Non-financial Report 2019
NRW.BANK complies with its reporting duties pursuant to Section 340a Para. 1a of the German Commercial Code (HGB) in the form of a non-financial report (Section 289b Para. 3 HGB) published separately from the management report.

Chapter 1 of the management report (“Fundamental Information about NRW.BANK as the Promotional Bank of North Rhine-Westphalia”) provides a detailed description of the business model, the objectives and the strategy as well as the control system of the Bank.

As the promotional bank for North Rhine-Westphalia commissioned to support the federal state and its municipal corporations in exercising their public tasks, particularly in the fields of structural, economic, social and housing policy, in a largely budget-independent manner, NRW.BANK is geared to the principle of sustainability. This has been laid down both in Section 3 of the Act on NRW.BANK (NRW.BANK G) and in Section 5 of the Bank’s Statutes.

Being the promotional bank for North Rhine-Westphalia, NRW.BANK bears corporate responsibility. The Bank believes that the social, ethical, environmental and economic aspects resulting from this responsibility are inextricably linked with each other. NRW.BANK understands responsibility to mean conscientious and transparent action which, in the context of its promotional mission, is geared to its customers, its employees and society as a whole. Sustainable action therefore is an important business objective of NRW.BANK.

Most importantly, the sustainability objective shapes and guides NRW.BANK’s promotional offerings. NRW.BANK constantly develops the sustainability issue and introduced Sustainability Guidelines in early 2018, which govern the Bank’s approach to sustainability and its ongoing further development. A revised version of the Sustainability Guidelines will enter into force on April 1, 2020, which will consider, in particular, current developments in the promotional environment and the results of the 2019 stakeholder dialogue on sustainability.

NRW.BANK’s promotional offerings and their further development are driven by the promotional policy principles adopted by the Board of Guarantors as well as by NRW.BANK’s promotional strategy, which are part of NRW.BANK’s overall strategy. Together they ensure that the structural policy objectives of the North Rhine-Westphalian government are taken into account in the implementation of the promotional business. Developing market-oriented promotional solutions for the economy, the municipalities and the people in North Rhine-Westphalia is the shared fundamental objective of the state government and NRW.BANK.

The chargeless facilitating of monetary and non-mandatory resources for the promotional business – referred to as “Förderleistung” – is an integral element of the Bank’s promotion. Interest waivers are a central component of this “Förderleistung”. On the one hand, NRW.BANK reduces a borrower’s interest expenses by subsidising the interest rate for the final borrower, resulting in a below-market interest rate. On the other hand, it refrains from putting its equity capital in alternative investments yielding higher interest and, hence, income by using this capital to finance promotional loans granted at interest rates that are lower than the market rate. Other components of the “Förderleistung” include risk assumptions as well as services, e.g. advisory services for companies and municipalities.

NRW.BANK’s promotional business is qualitative and theme-oriented. The promotional services are provided in the three promotional fields Economy, Housing as well as Infrastructure/Municipalities, which, in turn, are divided into individual promotional themes. Each promotional product is assigned to a specific promotional theme. In addition, the promotional strategy complements NRW.BANK’s focus on specific promotional fields and provides additional central guidelines for the Bank’s promotional business. These promotional guidelines contain selected aspects covering all promotional fields to secure the effectiveness and efficiency of promotion. At this stage, the promotional strategy...
In 2013, NRW.BANK was the first regional promotional bank in Europe to issue a Green Bond. Ever since, the Bank has issued additional Green Bonds worth € 500 million each year, thereby demonstrating a close link between its ecologically oriented promotion programmes and their refinancing in the international capital markets.

In 2019, NRW.BANK issued two Green Bonds worth € 500 million each. The interval between the issues was reduced from twelve to seven months. NRW.BANK thus gives investors the possibility to place their money in sustainable and environmentally sound investments.

The funds raised in the context of the Green Bond programme are exclusively used to refinance previously identified promotional projects based in North Rhine-Westphalia which provide a special climate and environmental benefit. Preconditions for the selection of the projects include, on the one hand, the commitment of the loan in the twelve months preceding the preparation of the Second Party Opinion (SPO) and, on the other hand, the promotional purpose of the loans with a focus on the support of NRW’s climate protection policy, the UN Sustainable Development Goals and the adaptation to unavoidable impacts of climate change.

The sponsored projects serve to reduce and avoid adverse environmental influences on the climate and the management of the impacts of climate change. The focus lies on North Rhine-Westphalian water and energy projects, with the main emphasis placed on on-shore/
off-shore wind power and the renaturation of the River Emscher with a view to flood protection and biodiversity. The ecological benefit and the quality of the projects chosen for the NRW.BANK.Green Bonds are analysed and assessed by an independent sustainability rating agency in the context of the Second Party Opinion. Since 2015, a research institute has prepared an annual impact analysis for the latest Green Bond issued.

2017 also saw NRW.BANK launch a sustainability-driven investment initiative, the NRW.BANK.Green Bond Investment Portfolio, on the assets side of its balance sheet. 13 “green” bonds with terms of up to twelve years were acquired in the fiscal year. The portfolio thus had a total volume of € 307 million, which means that the € 300 million target was reached already as of December 31, 2019. NRW.BANK thereupon defined a new target of € 400 million to be reached by the end of 2020. Bonds which meet the international voluntary Green Bond Principles for the issue of green bonds qualify for the portfolio. This also ensures transparent reporting on the exact use of the funds and the environmental effects of the projects. Moreover, an independent assessment regarding the ecological benefit and the quality (Second Party Opinion) or a certificate based on the standards of the Climate Bond Initiative is obtained from the issuers. The portfolio is being built up in compliance with the existing risk strategy and limits. As an investor, NRW.BANK thus makes a further contribution to climate protection and the further development of the green bond market.

Social Matters
NRW.BANK’s public mission is to support the State of North Rhine-Westphalia and its local and regional governments in meeting their tasks, particularly in the fields of structural, economic, social and housing policy. To fulfil its mission, NRW.BANK is also active in the field of public housing promotion. In the fiscal year 2019, the Bank made 1,331 housing promotion commitments with a total volume of approx. € 938 million for 8,513 housing units.

Housing promotion in North Rhine-Westphalia plays a key role in creating affordable housing and will remain very important also in the future. The multi-year housing promotion programme 2018 to 2022 in the amount of € 1.1 billion p.a. aims to create more subsidised and thus affordable housing. Of this total amount, € 730 million is earmarked for the promotion of rental housing, € 100 million for the promotion of home ownership, € 100 million for measures promoting the modernisation of homes, € 120 million for special neighbourhood development and regional cooperation projects and € 50 million for student housing. While maintaining the promotion programme of at least € 1.1 billion, it is planned to successively increase the funds for the promotion of home ownership to € 150 million by 2022.

The promotion of home ownership makes an important contribution to fulfilling the housing wishes of many families and to fighting old-age poverty and will therefore gradually be expanded in line with actual requirements. To increase the utilisation of the home ownership promotion funds, the Bank provides – as in the other segments of the housing promotion programme – incentives such as debt relief schemes from compensation payments by the federal and state governments. The promotion of rental housing will remain a strong promotional segment, as there is currently a shortage of affordable housing in many cities in North Rhine-Westphalia. The promotion of neighbourhood measures and special programmes (housing for people with impairments, for students, experimental housing construction) is in line with the state government’s intention to make innovative offerings that are customised to the individual target groups and their needs. At the same time, it offers municipalities and investors a medium-term financing perspective for larger projects.
Düsseldorf/Münster, February 11, 2020

Eckhard Forst
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This is an unofficial translation of the Nichtfinanzieller Bericht 2019 (German Non-financial Report 2019) and is provided for convenience purposes only. In the event of any ambiguity, the German text will prevail.