consistently strong demand for apprenticeships more efficiently, the selection procedure for applicants was revised last year. The newly created online process allows a clearly enlarged group of school leavers to apply for an apprenticeship with NRW.BANK.

#### Human Resources Development

In view of the anticipated labour market implications of current demographic trends, NRW.BANK identified three central fields of strategic HR action in recent years:

- Securing Talent
- Facilitating Development
- Maintaining Performance

These closely coordinated fields of action extend across an employee’s entire development path from initial training to old-age retirement. NRW.BANK will maintain a consistent focus on these areas in order to ensure that well qualified employees can be recruited and retained even under the tighter labour market conditions of the future.

#### Securing Talent

NRW.BANK secures qualified talent and rejuvenates its age structure by offering high-quality training in different professions followed by offers of permanent employment; this is complemented by trainee programmes for university graduates. At the same time, the Bank also continues to promote further education through a variety of support programmes and measures.

#### Facilitating development

Recruiting and retaining well-qualified employees is a key prerequisite for corporate success in an increasingly tighter labour market. Recognising that career potential is a key factor in an employer’s attractiveness and hence, in fostering employee loyalty, NRW.BANK’s strategic HR planning has been geared towards a preference for existing employees since 2006. At the same time, the working conditions of the future will be characterised by a fast pace of change, which will represent major challenges to an organisation’s ability to innovate. Consequently, an important future task

will be to maintain employees' readiness and ability to undergo change by encouraging permanent learning and the acceptance of new challenges.

The reduction of external hiring to a minimum stimulates the internal hiring market which benefits from clearly recognisable career paths. This decision has expanded the development potential for well-qualified graduates from the Bank's apprenticeship programmes, while at the same time offering employees more opportunities to change jobs and positions.

Case management and executive positions are predominantly filled from within the organisation already today. Going forward, this practice is to be applied increasingly also when it comes to filling specialist positions. Age-related retirements, in particular, tend to offer sufficient lead time to develop existing employees for specialist positions becoming vacant. To ensure that the required knowledge pool is available in-house, NRW.BANK drafts specific qualification concepts for individual positions or groups of positions responding to NRW.BANK's specific needs.

Seminar enrolments declined by one quarter compared to the previous year. This primarily reflects the non-recurrence of special effects in the year 2008 when demand for seminar participation was boosted by new legislation (BilMoG Accounting Law Modernisation Act) and a number of internal IT projects. The gender ratio has not changed.

Apart from the classical HR development services, employees can also gather practical experience by participating in NRW.BANK's job rotation programme. With 18 employees applying for participation, the number was unchanged compared to the prior year.

Upon completion of the programme, all participants were highly satisfied with the concept which they felt had broadened their expertise and their scope of experience. In addition, the programme resulted in several permanent transfers of employees who initially declared an interest in a job rotation spell but eventually transferred into new positions right away.

Last year saw the addition of instructional videos on PC applications to the Bank's HR development offerings. Employees can freely select relevant videos and watch them online at any time. One in three employees have already taken advantage of this service.

### **Maintaining Performance**

Different external conditions continue to heighten stress levels in working life and affect employee performance. Relevant factors include faster cycles of innovation resulting in higher demands being made on employees' skills as well as the extension of working lives through shorter periods of school and university education and higher retirement ages.

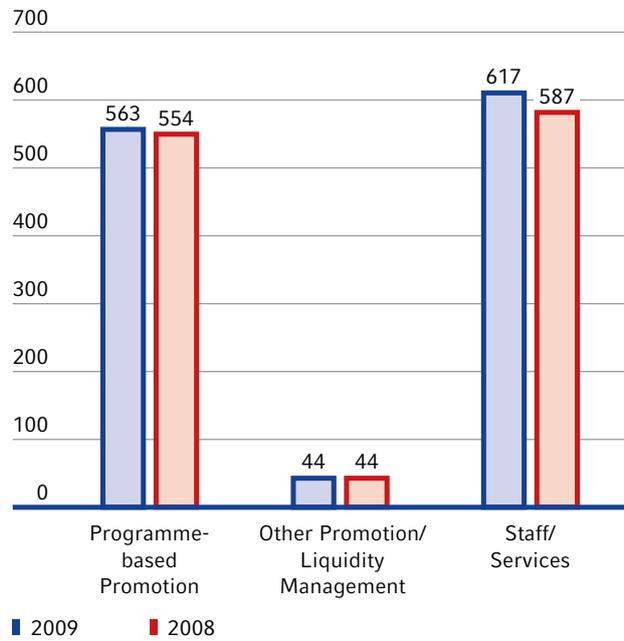
NRW.BANK's objective is to support its employees in maintaining their health and performance throughout – and even beyond – a long working life. This goal is served by creating and maintaining a healthy working environment (e.g. ergonomic workplaces, part-time working schemes), sustained social benefits (e.g. healthy lunches, child care services) and various health management offerings. In addition, the Bank continues to offer measures which are geared to the needs of the Bank and its employees and which ensure compliance with legal requirements.

Focal points in health management during 2009 included offerings within the framework of a Weight Watchers programme as well as stress management campaigns. A variety of stress management measures were offered in light of the "DAK Employee Health Report" and the experience gathered by the social care specialist (yoga, progressive muscle relaxation and balancing seminars). Cancer prevention campaigns and Nordic walking courses are planned for this year.

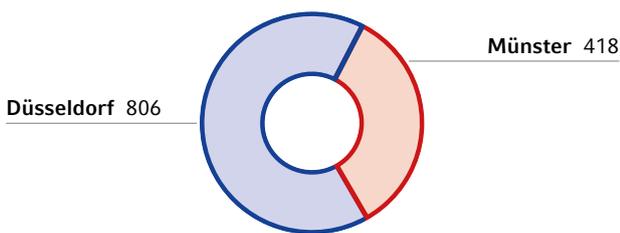
Within the framework of an audit its preventative health management activities, NRW.BANK for the first time applied for a "Corporate Health Award" and was granted this recognition for its above-normal commitment to maintaining employees' health and performance.



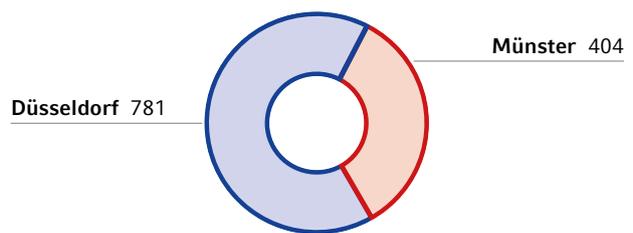
### Employees by segments



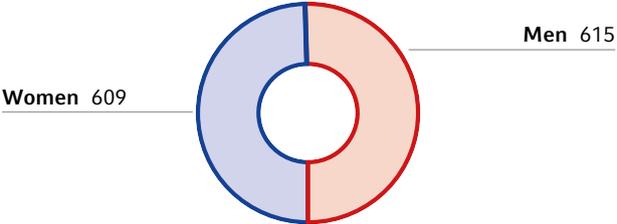
### Employees by locations 2009



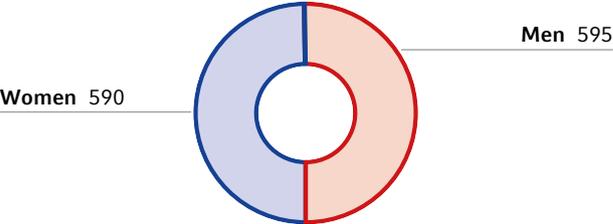
### Employees by locations 2008



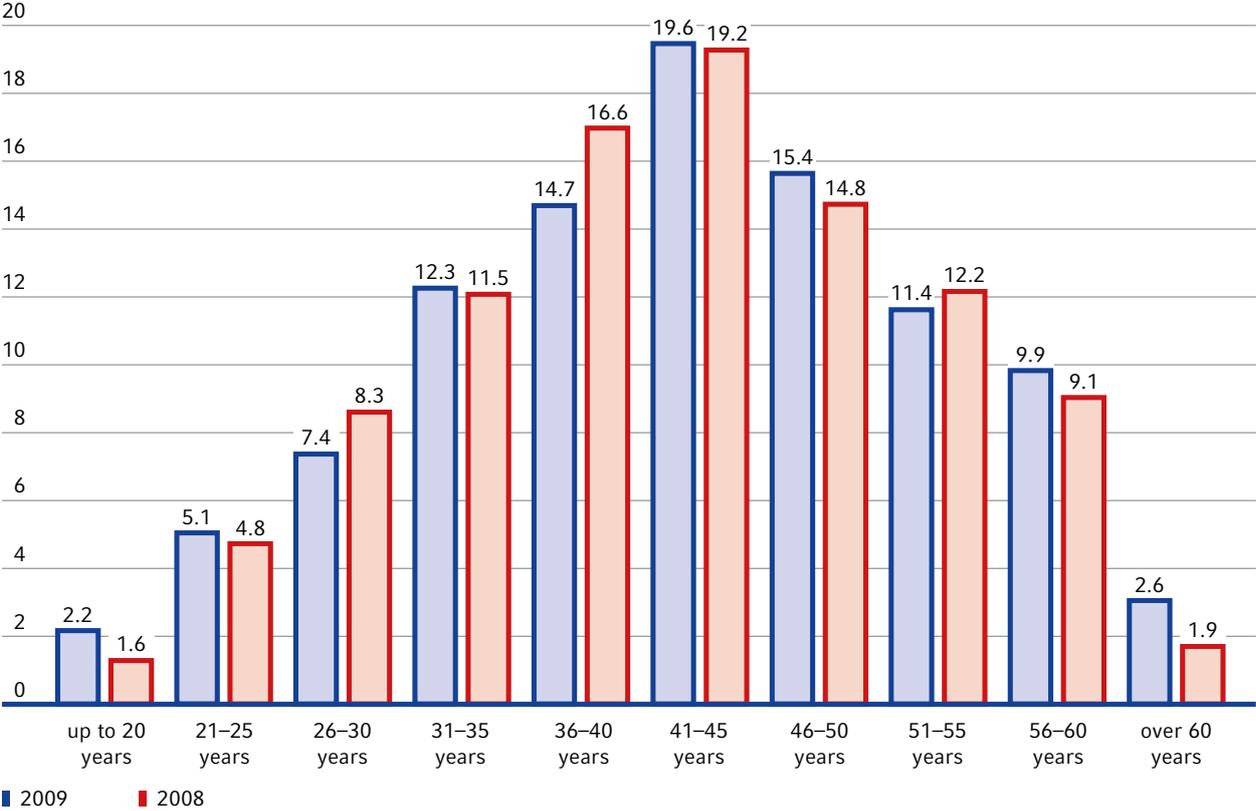
Female/male ratio 2009



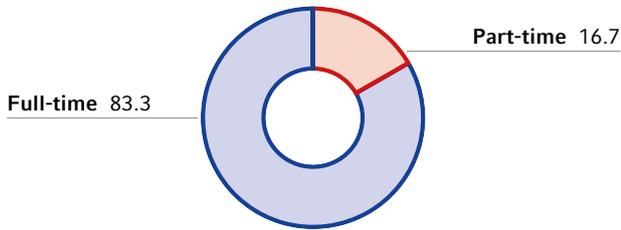
Female/male ratio 2008



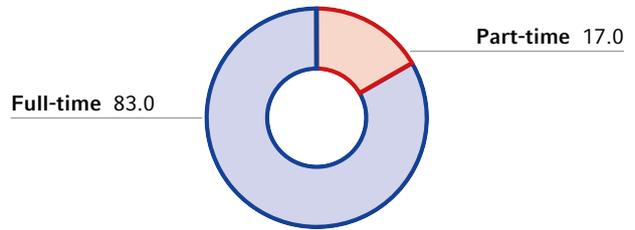
Age structure in %



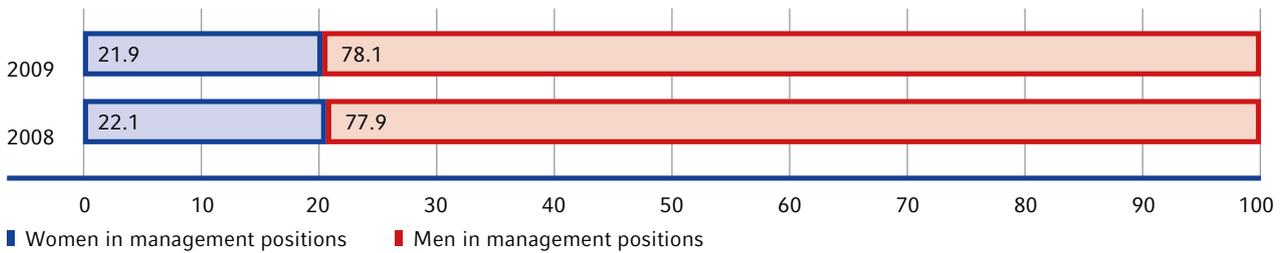
Part-time/full-time employment 2009 in %



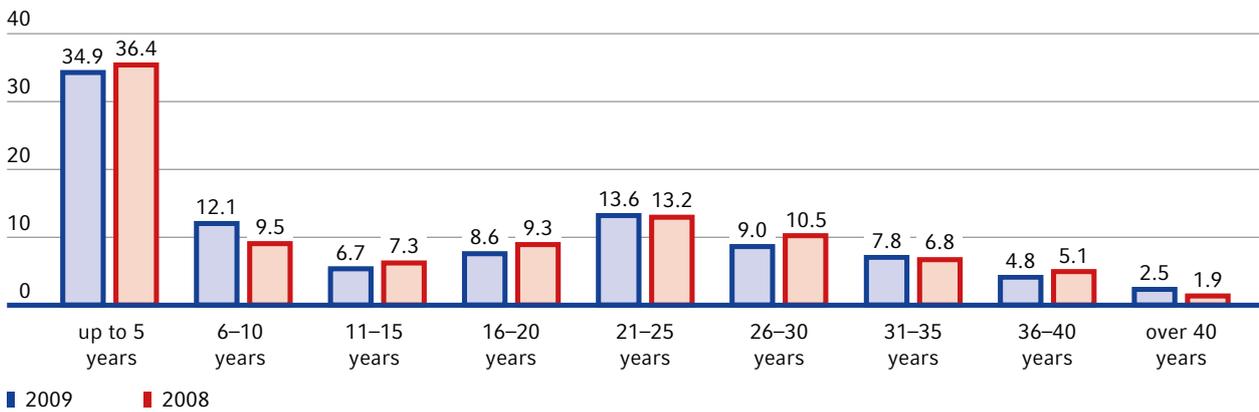
Part-time/full-time employment 2008 in %



Breakdown of management positions in %



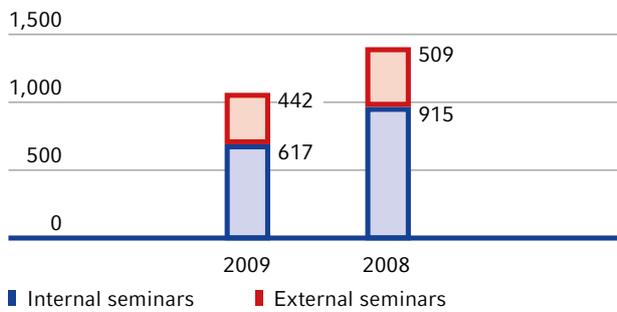
Service life in %



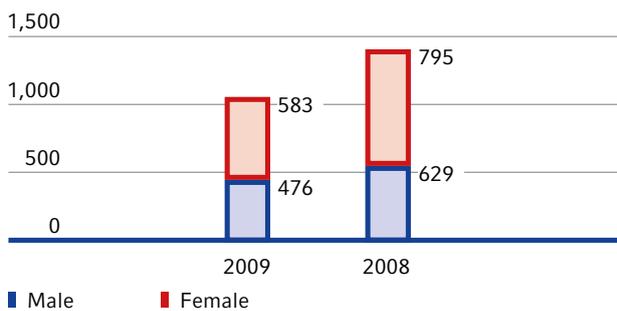
### Development of new apprenticeships Number



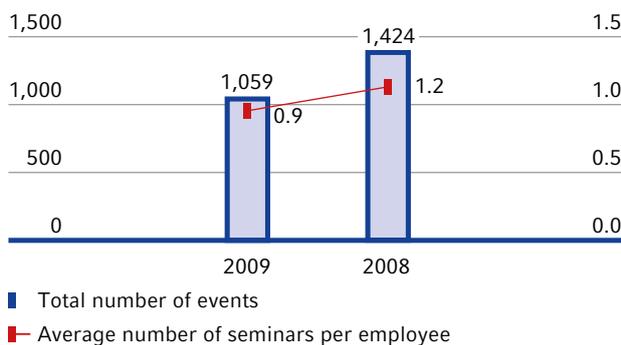
### Breakdown of seminar participants (including management seminars, without trainees)



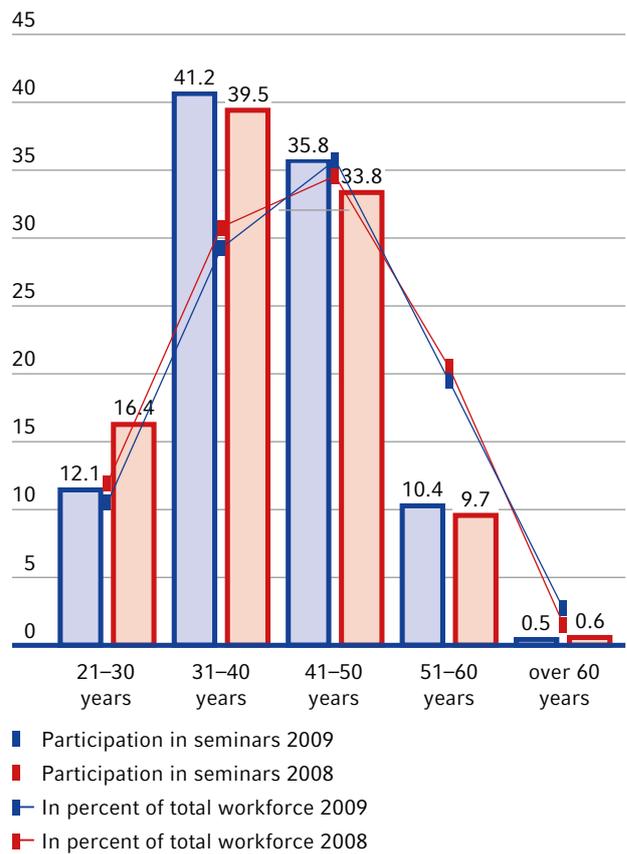
### Gender ratio in seminar participation (including executive seminars, excluding apprentices)



### Further education (including executive seminars, excluding apprentices)



### Further training by age groups in % (including management seminars, without trainees)



## Assuming Responsibility for Society

### The Situation

With a view to ensuring maximum transparency, NRW.BANK presented its third report on selected environmental key figures and their changes in 2009. The report is based on the standards of the "Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen e.V." (Association for environmental Management in Banks, Savings Banks and insurance Companies).

The present Eco Balance<sup>1</sup> for the year 2009 covers the ecological data of all NRW.BANK buildings<sup>2</sup>. The key figures and ratios per employee permit comparisons with prior periods and allow to assess the general trends. External employees who work in the buildings of NRW.BANK and therefore participate in the consumption of resources were included in the calculation of the corporate ecological data. By contrast, employees on parental leave were not included in the calculation.<sup>3</sup>

### Building Energy

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

To further reduce the environmental impact, district heat is used at both locations. This kind of heating energy is generated by combined heat-and-power plants, which, according to today's findings, is one of the most environmentally friendly forms of energy generation. The positive, stable heat energy consumption figures for the years 2008 and 2009 and per employee show that this deliberate investment in energy-efficient buildings enables the Bank to use resources sparingly in the long term.

### Heating energy consumption, absolute and relative NRW.BANK Buildings

#### Kilowatt hours per year

	2009	2008
<b>Total</b>	<b>3,461,840</b>	<b>3,773,716</b>

#### Kilowatt hours per employee and year

	2009	2008
<b>Total</b>	<b>2,617</b>	<b>2,989</b>

Electricity consumption across all buildings is pleasingly low in terms of the consumption figures per employee. Total electricity consumption was reduced as compared to the previous year. In the first half of 2009, IT hardware was replaced with energy-efficient equipment, which had a positive ecological and economic effect.

### Electricity consumption absolute and relative NRW.BANK Buildings

#### Kilowatt hours per year

	2009	2008
<b>Total</b>	<b>4,634,670</b>	<b>4,865,852</b>

#### Kilowatt hours per employee and year

	2009	2008
<b>Total</b>	<b>3,504</b>	<b>3,854</b>

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

<sup>2</sup> Including office at Ernst-Gnoß-Strasse, but excluding liaison office in Brussels.

<sup>3</sup> In accordance with the VfU standards, 1,263 employees were taken as the basis for the relative figures in 2008 and 1,323 employees in 2009.

### Business Travel

As a result of the comprehensive information and advisory services provided by NRW.BANK and the strong increase in demand in the past fiscal year, business trips were made primarily by the employees of the Bank's Advisory Services. North Rhine-Westphalia's largely rural structure and the concentration of the Bank's capacities in Düsseldorf and Münster are clearly reflected in the relative shares of the means of transport used for business trips.

The company car plan chosen by the Bank is based on short contractual periods, which allows cars to be replaced with more modern ones at short intervals. According to manufacturers' information, the fleet's

CO<sub>2</sub> emissions average 174 g/km. To fulfil their tasks efficiently within the largely rural structure of North Rhine-Westphalia, the Bank's employees depend on cars as the main form of transport, which increased by approximately 20%. Business travel per employee was up by almost 10% on the previous year. A comparison with the previous year's absolute figures shows that rail travel declined only marginally to 18%, while road transport increased by approximately 20%; long-haul flights declined by less than 10%, whereas short-haul flights were up by almost 40%, which was the highest change. In 2009, NRW.BANK acquired video conferencing equipment for its offices in Düsseldorf and Münster, which will be available as an alternative to business trips from 2010.

### Prior-year comparison of business travel in km

	2009	2008	2009	2008
Rail	883,402	891,493	18%	21%
Road	2,839,941	2,343,852	60%	57%
Short-haul flights	505,073	339,105*	11%	8%
Long-haul flights	523,013	560,098*	11%	14%
<b>Total, absolute</b>	<b>4,751,429</b>	<b>4,134,548</b>	<b>100%</b>	<b>100%</b>
<b>km per empl.</b>	<b>3,592</b>	<b>3,275</b>		

\* 2008 figures for short-haul and long-haul flights adjusted.

### Paper Consumption

Total office paper consumption at both head offices amounted to approximately 58 tonnes. The total amount of paper used was reduced as compared to the previous year. Translated into kilogrammes, this is equivalent to a specific annual consumption of 44 kilogrammes per employee.

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

Irrespective of this positive trend, an analysis of the composition of paper types used shows that there is still potential for optimisation from an ecological point of view. Especially chlorine-bleached and elemental chlorine-free (ECF) papers have not been reduced to the desired extent. Although ECF stands for "elemental chlorine-free", it merely means that only one of the normally two types of chlorine is used.

### Prior-year comparison of paper consumption absolute in kg

	2009	2008	2009	2008
	kg	kg	kg per empl.	kg per empl.
<b>Paper, total</b>	<b>58,189</b>	<b>58,364</b>	<b>44</b>	<b>46</b>

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

### Water Consumption

Compared to the previous year, daily water consumption was reduced to 59 litres per employee as a result of improvements to the air-conditioning systems.

### Prior-year comparison of paper types

	2009	2008
	%	%
Recycled paper	6	9
Virgin fibre paper, ECF	89	87
Virgin fibre paper, TCF	0	< 1
Virgin fibre paper, FSC	< 1	1
Virgin fibre paper, chlorine-bleached	4	3

### Prior-year comparison of water consumption in cubic metres and litres

	2009	2008	2009	2008
	m <sup>3</sup> /a	m <sup>3</sup> /a	l per empl. day	l per empl. day
<b>Water consumption, total</b>	<b>19,371</b>	<b>29,243</b>	<b>59</b>	<b>93</b>

### Waste Volume

Major improvements were achieved with regard to the waste volume in both absolute and relative terms.

### Waste volume in t

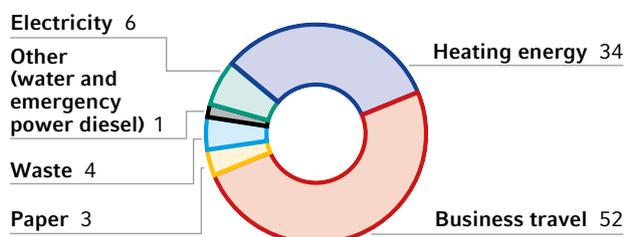
	2009	2008
Building	all	all
Waste paper	54	58
Document shredding	68	95
Residual waste	91	99
DSD	6	6
<b>Total*</b>	<b>219</b>	<b>258</b>
kg per empl.	166	204
Recycling ratio*	65%	61%

\* excluding others, kitchen waste

### Greenhouse Gas Emissions

To live up to its corporate responsibility for environmental protection, NRW.BANK has exclusively purchased electricity from renewable energy sources since the beginning of 2008. The positive effect of this policy was clearly visible in 2009. Given that only electricity from renewable sources was purchased, the latter account for a pleasingly low 6% of the CO<sub>2</sub> emissions. Greenhouse gas emissions were derived from the above figures and translated into carbon dioxide equivalents. Emissions are calculated for the Bank as a whole.

### CO<sub>2</sub> emissions by producers in %



### Prior-year comparison of CO<sub>2</sub> emissions in kg by producers

	2009	2008*
Electricity	106,112	114,795
Heating energy	557,356	607,453
Business travel	839,268	691,202
Other	122,731	114,298
<b>Total</b>	<b>1,625,467</b>	<b>1,527,748</b>
<b>CO<sub>2</sub> per empl.</b>	<b>1,229</b>	<b>1,210</b>

\* 2008 figures adjusted

### CO<sub>2</sub> emissions by producers and emission categories\* at NRW.BANK in 2009

CO <sub>2</sub> emissions in kg by origin	Emission category 1* kg CO <sub>2</sub>	Emission category 2* kg CO <sub>2</sub>	Emission category 3* kg CO <sub>2</sub>	Total kg CO <sub>2</sub>
Electricity (thereof 179.07 MW from Stadtwerke DDF)				106,112.30
Natural energy (hydropower)			13,366.77	
Municipal utilities		92,745.53		
District heat		557,356.24		557,356.24
Emergency power diesel	5,133.88		74.29	5,208.17
Long-haul flights			60,878.71	60,878.71
Short-haul flights			164,653.80	164,653.80
Road			565,148.26	565,148.26
Rail			48,587.11	48,587.11
Recycling paper			1,339.60	1,356.54
ECF/TCF paper			41,002.70	41,339.54
Chlorine-bleached (non-branded paper)			3,506.80	3,529.12
Water			7,264.13	7,264.13
Waste incineration			64,032.72	64,032.72
<b>CO<sub>2</sub> total in kg (incl. waste)</b>	<b>5,133.88</b>	<b>650,101.77</b>	<b>969,854.89</b>	<b>1,625,466.63</b>
<b>CO<sub>2</sub> per empl. in kg (incl. waste)</b>				<b>1,228.90</b>
<b>CO<sub>2</sub> in kg (excl. waste to VfU standard)</b>				<b>1,561,433.91</b>
<b>CO<sub>2</sub> per empl. in kg (excl. waste to VfU standard)</b>				<b>1,180.49</b>

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

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

### Conclusion

To facilitate meaningful reporting on environmental key figures, the systematic collection of environmentally relevant data of NRW.BANK, which was started in 2007, was continued and complemented in the fiscal year. The data of the 2009 Eco balance shows that the optimisation process has begun to bear fruit.

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

### Showing Commitment to Society

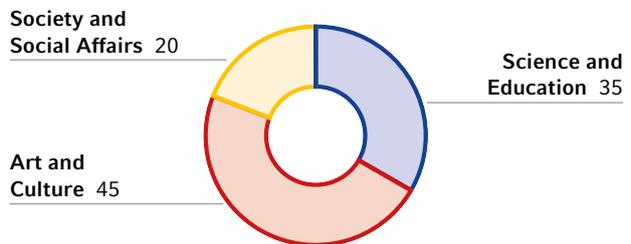
In 2009 NRW.BANK demonstrated its commitment to corporate citizenship through continued support for public life and society in North Rhine-Westphalia.

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

NRW.BANK's sponsorships centre on the areas of "Science and Education", "Art and Culture" and "Society and Social Affairs". A total amount of € 700,000 was available for sponsorships in 2009.

The share absorbed by the area of "Science and Education" remained almost unchanged at 35% (previous year: 34%). While projects in the area of "Art and Culture" accounted for 50% of the total in 2008, this share declined slightly to 45%. In contrast, sponsorships in the area of "Society and Social Affairs" increased from 16% to 20%.

### Focal points 2009 in %



To illustrate these activities, several sponsorships are highlighted below.

Following the successful launch of the "School Partnership" project in 2008, this sponsorship continued to make gratifying progress in 2009. The Bank provides direct support to four schools in Düsseldorf and Münster, the locations of its dual head offices. The aim of the project is to offer career guidance to pupils and students through a number of customised modular services rendered by specialised service providers. The participating students and pupils as well as their teachers were unanimous in appreciating this service as a valuable addition to their career choice process.

In a pilot project NRW.BANK demonstrated its commitment to corporate citizenship and, in particular, the training of young people. The project aims to create additional apprenticeships with external companies. The idea is to promote apprenticeships in professions and trades which the Bank cannot provide internally. These trades include cooks, professional cleaners and electronics specialists for facility management.

The Bank continued its cooperation with the "Go! to school" initiative of the "Stiftung Partner für Schule NRW" foundation in 2009. The initiative gave interested pupils and students from North Rhine-Westphalian schools insight into the world of business and provided them with an easily comprehensible introduction to the basics of economics and business administration. In summer another round of the "Schüleridee des Jahres" competition was organised on the premises of

NRW.BANK. Following a preliminary screening of some 500 business ideas submitted by teams of students and pupils, 12 teams were invited to explain their ideas to an expert jury. In addition, the participants in this final round had the opportunity to present their start-up ideas to Mrs Christa Thoben, Minister of Economics, Small Business and Energy of North Rhine-Westphalia. Money prizes went to the teams who had submitted the three winning ideas.

NRW.BANK also sponsored two campus events, namely the "Symposium Ökonomie" in Münster and the "MUIMUN" (Münster University International Model United Nations). The student organisers, who brought a highly professional approach to their task, were supported in realising their ideas.

In the area of "Science and Education", the Bank continued to support academic institutions focusing on financial research and housing. The beneficiaries were the Institut für Kredit- und Finanzwissenschaft (ikf) at Bochum University, "center for financial research" (cfr) at Cologne University, the "european center for financial studies" (ecfs) at Duisburg/Essen university, the Institut für Raumplanung (IRPUD) at Dortmund university and the Institut für Kreditwesen (ifk) at WWU Münster. Each of these institutes receives an annual basic sponsorship of € 10,000. In addition, the participating institutes can compete for additional funding from a project budget by submitting compelling ideas.

Particular support was again given to "Bewegung leben! – Schule in Bewegung", a joint initiative of the DBS Academy of the National Paralympic Committee Germany and the Regional Association of the Rhineland (LVR). This school and sports promotion scheme for handicapped children received € 50,000 in funding for the second time.

In the focal area of "Art and Culture", the Bank upheld its long-standing support for such activities as the internationally renowned "lit.COLOGNE" literature festival, the equally renowned International Short Film Festival Oberhausen as well as the new Ruhrtriennale cycle starting in 2009. Young film makers were invited to submit their proposals for a major film project launched in the context of the "Innovationpool" together with the Ruhrtriennale and the Filmstiftung NRW. This project will be realised in 2010.

Two particular highlights of the year 2009 came in the form of two concerts staged in the Bank's foyer at Kavalleriestrasse in Düsseldorf within the framework of the first-time sponsorship of the city's "Altstadtherbst" culture festival. On these two evenings the Bank opened its doors to a music-loving audience and demonstrated its corporate citizenship in a highly visible way. Catering services were performed by NRW.BANK employees as part of a corporate volunteering effort which allowed the proceeds from the catering and cloakroom services totalling € 1,400 to be donated to the German Heart Foundation.

Moreover, NRW.BANK's cultural sponsorships centred on its support for the Museum für Volkskunde und Kulturgeschichte in Kevelaer (€ 20,000), the Stiftung Situation Kunst foundation (€ 20,000) as well as the LWL-Landesmuseum für Kunst und Kulturgeschichte (€ 50,000). The latter donation will go towards the acquisition of a painting by Carl Eduard Blechen.

For several years NRW.BANK has supported up and coming photographers by holding competitions for the professional design of the NRW.BANK Art Calendar. This competition has meanwhile established itself among young photographers, attracting an increasing number of entries as well as showing a general improvement in the quality of submissions. The theme for the 2010 calendar, "Growth – Landscapes in NRW",

was interpreted by Claudia Dreysse whose winning entry featured overburden dumps in North Rhine-Westphalia's open-pit mining areas:

*"On the one hand, the sheer size of these overburden dumps makes them major landmarks and clearly denotes the presence of mining activities. On the other hand, the recultivation of these dumps offers numerous opportunities for new uses. Accordingly, these photographs effectively link a chapter of industrial history with the visual experience of newly shaped sceneries."*

Claudia Dreysse was born in Bad Langensalza in 1977 and studied photographic design at the Dortmund University of Applied Sciences and Arts. Her winning entry impressed the NRW.BANK competition jurors both in terms of the underlying concept and in terms of her photographic sensitivity and the pictorial style of her photos. The second prize (€ 1,000) and the third prize (€ 500) went to David König from Aachen and Katrin Stein from Cologne, respectively.

A € 50,000 donation to the Peter Maffay Foundation was among the notable sponsorships in the "Society and Social Affairs" area. The implementation of the supported activity will extend into the year 2010. Established by famous German entertainment artist Peter Maffay, this charity pursues the mission of building sanctuaries for traumatised children and youths while at the same time developing appropriate therapeutic services in order to create improved conditions for the development of these disadvantaged kids. The foundation operates several facilities dedicated to this purpose. NRW.BANK cooperated with the Kinderhilfezentrum Düsseldorf to organise a one-week stay for a group of 14 kids at the foundation's facility on the island of Majorca, Spain. Another group will spend one week at the foundation's facility in the Zillertal valley in Austria; this stay will be organised in cooperation with Münster-based children's home St. Mauritiz. And finally, a third group of traumatised children will go aboard the "Tabaluga" ship, the "Sir Robert Baden Powell", for an educational sailing cruise in the Mediterranean. This 42 metre long two-master accommodates up to 14 passengers and offers unique opportunities for relaxing, learning and acquiring life skills.

### Outlook

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

In light of the good response to the two concerts staged – as part of the AltstadtHerbst culture festival – in the foyer of the Bank's Düsseldorf building, another concert will be held at the new Münster head office. The open and transparent architecture of this new building will provide the backdrop for a concert of the international woodwinds festival entitled "summerwinds". This event will be staged in cooperation with Gesellschaft für westfälische Kulturarbeit (GWK).

# Report on Public Corporate Governance in the Year 2009

NRW.BANK reported on the corporate governance efforts undertaken in recent years on the basis of its own Public Corporate Governance Code, which entered into force on January 1, 2006 and reflects the specific requirements of the Bank.

In the past fiscal year, amendments to the statutory corporate governance regulations required a review of the Bank's own Code.

Against the background of the ongoing financial market crisis, the federal government had adopted the "Grundsätze guter Unternehmens- und Beteiligungsführung im Bereich des Bundes" (principles of good corporate and investment management in the area of the federal government) for companies co-owned by the federal government. A core element of these principles is the "Public Corporate Governance Code" of the federal government (PCGK-B). This Code is primarily targeted at non-listed companies which are majority-owned by the federal government.

The purpose of these principles is to restore and strengthen the confidence of citizens and the public in the decision-makers that are responsible for public companies. The new principles impose a special responsibility on the members of Supervisory Boards and primarily address the spheres of responsibility of directors, Supervisory Board members and shareholders as well the appropriate compensation of members of the management. Moreover, a special focus is placed on accounting and auditing.

The principles take account of the "Gesetz zur Angemessenheit der Vorstandsvergütungen" (VorstAG – German Reasonableness of Management Compensation Act), which was adopted by the Bundestag on June 18, 2009. This Act is targeted at Managing Board and Supervisory Board members of joint stock corporations and aims to promote long-term incentives for sustainable corporate development.

In parallel to the initiatives by the federal government, the North Rhine-Westphalian Transparency Act was adopted at state level in December 2009.

Ever since its inception, NRW.BANK has been characterised by a clear allocation of competencies and responsibilities on the Managing Board. Internal reorganisation efforts required amendments to the rules of procedure of the Managing Board with regard to the rules of representation, which were endorsed by the Supervisory Board in 2009. To ensure maximum transparency, the rules of procedure are published on NRW.BANK's website.

The compensation of NRW.BANK's Managing Board comprises fixed and variable components. The variable component is defined individually by the Executive Committee each year on the basis of specific agreed objectives. The performance parameters may not be changed retroactively. The objectives defined by the Executive Committee take account of the special requirements of a development bank and of the fact that under the Bank's Statutes, the generation of profit is not the main purpose of the business. They comprise factors that are geared to NRW.BANK's mission to assist the federal state and its municipal corporations in the fulfilment of their public tasks.

In anticipation of the Transparency Act adopted by the North Rhine-Westphalian State Assembly in December 2009, the bodies of NRW.BANK discussed the publication of the compensation of the Bank's Managing Board and Supervisory Board members. As a result of these discussions, the components of the Managing Board compensation are published in individualised form in the Annual Report for 2009, while the pension components are shown as a total amount. The compensation of the Supervisory Board members is also disclosed in individualised form for the first time.

The compensation of the Supervisory Board is based on a general resolution passed by the Guarantors' Meeting and is unrelated to the business performance. It varies depending on membership in a committee.

## Disclosure of the compensation paid to members of the Supervisory Board and its committees

	Total compensation		Total compensation
	€		€
<b>Members pursuant to Sec. 12 para. 1 letters a) to e) of the Statutes</b>		<b>Permanent representatives pursuant to Sec. 12 para. 2 of the Statutes</b>	
Christa Thoben Ministry of Economics, Small Business and Energy of North Rhine-Westphalia	20,700	Dietmar Düring Ministry of Economics, Small Business and Energy of North Rhine-Westphalia	17,700
Dr. Helmut Linssen, MdL Ministry of Finance of North Rhine-Westphalia	21,600	Gerhard Heiligenberg Ministry of Finance of North Rhine-Westphalia	17,400
Lutz Lienenkämper, MdL Ministry of Construction and Transport of North Rhine-Westphalia (since 3/2009)	12,633		
Harry K. Voigtsberger Regional Association of the Rhineland	16,300	Renate Hötte Regional Association of the Rhineland	11,500
Dr. Wolfgang Kirsch Regional Association of Westphalia-Lippe	26,100	Dr. Fritz Baur Regional Association of Westphalia-Lippe	19,200
<b>Members pursuant to Sec. 12 para. 1 letter f) of the Statutes</b>		<b>Members pursuant to Sec. 12 para. 1 letter g) of the Statutes</b>	
Volkmar Klein, MdB CDU Parliamentary Group	17,100	Iris Aichinger NRW.BANK	9,800
Hannelore Kraft, MdL SPD Parliamentary Group NRW	15,100	Martin Bösenberg NRW.BANK	15,400
Prof. Dr. Andreas Pinkwart Ministry of Innovation, Science, Research and Technology of North Rhine-Westphalia	16,500	Hannelore Heger-Golletz NRW.BANK	16,900
Prof. Dr. Jürgen Rolle Regional Assembly of the Rhineland	21,300	Frank Lill NRW.BANK	11,500
Roland Trottenburg Regional Assembly of Westphalia-Lippe	12,400	Michael Tellmann NRW.BANK	16,900

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

Although NRW.BANK, as an institution under public law, is under no obligation to introduce a deductible in the context of the requirements of the VorstAG Act for Directors and Officers liability (D&O) insurance, this aspect was also discussed by the responsible bodies. The latter agreed to renew the existing D&O insurance as is for the time being, with the option to add a deductible at short notice. At the same time, the bodies agreed to further discuss this issue at their subsequent meeting.

NRW.BANK's Public Corporate Governance Code includes comprehensive requirements relating to the integrity of the Managing Board, i.e. the appropriate attitude and approach to side-line occupations, invitations and gifts that affect the way in which the office is exercised. Additional regulations are adopted by the Executive Committee whenever required. The respective behavioural obligations were also fulfilled in 2009. In some cases, the advice of the Public Corporate Governance Officer was sought.

The Supervisory Board supervises the management activities of the Managing Board and is involved in long-term planning. The Bank's strategic positioning is agreed jointly by the Managing Board and the Supervisory Board. Their relationships are characterised by an open and trusting dialogue. In 2009, the Supervisory Board held four meetings that were attended by the Managing Board. In addition, there is an ongoing exchange between the bodies, especially between the Chairman of the Managing Board and the Chairman of the Supervisory Board. In accordance with legal possibilities, committees were formed by the members of the Supervisory Board. As laid down in the statutes, these were the Executive Committee, the Audit Committee, the Risk Committee and the Building Committee in 2009.

The Chairwoman of the Supervisory Board does not chair the Audit Committee. The employees of the Bank are represented on the Supervisory Board and the committees. NRW.BANK has published brief profiles of the Supervisory Board members on the Intranet for greater transparency.

The qualification of the members of the executive bodies plays an important role in the discussion about good and responsible corporate governance. The Bank is convinced that all members have the experience and the skills required to advise and supervise the Managing Board independently and professionally. The constantly changing environment forces them to accept new challenges all the time. To prepare them accordingly, the Bank organises information events led by external experts. The members of the Supervisory Board are additionally provided with specialist literature.

The members of the Managing Board are appointed for a maximum period of five years. The Supervisory Board has defined no age limit for the members of the Managing Board.

As a result of the coming into force of the "Gesetz zur Umsetzung der Föderalismusreform im Wohnungswesen, zur Steigerung der Fördermöglichkeiten der NRW.BANK und zur Änderung anderer Gesetze" (Act on the Implementation of the Federalism Reform in the Housing Sector, on Increasing the Development Possibilities of NRW.BANK and on the Amendment of Other Laws) on January 1, 2010, the shareholdings of the state and the regional associations in NRW.BANK changed due to the allocation of the assets of Wohnungsbauförderungsanstalt to the share capital of NRW. BANK. This led to changes in the composition of the Supervisory Board and its committees as well as to the set-up of a new Promotion Committee. Moreover, the former Committee for the Promotion of Housing Construction has been converted into the Advisory Council for the Promotion of Housing.

In this context and against the background of the amendments to the minimum requirements for risk management (MaRisk) and the coming into force of the BilMoG Act (German balance sheet law modernisation act), the rules of procedure of the Supervisory Board and of the individual committees were revised. They were adopted by the Supervisory Board at its year-end meeting and came into effect on January 1, 2010.

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

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

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

NRW.BANK closely monitors the ongoing evolution of Corporate Governance. This includes legislative and academic initiatives as well as revisions of the German Corporate Governance Code.

The above shows that NRW.BANK implements sound corporate governance practices, which are reviewed not only on special occasions but on a regular basis.

# Report of the Supervisory Board

To fulfil the task to which it is subjected by law and the statutes, the Supervisory Board held four meetings in 2009. Another 14 meetings were held by the Committees composed of the members of the Supervisory Board. This comprised six meetings by the Executive Committee including a telephone conference, at which the bridge financing for Adam Opel GmbH was discussed, one meeting by the Audit Committee, four meetings by the Risk Committee and three meetings by the Building Committee. In addition, two committee resolutions – one by the Executive Committee and one by the Risk Committee – were passed by way of circulation.

As a result of the coming into force of the “Gesetz zur Umsetzung der Föderalismusreform im Wohnungswesen, zur Steigerung der Fördermöglichkeiten der NRW.BANK und zur Änderung anderer Gesetze” (Act on the Implementation of the Federalism Reform in the Housing Sector, on Increasing the Development Possibilities of NRW.BANK and on the Amendment of Other Laws) on January 1, 2010, the shareholdings of the regional associations in NRW.BANK declined due to the allocation of the assets of Wohnungsbauförderungsanstalt to the share capital of NRW.BANK. This led to changes in the composition of the Supervisory Board and its committees as well as to the set-up of a new Promotion Committee. Moreover, the former Committee for the Promotion of Housing Construction has been converted into the Advisory Council for the Promotion of Housing.

In this context and against the background of the amendments to the minimum requirements for risk management (MaRisk) and the coming into force of the BilMoG Act (German balance sheet law modernisation act), the rules of procedure of the Supervisory Board and of the individual committees were revised and adopted by the Supervisory Board.

Regular reports kept the Supervisory Board apprised of the company’s situation and of all essential business events during the period. The Supervisory Board discussed and approved all transactions requiring its approval in accordance with legal or statutory provisions and addressed important matters of business policy in detail. The Supervisory Board and the Risk Committee paid particular attention to the definition of the risk strategy for the years 2010 to 2013 and submitted

to the Guarantors’ Meeting, which is the competent decision-making body under the Bank’s statutes, for approval. The recommended resolutions were endorsed by the Guarantors’ Meeting on December 9, 2009.

The consultations also focused on the organisational changes in the Bank initiated in the past fiscal year, the resulting reorganisation of the Managing Board responsibilities and the early succession planning for the Managing Board. A vice member of the Managing Board became an ordinary member and the Managing Board was expanded to include four members.

In anticipation of the “Gesetz zur Schaffung von mehr Transparenz in öffentlichen Unternehmen im Lande Nordrhein-Westfalen” (“German Transparency Act”), the Supervisory Board decided to modify the presentation of the compensation of the Managing Board from 2009 and to show individualised figures for the compensation of the Supervisory Board.

KPMG AG Wirtschaftsprüfungsgesellschaft carried out the audit of the financial statements for 2009 and the statement of financial condition of NRW.BANK and issued an unqualified audit opinion. The Supervisory Board and the Audit Committee formed from among its members discussed in detail the report of the external auditors on the results of their audits. Following the final result of the audit, they raised no objections.

At its meeting on March 15, 2010, the Supervisory Board approved the financial statements and the statements of financial condition established by the Managing Board and proposed that the Board of Guarantors approve the financial statements for the year 2009. 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 15, 2010



Christa Thoben  
Chairwoman of the Supervisory Board

# Management Report

of NRW.BANK at December 31, 2009

## State Development Bank of North Rhine-Westphalia

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

In the difficult environment of the economic and financial crisis, NRW.BANK, in its capacity as a state development bank, was challenged to cushion the economic downturn with the help of its promotion and development products, while at the same time providing stimulation for a recovery in the North Rhine-Westphalian economy.

## Economic Climate

The marked and simultaneous decline in economic activity across the globe, which had begun in 2008, initially continued in 2009 and led to a global recession. World trade and global output declined sharply and suddenly. Central banks and governments felt impelled to take comprehensive and unconventional measures to stabilise the financial markets and the economy. In the second half of the year, the very expansionary monetary and fiscal policies as well as declining risk aversion and the turnaround in the global inventory cycle finally supported a gradual recovery. While the pick-up in economic momentum was surprisingly strong, it was largely driven by the above special factors, which will not be permanent. In addition, the continued strain on the financial system and the need to scale down the monetary and fiscal measures in the medium term may potentially have an adverse impact on the recovery.

Due to the important role played by foreign trade, the German economy was hit relatively strongly by the dramatic slump in global demand. According to the Federal Statistical Office, real GDP declined by 3.5% against the previous quarter in Q1 2009 (seasonally and calendar adjusted). Growth returned to positive territory in the second quarter, driven initially by private consumption, which benefited from government incentives, and later by the pick-up in exports and inventory building. Nevertheless, the slump in economic output in the 2008/2009 winter half-year was so strong that real GDP for the full year 2009 was down by 5.0% on the year 2008. The decline in output entailed a marked underutilisation of production capacity, which, together with the bleaker business outlook, sent capital formation in machinery and equipment falling by 20% as compared to the previous year. By contrast, construction spending remained almost stable. Private consumption picked up moderately on the previous year, while government spending rose sharply by 2.7%. From spring 2009, the difficult economic conditions were reflected in a growing number of bankruptcies. Against the background of the highly recessionary economic trend, the labour market was surprisingly robust. The unexpectedly moderate adjustment in employment was primarily supported by the increasingly flexible working hour schemes agreed by the collective bargaining parties in the recession-afflicted manufacturing sector as well as by government-supported short time working. The fact that employment was reduced relatively moderately in relation to the decline in output led to a sharp drop in productivity and to a strong increase in unit costs, which had an adverse impact on the price competitiveness of the German export sector. Consumer price inflation was moderate, reflecting the weak economic momentum. The temporarily negative inflation rates were primarily attributable to statistical base effects resulting from the sharp increase in energy, commodity and food prices in 2008.

### Economic Development in North Rhine-Westphalia

The North Rhine-Westphalian economy was hit harder by the recessionary trend than the German economy as a whole. According to estimates by the "Arbeitskreis Volkswirtschaftliche Gesamtrechnungen der Länder", North Rhine-Westphalia's real GDP declined by 7.9% in the first half of 2009 (Germany: – 6.8%). The stronger decline is primarily attributable to the economic structure of North Rhine-Westphalia. Several manufacturing sectors that were hit particularly hard account for a relatively high share of North Rhine-Westphalia's gross domestic product. The state's poorer performance was not only due to the high export share but rather to the fact that the affected companies belong to certain sectors of industry. The downturn at the beginning of the year had a particularly adverse impact on the metal industry and the automotive industry, which greatly influence the performance of the total manufacturing sector in North Rhine-Westphalia. This is also reflected in the results of the NRW.BANK.ifo-Index for the individual sectors. Metals manufacturers and manufacturers of cars and automotive parts reported the poorest business climate ratings – especially with regard to their assessment of the current situation – as well as the strongest decline in capacity utilisation. The chemical industry as well as the consumer goods sectors were not hit quite as hard.

### Financial markets

The financial markets were again influenced by the effects of the global financial and economic crisis in 2009. Another important influential factor were the monetary and fiscal policy measures aimed at stabilising the situation, which were unusual with regard to both their type and their extent. The measures taken by Germany's public sector to stabilise the financial system comprised guarantee commitments as well as capital increases by the Special Financial Market Stabilisation Fund (SoFFin) and individual federal states as well as the nationalisation of the Hypo Real Estate Group. Some banks required additional risk shields and capital injections. With a view to streamlining banks' balance sheets and for restructuring purposes, possibilities

were created under the "Bad Bank Act" to transfer risk assets and non-strategic operations to special purpose vehicles and liquidation institutions, respectively. Direct influence on the financial markets was primarily exerted by way of guarantee commitments, as the larger number of issuers increased the supply of government-guaranteed bank bonds. The support measures for the financial sector and the real economy led to an increase in government deficits and debts. Central banks not only lowered interest rates to historic lows but also expanded their portfolios of unconventional measures to support the supply of liquidity and intervened directly in certain market segments in order to keep the markets working. Towards the end of the year, the exit from the expansionary monetary policy was at least initiated at the communication level, as measures had to be taken to counteract the risk of adverse medium-term effects of the generous liquidity supply and the situation in the financial markets improved. Interest rates and yields were largely influenced by the monetary measures. Money market rates first dropped sharply and then continuously until the end of the year. Government bond yields stayed at a low level for most of the year, which was attributable to the strong increase in the level of investors' risk aversion which became apparent in 2008. The yield curve remained steep throughout the year. Due to the great uncertainty about the future, the markets were marked by volatility. It was noteworthy to see that there was no longer a correlation between share prices and government bond prices. In spite of rising share prices, government bond yields remained anchored at a low level due to the abundant liquidity and the announcement that monetary policy would remain expansionary for an extended period.

Although the financial markets have recovered markedly since the summer, the crisis was not fully overcome at the end of the year.

### Flexible promotion policy: Ensuring stability, providing stimulation

Until mid-2008, German companies had used the positive economic trend to strengthen their financial resilience by increasing their equity capitalisation. But the difficult business situation and the bleaker business outlook had an adverse impact on companies' credit quality. While the financing conditions for many businesses deteriorated as a result of the crisis, there was no general credit crunch. Access to lending was made more difficult by requirements such as higher margins, increased demands on project documentation and the disclosure of information as well as increased collateral.

The weak economy was also reflected in reduced corporate spending and, hence, in lower demand for investment loans. This entailed the risk of a downward spiral of poor business, difficult financing and a lack of investments.

The municipal infrastructure was also affected by the crisis, which entailed the risk of necessary investments being postponed. In addition, local authorities had to face the challenges of demographic change (ageing, domestic migration) and fiercer locational competition. Both trends may lead to a strong increase in municipal investment requirements.

Securing access to loans and keeping businesses afloat were the general objectives of the promotion and development activities. These measures were developed and implemented in close cooperation with the state. They primarily focused on the following fields:

**Working capital loans.** NRW.BANK expanded its range of promotion products and services. In mid-May 2009, the Bank launched the "NRW.BANK.Konjunkturkredit", which offers companies low-interest loans to cover their medium to long-term working capital requirements. The programme has an initial volume of € 50 million and is explicitly targeted also at companies that have come into trouble as a result of the economic crisis. In the case of companies that have successfully operated in the market for two years, the borrower's relationship bank may additionally apply for a 50% liability release.

**Risk transfers.** The two main development products of NRW.BANK – the "Mittelstandskredit" and the "Universalkredit" – have also been adapted to the current situation. They are optionally available with a 50% liability release for the relationship bank that passes through the loan. Liability releases for relationship banks and guaranties ensure that SME's continue to have access to low-interest loans as they are precisely tailored to banks' increased security requirements.

**Start-up finance.** NRW.BANK offers two special credit products for the many business start-ups in North Rhine-Westphalia. One is the "NRW.BANK.Gründungskredit" for planned start-ups with financing requirements between € 25,000 and € 5 million. The second is the "NRW/EU.Mikrodarlehen", which is specially targeted at micro start-ups and is financed with funds from the European Regional Development Fund (ERDF) and the State of North Rhine-Westphalia. It is available from selected "STARTERCENTER NRW" branches and supports micro start-ups in the critical early phase with amounts between € 5,000 and € 25,000. In view of the success of the programme, the North Rhine-Westphalian government increased the funds from € 2 million to € 8 million.

NRW.BANK also offers equity solutions for SME's and technology-oriented start-ups (seed and venture capital).

**Advisory services.** In response to the increased information requirements of businesses and start-ups, the range of advisory services for NRW.BANK's promotion products has been expanded significantly. These services included regular presentations and workshops with local relationship banks, chambers and business promotion agencies. The "NRW.BANK. VorOrt" series of events also focused on topics related to the economic crisis in 2009.

In addition, NRW.BANK has set up an information and advisory helpdesk to provide phone-based advice to companies that are finding themselves in trouble as a result of the crisis. Since the inception of the helpdesk at the beginning of the year, NRW.BANK has received about 900 calls per month. To provide further assistance in preventing and managing the crisis, the Bank has also established a specialist advisory unit, which offers SME's in North Rhine-Westphalia competition-neutral financing advice that specifically takes the available development funds into account.

**Social housing promotion.** The high demand for NRW.BANK's social housing promotion programmes had a strong impact on the good construction activity in North Rhine-Westphalia. The Bank's Social Housing Promotion unit initiates construction projects that accelerate economic growth and secure jobs. Loans totalling € 1.1 billion were committed, € 200 million more than expected.

At the end of January 2009, the North Rhine-Westphalian government paved the way for the full integration of "Wohnungsbauförderungsanstalt Nordrhein-Westfalen – Anstalt der NRW.BANK" into NRW.BANK and the cancellation of the ring-fenced status of the Wfa assets. In December 2009, the North Rhine-Westphalian parliament passed the "Gesetz zur Umsetzung der Föderalismusreform im Wohnungswesen, zur Steigerung der Fördermöglichkeiten der NRW.BANK und zur Änderung anderer Gesetze" (Act on the Implementation of the Federalism Reform in the Housing Sector, on Increasing the Development Possibilities of NRW.BANK and on the Amendment of Other Laws), which came into force on January 1, 2010.

As a result of the allocation of € 16.5 billion to the share capital of NRW.BANK, the shareholding of the state of North Rhine-Westphalia increased to 98.62% as of January 1, 2010. The Regional Associations of the Rhineland and of Westphalia-Lippe each hold 0.69%. The Act has strengthened the development and promotion capabilities of NRW.BANK. Within this enlarged spectrum, social housing promotion will continue to play a key role, with the two-stage approval process being retained.

The organisational structures of NRW.BANK were refined in the past fiscal year to ensure that the Bank can respond even faster to new demands made by the legislature, the programme owners and the funding recipients. The changes primarily related to the strategy and communication tasks within NRW.BANK. They were essentially based on the clear distinction between Bank-wide aspects on the one hand and strategic and product-related components on the other hand. As a result, structures have been streamlined and the individual tasks have been networked more effectively.

#### **Mission and activity of NRW.BANK**

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

## Business trend

### Key developments and ratios

NRW.BANK showed a satisfactory performance in a tight market environment. Net interest income remained stable in the past fiscal year. Given that NRW.BANK had established sufficient provisions in the previous year in light of the uncertain economic outlook and the

risks resulting from the financial market crisis, risk provisions were reduced markedly in 2009. The Bank used € 21.4 million of its income to offer lower-priced loans. Net profit for the year rose to € 170.8 million.

Total assets increased moderately as forecast by € 1.1 billion to € 161.0 billion.

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

	Programme-based Promotion		Other Promotion/Liquidity Management		Staff/Services		NRW.BANK Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Net interest income	247.5	246.0	201.1	241.5	57.1	21.6	505.7	509.1
Net commission income	14.7	12.4	49.5	39.2	- 1.5	- 1.0	62.7	50.6
Net income from trading operations	0.0	0.0	2.8	3.8	0.0	0.0	2.8	3.8
Other operating result	8.3	7.6	0.1	0.0	5.4	- 18.5	13.8	- 10.9
Administrative expenses	- 79.2	- 88.7	- 29.3	- 27.2	- 81.7	- 92.5	- 190.2	- 208.4
- Personnel expenses	- 41.4	- 52.1	- 6.2	- 5.7	- 54.5	- 59.8	- 102.1	- 117.6
- Operating expenditure	- 37.8	- 36.6	- 23.1	- 21.5	- 27.2	- 32.7	- 88.1	- 90.8
<b>Operating income before risk provisions/revaluation</b>	<b>191.3</b>	<b>177.3</b>	<b>224.2</b>	<b>257.3</b>	<b>- 20.7</b>	<b>- 90.4</b>	<b>394.8</b>	<b>344.2</b>
Risk provisions/revaluation adjustments	- 97.5	- 52.8	- 130.2	- 284.3	31.6	63.9	- 196.1	- 273.2
<b>Net income/loss for the year before income tax and promotion dividend</b>	<b>93.8</b>	<b>124.5</b>	<b>94.0</b>	<b>- 27.0</b>	<b>10.9</b>	<b>- 26.5</b>	<b>198.7</b>	<b>71.0</b>
Taxes on income and revenues	- 0.4	- 0.5	0.0	0.0	- 6.1	- 5.2	- 6.5	- 5.7
Promotion dividend	- 21.4	- 32.9	0.0	0.0	0.0	0.0	- 21.4	- 32.9
<b>Net income/loss for the year</b>	<b>72.0</b>	<b>91.1</b>	<b>94.0</b>	<b>- 27.0</b>	<b>4.8</b>	<b>- 31.7</b>	<b>170.8</b>	<b>32.4</b>
<b>Average risk-weighted assets (in € billion)</b>	<b>12.8</b>	<b>10.6</b>	<b>16.7</b>	<b>15.8</b>	<b>0.2</b>	<b>0.2</b>	<b>29.7</b>	<b>26.6</b>
<b>Employees (number)</b>	<b>563</b>	<b>554</b>	<b>44</b>	<b>44</b>	<b>617</b>	<b>587</b>	<b>1,224</b>	<b>1,185</b>

To meet its changing tasks, NRW.BANK repositioned itself in the **Programme-based Promotion** segment. The segment now comprises the departments Promotion Programmes, Municipal and Special Promotion, Social Housing Promotion, Central Product Management as well as the equity investments made as part of the NRW.BANK's mission as a development bank.

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

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

## Earnings Position

### Net interest and net commission income

In fiscal 2009, NRW.BANK's net interest and net commission income increased by € 8.7 million to € 568.4 million.

At € 505.7 million, net interest income remained largely unchanged from the previous year's € 509.1 million. The first-time recognition of the discount unwinding effect of personnel-related provisions in interest expenses had an adverse impact in the amount of € 24.3 million.

Net interest income in the Programme-based Promotion segment increased by € 1.5 million to € 247.5 million.

In the Other Promotion/Liquidity Management segment, the decline in the margin result on short-term money market transactions and the fact that new business was slow led to a decline of € 40.4 million to € 201.1 million.

Net interest income in the Staff/Services segment increased on the previous year. Investments held in the interest of the state made higher profit contributions and incurred reduced funding costs as a result of lower interest rates. The investment of a higher volume of non-interest-bearing liabilities also made a positive contribution.

Net commission income increased by € 12.1 million to € 62.7 million in conjunction with the previous year's expansion of the volume of surrogate loan transactions.

### Net Income from Trading Operations

NRW.BANK's trading book contains short-term trading transactions with interest rate products undertaken by the Other Promotion/Liquidity Management segment. At € 2.8 million, net income from trading operations for the fiscal year 2009 was slightly below the previous year's result.

### Other Operating Income

Other operating income/expenses increased markedly by € 24.7 million to € 13.8 million. In the previous year, non-recurrent effects relating to the change in the valuation parameter for provisions for WestLB employee benefit obligations had an adverse effect. Moreover, the first-time recognition in interest expenses of the discount unwinding effect for provisions for employee benefit obligations in an amount of € 8.2 million had to be taken into account in 2009.

### Administrative Expenses

Compared to the previous year, administrative expenses decreased by € 18.2 million to € – 190.2 million.

**Personnel expenses** declined by € 15.5 million to € – 102.1 million, although the headcount remained largely unchanged. This was primarily attributable to the first-time recognition of the discount unwinding effect for provisions for pensions in net interest income. Adjusted for this effect, personnel expenses remained almost at the 2008 level. There were no collective pay rises in 2009.

**Operating expenditure** declined by € 2.7 million to € – 88.1 million due to strict cost management and the non-recurrence of charges incurred in the previous year.

### Risk Provisions/Revaluation Adjustments

At € – 196.1 million, risk provisions/revaluation adjustments were much better than in the previous year (2008: € – 273.2 million), which was the result of opposite trends.

In the Programme-based Promotion segment, risk provisions rose by € 44.7 million to € – 97.5 million. In the departments Municipal and Special Promotion, Social Housing Promotion, Promotion Programmes and Equity Investments, the effects of the financial and economic crisis, especially on small and medium-sized companies in North Rhine-Westphalia, led to an increase in individual allowances and allowance reserves for standard risk costs.

At € – 130.2 million, the risk/provisions/revaluation adjustments in the Other Promotion/Liquidity Management segment were much better than in the previous year (2008: € – 284.3 million). NRW.BANK had established sufficient provisions for the financial market crisis already in 2008. In keeping with its conservative policy, NRW.BANK increased the contingent liability reserves for structured financial instruments by € 103.4 million in 2009.

Being Germany's largest state development and promotion bank, NRW.BANK is also the country's second largest debt issuer under public law in the capital market. NRW.BANK uses part of the earnings from the capital market business in the form of a so-called "promotion dividend" which allows to offer its development and promotion funds at even more attractive terms than are already given as a result of their long-term and preferential funding. This policy serves to enhance the effectiveness of the development and promotion measures for North Rhine-Westphalia.

The conservative investment policy and NRW.BANK's required liquidity management were reflected in the structure of the € 83.8 billion securities portfolio (including note loans) with predominantly good to excellent ratings. The portfolio broke down into 53.8% government bonds and equivalently rated instruments backed by public institutions and 37.8% bonds issued by financial institutions which either benefited from guarantor liability or whose issuer risk was fully covered (e.g. mortgage bonds). 5.7% were accounted for by corporate bonds and 2.6% by structured financial instruments with full risk transparency. Products of elevated complexity accounted for only 0.1% of the portfolio and all inherent risks were fully covered.

The result of € 31.6 million (2008: € 63.9 million) reported by the Staff/Services segment was primarily characterised by book value adjustments for strategic investments, which were more than offset by the release of allowance reserves. The previous year's result should mainly be seen in conjunction with the one-time proceeds from the sale of NRW.BANK's 22% share in LEG Landesentwicklungsgesellschaft NRW GmbH.

#### Net Profit

In fiscal 2009, NRW.BANK generated a net profit before income tax and promotion dividend of € 198.7 million.

Due to NRW.BANK's exemption from income tax, the Bank's income tax in an amount of € – 6.5 million (2008: € – 5.7 million) is primarily comprised of income from strategic equity investments in partnerships.

NRW.BANK uses its own income to make the terms and conditions of its products even more attractive. This so-called promotion dividend is funded from the profit for the year to reduce the interest rates on loans. In the fiscal year 2009, an amount of € 21.4 million was allocated to the available promotion dividend.

The 2009 net profit after taxes and promotion dividend came in at € 170.8 million. Section 4 of the Wfa Liquidation Act, provides for € 19.8 million to be paid out towards federal interest expenses. An amount of € 143.4 million was allocated to the capital of Wohnungsbauförderungsanstalt NRW. Following the allocation of € 7.6 million to the statutory reserves, the profit for the year was balanced.

#### Net worth position

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

	Dec. 31, 2009	Dec. 31, 2008	Change	
	€ billions	€ billions	€ billions	%
Programme-based promotion (incl. guarantees)	64.3	61.4	2.9	4.7
State and municipal finance	45.0	44.3	0.7	1.6
Liquidity management	66.3	67.6	– 1.3	– 1.9
Other	8.6	8.9	– 0.3	– 3.4
<b>Total</b>	<b>184.2</b>	<b>182.2</b>	<b>2.0</b>	<b>1.0</b>

Total assets rose by € 1.1 billion to € 161.0 billion. At 0.7%, the increase in total assets was much lower than in the previous year.

Average risk-weighted assets increased by € 3.1 billion to € 29.7 billion.

Receivables from banks declined by € 2.5 billion to € 32.8 billion. Time deposits and Sparkassenbriefe decreased by € 0.5 billion each, while note loans were down by € 0.4 billion. Deferred interest declined by € 1.0 billion. The promotion business handled according to the “local relationship bank method” is included in this balance sheet item. Under this method, local banks submit promotion applications on behalf of their customers and NRW.BANK pays out the funds to these banks, which pass them on to the borrowers. Funded through the low-interest KfW-Unternehmerkredit programme, the NRW.BANK.Mittelstandskredit loan for SME’s remained the most successful and highest-volume development programme of NRW.BANK and the state of North Rhine-Westphalia in 2009. A portion of NRW.BANK’s earnings is used to further optimise the lending terms.

Receivables from customers rose by € 3.8 billion to € 62.0 billion mainly due to increases of € 1.9 billion in time deposits, € 1.4 billion in note loans and € 0.4 billion in registered bonds.

At € 59.9 billion, the balance sheet item “bonds and other interest-bearing securities” remained at the previous year’s level (2008: € 60.3 billion). Medium

Term Notes increased by € 1.3 billion. In contrast, Floating Rate Notes were down € 1.6 billion on the prior year. The structure of the balance sheet item changed only marginally in 2009. NRW.BANK increased its holdings of foreign public-sector securities by € 0.8 billion to € 10.6 billion. By contrast, instruments from foreign banks declined by € 0.6 billion to € 13.8 billion, while securities from mostly European financial institutions were down by € 0.3 billion to € 7.3 billion. Instruments from domestic public-sector issuers and foreign financial institutions declined by € 0.1 billion each to € 17.2 billion and € 10.3 billion, respectively.

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

Trust assets and trust liabilities declined by € 0.1 billion to € 2.1 billion due to the decrease in importance of the “trustee” promotion activities.

### Financial position

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

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

### List of current ratings

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

The Liquidity Management/Other Promotion segment is responsible for the funding of NRW.BANK. As a development bank benefiting from a state guarantee, NRW.BANK, which is Germany's second largest public issuer in the capital market behind KfW Bankengruppe, continued to experience strong demand for its debt. NRW.BANK catered to investors' need for state-guaranteed, liquid bonds and filled out its liquid curve in the euro primarily through four benchmark issues with maturities of two to ten years. During the fiscal year NRW.BANK placed debt worth approximately € 18 billion (2008: € 15 billion) with a wide investor base. By bringing forward funding activities worth € 4 billion, the Bank has thus laid the basis for 2010. To optimise its funding, NRW.BANK continues to use the following funding programmes: the Global Commercial Paper Programme with a volume of € 15.0 billion to cover maturities of up to twelve months, the Debt Issuance Programme with a volume of up to € 50.0 billion to cover medium and long maturities as well as the Kangaroo Programme in an amount of A\$ 3.0 billion.

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

Liabilities to banks decreased by € 5.0 billion to € 48.6 billion, mainly due to a decline of € 3.9 billion in time deposits. Registered municipal bonds and other registered bonds dropped by € 1.0 billion and € 0.8 billion, respectively. This was offset by a € 0.9 billion increase in note loans and by the promotion loans funded via KfW, which are paid out on the assets side primarily in the form of the NRW.BANK. Mittelstandskredit according to the "local relationship bank method". The latter were up by € 0.4 billion on the previous year. The largely programme-driven lending business is also funded to a lesser degree through Landwirtschaftliche Rentenbank, the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).

Liabilities to customers increased by € 0.4 billion to € 24.5 billion in the past fiscal year. Issues of uncovered registered bonds rose by € 1.3 billion, while liabilities from sell/buy-back and repo transactions were up by € 0.5 billion. By contrast, registered municipal bonds and time deposits declined by € 1.1 billion and € 0.8 billion, respectively.

NRW.BANK's certificated liabilities increased by € 5.6 billion to € 63.3 billion. Due to continued strong demand for instruments with first-class ratings, NRW.BANK issued more money-market instruments. The portfolio of money-market instruments increased by € 7.5 billion. By contrast, municipal bonds and bearer bonds diminished by € 1.2 billion and € 0.7 billion, respectively.

## Equity Capital

Equity Capital of NRW.BANK	Subscribed Capital	Capital Reserves	Reserves from Retained Earnings	Profit for the Year	Total		
			Special Reserves Pertaining to the Wfa	Reserves Required by NRW.BANK's Statutes	Other Reserves from Retained Earnings		
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
<b>As of Dec. 31, 2008</b>	<b>675.0</b>	<b>255.8</b>	<b>18,700.3</b>	<b>12.2</b>	<b>25.2</b>	<b>11.0</b>	<b>19,679.5</b>
Allocation to capital of Wohnungsbauförderungsanstalt NRW			11.0			- 11.0	0.0
Budget funds/Other			98.3				98.3
Net profit						170.8	170.8
Designated payout from Wfa due to legal requirements						- 19.8	- 19.8
Allocation to reserves required by NRW.BANK's statutes in statement of income				7.6		- 7.6	0.0
Allocation to capital of Wohnungsbauförderungsanstalt NRW			143.4			- 143.4	0.0
<b>As of Dec. 31, 2009</b>	<b>675.0</b>	<b>255.8</b>	<b>18,953.0</b>	<b>19.8</b>	<b>25.2</b>	<b>0.0</b>	<b>19,928.8</b>

NRW.BANK's equity capital increased by € 249.3 million to € 19,928.8 million. The subscribed capital remained unchanged at € 675.0 million. As of December 31, 2009, the profit for the year was balanced (2008: € 11.0 million).

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

As of December 31, 2009, the Bank's liable capital as defined by the German Banking Act (KWG) amounted to € 4,359.9 million (2008: € 3,578.4 million).

The capital adequacy is determined based on the Solvency Regulation (SolvV). The regulatory capital requirements were complied with at any time during the period ended December 31, 2009.

## Capital Ratios

	Dec. 31, 2009	Dec. 31, 2008
	%	%
Overall capital ratio	11.88	11.95
Core capital ratio	11.88	11.95

## Risk Report

NRW.BANK uses a comprehensive set of risk monitoring and management tools to manage the risks to which it is exposed. The Bank has implemented a framework of guidelines, organisational structures and processes to identify, measure, aggregate and manage the risks as well as to ensure that sufficient equity capital has been set aside. NRW.BANK applies high standards to its risk management process, which is tailored to the relevant risks.

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

NRW.BANK is primarily exposed to counterparty default risk. Due to the borrower structure and the special collateralisation arrangements under the "local relationship bank" method, most of the Bank's assets have a good to excellent credit rating. In addition, the Bank is exposed to market price risks, with temporary fluctuations in the investment portfolio not reflected in profit and loss.

The ongoing expansion of the Bank's product portfolio is managed through a new product approval process, which ensures that the risks of new financial products are identified, measured and limited. In addition, the risk management instruments and processes are generally updated on an ongoing basis.

NRW.BANK's risk management tools and processes proved their effectiveness even in the face of the global economic and financial market crisis.

## Organisation of Risk Management

The Managing Board bears the overall responsibility for risk management at NRW.BANK. The Bank's risk management organisation incorporates the Asset Liability Committee (ALCO), the Credit Committee and the Strategy Committee, which was set up in 2009.

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

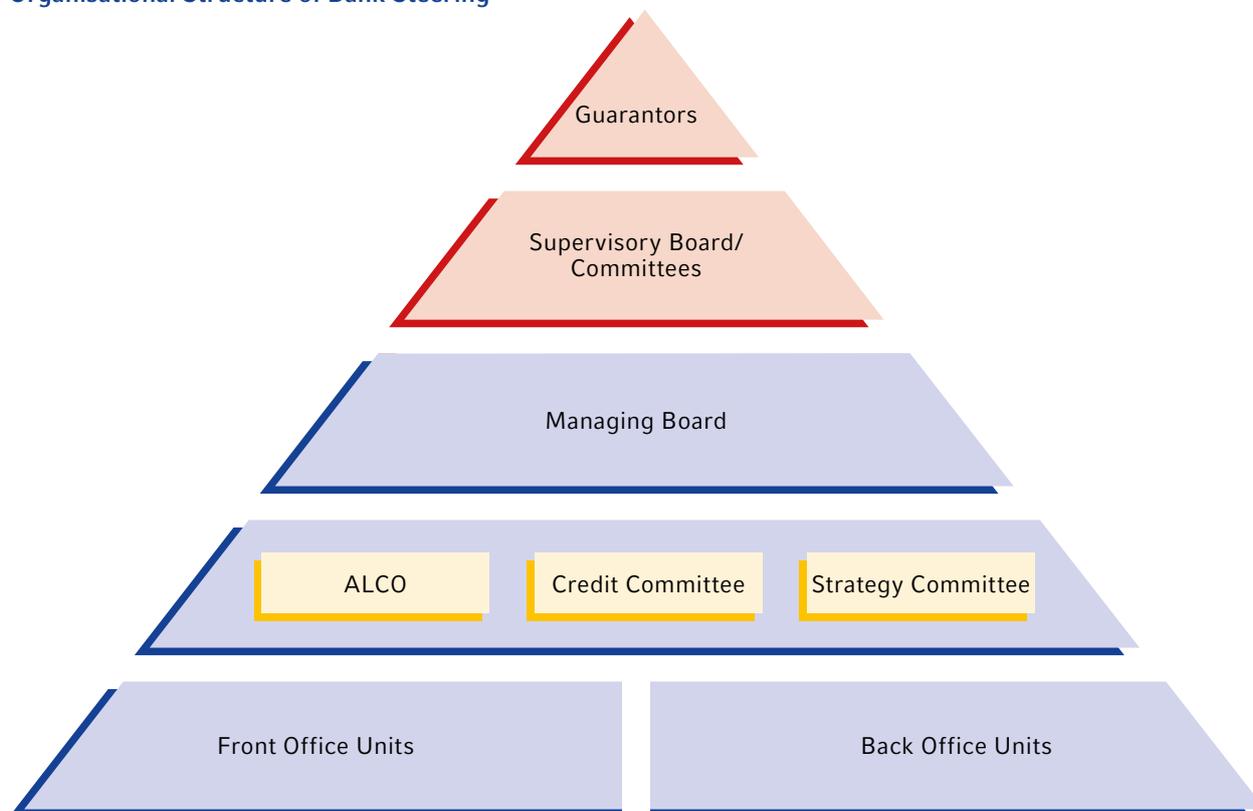
The Credit Committee prepares credit decisions to be made by the Managing Board and makes credit decisions based on their limits and level of competence. In addition, it addresses issues of a general nature relating to counterparty default risks.

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

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

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

## Organisational Structure of Bank Steering



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

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

### Counterparty Default Risk

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

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

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

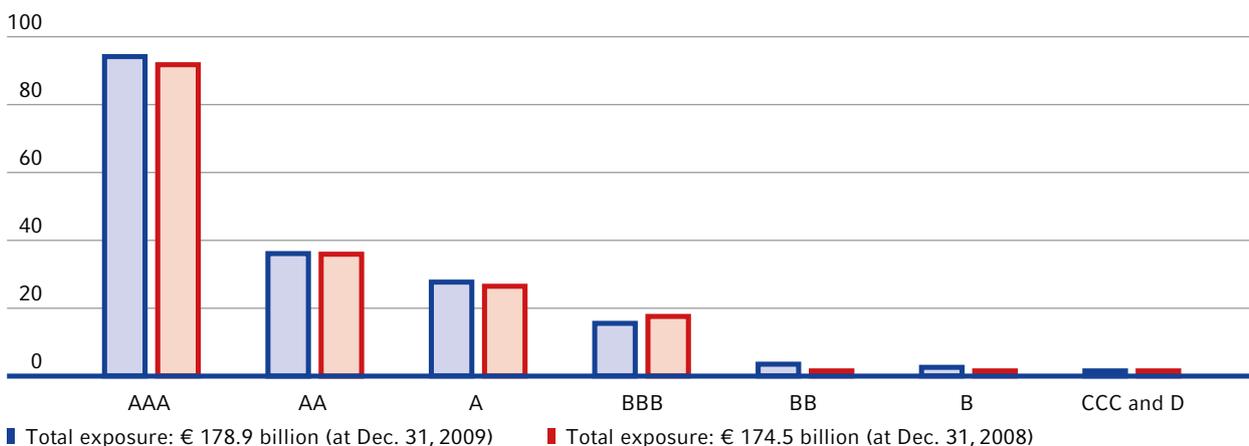
NRW.BANK enters into derivatives on the stock exchange or over the counter using standardised contracts with selected counterparties with a good credit standing.

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

The internal rating process of the exposures is of central importance for managing counterparty default

risk. Counterparties are rated regularly on the basis of comprehensive documents and analyses. The Bank assesses all counterparty default risks on a 24-step rating scale. The rating procedures are reviewed and refined continuously.

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



NRW.BANK's total exposure in 2009 was € 178.9 billion (2008: € 174.5 billion). This computation includes binding payment obligations, derivatives-based credit equivalents and market values of securities. It does not incorporate pro-rata interest and trust assets. The total exposure also includes collateralisation of derivative transactions as well as protection bought in the credit derivatives market.

98% of the asset portfolio is of investment grade quality (rating classes AAA to BBB). The Bank enters into sub-investment grade exposures only where this is required as part of its public mission, e.g. the promotion of SME's and in the case of social housing promotion.

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

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

In response to the global economic and financial market crisis, the Bank implemented a number of risk-reducing measures both at individual exposures level and at sub-portfolio level. These measures included numerous limit reductions and selective asset allocation adjustments as well as the elimination of individual concentration risks.

In the case of structured securities, NRW.BANK constantly monitors the counterparty default risk associated with the underlying reference pools. Various risk-mitigating measures were implemented in respect of existing exposures. In 2009, no new exposures were taken on in this segment.

Geographically, NRW.BANK is primarily exposed to Germany in an amount of € 126.1 billion (70.5% of the total exposure, prev. year 70.9%), with the main emphasis on North Rhine-Westphalia. The current foreign exposure in an amount of € 52.8 billion (29.5% of the total exposure, prev. year 29.1%) is focused entirely on countries with investment-grade ratings. European countries account for € 39.9 billion, while non-European countries account for € 12.9 billion.

NRW.BANK applies various control mechanisms to ensure the good rating quality of its portfolio. These centre on the Bank's risk strategy, in association with an economic capital concept. The limits are set at the portfolio level on the basis of a Credit VaR for a holding period of one year and a 99.98% confidence level. The computations are incorporated into extensive scenario and stress analyses. The economic capital set aside for counterparty default risk was € 4.0 billion (2008: € 4.3 billion) as of the reporting date.

#### Equity Holding Risk

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

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

representatives may hold an office in order to ensure that the Bank's interests as a shareholder are represented. This allows the Bank to counteract risks at an early stage.

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

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

Regarding some equity investments, the counterparty default risk is limited by a strong direct or indirect involvement of public funding. In the case of participation funds in promotion business, e.g. NRW.BANK. Mittelstandsfonds, the counterparty default risk is reduced by a guarantee from the State of North Rhine-Westphalia which covers 49% of the respective fund's total investment.

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

#### Risk provisions

Risk provisioning/revaluation adjustments in the lending business for 2009 amounted to € – 111.5 million (2008: € – 53.8 million). This includes specific provisions, general provisions, and provisions and allowance reserves for standard risk costs. The amount of individual allowances is determined in a timely manner in the course of the year for credit claims that are reviewed for risk provisioning on the basis of defined criteria;

existing collateral is taken into account. In evaluating collateral, an earning capacity value-based method is applied for housing development loans and real-estate financing. The result is reduced by a discount calculated on the basis of historical data. A general provision is formed for latent counterparty default risks. The amount of this allowance is based on historical averages for default rates and loss ratios.

Risk provisioning/revaluation adjustments in securities business amounted to € –109.0 million (2008: € –280.7 million) and were mainly comprised of provisions for anticipated losses on structured financial instruments. The amounts of these provisions were determined based on market information, individual creditworthiness appraisals and mathematical models. Specifically, in the case of structured products, a comparison is performed between the counterparties identified as critical with the potential number of defaults which would trigger a loss allocation. Where this results in a need for additional subordination (a risk buffer below which losses are not allocated to the investment), NRW.BANK either purchases such subordination or sets aside a provision for anticipated losses in the same amount (plus a safety margin).

#### Market Price Risk

The market price risk refers to a potential loss resulting from unfavourable changes in market prices or price-influencing parameters. This definition covers interest rate, exchange rate and option risks. The Bank does not take share price and commodity risks. As far as the interest rate risk is concerned, a distinction is made between the general and the specific interest rate risk. It comprises both changes in general interest rates and changes in the credit spread of issuer classes and changes in the credit spread of individual issuers (residual risk).

The main elements of market price risk relevant for NRW.BANK are the general market and counterparty specific risk in the investment portfolio. The resulting fluctuations in the market values are not recognised as profit or loss in the HGB accounts, unless there is

a permanent impairment in value. Depending on the market situation, the Bank lends without matching funds or issues debt without matching lending transactions, and generally closes out such positions in line with HGB accounting practices. Moreover, the Bank's trading strategy also includes active positions to a minor extent.

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

The Bank controls and monitors its market price risk using a value-at-risk (VaR) methodology. VaR is calculated for daily management at a 95% confidence level for a one-day holding period and takes into account all risk factors relevant for the portfolio, such as interest rates, foreign exchange rates, implicit volatilities and credit spreads.

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

The calculation of VaR is supplemented with daily scenario computations. In this context, interest rates, foreign exchange rates, implicit volatilities and credit spreads as well as defined hypothetical scenarios are analysed for the risk factor groups. Historical scenarios are additionally examined for interest rates and credit spreads. The standardised scenarios are supplemented if needed with individual, situational considerations tailored to the risk structure of the Bank's portfolio.

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

As of December 31, 2009, the VaR for general market price risks in the investment book and the trading book totalled € 20.3 million (2008: € 94.8 million). No material trading book existed in 2009. The average VaR for general market risks in the fiscal year was € 36.1 million. This VaR declined markedly as the year progressed. Accordingly, the maximum of € 93.5 million on January 2, 2009 contrasted with a minimum of € 16.3 million on September 9, 2009. The large bandwidth is primarily due to the high volatility of the market parameters resulting from the financial market crisis, with the easing of the financial markets in 2009 reflected in the sharp drop in the VaR in the course of the year.

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

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

The economic capital for general and specific market price risks was € 0.6 billion (2008: € 2.0 billion) as of the reporting date. The decline in economic capital is primarily attributable to the easing of the financial markets in the course of the year and, hence, to reduced price volatility and changed correlations between the individual segments of the financial markets.

#### Liquidity Risk

The liquidity risk includes:

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

To safeguard its ability to meet payment obligations at any time, NRW.BANK has a substantial portfolio of securities/receivables that can be deposited with the ECB. Moreover, the Bank can generate liquidity at short notice at any time without having to sell securities/receivables thanks to the explicit funding guarantee extended by NRW.BANK's guarantors and its correspondingly high rating

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

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

Liquidity management also incorporates compliance with both the German Liquidity Regulation and the regulatory minimum reserve requirements. Both requirements were met at all times in the fiscal year 2009. The liquidity ratio as of the reporting date was 4.1 (2008: 1.8), well above the regulatory required minimum of 1.0.

### Operational Risks

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

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

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

Using internal risk assessments ("self-assessments"), all potential operational risks are assessed qualitatively each year on a Bank-wide basis.

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

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

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

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

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

The economic capital for operational risk was € 0.1 billion (2008: € 0.1 billion) as of December 31, 2009.

### Strategic Risks

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

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

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

### Overall Risk Assessment

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

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

Bank-wide economic capital is determined taking diversification effects between the counterparty default risk and the market price risk into account. It totals € 4.5 billion.

### Bank-wide Economic Capital

Economic capital	Dec. 31, 2009	Dec. 31, 2008
	€ billions	€ billions
Counterparty default risk	4.0	4.3
Market price risk	0.6	2.0
Operational risk	0.1	0.1
<b>Sub-total</b>	<b>4.7</b>	<b>6.4</b>
Diversification effect	- 0.2	-
<b>Total economic capital</b>	<b>4.5</b>	<b>6.4</b>

The economic capital is compared with the capital cover which is determined using methods that are standard market practice with due allowance for the equity components required by banking regulations and reported in the balance sheet. The capital cover totalled € 10.2 billion (2008: € 8.5 billion) on the balance sheet date.

In keeping with the differentiated accounting of specific interest rate risks in the market price risk, a differentiated view is taken of undisclosed reserves/liabilities. This approach combines NRW.BANK's primary HGB-based control with a marked-to-market perspective. All known undisclosed liabilities are charged against the capital cover in respect of items in the trading portfolio and the liquidity reserve. With respect to items in the investment portfolio, these charges are applied to the extent that such items do not meet certain internal minimum ratings defined for the respective debtor/asset class. This approach recognises the fact that NRW.BANK takes positions with the intention of holding them to maturity. Given NRW.BANK's holdings

of securities eligible for ECB repo transactions as well as the funding guarantee extended by its guarantors, the Bank currently sees no need to sell securities for liquidity management purposes.

The management concept is supplemented with Bank-wide stress and scenario analyses.

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

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

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

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

Accounting-related business events are mostly handled locally. All accounting-relevant events are initiated in IT systems. The respective units are responsible for full and proper capture and for implementing and documenting the required controls. Functional responsibility for the account rules, the booking system, accounting and the definition of the valuation principles rests with the Finance unit. Risk Management is responsible for the trading-independent valuation and results analysis.

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

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

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

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

### Report of Anticipated Developments

This Report of Anticipated Developments contains forward-looking statements relating to the overall economic environment as well as to NRW.BANK's business, net worth position, financial position and earnings position. Such statements are based on expectations and assumptions derived from information available at the time of preparation. As such they involve risks and uncertainties beyond the control of NRW.BANK including, in particular, the development of the general economic environment and the situation in the financial markets.

In addition, deviations may result from debtors' defaults and due to other reasons not specified here. This means that the actual events occurring in the future may deviate from these statements, expectations and assumptions.

### Development of the Economic Environment

NRW.BANK assumes that, in spite of the recent recovery, the economy will continue to be marked by the effects of the financial and economic crisis in the medium term. Firstly, patterns, business models and risk assessments are likely to change as compared to pre-crisis times. The necessary adjustment process will presumably take some time. Secondly, the decline in economic activity was so pronounced – globally and especially in the large industrialised countries – that it will probably take two or three years before pre-crisis levels are reached again. In this context, production capacities will have to be adjusted to the reduced production levels in order to improve price competitiveness. It is also safe to assume that, irrespective of the aspect of production levels, growth rates will hardly reach pre-crisis levels in the medium term due to changing patterns and business models. This means that the financial and economic crisis not only had an extremely strong cyclical effect but also affects the trend rate of growth. According to the Bundesbank, potential growth for the next two years will be only 0.75% in Germany, meaning that the crisis has put a 2% dent in the potential for this period. Thirdly, the beginning recovery is being supported by special effects that are limited in time such as government stimulus packages, expansionary monetary policy and the replenishment of inventories. Moreover, the strong increase in public debt resulting from the government's support measures may have a potentially adverse impact on the future economic trend.

NRW.BANK projects a moderate economic recovery for 2010 and 2011, with annual real GDP growth rates of around 1.5%. In 2011, growth will probably be somewhat more dynamic than in 2010 – the expectation of equal growth rates for both years is based on statistical effects that show too high a figure for 2010 (statistical carry-over effect of 2009). While the general trend is upward, some quarters are likely to

see less dynamic growth. The low capacity utilisation suggests that capital formation in machinery and equipment will initially be weak and not pick up markedly before 2011. Construction spending is likely to rise sharply in 2010, driven by public investments. By contrast, the reduction in government spending budgets and initial consolidation efforts will tend to dampen growth in 2011. Private consumption will be exposed to different influences. Tax breaks and increased transfers should provide stimulation, whereas job cuts and moderate pay rises are likely to have a dampening effect. The car purchases brought forward in order to benefit from the government's scrapping bonus scheme will presumably detract from consumer spending in 2010 or encourage renewed saving. At the bottom line, private consumption is likely to grow moderately in 2010 and pick up somewhat in 2011. While exports should continue to make a positive contribution, it is safe to assume that the momentum seen in the second half of 2009 will not be maintained. On the one hand, the increase was due to non-recurrent catch-up effects following the massive slump; on the other hand, it was supported by the huge stimulus packages abroad. In line with the moderate economic recovery and against the background of the low capacity utilisation, consumer price inflation should be moderate.

The economic recovery and the tightening of monetary policy suggest that interest rates and yields will rise gradually, especially at the short end.

The economic projections are subject to great uncertainty. In particular, they are based on the assumption that the monetary measures will be unwound without having a significant adverse effect on economic growth, that public finance will have no material impact over the forecast period and that world trade will recover robustly yet moderately. With regard to the financial markets, it is being assumed that the stabilisation will continue and that negative news will lead only to short-term – if any – fluctuations.

#### Development of the Bank

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

Against the background of the anticipated moderate recovery in the economy, NRW.BANK expects this trend to have a positive effect on its promotion and development business. Selected areas of the securities portfolio will be tightened in accordance with the revised risk strategy.

NRW.BANK projects a positive trend for net interest income and net commission income, although the high levels of the years 2008 and 2009 will probably not be reached due to the continued uncertainties regarding the developments described above.

Administrative expenses should reach a somewhat higher level in 2010. While NRW.BANK expects personnel expenses to rise as a result of collective wage increases and higher pension expenditure, this advance should be only moderately due to slower headcount growth. The amendment of commercial law in the form of the German Act to Modernise the Law for German Accounting Standards ("Bilanzrechtsmodernisierungsgesetz – BilMoG") provides for pension commitments to be recognised in a manner that reflects the actual situation as closely as possible from 2010. NRW.BANK does not expect the implementation of the respective provisions to have any material impact on the result. Pension, early retirement and benefit obligations were measured at a market interest rate of 4.8% already in 2009, taking the future development of wages and pensions into account. Operating expenditure was adversely affected by the first full year of use of the new building in Münster. The consistent implementation of the IT strategy for the replacement of heritage

systems from the WestLB AG era will lead to increased project costs due to temporary parallel operation and replacements. Implementation of the IT strategy is expected to result in reduced expenses in the medium term.

It is believed that the full integration of Wfa into NRW.BANK will be a cost-neutral process and that synergies can be leveraged in future.

NRW.BANK expects the moderate demand for low-interest investment loans seen in 2009 to pick up in 2010. Accordingly, allocations to the promotion dividend should exceed the previous year's level.

From today's point of view, the burdens resulting from the financial and economic crisis will continue to be felt. NRW.BANK nevertheless believes that risk provisions/revaluation adjustments will decline as compared to the previous year. At the bottom line, NRW.BANK expects the result for the year 2010 to be much lower than the result for the previous year.

NRW.BANK assumes that total assets will not change materially in the coming year.

The Bank's plans regarding volumes, income and risks are based on current estimates. Uncertainties exist primarily with regard to the development of the financial markets, government risks and the economy. Earnings may also be affected by unexpected delays in the implementation of the major projects of the IT strategy. Another element of uncertainty which is mainly influenced by external factors, is the development of investments held in the interest of the federal state.

#### Development of the Segments

With a view to further improving its promotion activities, NRW.BANK plans to expand its qualitative promotion offerings and to put a stronger focus on designated themes in the Programme-based Promotion segment in 2010. The focus will be on ensuring access to loans for SME's as well as on innovation, education, climate/environmental protection and demographics.

The expansion of qualitative promotion offerings is planned primarily in the field of Start-up and SME Promotion. On the one hand, NRW.BANK intends to expand its specific advisory services; on the other hand, the Bank plans to offer more case-to-case and problem-oriented promotion solutions on the basis of the existing promotion offerings. To ensure that loans are available to SME's, it is planned to make additional liquidity available in the form of global loans and to use mentors to provide support in credit negotiations between SME's and banks. In this context, NRW.BANK will add value to the promotion efforts not only in the form of the proven promotion dividend but also through the provision of qualitative promotion services offering direct value for the recipients of the funds.

In addition, NRW.BANK plans to expand its range of equity and mezzanine solutions to strengthen the equity investment market in North Rhine-Westphalia. It is planned to launch a successor fund to the fund for venture capital financing for young and innovative technology firms and to increase and extend the investment period of the fund-of-funds for seed financing. The established SME sector will benefit from the extension of the investment period of the SME fund and the creation of a special fund for co-investments for corporate restructuring. In view of the funding problems of larger companies, it is planned to make mezzanine capital available to larger companies that have no access to the capital market on a case-to-case basis until the end of 2010.

In 2010, NRW.BANK's Social Housing Promotion department will provide € 1 billion for the construction and purchase of owner-occupied housing, the construction of rented housing and residential facilities as well as for projects supporting investments in existing housing in cooperation with the State of North Rhine-Westphalia. As in the past, the promotion measures will take into account the challenges of climate change and the demographic development. The focus will be on measures promoting barrier-free housing as well as new forms of housing for the elderly as well as the improvement of energy efficiency in the housing stock. The targets for 2010 also include new measures for preserving and strengthening the

function of residential quarters within the context of urban development on the basis of the German Act on the Development and Use of Housing for the State of North Rhine-Westphalia (WFNG NRW).

In the field of Individual Promotion, NRW.BANK will push ahead the development of new promotion products especially under its main promotion themes and aims to cooperate more closely with the federal state in the launch of state promotion programmes. Another focus will be on the development of promotion offerings with low minimum credit amounts so as to better take into account the social policy objectives of the federal state.

In the field of Municipal and Infrastructure Promotion, it is planned to expand the range of qualitative promotion products. In this context, the advisory activities will be expanded and integrated more closely with the existing financing offerings. In addition, the risk partnership with borrowers' relationship banks will be intensified. To promote infrastructure projects, the flexible financing of local and regional governments will remain an anchor product of NRW.BANK. However, this is to be complemented by a stronger focus to be put on North Rhine-Westphalia's infrastructure requirements also in the programme-based business.

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

In the Other Promotion/Liquidity Management segment, NRW.BANK aims to strengthen its position in business with municipal clients, especially by expanding its advisory services for financial management issues. The securities portfolio will continue to be optimised with a view to risk diversification and the stability of returns as stipulated by the Bank's risk strategy. In this context, special attention will be paid to the selective elimination of concentration risks. The Bank will aim to optimise its funding costs by broadening its investor base and evolving its debt issuance programmes.

In the Staff/Services segment, the development of the investment portfolio will be a relevant factor. The book value of WestLB AG in NRW.BANK's books is secured by a value guarantee from the state of North Rhine-Westphalia. Based on resolutions passed by the General Meeting of Shareholders and SoFFin, WestLB AG will spin off a portfolio of structured securities, other risk items and non-strategic operations in an amount of up to € 85 billion to the newly established "Erste Abwicklungsanstalt" in 2010. The remaining bank will implement comprehensive restructuring measures and resize its business activities. With a view to the future development of WestLB AG, it will be important to see whether the bank will be able to position itself successfully in the ongoing consolidation process in the banking sector and whether it will be able to generate sustainable profits on the basis of a feasible business model.

The implications of the financial market crisis for the real economy highlight the important role played by NRW.BANK as the development bank of the state of North Rhine-Westphalia. The Bank's financing and advisory products help companies and local authorities to master the difficult economic crisis in close cooperation with banks and savings banks. But NRW.BANK is already looking ahead. The Bank's product portfolio must now be adapted to the imminent upswing and the resulting promotion requirements. This will primarily be achieved through the ongoing development of the product portfolio along the focal themes set for its promotion business.

The Managing Board of NRW.BANK  
February 2010

# Balance Sheet

of NRW.BANK at December 31, 2009

## Assets

see Notes No.

31. 12. 2008

	€	€	€	€ thousands
<b>1. Cash</b>				
a) cash on hand		9,579.20		17
b) balances with central banks		571,164,021.22		570,516
thereof:				
with Deutsche Bundesbank				(570,516)
571,164,021.22 €			<b>571,173,600.42</b>	570,533
<b>2. Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks</b>				
a) treasury bills and discounted treasury notes as well as similar debt instruments issued by public institutions			<b>20,019,911.32</b>	19,348
thereof:				
eligible for refinancing with Deutsche Bundesbank 20,019,911.32 €				(19,348)
<b>3. Receivables from banks</b>	<b>1, 11, 22, 26</b>			
a) payable on demand		2,934,869,276.72		3,508,130
b) other		<u>29,836,360,255.66</u>		31,747,517
			<b>32,771,229,532.38</b>	35,255,647
<b>4. Receivables from customers</b>	<b>2, 3, 11, 22, 26</b>		<b>61,954,181,766.99</b>	58,151,158
thereof:				
secured by mortgages 20,209,787,688.57 €				(20,205,911)
loans to public authorities and entities under public law 34,523,607,469.39 €				(30,528,421)
			<b>95,316,604,811.11</b>	93,996,686
		To be carried forward:		

## Liabilities

		see Notes No.		31. 12. 2008	
		€	€	€	€ thousands
<b>1. Liabilities to banks</b>	<b>13, 22, 25, 26</b>				
a) payable on demand		253,671,380.92			392,462
b) with agreed maturity or period of notice		48,388,259,851.74			53,168,674
				<b>48,641,931,232.66</b>	53,561,136
<b>2. Liabilities to customers</b>	<b>14, 22</b>				
a) other liabilities					
aa) payable on demand		131,576,521.92			173,350
ab) with agreed maturity or period of notice		24,375,195,893.90			23,939,470
				<b>24,506,772,415.82</b>	24,112,820
<b>3. Certificated liabilities</b>	<b>15, 22, 26</b>				
a) bonds and notes issued by the Bank		63,280,306,971.50			57,701,444
				<b>63,280,306,971.50</b>	57,701,444
<b>4. Trust liabilities</b>	<b>16</b>				
thereof:					
trust loans	2,125,187,315.20 €				(2,215,690)
				<b>2,125,187,315.20</b>	2,215,690
<b>5. Other liabilities</b>	<b>17, 22</b>				
				<b>36,065,189.18</b>	224,806
<b>6. Deferred items</b>	<b>18, 22</b>				
				<b>312,043,387.22</b>	346,038
<b>7. Provisions</b>	<b>19</b>				
a) for pensions and similar obligations		946,493,049.00			900,377
b) tax reserve		31,576,705.76			31,691
c) promotion dividend		69,693,832.45			67,039
d) other		634,507,365.52			543,333
				<b>1,682,270,952.73</b>	1,542,440
<b>8. Subordinated liabilities</b>	<b>20</b>				
thereof:					
due in less than two years	0.00 €				(0)
				<b>405,000,000.00</b>	405,000
				<b>140,989,577,464.31</b>	140,109,374
			To be carried forward:		

# Balance Sheet

of NRW.BANK at December 31, 2009

## Assets

see Notes No.	€	€	€	€ thousands
		To be carried forward:	<b>95,316,604,811.11</b>	93,996,686
<b>5. Bonds and other interest-bearing securities</b> 4, 9, 11, 12, 22, 24, 26				
a) money market instruments				
aa) of other issuers		209,751,061.58		274,699
thereof: eligible as collateral for Deutsche Bundesbank advances		209,751,061.58 €		(274,699)
b) bonds and notes				
ba) of public institutions	27,845,353,964.97			27,172,489
thereof: eligible as collateral for Deutsche Bundesbank advances		26,401,172,505.16 €		(25,701,806)
bb) of other issuers	31,344,540,285.22			32,048,786
thereof: eligible as collateral for Deutsche Bundesbank advances		25,930,280,516.39 €		(27,050,491)
		59,189,894,250.19		59,221,275
c) bonds issued by the Bank		499,574,775.48		778,813
principal amount	483,998,432.41 €			(755,408)
			<b>59,899,220,087.25</b>	60,274,787
<b>6. Shares and other non-interest-bearing securities</b> 5, 9, 11			<b>1,957,200.00</b>	1,957
<b>7. Equity investments in non-affiliated companies</b> 6, 9			<b>2,260,137,614.82</b>	2,283,311
thereof:				
equity investments in banks	2,255,173,955.74 €			(2,255,174)
<b>8. Equity investments in affiliated companies</b> 6, 9			<b>96,135,380.68</b>	96,222
<b>9. Trust assets</b> 7			<b>2,125,187,315.20</b>	2,215,690
thereof:				
trust loans	2,125,187,315.20 €			(2,215,690)
<b>10. Intangible assets</b> 9			<b>27,515,332.79</b>	23,601
<b>11. Tangible fixed assets</b> 9			<b>66,644,263.03</b>	40,527
<b>12. Other assets</b> 8, 22			<b>921,173,246.77</b>	673,950
<b>13. Deferred items</b> 10, 22			<b>299,782,150.34</b>	278,130
<b>Total assets</b>			<b>161,014,357,401.99</b>	159,884,861



# Profit and Loss Account

of NRW.BANK for the Period January 1–December 31, 2009

see Notes No.

1.1.–31.12.2008

	€	€	€	€ thousands
<b>1. Interest income from</b>				
a) lending and money market transactions	2,937,511,974.65			3,478,262
b) interest-bearing securities and book-entry securities	<u>2,312,068,460.67</u>			<u>2,557,100</u>
		5,249,580,435.32		6,035,362
<b>2. Interest expenses</b>		<u>4,759,045,928.23</u>		<u>5,535,194</u>
			<b>490,534,507.09</b>	500,168
<b>3. Income from</b>				
a) equity investments in non-affiliated companies		15,018.25		37
b) equity investments in affiliated companies		<u>12,626,435.86</u>		<u>4,465</u>
			<b>12,641,454.11</b>	4,502
<b>4. Income from profit pooling, profit transfer and partial profit transfer agreements</b>			<b>2,532,000.00</b>	4,412
<b>5. Commission income</b>	<b>27</b>	150,249,215.93		165,684
<b>6. Commission expenses</b>		<u>87,586,054.61</u>		<u>115,111</u>
			<b>62,663,161.32</b>	50,573
<b>7. Net profit from trading operations</b>			<b>2,776,593.52</b>	3,761
<b>8. Other operating income</b>	<b>28</b>		<b>14,919,739.21</b>	15,423
<b>9. General administrative expenses</b>				
a) personnel expenses				
aa) wages and salaries		86,077,400.55		81,273
ab) social security contributions and expenses for pensions and other employee benefits		<u>16,060,633.97</u>		<u>36,322</u>
thereof:		102,138,034.52		117,595
for pensions 4,863,997.00 €				(23,607)
b) other administrative expenses	<b>29</b>	<u>79,429,034.32</u>		<u>82,348</u>
			<b>181,567,068.84</b>	199,943
<b>10. Depreciation and value adjustments on intangible and tangible fixed assets</b>			<b>8,625,611.94</b>	8,394
<b>11. Other operating expenses</b>	<b>28</b>		<b>1,015,319.64</b>	26,180
		To be carried forward:	<b>394,859,454.83</b>	344,322

see Notes No.

1.1.–31.12.2008

	€	€	€	€ thousands
		To be carried forward:	394,859,454.83	344,322
12. Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions			144,174,613.92	85,175
13. Write-downs and value adjustments on equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as tangible fixed assets			51,903,934.90	187,211
14. Expenses from the assumption of losses			0.00	810
15. Result from normal operations			198,780,906.01	71,126
16. Taxes on income and revenues		6,505,769.84		5,700
17. Other taxes not shown under other operating expenses		68,374.73	6,574,144.57	93 5,793
18. Allocation to provisions for promotion dividend			21,426,500.63	32,891
19. Net profit			170,780,260.81	32,442
20. Allocation to capital of Wohnungsbauförderungsanstalt NRW			143,380,963.08	0
21. Designated payout from Wfa due to legal requirements			19,799,297.73	21,418
22. Allocation of net income to reserves from retained earnings				
a) reserves required by NRW.BANK's statutes			7,600,000.00	0
23. Profit for the year			0.00	11,024

# Notes

## of NRW.BANK at December 31, 2009

### Preparation of NRW.BANK's Annual Accounts

The annual accounts of NRW.BANK were prepared in accordance with the provisions of the German Commercial Code (HGB) and the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV). Information that may appear either on the balance sheet or in the Notes is included in the Notes. Amounts in the Notes are generally given in € millions.

To promote housing and small residential development projects, NRW.BANK operated Wohnungsbauförderungsanstalt Nordrhein-Westfalen (Wfa) Anstalt der NRW.BANK pursuant to Section 1 (4) of its statutes. Wfa was an unincorporated, public-law institution with headquarters in Düsseldorf that operated financially and organisationally on a stand-alone basis. The assets of Wfa had to be managed separately from the assets of NRW.BANK. Besides their function as liable equity capital as defined in the German Banking Act (KWG), these assets had to be used exclusively to finance the tasks of Wfa. By law, Wfa also had to prepare separate annual accounts and a management report. The assets of Wfa (subscribed capital and state housing assets as well as revenue reserves) are recognised in the financial statements of NRW.BANK under capital reserves as special reserves pertaining to Wohnungsbauförderungsanstalt. These special reserves amounted to € 18,953.0 million as of December 31, 2009.

In December 2009, the North Rhine-Westphalian parliament passed the "Gesetz zur Umsetzung der Föderalismusreform im Wohnungswesen, zur Steigerung der Fördermöglichkeiten der NRW.BANK und zur Änderung anderer Gesetze" (Act on the Implementation of the Federalism Reform in the Housing Sector, on Increasing the Development Possibilities of NRW.BANK and on the Amendment of Other Laws), which came into force on January 1, 2010.

As a result of the allocation of € 16,539.1 million to the share capital of NRW.BANK, the shareholding of the state of North Rhine-Westphalia increased to 98.62% as of January 1, 2010. The regional associations of the Rhineland and of Westphalia-Lippe each hold 0.69%.

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

The income and expenses of Wfa were taken from Wfa's annual accounts and included in NRW.BANK's statement of income under the relevant items, chiefly interest income and expenses, general administrative expenses and expenditure on risk provisions. According to Section 18 (3) Sentence 1 of WBFVG, an amount of € 19.8 million has been earmarked for distribution.

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

### Accounting and Valuation Principles

Assets, liabilities and open contracts are valued in accordance with Section 340 et seq. of the German Commercial Code (HGB) in conjunction with Section 252 et seq. of the German Commercial Code (HGB).

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

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

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

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

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

For securities held in the investment portfolio with a carrying value of € 16,882,517,866.69, an aggregate market value of € 15,814,259,039.93 was determined. Because these securities have been funded at matching maturities and interest rates, and because none of the issuers' credit ratings indicated sustained weakening (no permanent impairment in value expected), it was not necessary to write the securities down to market.

In line with a valuation based on market values, NRW.BANK applies mark-to-market valuation provided that an active market exists. In this case, the valuation is based – as far possible – on the liquid prices provided by respected market data providers (e.g. Reuters). In addition, the discounted cash flow method is used for mark-to-model valuation, while corresponding valuation models are used for derivatives. Under the discounted cash flow method, the contractually agreed cash flows of an instrument (without options) are discounted using risk-adjusted interest rates (use of spread curves). To the extent possible, interest curves based on curves quoted in the market are used. In exceptional cases, the spreads used for discounting are taken from research publications or, alternatively, provided by external market participants and verified independently by Risk Management.

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

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

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

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

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

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

Tangible assets with a limited useful life are depreciated in accordance with the applicable tax regulations.

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

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

Pension, early retirement and benefit obligations were measured by using the internationally accepted projected unit credit method, taking the future development of wages and pensions into account. The discount rate remained unchanged at 4.8% in the past fiscal year. The unwinding of the discount for pension, early retirement and benefit obligations was, for the first time, recognised in interest expense in an amount of € 24.3 million. Of this amount, € 16.1 million related to personnel expenses, while the remaining € 8.2 million related to other operating expenses.

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

The projected unit credit method was not applied to provisions for pensions of WestLB AG employees with dual contracts who hold a full entitlement to reimbursement in respect of WestLB AG.

Foreign currency amounts have been translated in accordance with Section 340h of the German Commercial Code (HGB) and statement BFA 3/95 of the IDW. Assets and liabilities denominated in foreign currencies were translated using the spot exchange rate on December 31, 2009. In this context, NRW.BANK uses the reference rates of the European System of Central Banks (ESCB). Icelandic crowns were translated using the reference rate of December 3, 2008, as this was the last day on which an exchange rate was quoted.

Pursuant to Section 340 h para. 2 sentence 2 of the German Commercial Code (HGB), foreign-currency balance sheet items and pending transactions of NRW.BANK are classified and valued as being specifically covered in all currencies. Accordingly, all income and expenses resulting from currency translation are recognised in the statement of income in accordance with Section 340h para. 2 sentence 1 and 2 of the German Commercial Code (HGB).

The foreign currency result from currency translation is shown in the "net result from financial operations".

## Balance Sheet

### Receivables from Banks (1)

Breakdown by Maturity	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
Payable on demand	2,934.9	3,508.1
With residual maturities of		
– up to 3 months	3,029.3	4,088.7
– between 3 months and 1 year	1,564.4	1,908.2
– between 1 and 5 years	9,389.8	9,331.3
– more than 5 years	15,852.8	16,419.3
<b>Total receivables from banks</b>	<b>32,771.2</b>	<b>35,255.6</b>

As in the previous year, receivables from banks do not include receivables from affiliated companies. The receivables from other companies in which equity investments are held totalled € 475.9 million (2008: € 1,382.0 million).

### Receivables from Customers (2)

Breakdown by Maturity	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
With residual maturities of		
– up to 3 months	3,962.3	2,735.3
– between 3 months and 1 year	2,232.5	2,115.8
– between 1 and 5 years	10,549.8	9,940.2
– more than 5 years	45,209.6	43,359.9
<b>Total receivables from customers</b>	<b>61,954.2</b>	<b>58,151.2</b>
including:		
– receivables with indefinite maturities	29.7	9.8

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 € 4.7 million (2008: € 14.7 million).

## Receivables Secured by Mortgages (3)

Breakdown by Maturity	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
Receivables from customers with residual maturities of		
– up to 3 months	150.5	172.5
– between 3 months and 1 year	370.3	365.6
– between 1 and 5 years	1,814.1	1,792.9
– more than 5 years	17,874.9	17,874.9
<b>Total receivables secured by mortgages</b>	<b>20,209.8</b>	<b>20,205.9</b>

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

Marketability	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
Bonds and other interest-bearing securities		
– listed on a stock exchange	56,175.2	56,634.6
– not listed on a stock exchange	3,724.0	3,640.2
<b>Total bonds and other interest-bearing securities</b>	<b>59,899.2</b>	<b>60,274.8</b>
including:		
amounts that will become due by December 31 of the following financial year	8,550.6	6,501.2

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

Of the total bonds and other interest-bearing securities, € 126.9 million (2008: € 4.0 million) are held in the trading portfolio, € 2,739.4 million (2008: € 714.4 million) are held as part of the liquidity reserve and € 57,032.9 million (2008: € 59,556.4 million) are held in the investment portfolio.

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

Marketability	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
Shares and other non-interest-bearing securities		
– listed on a stock exchange	0.0	0.0
– not listed on a stock exchange	1.9	1.9
<b>Total shares and other non-interest-bearing securities</b>	<b>1.9</b>	<b>1.9</b>

Of the total shares and other non-interest-bearing securities € 1.9 million (2008: € 1.9 million) are held in the investment portfolio.

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

NRW.BANK holds € 2,260.1 million (2008: € 2,283.3 million) in equity investments in non-affiliated companies and € 96.1 million (2008: € 96.2 million) in equity investments in affiliated companies. Of this amount, € 2,202.2 million (2008: € 2,206.5 million) are evidenced by marketable securities. However, none are listed on a stock exchange.

An itemised list of NRW.BANK's investments pursuant to Section 285 No.11 and 11a of the German Commercial Code (HGB) is shown separately.

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

- WestLB AG
- InvestitionsBank des Landes Brandenburg (ILB)

#### Trust Assets (7)

##### Breakdown by Asset Type

	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
Receivables from banks	161.1	171.5
Receivables from customers	1,964.1	2,044.2
<b>Total trust assets</b>	<b>2,125.2</b>	<b>2,215.7</b>

#### Other Assets (8)

The total figure of € 921.2 million (2008: € 674.0 million) contains, among other things, € 635.5 million (2008: € 606.9 million) in receivables from WestLB AG for reimbursement of pension and benefit obligations, € 143.9 million (2008: in other liabilities € 182.3 million) balancing item from foreign exchange valuation (in accordance with Section 340h of the German Commercial Code [HGB]) as well as € 119.2 million (2008: € 50.1 million) in receivables from the state of North Rhine-Westphalia under the value guarantee.

## Fixed Assets (9)

Schedule of Fixed Assets	Acquisition Cost/ Production Cost	Additions	Retirements	Total Depreciation and Amortisation	Net Book Value	Depreciation and Amortisation in the Financial Year
	Jan. 1, 2009				Dec. 31, 2009	
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Bonds and other interest-bearing securities forming part of fixed assets	58,443.5				55,959.3	13.1
Shares and other non-interest-bearing securities forming part of fixed assets	1.9	Net change pursuant to Section 34 (3) Sentence 2 RechKredV: € 4,075.3 millions			1.9	0.0
Equity investments in non-affiliated companies	3,851.1				2,260.1	1.9
Equity investments in affiliated companies	96.2				96.1	14.1
Intangible assets	43.4	11.0	0.0	26.9	27.5	7.1
Land and buildings	28.6	25.4	0.4	0.8	52.8	0.2
Office equipment	17.4	3.0	1.1	5.4	13.9	1.3

€ 52.7 million of the amount shown under land and buildings represent land and buildings used for business purposes (2008: € 14.0 million).

## Deferred Items (10)

## Breakdown of Deferred Items

	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
Discounts from underwriting business	116.8	97.3
Discounts from liabilities	0.1	0.1
Pre-paid swap fees	70.1	98.8
Pre-paid CDS fees	84.6	61.0
Other	28.2	20.9
<b>Total deferred items</b>	<b>299.8</b>	<b>278.1</b>

### Subordinated Assets (11)

Subordinated assets are included in:

#### Breakdown by Asset Type

	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
Receivables from banks	0.8	0.8
Receivables from customers	51.6	9.5
Bonds and other interest-bearing securities	20.4	20.4
Shares and other non-interest-bearing securities	1.9	1.9
<b>Total subordinated assets</b>	<b>74.7</b>	<b>32.6</b>

### Pledged Assets (12)

Of the assets reported, NRW.BANK pledged € 6,712.1 million (2008: € 6,253.5 million) under repurchase agreements.

### Liabilities to Banks (13)

#### Breakdown by Maturity

	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
Payable on demand	253.7	392.5
With residual maturities of		
– up to 3 months	9,911.0	19,428.6
– between 3 months and 1 year	7,415.4	1,557.6
– between 1 and 5 years	10,024.4	10,344.6
– more than 5 years	21,037.4	21,837.8
<b>Total liabilities to banks</b>	<b>48,641.9</b>	<b>53,561.1</b>

As in the previous year, liabilities to banks do not include liabilities to affiliated companies. The liabilities to other companies in which equity investments are held totalled € 1,592.4 million (2008: € 873.6 million).

### Liabilities to Customers (14)

#### Breakdown by Maturity

	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
Payable on demand	131.6	173.3
With residual maturities of		
– up to 3 months	1,305.8	1,492.5
– between 3 months and 1 year	745.4	982.6
– between 1 and 5 years	4,541.0	4,860.7
– more than 5 years	17,783.0	16,603.7
<b>Total liabilities to customers</b>	<b>24,506.8</b>	<b>24,112.8</b>

### Certificated Liabilities (15)

#### Breakdown of Certificated Liabilities

	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
Notes issued		
– mortgage bonds	0.9	0.9
– municipal bonds	1,847.8	3,063.4
– other bonds	61,431.6	54,637.1
<b>Total certificated liabilities</b>	<b>63,280.3</b>	<b>57,701.4</b>

€ 24,483.2 million (2008: € 21,221.8 million) of the notes issued is due in the following year.

### Trust Liabilities (16)

#### Breakdown of Trust Liabilities

	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
Liabilities to banks	41.1	52.2
Liabilities to customers	1,440.6	1,496.1
Other liabilities	643.5	667.4
<b>Total trust liabilities</b>	<b>2,125.2</b>	<b>2,215.7</b>

### Other Liabilities (17)

Other liabilities totalling € 36.1 million (2008: € 224.8 million) include € 19.8 million (2008: € 21.4 million) in liabilities owed to the state of North Rhine-Westphalia, premiums received from credit default swaps in an amount of € 2.3 million (2008: € 1.7 million) as well as € 1.3 million (2008: € 4.8 million) in liabilities owed to the Tax Office and € 3.6 million (2008: € 5.5 million) in interest to be paid on existing profit participation rights and subordinated liabilities once the annual accounts have been approved.

### Deferred Items (18)

#### Breakdown of Deferred Items

	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
Premiums from underwriting business	34.2	29.7
Swap fees received in advance	275.5	314.9
Other	2.3	1.4
<b>Total deferred items</b>	<b>312.0</b>	<b>346.0</b>

### Provisions (19)

The provision for pensions and benefits includes € 635.5 million (2008: € 606.9 million) in pension obligations to employees of WestLB AG who have claims for or are entitled to a pension under the laws relating to civil servants. Under Art. 1 Section 4 (1) Sentence 4 of the Bank Redefining Act (Neuregelungsgesetz) of July 2, 2002, these obligations passed from Westdeutsche Landesbank Girozentrale to NRW.BANK. NRW.BANK is entitled to reimbursement from WestLB AG in the same amount, which is shown in "other assets".

NRW.BANK's provision for additional benefits is at € 216.5 million (2008: € 216.4 million). This amount includes € 187.0 million in obligations to persons covered under the former pension agreement of Westdeutsche Landesbank Girozentrale, for which NRW.BANK has assumed the additional benefit payments since the spin-off from Westdeutsche Landesbank Girozentrale and another € 0.6 million for employees with dual contracts involving private-law entitlements to additional benefits. An additional € 28.9 million has been set aside for claims to additional benefits that employees of NRW.BANK have for their retirement.

Provisions for anticipated losses in an amount of € 300.8 million (2008: € 236.3 million) were established for structuring measures that may be required for the CDO portfolio. In addition, there is an amount of € 66.1 million (2008: € 37.9 million) for agreed loan collateralisation costs, which will be incurred in future periods.

### Subordinated Liabilities and Capital with Participation Rights (20)

The following subordinated liabilities exceed 10% of the total subordinated liabilities of € 405.0 million (2008: € 405.0 million):

Currency	Nominal Amount	Interest Rate	Term
	€ millions	%	
EUR	50.0	0.8	2004 – 2014
EUR	50.0	0.8	2004 – 2034
EUR	50.0	1.2	2004 – 2024
EUR	50.0	1.2	2004 – 2024
EUR	50.0	4.8	2004 – 2019

The remaining subordinated liabilities of € 155.0 million carry an average interest rate of 4.7% (2008: 4.9%) and have original maturities between 10 and 25 years. As in the previous year, none of the subordinated liabilities have a remaining time to maturity of less than two years.

The amount of subordinated liabilities was unchanged during the financial year 2009.

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

Interest expenses of € 13.4 million (2008: € 19.9 million) were incurred for subordinated liabilities.

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

In 2009, no capital with participation rights matured, and no new capital with participation rights was issued. Hence, the total capital with participation rights was € 11.0 million (2008: € 11.0 million).

#### Equity Capital (21)

As of December 31, 2009, NRW.BANK's subscribed capital was € 675.0 million (2008: € 675.0 million). The reserves totalled € 19,253.8 million (2008: € 18,993.5 million).

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

Equity capital pursuant to the German Commercial Code (HGB)	Dec. 31, 2009	Dec. 31, 2008
	€ millions	€ millions
Subscribed capital	675.0	675.0
Capital reserves	19,208.8	18,956.1
thereof:		
special reserves pertaining to the Wohnungsbauförderungsanstalt	(18,953.0)	(18,700.3)
reserves from retained earnings		
– reserves required by NRW.BANK's statutes	19.8	12.2
– other reserves	25.2	25.2
Profit for the year	0.0	11.0
<b>Total</b>	<b>19,928.8</b>	<b>19,679.5</b>

Once the annual accounts are approved, the capital of NRW.BANK required for regulatory purposes under Section 10 of the German Banking Act (KWG) will total € 3,451.1 million (2008: € 4,471.8 million).

#### Foreign Currency Assets/Foreign Currency Liabilities (22)

At year-end, NRW.BANK had foreign currency assets valued at € 9,954.9 million (2008: € 9,936.7 million) and foreign currency liabilities valued at € 17,455.8 million (2008: € 11,095.9 million). Contingent liabilities and other commitments denominated in foreign currencies totalled € 3,726.0 million (2008: € 3,413.4 million).

#### Contingent Liabilities and Other Commitments (23)

Contingent liabilities totalled € 23,183.1 million (2008: € 22,324.7 million) and incorporate € 22,850.1 million (2008: € 21,960.7 million) for credit derivatives (thereof € 1,150.4 million for embedded derivatives [2008: € 1,447.1 million]) and € 333.0 million (2008: € 364.0 million) for other guarantees and indemnity agreements.

Of the € 3,749.1 million in irrevocable credit commitments (2008: € 3,766.9 million), € 1,364.2 million (2008: € 1,311.8 million) was for commitments made in connection with the Wohnungsbauförderungsanstalt.

#### Assets Used as Collateral (24)

Bonds and notes in a nominal amount of € 13,081.1 million (2008: € 14,398.6 million) were pledged to the Deutsche Bundesbank and notes in a nominal amount of € 7,545.3 million (2008: € 6,780.3 million) were submitted to the Deutsche Bundesbank in the context of the "KEV" process (KEV: Kreditforderungen – Einreichung und Verwaltung/ Submission and administration of credit claims) as collateral for funding facilities. Securities with a nominal value of € 85.0 million (2008: € 53.0 million) were deposited with the EUREX (eurexchange, electronic futures and options exchange) as collateral for forward transactions, while securities with a nominal value of € 0.0 million (2008: € 710.5 million) were pledged as collateral for overnight loans. In addition, an amount of € 414.6 million (2008: € 326,2 million) was transferred as collateral for repo transactions and securities in an amount of € 2.0 million (2008: € 2.0 million) were assigned as rent deposit.

#### Collateral for Own Liabilities (25)

Collateral for registered mortgage bonds amounted to € 0.3 million (2008: € 0.3 million) and registered municipal bonds and notes totalled € 115.9 million (2008: € 163.9 million).

#### Cover (26)

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

At December 31, 2009, the details of the cover were as follows:

Cover	Dec. 31, 2009		Dec. 31, 2008	
	DR I € millions	DR II € millions	DR I € millions	DR II € millions
Mortgage bonds and municipal bonds issued	39.0	10,054.0	69.0	13,477.5
Loans raised secured with registered mortgage bonds or registered municipal bonds and notes	0.3	115.9	0.3	163.9
<b>Liabilities requiring cover</b>	<b>39.3</b>	<b>10,169.9</b>	<b>69.3</b>	<b>13,641.4</b>
Mortgage and/or municipal loans	268.2	21,803.2	437.3	24,178.0
Other ordinary cover (securities)	0.0	802.6	0.0	1,316.0
Excess cover	5.0	400.0	5.0	400.0
<b>Cover funds</b>	<b>273.2</b>	<b>23,005.8</b>	<b>442.3</b>	<b>25,894.0</b>
<b>Excess cover</b>	<b>233.9</b>	<b>12,835.9</b>	<b>373.0</b>	<b>12,252.6</b>

## Statement of Income

### Services Rendered for Third Parties (27)

The net commission income includes € 11.1 million (2008: € 9.2 million) resulting from the administration of loans and subsidies held in trust.

### Other Operating Income and Expenses (28)

The principal contribution towards other operating income is composed of € 1.5 million (2008: € 1.2 million) in cash payments and payments from settlements involving the improper use of public housing and € 10.2 million (2008: € 10.4 million) in income from the write-back of other provisions.

Other operating expenses include € 0.2 million (2008: € 25.4 million) in addition to the provisions for additional benefits established for employees of WestLB AG.

### Fee Paid to Auditor of the Annual Accounts (29)

In fiscal 2009, the auditor charged a total fee of € 1.5 million. € 1.3 million of which accounted for fees for the auditing of the annual accounts, € 0.1 million for other auditing services, € 0.1 million for other services.

## Miscellaneous

### Other Financial Obligations

NRW.BANK had annual long-term obligations for IT service agreements, building rents and the computer centre of € 6.8 million with a remaining term of 11 years, € 6.1 million with a remaining term of 9.5 years, € 0.4 million with a remaining term of 9 years, € 2.0 million with a remaining term of 6.5 years.

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

### Other Obligations

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

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

### Deposit Insurance

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

### Derivatives

The total nominal value of derivative transactions was € 207,749 million (2008: € 197,923 million).

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

## Derivatives – Volumes

	Nominal Values		Positive Market Values	Negative Market Values
	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2009	Dec. 31, 2009
	€ millions	€ millions	€ millions	€ millions
<b>Interest rate risks</b>				
Interest rate swaps	157,494	151,536	4,038	7,347
FRAs	–	–	–	–
Interest rate options				
– bought (long)	6,289	6,473	128	0
– written (short)	2,012	2,271	0	128
Caps, floors	11	20	0	0
Stock market contracts				
– bought (long)	106	900	0	0
– written (short)	71	1,902	2	0
Other interest rate forwards	1,079	720	27	28
<b>Total interest rate risks</b>	<b>167,062</b>	<b>163,822</b>	<b>4,195</b>	<b>7,503</b>
<b>Currency risks</b>				
Foreign exchange forwards, swaps	843	7,517	201	17
Currency swaps/Interest currency swaps	5,447	10,923	291	574
Foreign exchange options				
– bought (long)	–	–	–	–
– written (short)	–	–	–	–
Stock market contracts	–	–	–	–
Other currency forwards	–	–	–	–
<b>Total currency risks</b>	<b>6,290</b>	<b>18,440</b>	<b>492</b>	<b>591</b>
<b>Share price and other price risks</b>				
Stock forwards	–	–	–	–
Stock options	–	–	–	–
– bought (long)	–	–	–	–
– written (short)	–	–	–	–
Stock market contracts	–	–	–	–
Other forwards	–	–	–	–
<b>Total share price and other price risks</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Credit derivatives</b>				
– bought (long)	2,610	2,630	276	25
– written (short)	21,961	22,857	46	1,275
<b>Total credit derivatives</b>	<b>24,571</b>	<b>25,487</b>	<b>322</b>	<b>1,300</b>
<b>Total</b>	<b>197,923</b>	<b>207,749</b>	<b>5,009</b>	<b>9,394</b>

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

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

The average nominal value of the derivatives and other forward transactions entered into by NRW.BANK for the period from January 1, 2009 to December 31, 2009 was € 212,221 million (2008: € 199,706 million).

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

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

The breakdown of derivative transactions by counterparty is as follows:

### Derivatives – Breakdown by Counterparty

	Nominal Values		Positive Market Values	Negative Market Values
	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2009	Dec. 31, 2009
	€ millions	€ millions	€ millions	€ millions
OECD banks	179,155	187,742	4,804	8,186
Non-OECD banks	–	–	–	–
OECD public-sector entities	736	852	29	4
Other counterparties	18,032	19,155	176	1,204
<b>Total</b>	<b>197,923</b>	<b>207,749</b>	<b>5,009</b>	<b>9,394</b>

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

The interest rate contracts are spread across the entire spectrum of maturities, with approximately 45% (2008: 46%) having a remaining time to maturity of more than five years.

### Derivatives – Breakdown by Maturity

Nominal Values	Interest Rate Risks		Currency Risks		Credit Derivatives	
	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Residual maturity						
– up to 3 months	12,547	17,064	709	7,767	215	105
– 3 months to						
1 year	18,916	19,836	485	3,252	171	420
– 1 to 5 years	57,985	53,475	2,148	3,854	5,646	7,155
– more than 5 years	77,614	73,447	2,948	3,567	18,539	17,808
<b>Total</b>	<b>167,062</b>	<b>163,822</b>	<b>6,290</b>	<b>18,440</b>	<b>24,571</b>	<b>25,487</b>

### Number of Employees

The average number of female staff employed by NRW.BANK in 2009 was 657 (2008: 626), and the average number of male staff, including the Managing Board, employed over the year was 625 (2008: 600). The total number of employees at the end of the year was 1,224 (2008: 1,185).

### Remuneration

€ thousands	Fixed remuneration		Variable remuneration		Other remuneration		Total remuneration	
	2009	2008	2009	2008	2009	2008	2009	2008
Dietmar P. Binkowska	600	200	63	–	32	35	695	235
Ernst Gerlach	390	390	185	220	41	40	616	650
Klaus Neuhaus	402	380	173	230	37	32	612	642
Michael Stölting	340	–	–	–	5	–	345	–
Managing Board, total	1,732	970	421	450	115	107	2,268	1,527

Besides the fixed remuneration, the Managing Board receives variable remuneration, which is set by the Executive Committee each year on the basis of the Bank's total result. The above table shows the variable remuneration that was defined by the Executive Committee in the fiscal year 2009 for the previous year and paid out in the fiscal year 2009. When making comparisons with the previous year, it should be noted that Dr. Schröder (Chairman of the Managing Board until August 31, 2008) received total remuneration of € 0.804 million in the previous year.

Provisions for pensions in an amount of € 10.589 million (2008: € 8.197 million) have been established to cover the Bank's obligations arising from Managing Board members' contractual entitlements in respect of retirement benefits, invalidity benefits as well as death benefits to their dependents. The total remuneration for former members of the Managing Board and their descendants amounted to € 0.278 million (2008: € 0.267 million). Pension provisions for this group of persons total € 7.382 million (2008: € 7.240 million).

The remuneration of the Supervisory Board totalled € 0.3 million (2008: € 0.3 million). The remuneration of the Advisory Board amounted to € 0.1 million (2008: € 0.1 million).

### Loans

The members of the Managing Board and Supervisory Board of NRW.BANK received advances and loans totalling € 0.9 million (2008: € 0.9 million). This sum includes € 0.8 million in loans granted on the conditions of the Housing Promotion Regulations of the state of North Rhine-Westphalia, whose interest rates range from 0% to 0.3%. Loans in an amount of € 0.056 million were granted at interest rates between 3.7% and 5.3%. Advances of € 0.005 million granted in the year under review were repaid. Due to the changes on the Managing Board of NRW.BANK as of January 1, 2009, there were additional real estate loans in an amount of € 0.2 million, which were fully repaid in January 2009.

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

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

##### **Dietmar P. Binkowska**

Börse Düsseldorf (until August 20, 2009)  
 Deka (Swiss) Privatbank AG  
 Galeria Kaufhof GmbH  
 InvestitionsBank des Landes Brandenburg  
 neue leben Holding AG (until December 31, 2009)  
 neue leben Lebensversicherung AG  
 (until December 31, 2009)  
 neue leben Unfallversicherung AG  
 (until December 31, 2009)  
 SCHUFA Holding AG (until July 1, 2009)  
 Ströer Out-of-Home Media  
 VEMAG Verlags- und Medien AG (until May 11, 2009)  
 WestLB AG (since February 18, 2009)

##### **Ernst Gerlach**

InvestitionsBank des Landes Brandenburg  
 (until September 7, 2009)  
 Mannesmannröhren-Werke AG

##### **Michael Stöltzing**

Börse Düsseldorf (since August 20, 2009)  
 InvestitionsBank des Landes Brandenburg  
 (since September 16, 2009)  
 Erste Abwicklungsanstalt (since December 11, 2009)

#### Seats Held by Employees

##### **Theo Goßner**

InvestitionsBank des Landes Brandenburg  
 (until September 5, 2009)

##### **Dr. Peter Güllmann**

InvestitionsBank des Landes Brandenburg  
 (since September 5, 2009)

##### **Gabriela Pantring**

InvestitionsBank des Landes Brandenburg

## Itemised list of NRW.BANK's investments pursuant to Section 285 No. 11 and 11a of the German Commercial Code (HGB)

Name and head offices of the company	Direct (D)/ Indirect (I)	Equity capital %	Equity in € thousands	Net income/ loss for the year in € thousands	As at
<b>1 Equity investments in affiliated companies</b>					
<b>1.1 Other companies</b>					
Bremer Spielcasino GmbH & Co. KG, Bremen	D	51.00%	4,888	500	31. 12. 08
Casino Duisburg GmbH & Co. KG, Duisburg	I	100.00%	10,000	10,667	31. 12. 08
Casino Erfurt GmbH & Co. KG, Erfurt	I	100.00%	915	- 359	31. 12. 08
Deutsche Lotto Marketing GmbH, Münster	I	100.00%	73	- 2	31. 12. 08
LSI Pre-Seed-Fonds GmbH, Bonn	D	75.19%	6,622	- 28	31. 12. 08
Mediencluster NRW GmbH, Düsseldorf	D	100.00%	25	0	15. 06. 09
Neue Deutsche Spielcasino GmbH & Co. KG, Berlin	I	100.00%	3,700	663	31. 12. 08
Nordwestlotto in Nordrhein-Westfalen GmbH, Münster*	D	100.00%	156	0	31. 12. 08
NRW.BANK.Kreativwirtschaftsfonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	24	- 347	31. 12. 08
NRW.BANK.Kreativwirtschaftsfonds GmbH & Co. KG, Düsseldorf	D	100.00%			
NRW.BANK.Mittelstandsfonds Beteiligungs-GmbH, Düsseldorf*	D	100.00%	25	0	31. 12. 08
NRW.BANK.Mittelstandsfonds GmbH & Co. KG, Düsseldorf	D	100.00%	11,423	769	31. 12. 08
NRW.BANK.Seed Fonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	22	5	31. 12. 08
NRW.BANK.Seed Fonds GmbH & Co. KG, Düsseldorf	D	100.00%	4,732	- 166	31. 12. 08
NRW.BANK.Venture Fonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	16	1	31. 12. 08
NRW.BANK.Venture Fonds GmbH & Co. KG, Düsseldorf	D	100.00%	16,572	3,375	31. 12. 08
Unterstützungseinrichtung GmbH der Westdeutsche Lotterie GmbH & Co. OHG, Münster	D/I	100.00%	26	0	31. 12. 08
Westdeutsche Lotterie GmbH & Co. OHG, Münster	D	100.00%	81,574	8,965	31. 12. 08
Westdeutsche Lotto-VertriebsGmbH, Münster	I	100.00%	17	- 4	31. 12. 08
Westdeutsche Spielbanken GmbH, Duisburg*	D	100.00%	26	0	31. 12. 08
Westdeutsche Spielbanken GmbH & Co. KG, Duisburg	D	100.00%	35,790	2,803	31. 12. 08
Westdeutsche Spielcasino International GmbH, Duisburg*	D	100.00%	25	0	31. 12. 08
Westdeutsche Spielcasino Service GmbH, Duisburg*	D	100.00%	9,025	- 500	31. 12. 08
Westdeutsche Spielcasino Verwaltungs GmbH, Duisburg	I	100.00%	25	8	31. 12. 08
WestEvent GmbH & Co. KG, Münster	D/I	100.00%	3,927	304	31. 12. 08
WestNet Lottoservice GmbH, Münster	I	100.00%			
WestSpiel Entertainment GmbH, Duisburg*	I	100.00%	25	0	31. 12. 08
<b>2 Other equity investments</b>					
<b>2.1 Financial institutions</b>					
InvestitionsBank des Landes Brandenburg, Potsdam	D	50.00%	194,840	5,525	31. 12. 08
WestLB AG, Düsseldorf	D	30.86%	3,821,000	18,000	31. 12. 08
<b>2.2 Other companies</b>					
abbino GmbH, Dortmund	I	33.93%	- 1,412	- 697	31. 03. 08
AplaGen GmbH, Baesweiler	I	26.21%	- 3,141	- 2,015	31. 12. 08
azeti Networks GmbH, Lünen	I	20.63%	116	- 167	31. 12. 08
BGB Ges. Bankenkonsortium ZENIT GmbH, Mülheim	D	33.40%	1,273	279	31. 12. 08
CellAct Pharma GmbH, Dortmund	I	29.20%	- 310	- 1,963	31. 12. 08
ELS Fonds GmbH & Co. KG, Recklinghausen	I	32.30%	875	- 5	31. 12. 08
Gründerfonds Bielefeld-Ostwestfalen GmbH & Co. KG, Münster	I	38.42%	794	- 8	31. 12. 08
IMECH GmbH – Institut für Mechatronik – i. L., Moers	D	25.00%	62	1	31. 07. 00
Kapitalbeteiligungsgesellschaft für die mittelständische Wirtschaft in NRW mbH, Neuss	D	77.42%	2,161	123	31. 12. 08
NRW.International GmbH, Düsseldorf	D	33.33%	27	3	31. 12. 08
Phenox GmbH, Bochum	I	32.20%	472	- 488	31. 12. 08
PK Logistik Beteiligungs GmbH, Munich	I	39.66%	8,795	2,416	31. 12. 08
Reformhaus Bacher GmbH & Co. KG, Remscheid	I	35.00%	736	- 2,411	31. 12. 08
Rheinland Venture Capital GmbH & Co. KG, Cologne	I	39.92%	1,935	- 84	31. 12. 08
Scienion AG, Dortmund	I	23.50%	1,178	- 835	31. 12. 08
Seed Capital Dortmund GmbH & Co. KG, Dortmund	I	46.51%	2,938	34	31. 12. 08
Seed Fonds für die Region Aachen GmbH & Co. KG, Aachen	I	46.95%	1,192	- 14	31. 12. 08
Sirius Seedfonds Düsseldorf GmbH & Co. KG, Düsseldorf	I	41.80%	8,809	- 134	31. 12. 08
WINDTEST Grevenbroich GmbH, Hamburg	D	25.00%	- 257	- 64	31. 12. 08

\* Profit and loss transfer agreement

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

### Board of Guarantors/Supervisory Board/ Managing Board

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

#### Board of Guarantors

Members pursuant to Section 8 para. 1 letters a) to e) of the statutes

#### **Christa Thoben**

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

#### **Dr. Helmut Linssen, MdL**

Deputy Chairman  
Finance Minister  
of North Rhine-Westphalia  
Düsseldorf

#### **Lutz Lienenkämper, MdL**

Deputy Chairman (since January 1, 2010)  
Minister of Construction and Transport  
of North Rhine-Westphalia  
Düsseldorf

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

Deputy Chairman (until December 31, 2009)  
Director of LVR  
Regional Association of the Rhineland  
Cologne

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

Deputy Chairman (until December 31, 2009)  
Director of LWL Regional Association  
of Westphalia-Lippe  
Münster

### Members Appointed by the Board of Guarantors

#### **Dr. Jens Baganz**

Under Secretary  
Ministry of Economics, Small Business and Energy  
of North Rhine-Westphalia  
Düsseldorf

#### **Karsten Beneke**

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

#### **Dr. Walter Döllinger** (since January 19, 2010)

Under Secretary  
Ministry for Employment, Health and Social Affairs  
of North Rhine-Westphalia

#### **Dr. Marion Gierden-Jülich** (since January 19, 2010)

Under Secretary  
Ministry for Intergenerational Affairs,  
Family, Women and Integration  
of North Rhine-Westphalia  
Düsseldorf

#### **Günter Kozlowski**

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

#### **Angelika Marienfeld**

Under Secretary  
Ministry of Finance of North Rhine-Westphalia  
Düsseldorf

#### **Dr. Alexander Schink**

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

**Dr. Michael Stückradt**

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

**Andrea Ursula Asch, MdL** (until December 31, 2009)

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

**Dieter Gebhard** (until December 31, 2009)

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

**Supervisory Board**

**Members pursuant to Section 12 para. 1 letters a) to e) of the statutes**

**Christa Thoben**

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

**Dr. Helmut Linssen, MdL**

Deputy Chairman  
Finance Minister  
of North Rhine-Westphalia  
Düsseldorf

**Lutz Lienenkämper, MdL** (since March 3, 2009)

Deputy Chairman (since January 1, 2010)  
Minister of Construction and Transport  
of North Rhine-Westphalia  
Düsseldorf

**Harry K. Voigtsberger**

Deputy Chairman (until December 31, 2009)  
Director of LVR  
Regional Association of the Rhineland  
Cologne

**Dr. Wolfgang Kirsch**

Deputy Chairman (until December 31, 2009)  
Director of LWL  
Regional Association of Westphalia-Lippe  
Münster

**Members Appointed by the Board of Guarantors**

**Volkmar Klein, MdB** (until January 19, 2010)

Bundestag  
Member of the CDU Parliamentary Group  
Berlin

**Hannelore Kraft, MdL**

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

**Karl-Josef Laumann, MdL** (since January 19, 2010)

Minister for Employment, Health and Social Affairs  
of North Rhine-Westphalia  
Düsseldorf

**Prof. Dr. Andreas Pinkwart**

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

**Eckhard Uhlenberg, MdL** (since January 19, 2010)

Minister of Environment and Nature Conservation,  
Agriculture and Consumer Protection  
of North Rhine-Westphalia  
Düsseldorf

**Christian Michael Weisbrich, MdL**

(since January 19, 2010)  
State Assembly of North Rhine-Westphalia  
Deputy Chairman  
of the CDU Parliamentary Group NRW  
Düsseldorf

**Oliver Wittke, MdL** (until March 3, 2009)

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

**Prof. Dr. Jürgen Rolle** (until December 31, 2009)

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

**Roland Trottenburg** (until December 31, 2009)

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

**Representatives of the Bank's Staff****Iris Aichinger**

NRW.BANK  
Düsseldorf

**Martin Bösenberg**

Representative  
NRW.BANK  
Münster

**Hannelore Heger-Golletz**

Associate Director  
NRW.BANK  
Münster

**Frank Lill**

NRW.BANK  
Düsseldorf

**Michael Tellmann**

Associate Director  
NRW.BANK  
Düsseldorf

Permanent Representatives of the members pursuant  
to Section 12 para. 1 letters a) to e) of the statutes

**Dietmar Düring**

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

**Gerhard Heilgenberg**

Assistant Secretary  
Ministry of Finance  
of North Rhine-Westphalia  
Düsseldorf

**Gertraud Flocke** (since February 19, 2010)

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

**Renate Hötte**

Regional Councillor  
Regional Association of the Rhineland  
Cologne

**Dr. Fritz Baur**

Regional Councillor  
Regional Association of Westphalia-Lippe  
Münster

**Managing Board**

**Dietmar P. Binkowska** (Chairman)

**Ernst Gerlach**

**Klaus Neuhaus**

**Michael Stölting** (vice member until June 30, 2009,  
ordinary member since July 1, 2009)

Düsseldorf/Münster, February 19, 2010

NRW.BANK

The Managing Board  
Binkowska, Gerlach, Neuhaus, Stölting

# Auditor's Report

"We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the NRW.BANK, Düsseldorf and Münster, for the business year from January 1 to December 31, 2009. 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 Statutes of the NRW.BANK are the responsibility of NRW.BANK's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 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 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 of the Statutes of the NRW.BANK and give a true and fair view of the net assets, financial position and results of operations of 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 NRW.BANK's position and suitably presents the opportunities and risks of future development."

Düsseldorf, February 19, 2010

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Kügler  
Wirtschaftsprüfer

Saschek  
Wirtschaftsprüfer

# Responsibility Statement

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

Düsseldorf/Münster, February 19, 2010

The Managing Board of NRW.BANK



Dietmar P. Binkowska  
Chairman of the Managing Board



Ernst Gerlach  
Member of the Managing Board



Klaus Neuhaus  
Member of the Managing Board



Michael Stölting  
Member of the Managing Board

# Members of the Advisory Board

## Members pursuant to Section 23 of the statutes

### **Minister Christa Thoben**

Chairwoman

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

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

Chairman of the Managing Board  
of Forschungszentrum Jülich GmbH

### **Dr. Wulf H. Bernotat**

Chairman of the Managing Board of E.ON AG

### **Werner Böhnke**

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

### **Manfred Breuer**

Chairman of the Board of Bankenvereinigung  
Nordrhein-Westfalen e.V.  
(since January 1, 2010)

### **Michael Breuer**

President of the Savings Banks and Giro Association  
of the Rhineland

### **Lord Mayor Norbert Bude**

Chairman  
of Städtetag Nordrhein-Westfalen

### **Regierungspräsident Jürgen Büsow**

Düsseldorf Regional Government

### **Heinrich Deichmann**

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

### **Regierungspräsident Helmut Diegel**

Arnsberg Regional Government

### **Dr. Reinhold Festge**

Managing Partner of HAVER & BOECKER OHG  
Drahtweberei und Maschinenfabrik

### **Heinz Fiege**

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

### **Univ.-Prof. Dr. rer. nat. Axel Freimuth**

Chairman of the Directors  
Conference of the Universities in NRW  
(since April 1, 2009)

### **Otto Rudolf Fuchs**

Shareholder of Otto Fuchs Metallwerke

### **Dr. Rolf Gerlach**

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

### **Günter Gressler**

Director General  
of 3M Deutschland GmbH  
(since October 1, 2009)

### **Dr. Jürgen Großmann**

Chairman of the Managing Board  
of RWE AG

### **Lord Mayor Thomas Hunsteger-Petermann**

City of Hamm

### **Hanspeter Klein**

Chairman of the Managing Board  
of Verband Freier Berufe  
im Lande Nordrhein-Westfalen e.V.

**Norbert Kleyboldt**

Permanent Delegate of the Apostolic Administrator  
of Bischöfliches Generalvikariat Münster

**Dr. Johannes Kramer**

Managing Director  
of Städtische Kliniken Bielefeld gem. GmbH

**District Administrator Thomas Kubendorff**

President  
of Landkreistag Nordrhein-Westfalen e.V.

**Dr. Heiner Leberling**

Chairman of the Managing Board  
of Bankenvereinigung Nordrhein-Westfalen e.V.  
(until November 10, 2009)

**Lord Mayor Markus Lewe**

City of Münster  
(since January 1, 2010)

**Lord Mayor (retired) Dr. Jürgen Linden**

City of Aachen  
(until October 15, 2009)

**Regierungspräsident Hans Peter Lindlar**

Cologne Regional Government

**Wolfgang Lubert**

Managing Director  
of enjoyventure Management GmbH

**Dr.-Ing. Herbert Lütkestratkötter**

Chairman of the Managing Board  
of HOCHTIEF AG

**Dr. Thomas Middelhoff**

Partner of Investmentgesellschaft Berger Lahnstein  
Middelhoff & Partners (BLM Partners)

**Konstantin Neven DuMont**

Managing Director  
of Unternehmensgruppe M. DuMont Schauberg

**Dr. Paul-Josef Patt**

Member of the Managing Board  
of eCAPITAL entrepreneurial Partners AG

**Regierungspräsident Dr. Peter Paziorek**

Münster Regional Government

**Gerd Pieper**

President  
of IHK im mittleren Ruhrgebiet zu Bochum

**Lord Mayor (retired) Dr. Wolfgang Reiniger**

City of Essen  
(until November 30, 2009)

**Prof. Dr. Volker Ronge**

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

**Lord Mayor Jürgen Roters**

City of Cologne  
(since January 1, 2010)

**Mayor Roland Schäfer**

President  
of Städte- und Gemeindebund Nordrhein-Westfalen

**Guntram Schneider**

District Chairman  
of Deutsche Gewerkschaftsbund NRW

**Lord Mayoress Dr. Ottilie Scholz**

City of Bochum

**Dr. Joachim Schorr**

Managing Director of QIAGEN GmbH

**Prof. Wolfgang Schulhoff**

President

of the Düsseldorf Chamber of Handicrafts

**Dr.-Ing. Ekkehard D. Schulz**

Chairman of the Managing Board

of ThyssenKrupp AG

**Maria Seifert**

Chairwoman

of the Regional Assembly of Westphalia-Lippe

**Regierungspräsidentin Marianne Thomann-Stahl**

Detmold Regional Government

**Mayor Hans-Josef Vogel**

City of Arnsberg

**Kurt Henning Wiethoff**

Former Director General of 3M Deutschland GmbH

(since August 11, 2009)

**Dr. Jürgen Wilhelm**

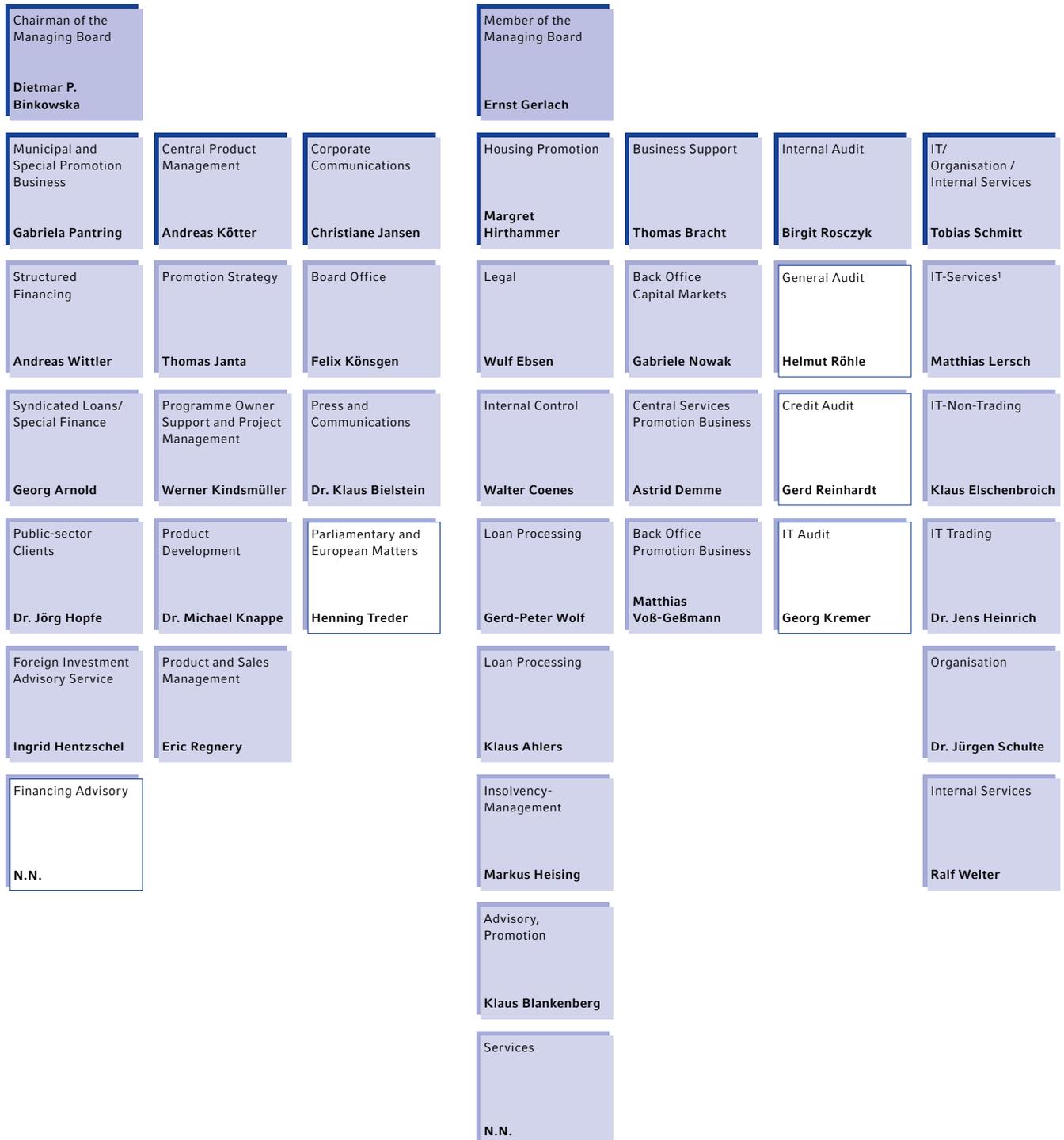
Chairman of the Regional Assembly of the Rhineland

**Council Member Klaus Winterhoff**

Legal Vice President

of the Evangelical Church of Westphalia

# Organisation Chart of NRW.BANK



Department
  Unit
  Team with direct reporting line to the Department Head

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

Member of the  
Managing Board

**Klaus Neuhaus**

Member of the  
Managing Board

**Michael Stölting**

Risk Management

**Florian Merkel**

Legal, Compliance,  
Money Laundering  
Prevention

**Oliver Blaß**

Finance

**Wolfgang Beimel**

Human Resources

**Achim Meierkamp**

Promotion  
Programmes

**Dr. Ortwin  
Schumacher**

Equity Investments

**Dr. Peter Güllmann**

Capital Markets

**Klaus Rupprath**

Credit Risk

**Dr. Michael  
Kuhlbrodt**

Compliance,  
Money Laundering<sup>1</sup>

**Manfred Gorka**

Accounting

**Joachim Kiesau**

Personnel  
Development/  
Management Training

**Ralf Groß-Heitfeld**

Commercial  
and Educational  
Promotion

**Dr. Gerhard Weyers**

Technology/  
Innovation Finance

**Dr. Claas Heise**

Business  
Management

**Marco Adler**

Real Estate Loan  
Processing

**Rolf-Werner  
Huckenbeck**

Corporate Legal

**Hans-Albert  
Böckenförde**

Financial  
Accounting

**Ute Kuschel**

Personal  
Development/  
Basic Issues<sup>1</sup>

**Petra Kalthoff**

Structural  
Promotion  
Programmes

**Anton Render**

SME Finance

**Christoph Büth**

Investor Relations

**Dr. Frank Richter**

Municipal and SME  
Financing

**Hubert Venneker**

Legal Capital  
Markets

**Reinhard Buch**

Banking  
Supervision

**Dr. Rüdiger  
Krautheuser**

Human Resources  
Administration and  
Controlling

**Peter Schröder**

Housing and  
Agricultural  
Promotion

**Uwe Beckmann**

Strategic Equity  
Investments

**Jutta Heitzer**

Investments  
& Funding

**Jörg Eicker**

Bank-Wide Risk &  
Credit Portfolio  
Management

**Thomas Stausberg**

Tax

**Sybille  
Heberer-Wilhelm**

Advisory Centre  
Rhineland and  
Westphalia

**Robert Bruning**

Funds and Business  
Management

**Stefan Büchter**

Portfolio  
Management  
& Financial  
Engineering

**Andreas Rothermel**

Market Price Risk &  
Liquidity Risk

**Thomas Hornung**

Controlling

**Walter Wohlhage**

Objective 2 Quality  
Management

**Joachim  
Michelmann**

Treasury

**Andreas Berning**

Restructuring

**Dr. Jamal Daoudi**

Credit Research

**Ralf Mitsch**

Basic Issues &  
Controlling

**Sabine Lamers**

Structured  
Investments

**Franco Nuvoloni**

Municipal Financing

**Bernd Kummerow**

# NRW.BANK at a Glance

## NRW.BANK Facts

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

### Guarantors

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

### Liabilities/Guarantees

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

**Legal Status** Public law bank

**Head Offices** Düsseldorf and Münster

## Phone-based information services of NRW.BANK

### NRW.BANK.Infoline

Initial phone-based advice and information on the promotion programmes for companies and start-ups

#### Advisory Centre Rhineland

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

#### Advisory Centre Westphalia

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

#### Financing Advisory

Phone +49 211 91741-4700  
 Fax +49 211 91741-6218  
 finanzierungsberatung@nrwbank.de

#### Foreign Investment Advisory Service

Phone +49 211 91741-4000  
 Fax +49 211 91741-6218  
 beratungcenter\_ausland@nrwbank.de

#### Housing Promotion Advisory NRW

Phone +49 211 91741-7647  
 Fax +49 211 91741-7760  
 wfa\_foerderberatung@nrwbank.de

#### Accounting Management – Public Sector Clients

Phone +49 211 91741-4600  
 Fax +49 211 91741-6218  
 oeffentliche-kunden@nrwbank.de

#### Press and Communications

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

#### Investor Relations

Phone +49 211 91741-5555  
 Fax +49 211 91741-3771  
 investorrelations@nrwbank.de

**Hotline for tuition fee loans** 01805 103830

### NRW.BANK

#### Düsseldorf

Kavalleriestraße 22  
 40213 Düsseldorf  
 Phone +49 211 91741-0  
 Fax +49 211 91741-1800

### Münster

Friedrichstraße 1  
 48145 Münster  
 Phone +49 251 91741-0  
 Fax +49 251 91741-2921

www.nrwbank.de  
 info@nrwbank.de

### Concept and design

vE&K Werbeagentur GmbH & Co. KG  
 Essen

### Production and typesetting

Westteam Marketing GmbH  
 Düsseldorf

### Printed by

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

## Financial Calendar 2010

<b>March 17, 2010</b>	Annual accounts press conference
<b>August 2, 2010</b>	Publication of the promotion result for the first half of 2010
<b>November 2, 2010</b>	Publication of the promotion result for the third quarter of 2010

## Promotion Volumes

	2009	2008
	€ millions	€ millions
Promotion of Start-ups and SME's	2,409	2,991
Infrastructure and Municipal Promotion	2,651	3,395
Social Housing Promotion	1,141	948
Individual Promotion	1,719	1,744
<b>Total</b>	<b>7,920</b>	<b>9,078</b>

## Key Figures

	2009	2008
	€ millions	€ millions
Total assets	161,014	159,885
Equity capital pursuant to the German Commercial Code (HGB)	19,929	19,679
Liable capital in accordance with the German Banking Act (KWG)	4,360	3,578
Net interest and net commission income	568	560
Personnel expenses	102	118
Operating expenses	88	91
Net income before income tax and promotion dividend	199	71
Provisions for promotion dividend	70	67
Core capital ratio	11.88	11.95
Staff	1,224	1,185

## Ratings

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

