

Financial Report 2011

Financial Report 2011 of NRW.BANK

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Corporate Responsibility

In fulfilling its role as the development bank for the state of North Rhine-Westphalia, NRW.BANK acknowledges its corporate responsibility. The Bank understands the concept of corporate responsibility as a transparent, responsible and living process involving its customers, its employees and society at large. In this context, the Bank believes that the economical, ecological and social dimensions of sustainability are inseparably linked.

A set of fundamental internal guidelines on the subject of sustainability were framed already back in 2008 when NRW.BANK's Board of Guarantors endorsed the "Principles of Corporate Responsibility at NRW.BANK". Apart from rules on taking into account sustainability-related aspects in dealing with its customers, employees and external stakeholders, these Principles also address the special parameters under which NRW.BANK operates, including its public mission, the "Verständigung II" agreement¹ and the house bank principle.

Reporting on sustainability within the Bank takes place along the "Principles of Corporate Responsibility at NRW.BANK":

Living up to Our Corporate Responsibility

1. NRW.BANK considers sustainability to be a central guiding principle and a key criterion in taking decisions on business policy. This credo is reflected in all phases of NRW.BANK's corporate activities, starting from its strategic and business policy decisions to the shaping of its range of products and services down to the implementation of specific financings, its capital market activities and its offering of consulting services.

2. One of the essential cornerstones of the sustainability strategy pursued by NRW.BANK is transparent and responsible treatment of its owners, customers, employees and the general public. NRW.BANK lives up to this commitment based on its Public Corporate Governance Code. In addition, NRW.BANK has defined the core elements of its corporate mission in its corporate mission statement.
3. To safeguard its competition-neutral status, NRW.BANK complies with the principle of non-discrimination.
4. To confirm its sustainability targets, NRW.BANK will verify their attainment at regular intervals and join national and international initiatives or sign the voluntary commitments developed by such initiatives. For example, NRW.BANK will proceed to sign the ten principles of the UN Global Compact, the United Nations Environment Programme Finance Initiative as well as the German "Diversity Charter".²
5. NRW.BANK will review its day-to-day work processes in light of sustainability-related aspects and continue to improve the shaping of its business activities in terms of sustainability aspects. Progress achieved in these areas is to be measured and reported to the extent possible. Focal points of these efforts will include the integration of sustainability related issues into departmental tasks, products, guidelines and processes as well as the integration of sustainability aspects into the credit and investment processes.
6. NRW.BANK will publish regular reports on the further development of its internal guidelines as well as its activities in the individual areas and the progress achieved.

¹ The public mission of NRW.BANK is based on the provisions of the so-called "Verständigung II" agreement reached between the Federal Republic of Germany and the EU Commission. According to this agreement, NRW.BANK will permanently benefit from institutional and guarantor liability and in turn be subject to certain business restrictions detailed in the agreement.

² These were signed in 2009.

In its function as state development bank, NRW.BANK assists the state of North Rhine-Westphalia and its municipal corporations in the fulfilment of their public tasks, especially in the fields of structural, economic, social and housing policy. The Bank consequently bears an important responsibility towards the people, companies, municipalities and the business sector in North Rhine-Westphalia.

The central benchmark for NRW.BANK's activities is the principle of sustainability, according to which "sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs"¹. The Bank is obliged to gear its actions to this principle under the Act on NRW.BANK (see Section 3, para. 1) and its statutes (see Section 5, para. 1).

To this end, the integration of sustainability into the Bank's internal processes is an essential component of NRW.BANK's sustainability strategy and will continue to be of great importance also in the future. For example, NRW.BANK will launch new promotion products only after they have been checked for risks in terms of sustainability and have been found to comply with its principles of corporate responsibility.

As a public sector institution, NRW.BANK is subject to the "Verständigung II" agreement. This means that NRW.BANK does not engage in any business which might put it in inadmissible competition with financial institutions doing business in North Rhine-Westphalia. Instead, NRW.BANK cooperates closely with the banking sector in North Rhine-Westphalia. NRW.BANK consequently operates in a competition-neutral manner in the banking sector.

Statutory Framework and Internal Regulations Labour Standards and Human Rights

In its capacity as the development bank for North Rhine-Westphalia, NRW.BANK serves its customers on a regional basis. It goes without saying that NRW.BANK respects human rights and complies with German labour standards in its own operations while rejecting child labour and forced labour at the same time.

Equal Opportunities and Principle of Non-discrimination

Based on its mission statement, the "Principles for collaboration, communication and leadership" as well as the General Act on Equal Opportunities (Allgemeines Gleichbehandlungsgesetz, AGG), the Bank developed the labour agreement "Fairness at work" which took effect in the year 2007. Apart from mandating everybody to cooperation in an atmosphere of respect and partnership, this agreement also contains a description of employees' right to complain and the respective processes in cases of discrimination, sexual harassment in the workplace and mobbing. In 2009 the Bank also signed Germany's "Diversity Charter", thereby emphasising that non-discrimination and mutual respect are integral to NRW.BANK's values.

Where employees feel that, despite all precautionary measures, they have suffered discrimination or harassment, they can turn to NRW.BANK's Equal Opportunities Officer who serves as the designated complaint recipient under the German AGG Act.

Apart from its principle of non-discrimination, NRW.BANK also promotes a fair working environment through its Equal Opportunities Plan which is updated at three-year intervals; most recently so on July 1, 2010. The Bank's Equal Opportunities Officer developed the plan, which includes a catalogue of measures on the subjects of hiring, HR development and balancing work and family life, in consultation with the Managing Board, the employee representatives and the HR department.

The plan defines such objectives and targets as an increased percentage of female employees in more highly remunerated specialist and management positions, information on and awareness of equal opportunities issues within the Bank and improved balancing work and family life. The progress achieved is reviewed at regular intervals and documented in the progress section of the Equal Opportunities Plan. As such, NRW.BANK's equal opportunities efforts represent an important pillar in NRW.BANK's designated area of responsibility entitled "Assuming Social Responsibility for Employees".

¹ Brundtland Report, World Commission on Environment and Development (WCED), 1987.

Compliance

Compliance is a high-priority issue in NRW.BANK's day-to-day business. The Bank's objective is to fulfil all compliance-relevant legal obligations and other supervisory regulations and thereby to preclude the possibility of compliance breaches. The subject of compliance is firmly integrated into the development bank's processes, which ensures the confidentiality of compliance-relevant information within NRW.BANK.

NRW.BANK has installed an independent team and a Compliance Officer to manage this complex of tasks. The Compliance Officer is in charge of implementing and controlling the required measures, advises the Managing Board on compliance with relevant laws and regulations in the Bank's business processes and supports management in respect of all compliance-relevant issues. This includes the preparation of an annual written report to the Managing Board and the Supervisory Board.

In addition, the Bank's employees have access to a set of internal compliance rules and regulations in written form. To ensure awareness of the relevant facts among all of NRW.BANK's employees, the Bank's Compliance Officer organises face-to-face training sessions for employees on a regular basis. The Compliance Officer handles and documents all suspected compliance cases and monitoring cases and, where required, reports cases of justified suspicion. The Compliance Officer's responsibilities also include keeping a watch list, daily control of treasury dealings, the categorisation of "employees with special functions" as well as recording and controlling market-sensitive and compliance-relevant data.

In 2011, there were no reports of suspected or actual compliance breaches at NRW.BANK and the Bank is not aware of any such cases.

Money Laundering Prevention

NRW.BANK defines "money laundering" as the deliberate act of acquiring and possessing assets obtained through illegal activities and introducing such assets into the financial system while concealing or camouflaging their origin in accordance with Section 261 of the German Penal Code (Strafgesetzbuch, StGB). In addition, NRW.BANK's definition of money laundering includes the collection and provision of assets for the purpose of committing criminal acts, in particular terrorist activities.

To ensure compliance with legal regulations, NRW.BANK has put a team in charge of compliance and money laundering prevention. This team is independent from the business, trading and settlement departments and the special function of the Money Laundering Officer is attached to this team.

Key tasks of money laundering prevention at NRW.BANK include the development, updating and implementation of internal principles, appropriate business-specific and customer-specific safeguarding systems and anti-money laundering controls. An important element of NRW.BANK's preventive approach consists of advising, informing and training its employees through face-to-face training sessions in the form of initial and follow-up training measures.

The Money Laundering Officer receives and evaluates internal reports of suspected money laundering, monitors unusual business relationships and, where appropriate, reports cases of justified suspicion to the authorities. In addition, the Money Laundering Officer prepares a bank-wide annual analysis of the Bank's exposure to money laundering risks and submits written reports to the Managing Board on a quarterly basis as well as on an ad-hoc basis and in response to specific instructions.

In 2011, NRW.BANK's employees reported 37 cases of initial suspicion of money laundering. However, none of these suspicions was substantiated.

Public Corporate Governance Code

January 1, 2006 saw the coming into force of the Bank's Public Corporate Governance Code, which made NRW.BANK Germany's one of the first public sector companies to commit to transparent and responsible corporate management. This way the Bank emphasises that transparency and responsibility are essential elements of its sustainability strategy and are lived up to in its dealings with its internal and external target groups on the basis of this voluntary commitment. In this context, it is important to give adequate consideration to the peculiarities resulting from NRW.BANK's legally framed remit as a competition-neutral and largely budget-independent development bank as well as from the regulations under institutional law and banking supervision. Following the expected adoption of a State Code in the first half of 2012, the boards of NRW.BANK will take advice on an amendment of NRW.BANK's Public Corporate Governance Code and its eventual adoption.

Freedom of Association and Right to Collective Bargaining

The interests and needs of NRW.BANK's employees are represented by a staff council formed in accordance with the North Rhine-Westphalian State Staff Representation Act. This staff council cooperates closely with the Managing Board and, on the working level, with Human Resources and IT/Organisation/Internal Services departments. Its remit includes monitoring compliance with applicable laws, regulations, collective bargaining agreements and labour agreements. An annual staff meeting gives NRW.BANK's employees the opportunity to inform themselves about the staff council's various activities.

Being a public bank, NRW.BANK is subject to the collective bargaining agreement for the private-sector and public banking industry and implements the collectively agreed results for its employees.

Initiatives

NRW.BANK's corporate responsibility principles commit NRW.BANK to not only implement its own sustainability objectives in the economic, ecological and social spheres but to also look beyond its own organisation and identify opportunities for making meaningful contributions to, and exercising responsibility for, the issues identified.

In 2009, NRW.BANK therefore became a signatory of the following three sustainability-relevant initiatives:

■ Germany's "Diversity Charter"

By signing Germany's "Diversity Charter", NRW.BANK highlighted the importance it attributes to social welfare and, in particular, issues of "equal opportunities" and "non-discrimination". At the same time, the Bank has committed itself to creating a working environment free of prejudices and social exclusion. The goal is to foster acceptance and mutual trust so that people can enjoy the same appreciation irrespective of their gender, age, nationality, ethnic background, religion, handicap or beliefs.

■ United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is the name of a global partnership between the United Nations Environment Programme and the financial sector. By signing the UNEP declaration, NRW.BANK has lent even more emphasis to its commitment to environmental aspects and has committed itself to aligning its business activities with the goal of sustainable development and to pursuing far-sighted environmental management.

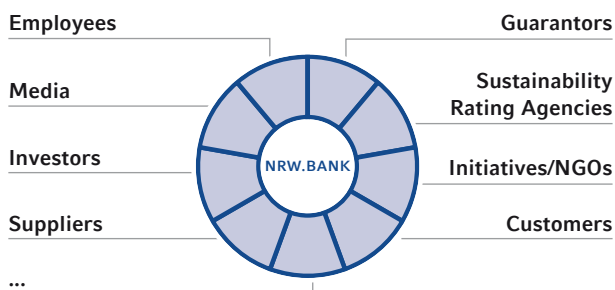
■ Ten Principles of the UN Global Compact

The UN Global Compact is a voluntary initiative by the United Nations. This international initiative has framed ten key principles on human rights, labour standards, corruption prevention and environmental protection. It has been joined by companies as well as by labour, human rights, environmental and development organisations. Being a signatory of this initiative means that NRW.BANK acknowledges, supports and implements the principles within its own sphere of responsibility. This effort focuses on the adjustment of internal processes, commitment to local communities and the communication of the progress made in the individual areas.

NRW.BANK believes that signing the above initiatives should constitute more than just a membership. Rather, the Bank has committed itself to embracing the specific issues addressed by each initiative and to addressing them in its own business operations. For example, NRW.BANK has defined the promotion theme "Environment/Climate/Energy" in its field of promotion "Development & Protection". This theme comprises products geared to such promotion objectives as increased utilisation of renewable energies, improvements in energy efficiency and the expansion of the required infrastructure.

Stakeholder Dialogue

Within the framework of its commitment to corporate responsibility, NRW.BANK counts the following groups among its stakeholders:



NRW.BANK's annual financial report is a key instrument for the communication of sustainability issues to the Bank's stakeholders. Due to the integrated reporting structure, the presentation of the economic, ecological and social key figures selected by the Bank takes the form of a two-year comparison, thereby mirroring the financial reporting format.

In order to increase the transparency of the subject of "Corporate Responsibility" vis-à-vis its target audiences, NRW.BANK has added a dedicated sustainability page to its website which will go online at the beginning of the year 2012. Apart from providing information, this section will also offer stakeholders a feedback channel and encourage them to get in touch directly with regard to sustainability-related issues.

In addition, NRW.BANK's online promotion magazine launched in 2011 presents information on various aspects of sustainability including short contributions and interviews on exemplary promotion projects from the field of "Development & Protection" or on the Bank's corporate citizenship activities.

NRW.BANK's relationship with its guarantor, the state of North Rhine-Westphalia, is underpinned by trustful communication and an ongoing exchange of information, among other things through the state's membership in the Bank's boards. This way the Bank coordinates the implementation of new promotion products and adjustments of existing products with its guarantor and supports the North Rhine-Westphalian government in attaining its energy and climate protection targets and implementing social and infrastructure projects.

The subject of sustainability was also addressed and featured in the Bank's internal communication: "Energy" was one of the lead articles of the quarterly employee magazine "KOMM MIT" which has been printed on environmentally friendly 100 percent recycled paper since 2011. The multi-faceted aspects of "energy" were also addressed in the "prospect" supplement to the 2011 Annual Report. The CO₂ emissions resulting from paper production, printing and transport are compen-

sated by emissions saved through “Gold Standard” projects. This certification scheme is designed to ensure actual reductions of greenhouse gases through compensation projects, thereby contributing to sustainable development in the respective countries.

Inquiries and suggestions from employees received, evaluated and answered through an internal communication tool demonstrate the importance attached to sustainability-related topics by the Bank’s employees.

Outlook

The subject of corporate responsibility will continue to be of special importance for NRW.BANK also in the coming years. Following on from the debate about energy in Germany and the stronger focus placed on the turnaround in energy policy by the North Rhine-Westphalian state government, the Bank will consider “energy” as one of its essential fields of action for the year 2012.

Constant reviews of the Bank’s own work processes, internal regulations and targets will remain one of its important tasks, the aim being to identify potential improvements from a sustainability point of view and to implement any required changes. For example, the current revision of the Bank’s own principles of corporate responsibility is to be concluded by a resolution of the responsible boards during the year 2012.

Achieving greater transparency with regard to its sustainability topics both internally and externally remains an important challenge for NRW.BANK. The Bank will continue to use the complex topic of corporate responsibility in its communication with external target audiences such as investors, the media, NGOs and rating agencies. In 2012, the topic will also gain greater prominence in the Bank’s internal communications.

Overview of Current Sustainability Ratings

As the topic of sustainability has attracted growing attention in recent years, investors have become more interested in sustainable investments. Sustainability-based ratings are now available to support investors in their decisions.

As an issuer in the international capital market, NRW.BANK has been rated specifically for its CSR performance since 2005. In the most recent rating rounds, NRW.BANK scored good ratings from such sustainability rating agencies as Sustainalytics GmbH, oekom research AG and imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH. Moreover, Bank Sarasin & Cie AG has included NRW.BANK in the investment universe for its sustainability-driven asset management service.

Sustainability Ratings

	imug	oekom research	Sustainalytics
Rating	Nachhaltigkeits-rating 2011	oekom Corporate Rating 2010	Company Report 2012
Result	positive	C+ Prime	61 out of 100 points

Sustainable Promotion for Our Clients

1. NRW.BANK provides its financing and advisory services creatively, competently and responsibly for the benefit of businesses, municipalities and the people in North Rhine-Westphalia.
2. In accordance with its sustainability strategy, NRW.BANK specifically promotes and funds projects and programmes designed to improve living conditions and foster social development in North Rhine-Westphalia. In its capacity as the development bank for North Rhine-Westphalia, NRW.BANK specifically supports investments geared to pushing ahead structural change in North Rhine-Westphalia. The Bank uses part of its own income for its promotion activities.
3. NRW.BANK’s promotion activities are geared to funding projects of proven economic viability while taking its customers’ interests into account and paying particular attention to environmental protection needs. Projects with unacceptable environmental impacts or unacceptable negative impacts on social development are excluded from NRW.BANK’s support to the extent that such exclusion is permissible within the legal framework under which NRW.BANK operates.

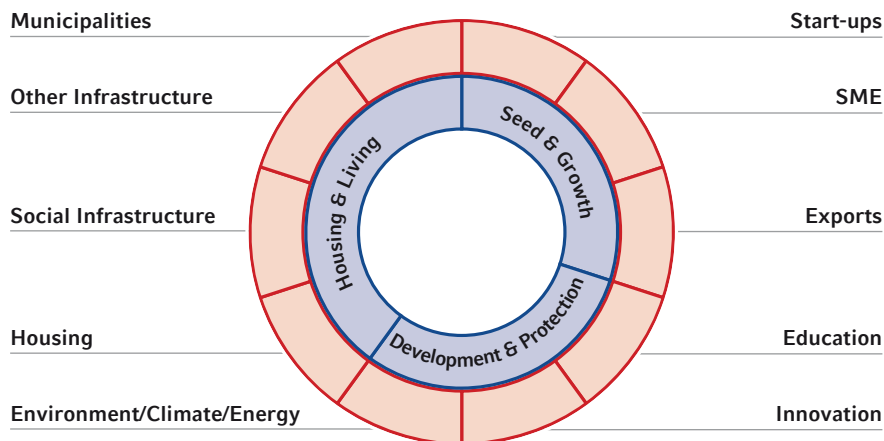
The Bank places great importance on behaving sustainably in its own business operations and believes that its corporate responsibility also extends to the provision of sustainable products to its customers as well as the sharing of information on the portfolio with its target audiences.

NRW.BANK consequently pursues the objective to improve the transparency and plausibility of its promotion activities further. The previous presentation and subdivision of its promotion activities based on target groups (business promotion, individual promotion, municipal and infrastructure promotion, housing promotion and participations) was found to offer room for improvement in the light of the varied and multifaceted areas benefiting from the promotion activities.

This is why NRW.BANK has now divided its range of promotion activities into ten “promotion themes” which are descriptive in nature. Each promotion product is assigned to a particular promotion theme.

These are framed by the three fields of promotion “Seed & Growth”, “Development & Protection” and “Housing & Living” which are composed as follows:

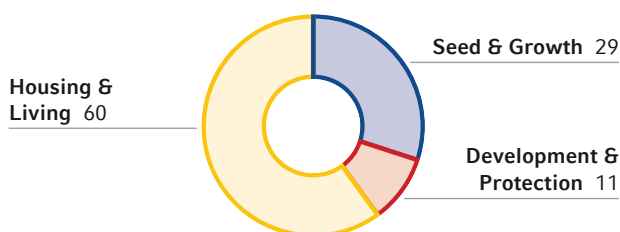
Promotion Services Provided by NRW.BANK



These fields of promotion form the core of NRW.BANK's promotion strategy and at the same time denote the primary target areas of its promotion activities.

2011 was characterised by an overall positive economic situation, particularly during the first half of the year. In this environment, NRW.BANK extended promotion funds totalling € 8.1 billion, thereby almost matching the good promotion result of the previous year (2010: € 8.2 billion). A breakdown of the total volume shows the following percentages for NRW.BANK's three fields of promotion:

Promotion Volume by Fields of Promotion in %



In the past year, the evolution of NRW.BANK's product portfolio was essentially driven by the continued expansion of the promotion offerings for special themes, predominantly in areas with a high degree of sustainability. This includes the newly launched promotion offerings for the state-wide installation of broadband coverage in North Rhine-Westphalia (*NRW.BANK.Breitband*) as well as promotion offerings aimed at improving companies' energy and resource efficiency (*NRW.BANK.Effizienzcredit*). In evolutionising its product offering, the Bank has committed itself to the concept of sustainability and its continued efforts in 2012 will include dedicated programmes for the energy-efficient refurbishment of buildings.

The use of NRW.BANK's own income for the promotion business remained integral to its business strategy also in 2011. Interest subsidies for the Bank's loans in the field of promotion "*Seed & Growth*" amounted to € 18.0 million. However, NRW.BANK's promotion services for North Rhine-Westphalia also include such other components as assumption of risk and free services and provisions, e.g. advisory services for customers and support services for multipliers and house banks. The highest promotion benefits, namely a four-digit million amount, are allocated to the field of promotion "*Housing & Living*".

Last but not least, NRW.BANK continues to serve as a central bank for the North Rhine-Westphalian savings banks for the promotion programmes of KfW Bankengruppe and Landwirtschaftliche Rentenbank, thereby performing another important service for the benefit of promotion recipients in North Rhine-Westphalia.

Field of Promotion "*Seed & Growth*"

In order to provide the most favourable terms to end borrowers, NRW.BANK closes funding gaps by offering its promotion products as complements to funding products available in the marketplace without competing with borrowers' house banks. However, the low lending barriers and relatively favourable interest rates available from local banks during 2011 meant that business owners and start-up entrepreneurs enjoyed comparatively easy access to funding. The favourable borrowing terms available in the marketplace resulted in overall demand for promotion loans under the three promotion themes "*Start-ups*", "*SME*" and "*Exports*" coming in lower than suggested by the corporate sector's strong propensity to invest recorded during the year. Moreover, changes in federally funded products weighed on the promotion result. Even so, the total volume of just under € 2.4 billion matched the good result of the previous year (2010: € 2.4 billion).

As expected, the development in the field of promotion “Seed & Growth” was dominated by the NRW.BANK promotion programme with the highest volume, namely the *NRW.BANK.Mittelstandskredit*. In 2011, more than 3,150 North Rhine-Westphalian companies received interest-subsidised loans for investments and working capital (2010: 4,100 promotion recipients). However, the higher average loan amounts mean that the total promotion volume once again reached slightly more than € 1.0 billion. On the other hand, the federally funded *KfW-Unternehmerkredit* experienced a relatively strong decline of 43.7% both in terms of its overall volume and its number of recipients in North Rhine-Westphalia. This was due to many potential borrowers’ negative perception of unfavourable product modifications and insufficiently attractive terms.

The funding disadvantages experienced by small and mid-sized companies tend to include higher obstacles when it comes to raising loans. To ensure that these companies have access to promotion loans even if they lack sufficient collateral, e.g. due to the highly specific nature of an investment, NRW.BANK offers liability releases for their house banks. In 2011, the *NRW.BANK.Mittelstandskredit* was rounded off by the newly introduced *EIF-Haftungsfreistellung* variant which adds even more value to this promotion product. Available for loans between € 50,000 and € 1 million, this new variant offers small and mid-sized companies with annual sales below € 50 million liability releases of 60% for the benefit of their house banks. In offering this product, NRW.BANK and other state development banks draw on a back-up guarantee underwritten by the European Investment Fund (EIF) and funded from the Competitiveness and Innovation Framework Programme (CIP) of the European Union.

Freely selectable maturities between four and ten years make the *NRW.BANK.Universalkredit* a promotion instrument which meets promotion recipients’ needs more flexibly than rigid loan programmes. Last year, this promotion product gained additional attractiveness when the minimum loan volume was lowered from € 125,000 to € 25,000. At the bottom line, this programme experienced a renewed increase of the promotion volume to € 424.4 million (2010: € 236.9 million). Flexible promotion is also the hallmark of the *NRW.BANK.Globaldarlehen “Mittelstand”* which house banks can use to refinance corporate loans in line with specific requirements. The need for a programme of this type was emphasised by last year’s rise in the total programme volume to € 285.0 million (2010: € 190.0 million).

In view of many companies incurring losses as a result of the financial and economic crisis, many mid-sized companies have focused more strongly on strengthening their equity base again. The previously very popular mezzanine programmes based on profit participation rights have vanished from the market, casting doubts on the required refinancing exercises for companies who had used these funding sources. The solution for growth and follow-up financing comes in the form of the *NRW.BANK.Mittelstandsfonds* which offers an attractive option for strengthening a company’s equity ratio through customised lending structures for mezzanine capital between € 1 million and € 7 million. These can be complemented by standardised mezzanine capital based on subordinated loans at very favourable rates from *NRW/EU.Investitionskapital*, a funding vehicle refinanced through the European Regional Development Fund (ERDF).

Investments in restructuring cases are frequently worthwhile for outside investors only in the case of very high investment volumes. To mitigate this market inefficiency, NRW.BANK launched the *NRW.BANK.Spezialfonds* last year. This participation fund with a volume of € 50 million acts as a co-investor with a 49% share or a maximum of € 5 million in restructuring exercises at mid-sized companies preferably from the manufacturing and services sectors. Having launched this product, NRW.BANK offers a range of funds which covers the entire life cycle of a company from start-up to maturity.

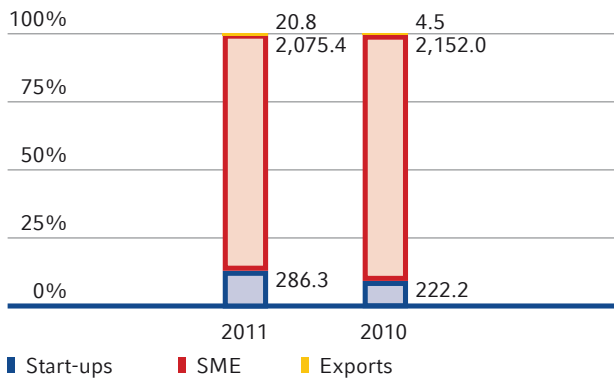
Support for start-ups was one of the central tasks of NRW.BANK right from its inception. The Bank nurtures start-up activity in North Rhine-Westphalia predominantly by way of its *NRW.BANK.Gründungskredit* which offers interest-subsidised loans for start-up entrepreneurs. This is complemented by the *NRW/EU.Mikrodarlehen*, an ERDF-refinanced programme targeting micro start-ups with funding needs of up to € 25,000. Applications for promotion funds under the latter programmes are channelled through the STARTERCENTERS in North Rhine-Westphalia which, acting as NRW.BANK's cooperation partners, provide promotion advice and receive the loan applications. Given that these micro loans are unsecured, they are particularly suitable for unemployed people setting up their own businesses, thereby supporting their reintegration into gainful work. Following the successful conclusion of the pilot phase at selected locations, the programme was rolled out throughout North Rhine-Westphalia last year.

A national economy's competitiveness and ability to innovate depends, in particular, on companies which bring innovative and technically new products and services to the market. When it comes to funding such high-tech start-ups, conventional bank loans are usually not an option, given what are typically high and difficult to gauge risks combined with high funding needs. What is needed is equity in the form of seed capital. For several years already NRW.BANK has supported this special target group through its *NRW.BANK.Seed Fonds*. This fund of funds with a volume of € 30 million has participated as an investor in seven regional seed funds which directly invest in start-ups, providing up to € 500,000 in seed capital per case. The high demand for seed capital meant that several of the regional funds were fully invested last year. To ensure the continued availability of seed capital finance in North Rhine-Westphalia, NRW.BANK launched another fund of funds with an additional € 30 million last year.

The steadily growing complexity and interrelationships between companies' financial management decisions and their success in the real economy mean that over and above the provision of funding there is a need for targeted information on available promotion funding as well as specific advice for individual funding recipients. In the past years, NRW.BANK responded to this need by expanding its advisory services into a central pillar of its range of products and services. The existing offerings – promotion advice, funding advice and the information hot line – continued to attract lively demand also in 2011. However, even at the end of the

previous year a change in companies' motivation to seek advice became apparent. While most advisory sessions during the economic and financial crisis had focused on solutions to acute funding problems, the relatively easy availability of credit is currently conducive to advisory sessions which explore forward-looking and cost-oriented options for company funding.

Promotion Volume in the Field of Promotion "Seed & Growth" by Promotion Themes in % and in € Million



Field of Promotion "Development & Protection"

The field of promotion "Development & Protection" pools NRW.BANK's offerings related to the themes "Education", "Innovation" and "Environment/Climate/Energy". The development of this field of promotion has primarily been characterised by the third promotion theme which accounts for the single largest part of the promotion volume and the total case numbers. However, the year 2011 saw a marked decline in this area due to unfavourable programme features in the federally funded energy efficiency programmes. The promotion theme "Education" is almost exclusively represented by NRW.BANK.Studienbeitragsdarlehen. The abolition of tuition fees in North Rhine-Westphalia for the 2011/2012 winter semester meant that this programme, which had attracted strong demand, was discontinued. These two developments almost halved the volumes and case numbers in the field of promotion "Development & Protection", resulting in the promotion volume dropping to € 0.9 billion.

The development in the reporting period demonstrated that promotion in North Rhine-Westphalia in the promotion theme "Environment/Climate/Energy" has been strongly dependent on decisions taken at the federal level. NRW.BANK has responded to this issue by further expanding its product offering in this area in order to strengthen environmental promotion in line with the state of North Rhine-Westphalia's structural policy objectives and make it more independent from decisions taken at federal level.

In mid-October 2011, NRW.BANK consequently launched the NRW.BANK.Effizienzcredit in conjunction with the State of North Rhine-Westphalia's Ministry for Climate Protection, Environment, Agriculture, Nature Conservation and Consumer Protection. This programme supports

environmental and climate protection measures taken by companies to improve their energy and resource efficiency on a sustained basis. The terms and conditions of this programme differ from comparable programmes in that the planned measures need to result in a certain percentage improvement compared to the status quo; alternatively the measures have to be part of an integrated concept leading to an improvement. In order to support a large number of sensible investments in environmental protection across all sectors of business and industry, companies of all sizes are eligible to apply for an *NRW.BANK.Effizienzcredit*. Loan amounts may range from € 25,000 to € 5 million with maturities between four and ten years. Release from liability for house banks acting as promotion conduits are optionally available from NRW.BANK for investment loans starting from € 500,000 for companies that have been operating for at least two years.

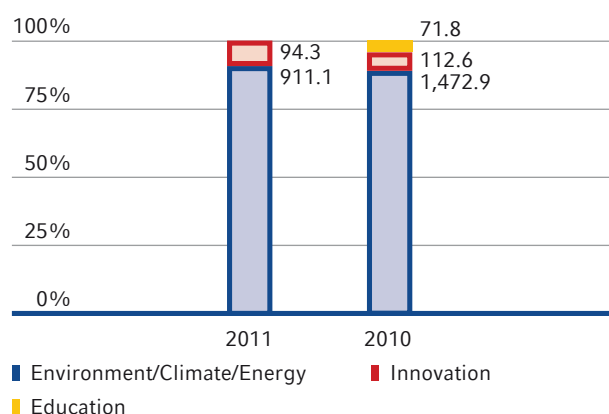
In 2011, the Bank developed the *NRW.BANK.Gebäude-sanierung* programme in conjunction with the state ministries of economics and the environment. Complementing NRW.BANK's existing social housing promotion programmes, the new programme to be launched in 2012 offers North Rhine-Westphalian home owners low-interest loans for refurbishments. The loans are available both for measures to enhance the energy efficiency of buildings and for barrier-free conversions.

Already in 2010, NRW.BANK launched the *NRW.BANK.Elektromobilität* programme requested by the state government as a contribution to the federal government's climate protection targets. This programme offers low-interest funding for up to 100 percent of the costs of research and development projects fitting the criteria of the "Masterplan Elektromobilität Nordrhein-Westfalen". Release from liability for house banks acting as lenders are optionally available from NRW.BANK.

In order to provide targeted support for "Innovation", NRW.BANK launched its second *NRW.BANK.Venture Fonds* with a volume of € 80 million, seeing that its first venture fund was already fully invested. In light of the current liquidity squeezes in the German venture capital market and with a view to the persisting structural market inefficiencies in the early phase segment of the German venture capital market, the Bank doubled the volume compared to the first venture fund. The launch of this higher-volume venture fund underlines NRW.BANK's commitment to future-oriented development in the North Rhine-Westphalian economy for the benefit of young companies in such promising sectors as information and communication technologies, life sciences, optics and materials.

In addition, NRW.BANK continued its successful cooperation with the state of North Rhine-Westphalia on the *NRW.Innovationsdarlehen*. Some 60 companies received promotion funds totalling € 21.8 million for the launch or improvement of new, technologically advanced products and processes.

Promotion Volume in the Field of Promotion "Development & Protection" by Promotion Themes in % and in € Million



Field of Promotion "Housing & Living"

NRW.BANK's promotion products make an important contribution to the continued provision of high-quality affordable housing, to the further development of infrastructure and to ensuring municipalities' capacity to act. NRW.BANK was once more able to increase its aggregate promotion volume in this field of promotion to more than € 4.9 billion. The largest promotion themes were "Municipalities" at € 2.4 billion and "Housing" at € 1.8 billion.

In times of squeezed public budgets and in view of the sovereign debt crisis it is essential for municipalities to be supported by a dependable partner. A new commitment volume of approximately € 2.0 billion under the *NRW.BANK.Kommunalkredit* programme demonstrates that NRW.BANK lived up to its obligation to safeguard and strengthen North Rhine-Westphalian municipalities' capacity to act and their budgets. In addition, NRW.BANK offers the coordinated *NRW.BANK.Kommunal Invest* and *NRW.BANK.Kommunal Invest Plus* programmes when it comes to funding infrastructure projects undertaken by municipalities, municipally owned companies and municipal cooperatives. As municipalities continued to roll over long-term debt into short-term debt during 2011, these two programmes experienced a decline in new lending volume compared to the prior year.

With a view to mobilising private capital for the maintenance and expansion of infrastructure in North Rhine-Westphalia, NRW.BANK launched the *NRW.BANK.Infrastruktur* programme which offers private investors an opportunity to fund social and technical infrastructure projects at favourable terms. During the reporting period, the promotion result under this programme almost tripled to € 358.1 million.

In addition, the *NRW.BANK.Sportstätten* programme is available to fund the renovation or expansion of sports facilities in North Rhine-Westphalia. Through

its *NRW.BANK.Pflege und Betreuung* programme the Bank supports investments in elderly care homes and assisted living as well as homes and workshops for the handicapped. Both programmes serve to strengthen social cohesion and thereby help to develop North Rhine-Westphalia's communities in a sustainable manner.

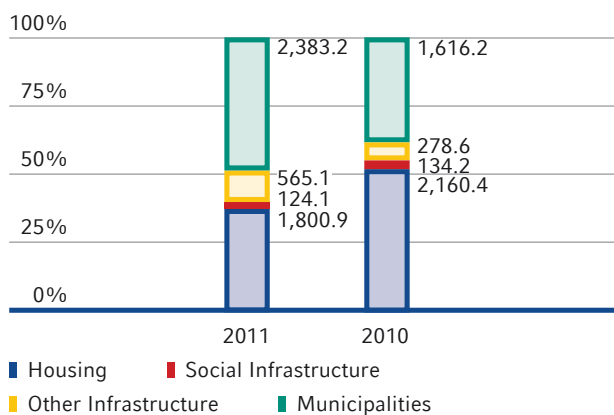
Access to information is an indispensable prerequisite for sustainable development in an increasingly knowledge-based society. The Internet is an important medium when it comes to obtaining information. North Rhine-Westphalia's "Masterplan Breitband" aims to ensure access to broadband fibre networks for all households and businesses across the state. To support this ambitious goal, NRW.BANK launched its new *NRW.BANK.Breitband* programme in close cooperation with the state Ministry of Economics, Energy, Construction, Housing and Transport last year. This programme provides loans for commercial companies with sales of up to € 500 million as well as companies which are majority-owned by municipalities, regardless of their enterprise size. These long-term loans with maturities of up to 30 years may be used for investments in fibre networks and certain (upstream) microwave transmission systems. In addition, NRW.BANK supports the state's efforts in this area by partnering with the "Breitband-Consulting NRW" initiative.

Apart from supporting households whose economic means are not sufficient to secure appropriate housing in the market, NRW.BANK's various social housing programmes are designed to create affordable housing for lower income target groups. In addition, the Bank's special housing promotion programmes help improve the condition and, in particular, the energy efficiency of the housing stock and to align existing housing resources with the requirements of demographic change. Generally speaking, the focus of social housing promotion is increasingly shifting to conversions and refurbishments of existing buildings.

The promotion loans are applied for through cities and municipalities and extended directly to the promotion beneficiaries. All told, the Bank provided the following loan volumes in the year 2011: € 417.6 million for the construction of low-rent flats, € 288.9 million for the purchase and construction of owner-occupied housing and € 39.7 million for the reduction of barriers in existing housing units as well as the construction of nursing homes.

Over and beyond its own promotion programmes, NRW.BANK administers federal grant programmes for privately funded housing construction and for the improvement of energy efficiency through refurbishments and new construction projects. The resulting reduction in CO₂ emissions makes an important contribution to safeguarding an intact environment for future generations.

Promotion Volume in the Field of Promotion “Housing & Living” by Promotion Themes in % and in € Million



Assuming Social Responsibility for Employees

1. NRW.BANK places great importance on being a responsible and reliable employer for all its employees.
2. NRW.BANK’s corporate culture is characterised by collaborative partnership, openness, mutual respect and appreciation. Combined with fair and dialogue-oriented processes involving employees and their representatives, these characteristics provide the basis for a positive and at the same time productive work atmosphere.
3. High workplace security, active healthcare provisions and agreements on issues of social responsibility mean that NRW.BANK offers its employees an attractive working environment over the long term.
4. High-quality training and ongoing further education as well as targeted career advancement support underpin the attainment of NRW.BANK’s corporate objectives and its sustained economic success. Acknowledging the individual potentials, needs and interests of its employees, NRW.BANK has decided to sign Germany’s “Diversity Charter”.

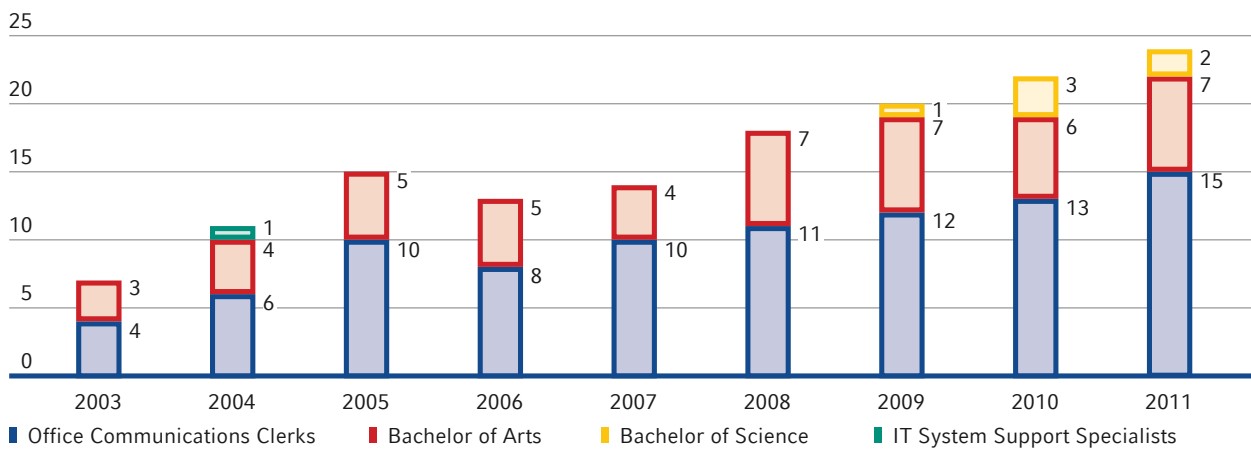
The guiding thought of sustainability and corporate responsibility also extends to NRW.BANK’s human resources policies. For the Bank this means: creating job safety, individual opportunities for qualification and development as well as an environment which is conducive to recruiting and retaining well-qualified and dedicated employees also in the long term.

Securing Junior Staff

Offering in-house apprenticeships for various professions at its dual head offices, NRW.BANK ensures that it will continue to benefit from well-qualified employees who are familiar with the specific requirements of the development and promotion business pursued by this institution.

Training young people is also a social obligation. Against the background of the so-called G8/G9 problem in 2013 (that year will see double the number of A-level school leavers due to a change in the German education system), NRW.BANK has steadily increased its number of apprenticeships in recent years; 24 places for new apprentices were provided in 2011.

Hired Apprentices and Trainees



As in the previous years, all apprentices who successfully passed their exams were offered permanent employment. All suitable open positions are advertised exclusively for the benefit of these apprentices in the so-called "Azubi-Stellenmarkt", a post-apprenticeship job list. The majority of the 90 apprentices trained by NRW.BANK have accepted this offer, with 64 of them remaining in the Bank's employment in the year 2011.

NRW.BANK would like to use this opportunity to express its appreciation of the work done by the trainers who despite their own workload, numerous projects and organisational changes, demonstrated such great commitment to training their apprentices thoroughly, preparing them for their exams and ensuring that they had a successful start to their careers. They were instrumental in the impressive achievements scored by NRW.BANK apprentices in the 2011 exams:

- An NRW.BANK apprentice finished top of his class in the Bachelor of Arts course at Duale Hochschule (Baden-Württemberg Cooperative State University) in Karlsruhe,
- in Münster NRW.BANK's entire apprentice cohort was invited to attend the "year's best" award ceremony held by the North Westphalian Chamber of Industry and Commerce while
- five out of the eight Düsseldorf graduates were invited to the "year's best" award ceremony held by the local Chamber of Industry and Commerce.

In recognition of these exam results, NRW.BANK received another award for its excellent contributions to professional training from the Chamber of Industry and Commerce in the year 2011.

To ensure that the individual departments are optimally supported in this important and responsible task, the Bank places great importance on the qualifications of its trainers. Dedicated seminars are just one of the measures taken in this context.

NRW.BANK's apprenticeship programme is complemented by its trainee programme which offers training opportunities and entry-level positions for university graduates. Five trainee slots are regularly offered to acquaint graduates thoroughly with NRW.BANK's business and prepare them for their career start. More than half of all departments within the Bank have already organised and implemented a traineeship at least once and subsequently benefited from hiring a trainee. Up to the year 2011, a total of 19 employees were successfully trained for their target position and have since joined NRW.BANK's workforce on a permanent basis.

The apprenticeship sponsoring programme launched in 2009 reflects NRW.BANK's commitment to corporate citizenship. Under this programme, the Bank provides its external service providers with financial support so that they can take on apprentices; the reporting period saw another three high school graduates start an apprenticeship under this scheme. Given the success of this measure, the programme will be continued beyond the year 2011 with up to four apprenticeships being funded per year.

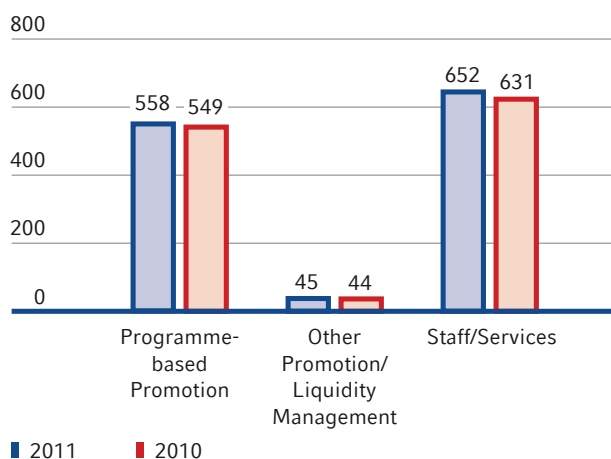
Facilitating Development

Since 2009, NRW.BANK has mostly given preference to internal promotions as opposed to external hiring, thereby offering employees opportunities for career advancement. A total of 60 employees used these opportunities during the year 2011 and opened up new prospects for themselves. Another 22 positions were filled by transferring apprentices and trainees

into permanent employment; add to this 25 female employees returning from parental leave to resume their employment.

As it was not possible to fill all specialist positions from within the existing workforce, the number of new hirings increased slightly during the reporting period. With the number of external hirings and apprenticeship conversions exceeding the number of exiting employees and retirements, the total headcount rose by 31 to 1,255 during the year 2011. The individual segments of the Bank account for the following headcount numbers and percentages:

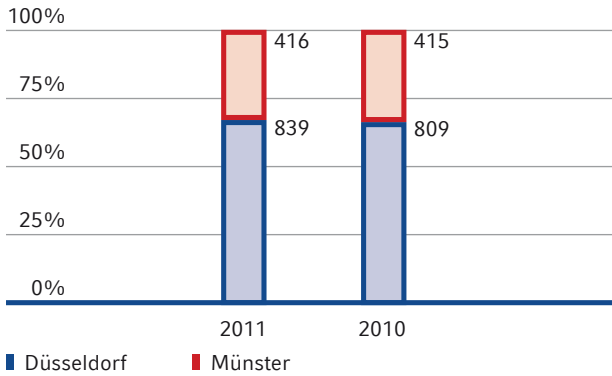
Employees by Segments



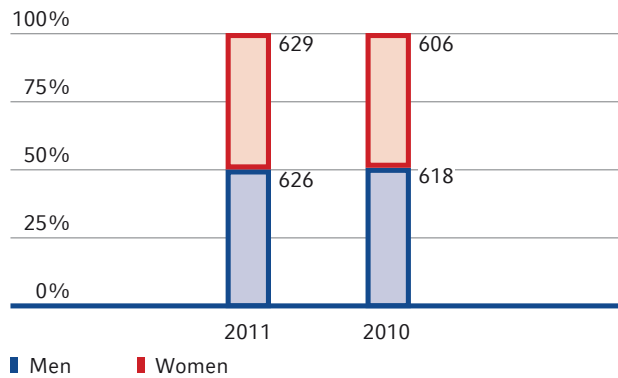
Personnel Structure

Even though almost all of last year's headcount growth occurred at the Düsseldorf head office, the two-thirds to one-third headcount ratio between the Düsseldorf and Münster head offices has remained unchanged.

Employees by Locations
in Absolute Figures and in %



Female/Male Ratio
in Absolute Figures and in %



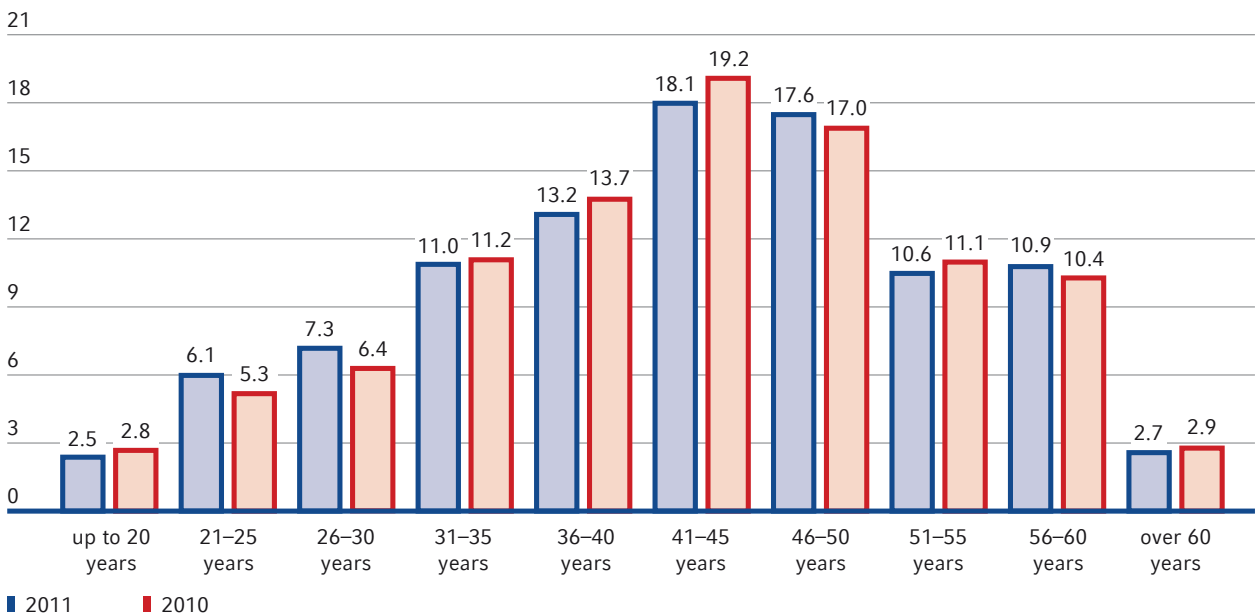
At 2.8%, employee fluctuation was in line with the prior year. This rate breaks down into 1.9% retirements and 0.9% other exits, which remains a very low level.

As in the previous years, the male/female ratio within NRW.BANK is 50:50.

The current age structure of NRW.BANK's employees suggests a slight increase in the female percentage, given that men account for a clearly higher share of employees coming up for statutory retirement in the coming years.

Given that the average age of newly hired employees was approximately 27 years and that the predominant part of the exits was retirement-related, the average age of NRW.BANK's employees remained constant at 42.5 years.

Age Structure in %



Further Training

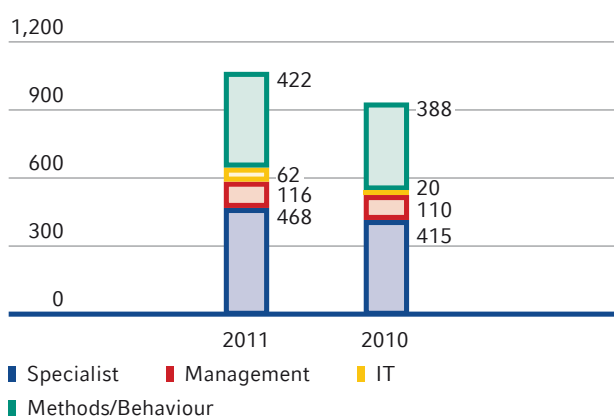
Believing in the importance of lifelong learning for its employees, NRW.BANK supports their further qualification through various offerings ranging from a comprehensive roster of seminars to the possibility to study for a degree course alongside their job at the Bank. At present 67 employees are using the opportunity to attain a degree such as a bachelor's or master's degree, following in the tracks of a total of 84 employees who have successfully completed this dual-track training in recent years.

During the past two years the Bank has given its internal further training offerings¹ a more pronounced structure under which the focal areas of "lending/promotion" and "capital market business" have been aligned more effectively with the Bank's specific needs. This has entailed an expansion and adjustment of the offering, which led to a number of new seminars and courses in 2011. The Bank's internal offering can respond swiftly to demands from within the organisation, allowing numerous measures to be implemented in addition to the scheduled courses and events during the past year. Despite the clearly higher number of internal seminars organised already in 2010, seminar attendance during the reporting period rose by another 14.5%.

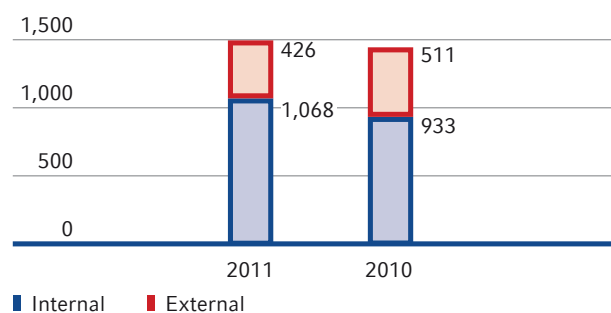
Apart from the internal specialist training events on various aspects of the lending and promotion business, which have been well attended for several years, the year 2011 saw demand for several training measures on legal aspects of the lending business (e.g. in the light of recent developments in insolvency and foreclosure law) and on issues relating to the minimum requirements on risk management (MaRisk). The series of seminars on methods and behaviour continued with the team-specific training measures on task and time management launched in 2010. In addition, several seminars revolved around communication skills for employees in direct contact with customers.

The increase in internal training measures is also reflected in the ratio between external and internal seminars. In 2011, the number of internal seminars was more than twice as high as the number of external seminars. Only the percentage of external specialist seminars remained at a relatively high 41.0%, owing to the fact that demand for specialist content of this nature frequently came from individual employees only. These requirements can be met only by external training measures also in the future.

Internal Seminar Attendance by Topics



Ratio of Internal and External Seminar Attendance



The total number of 1,494 seminar attendances translates into 2,470 seminar days, meaning that the average seminar lasted 1.8 days. Women accounted for 51.0 percent of all seminar attendants in 2011.

¹ Internal seminars are all events organised exclusively for the Bank's employees at NRW.BANK's special request and whose contents and concepts thus closely meet the Bank's concrete requirements and needs; such seminars may be held by in-house or external trainers.

The large share of internal seminars in the overall offering also had a favourable impact on human resource development costs, given that the average costs of an internal behavioural seminar amount to just under one third of the net price of external seminar attendance. Moreover, most internal training measures do not entail any travel expenses.

Equal Opportunities

NRW.BANK has long been committed to being an equal opportunities employer and has an appropriate equal opportunities plan in place. Variable working hours, a range of different part-time working models as well as organisational and financial support in child care matters help employees of both genders balance their working and family lives. For example, NRW.BANK organises a child-care service for children aged between four months and school age in cooperation with child care centres in Düsseldorf and Münster. A total of 38 employee children are currently benefiting from this service.

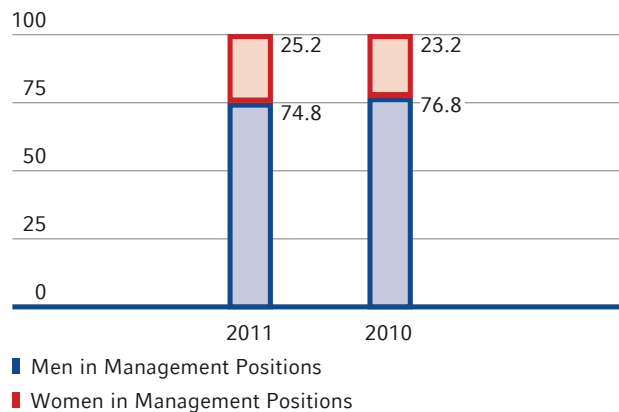
In addition, employees can avail themselves of the "pme Familienservice" which offers independent advisory and agency services. This includes child care support – in particular child care arrangements in urgent cases and child care during vacations – as well as pme's increasingly sought-after advice on issues surrounding care for family members. The support offered by NRW.BANK in these areas is clearly appreciated by employees, which is evident both from the lively demand for these services and from the fact that many mothers return to work shortly after giving birth. In the year 2011, 18 out of 25 mothers returned to work within less than twelve months. The Bank's family-friendly employer profile has also attracted external acknowledgement; in the year 2011, NRW.BANK was named as a good example of an organisation practising a family-friendly corporate culture in a brochure published by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth.

"Frauen und Männer@NRW.BANK" is a series of events offering employees in Düsseldorf and Münster a forum for informing themselves about various aspects of equal opportunities in the workplace free of charge. The series comprises several expert lectures on various topics per year and, in particular, a strategy workshop specifically for female NRW.BANK employees which is an integral part of this forum.

This support is one of the factors driving the slow but steady increase in the female percentage both in higher-paid specialist positions and management positions. In particular, the Bank promotes equal opportunities in management positions by way of its guidelines on the selection and development of executives published in autumn 2010. This policy determines that women with equal qualifications are to be given preference when filling management positions.

The sum total of these measures has already resulted in more women than before being promoted to management positions at NRW.BANK.

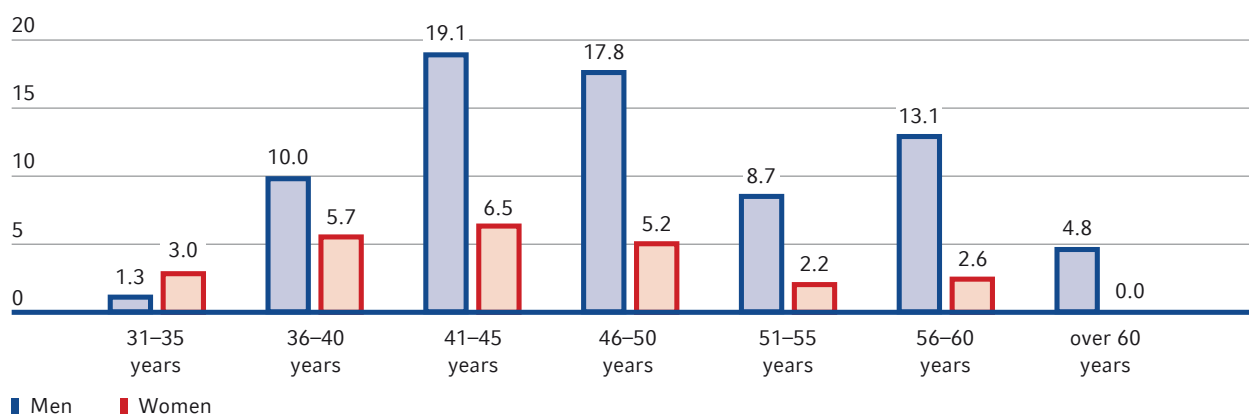
Breakdown of Management Positions in %



Going forward, this ratio will continue to shift in favour of women both as a result of the targeted advancement of female employees and due to the demographic

situation at NRW.BANK where more male employees than female employees will be taking retirement over the next few years.

Women and Men in Management Positions in %



Apart from the increase in the percentage of women in management positions, the female percentage has also increased slightly but steadily to its current level of 40.5% in the more highly paid specialist positions in the upper echelons of, and outside of, the collectively agreed wage scales. This means that the female percentage has risen by 9.1 percentage points within the past five years.

The percentage of employees working part-time rose from 17.5% to 18.7% during the reporting period, with the percentage of executives working part-time rising slightly to 4.8% at the same time. There was also an ongoing trend towards part-time work among male employees who currently account for 8.6% of all part-timers. The percentage of part-time working men is the highest, at 27.3%, in management positions. While the male percentage of part-timers in specialist positions is about 17.1%, it is only 1.6% in clerical positions.

Similarly to the previous year, 13 male employees took advantage of the possibility to split the parental leave with their wives, with most of them taking two months' leave.

Maintaining Performance

NRW.BANK believes that sustainability and corporate responsibility also extend to good working conditions and exemplary health and safety policies. The Bank's strategic healthcare management system includes a company doctor, a social worker offering confidential help and support as well as a variety of offerings revolving around such topics as preventive medicine, nutrition and sports; these offerings have been expanded steadily since 2006.

NRW.BANK believes that meaningful reporting and documentation are a decisive prerequisite for ensuring the sustainability of its healthcare management approach. This is why the Bank commenced publishing an annual health report in 2010 with the aim of also informing its employees about all its activities in the healthcare management sphere.

Three years ago, the Bank launched a systematic and comprehensive hazard analysis which ensures that potential health hazards and avoidable stressors can be identified reliably and remedied swiftly. The analysis

takes the form of a survey of all NRW.BANK employees on issues which are of relevance at NRW.BANK: workplace equipment, the user-friendliness of software as well as organisational and other workplace conditions. Employees responding to past surveys already suggested numerous measures which were implemented swiftly and easily, particularly in case of ergonomics and building-related complaints, resulting in noticeably improved working conditions. Employees complaining about stress named high workloads and deadline pressure as important factors. These stressful situations, e.g. resulting from project work, were mostly already known, and specific remedies had already been prepared and launched to the extent possible.

Apart from remedying individual situations, NRW.BANK also takes a comprehensive approach to the underlying issues, e.g. by adding a seminar on "time and task management" to the internal seminar roster. Other examples include healthcare management offerings to improve employees' stress handling abilities as well as lectures on the topic of resilience (in the sense of the ability to respond flexibly and constructively to challenging life situations).

Popular offerings in 2011 included a colon cancer screening programme backed up by information events on medical and nutritional topics as well as a three-month programme on health-oriented nutrition. The quality of the Bank's healthcare management system is regularly verified and confirmed by independent audits. During the reporting period, NRW.BANK was awarded the "seal of quality" in the "excellence category" of the Corporate Health Award 2011 organised by Handelsblatt, TÜV Süd Life Service GmbH and EuPD Research.



Demonstrating Commitment to Society [Environmental responsibility]

1. NRW.BANK's resource efficiency and its active contributions to North Rhine-Westphalia's communities are an integral part of its corporate responsibility for the present and future generations.
2. Minimised use of resources, the utilisation of a large share of environmentally friendly and, preferably, renewable resources as well as the greatest possible compensation for unavoidable environmental impacts are essential elements of the Bank's activities aimed at shaping a high-quality living environment.
3. NRW.BANK lives up to this responsibility by taking into account all resources used in its business processes. For example, the Bank strives to set examples when constructing or converting buildings for its banking operations. As part of its ongoing improvement process, the Bank also recognises the key importance of sensitising its employees to the importance of making responsible use of resources.

...

The Situation

NRW.BANK acknowledges the environmental implications of its activity as a development bank. These implications result from the use and consumption of energy, water and materials as well as from greenhouse gas emissions generated through its internal day-to-day work processes and travel activities. NRW.BANK's goal is to minimise the negative environmental impact resulting from its business activities.

NRW.BANK captures, documents and evaluates its own environmental key figures and ratios in order to identify areas of potential improvement. In line with its commitment to the greatest possible transparency, the Bank herewith presents its fifth annual report of selected environmental key figures and their development. The reporting format is geared to the standards of Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen e.V. (VfU) (Association for Environmental Management in Banks, Savings Banks and Insurance).

The present Eco Balance¹ for the year 2011 covers the ecological data of all NRW.BANK buildings². The key figures and ratios per employee permit comparisons with prior periods and allow assessing 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.³

At NRW.BANK's Münster head office, another existing building of some 6,500 square metres was vacated in two phases in order to conduct refurbishing work and raise efficiency levels to the most modern standards. These works were completed during 2011 and the space was reoccupied, resulting in a 2.6% rise of space used to approximately 54,300 square metres. The Bank plans to conduct more such projects to improve the energy efficiency of its existing buildings. NRW.BANK's commitment to responsible use of resources will consequently also be demonstrated at the Münster head office.

Building Energy

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. Moreover, heat-insulation glazing, insulated facades and indoor heat recuperation help ensure that NRW.BANK's buildings make use of energy in an environmentally and climate compatible way.

Heating energy consumption per square metre reached 107.6 kilowatt hours in the past fiscal year, compared to 96.2 kilowatt hours in the year 2010. The higher consumption figures are primarily due to the lower temperatures prevailing during the year as a result of the extremely cold and long winter as well as the consumption of energy in the temporarily vacated buildings.

NRW.BANK's electricity usage, too, is geared to resource conservation and climate protection. In 2011, 97.0% of the electricity used by the Bank came from renewable resources, with hydropower accounting for 100% of the renewable sources. NRW.BANK purchased this electricity from a TÜV-certified provider of renewable hydropower. The remaining 3.0% refer to electricity consumption charged to the Bank in its capacity as a tenant in non-owned buildings where the Bank has no control over the choice of electricity suppliers.

Moreover, NRW.BANK continues to strive for lower electricity consumption in its business operations through technical measures. The new building in Münster has been fitted with presence detectors which control lighting and air conditioning while a room is occupied. The system takes the ingress of daylight into account in controlling lighting levels.

¹ The environmental figures were collected in cooperation with Büro WiRkung from Grevenbroich.

² Incl. office at Ernst-Gnoß-Strasse in Düsseldorf, but excl. liaison office in Brussels.

³ In accordance with the VfU standards, 1,358 employees were taken as the basis for the relative figures in 2010 and 1,382 employees in 2011.

Despite these measures, there was a slight increase in electricity consumption across all buildings. The 4.9% rise in electricity consumption was within the scope of acceptable weather-related fluctuations. Per employee consumption came in at 111.7 kWh/m² slightly up on the prior-year figure of 109.2 kWh/m².

Energy Consumption	2011	2010
	kWh	kWh
Total heating energy	5,844,450	5,093,322
Heating energy per employee/year	4,229	3,750
Total electricity consumption	6,067,780	5,782,431
Electricity consumption per employee/year	4,391	4,258

Business Travel

NRW.BANK's strengths include its comprehensive information and advisory services. A given amount of business travel is required to inform target audiences at the local level; this is particularly true for the Bank's promotion advisors. North Rhine-Westphalia's largely rural structure and the concentration of the Bank's capacities in Düsseldorf and Münster are clearly reflected in the relative shares of the means of transport used for business trips.

To fulfil their tasks efficiently within the largely rural structure of North Rhine-Westphalia, the Bank's employees depend on cars as the main form of transport.

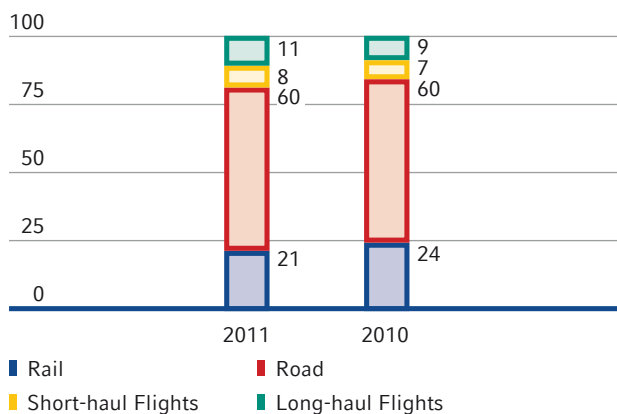
The company car policy chosen by the Bank is based on short contractual periods, allowing cars to be replaced with more modern ones. During the reporting period, this resulted in a fleet average of 168.1 grams of CO₂ emissions per kilometre based on vehicle manufacturers' information, marking a 2.8% improvement over the previous year. In order to push down CO₂ emissions even further, the Bank has introduced a policy under which internal ecological advice has to be taken before a new company car is ordered.

Business travel per employee remained approximately at the previous year's level. The video conference systems installed in Münster and Düsseldorf are used on a daily basis, thereby reducing the need for business travel between the dual head offices.

The dislocations in the European capital market impacted by the government debt crisis have entailed further internationalisation in NRW.BANK's investor base. To raise the low-cost funds required for its current and future promotion activities in North Rhine-Westphalia, NRW.BANK needed to intensify its access to Asian investors during the year 2011. In addition, the focus shifted to investors based in Latin America and in the oil producing countries. This means that the rise in flight kilometres is directly related to the demand in the capital markets relevant for NRW.BANK.

Business Travel	2011	2010
	km	km
Rail	993,904	1,092,458
Road	2,821,636	2,781,268
Short-haul flights	373,483	326,642
Long-haul flights	527,722	424,931
Total	4,716,745	4,625,299
km per employee	3,413	3,406

Business Travel in %



Paper

Employee sensitivity to the issue of paper consumption as well as the adoption of a new printing technology as a result of the replacement of IT components have combined to deliver a welcome result. In 2011, NRW.BANK consumed a total of 53.3 tons of office paper at both locations. This translates into a specific annual consumption of 38.5 kg per NRW.BANK employee. As the trend seen in previous years continued, the amount of office paper used shrank by 5.7% compared to the previous year.

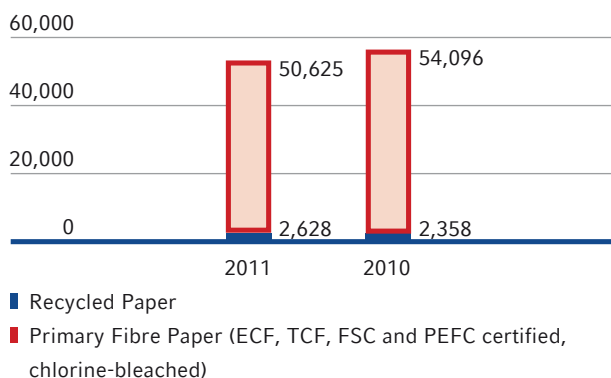
Paper Consumption	2011	2010
	kg	kg
Total paper consumption	53,253	56,454
Paper consumption per employee	38.5	41.6

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. While the percentage of recycled paper rose by 17.9%, its share still only accounts for 4.9% of total paper consumption at NRW.BANK. Especially chlorine-bleached and elemental chlorine-free (ECF) papers were not reduced to the desired extent in the reporting year.

Paper Types	2011	2010
	%	%
Recycled paper	5	4
Primary fibre paper, ECF*	88	90
Primary fibre paper, TCF*	< 1	< 1
Primary fibre paper, FSC and PEFC certified**	3	2
Primary fibre paper, chlorine-bleached	4	3

* ECF = elemental chlorine-free, TCF = totally chlorine-free
 ** FSC = Forest Stewardship Council, PEFC = Programme for the Endorsement of Forest Certification Schemes

Share of Recycled Paper in Total Paper Consumption in kg



Going forward, the Bank will therefore put a stronger focus on the desirable increase in the use of environmentally friendly paper types.

Water

Water is a valuable resource. NRW.BANK uses a variety of measures designed to minimise water consumption. For example, grey water from the air scrubbers and recooling systems is used for toilet flushing at the Düsseldorf location.

Water consumption at NRW.BANK came down slightly in the year 2011. The 5.7% decline in per-capita consumption confirms the effectiveness of the Bank's water saving efforts.

Process and Drinking Water	2011	2010
Total water consumption	19,507 m ³	20,386 m ³
Daily water consumption per employee*	56.5 l	60.0 l

* Based on 250 working days as per VfU methodology

Waste

This year's report for the first time includes the disposal of externally stored files in an amount of 22.2 tons. Compared to the previous year, the total amount of waste excluding "other" and "kitchen waste" declined to 242.0 tons. The share of paper waste amounted to 121.9 tons and accounted for 50.4% of the total waste volume. In total this means that the per-capita amount of waste declined by 6.9% to 175.1 kg.

Waste Volume	2011	2010
	t	t
Waste paper	76.6	62.7
Document shredding**	45.3	73.3**
Residual waste	117.1	113.9
DSD ("Green Dot")	3.0	6.0
Total*	242.0	255.9
kg per employee	175.1	188.4
Recycling ratio*	51.6%	55.5%**

* Excl. other and kitchen waste

** Prior-year figures adjusted by 23.4 tons of paper files disposed of by the external service provider

Greenhouse Gas

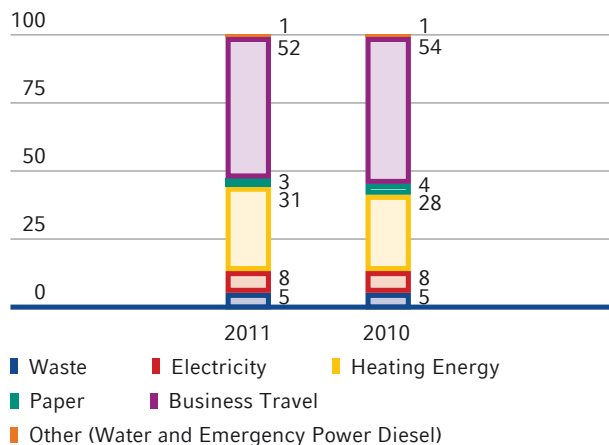
To live up to its corporate responsibility for environmental protection, NRW.BANK has purchased electricity from renewable energy sources since the beginning of 2008. The positive effect of this policy was clearly visible also in 2011. Given that electricity from renewable sources was purchased, it accounts for a pleasingly low 7.6% of the CO₂ emissions. At 52.2%, business travel accounts for the single largest part of NRW.BANK's CO₂ emissions.

Greenhouse gas emissions were derived from the above consumption figures and translated into carbon dioxide equivalents. Emissions are calculated for the Bank as a whole.

CO₂ Emissions by Weight

Greenhouse Gas Sources	2011	2010
	kg CO ₂	kg CO ₂
Electricity	144,071	142,654
Heating energy	576,676	499,146
Business travel	982,026	954,894
Waste incineration	91,390	80,295
Paper	63,883	67,745
Other (water and emergency power diesel)	24,338	23,514
Total	1,882,384	1,768,248
CO₂ per employee	1,362	1,302

CO₂ Emissions in %



Direct and Indirect CO₂ Emissions at NRW.BANK in 2011

Greenhouse Gas Sources	Emission Category 1*	Emission Category 2*	Emission Category 3*	Total
	kg CO ₂	kg CO ₂	kg CO ₂	kg CO ₂
Electricity				144,071
– Natural energy from hydropower (97%)			70,632	
– Stadtwerke Düsseldorf (3%)		73,439		
District heat		576,676		576,676
Emergency power diesel	8,202		1,525	9,727
Travel				982,026
– Rail			47,509	
– Road	553,040		251,126	
– Short-haul flights			72,829	
– Long-haul flights			57,522	
Paper			63,883	63,883
Water			14,611	14,611
Waste incineration			91,390	91,390
CO₂ total (to VfU Standard Update 2010)	561,242	650,115	671,027	1,882,384
CO₂ per employee (to VfU Standard Update 2010)				1,362

* 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 2011 Eco Balance show the trends to date and serve as the basis for the continuation of the ongoing optimisation process.

The Bank remains committed to reducing the environmental impact resulting from its business activities.

Showing Commitment to Society

...

4. As part of its commitment to society and under its remit as a development bank, NRW.BANK endeavours to shape a subsidiarity-based and project-related collaboration with its partners on a medium to long-term basis in order to create the required continuity and transparency. The Bank strives to ensure the social and regional balance of its activities in North Rhine-Westphalia.
5. NRW.BANK's efforts are guided by its resolve to foster creativity, ideas, innovation and responsible action. The Bank attaches particular importance to supporting young people in North Rhine-Westphalia who face the challenges of a modern knowledge economy particularly when joining the workforce.
6. In accordance with the guidelines set by the Supervisory Board, NRW.BANK will provide no direct or indirect support for political parties, their associated foundations, institutions and publications.

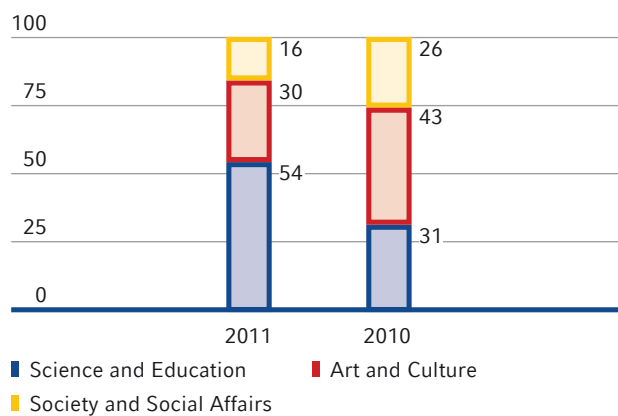
Within the scope of its corporate responsibility, NRW.BANK demonstrates its commitment to public life and society in North Rhine-Westphalia.

Each year, the Bank receives numerous requests for sponsorships and support from organisations and individuals. Given this plethora of what are usually highly deserving projects, the Bank attaches great importance to ensuring the transparency and plausibility of its decisions. This is why 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.

As in the previous year, an amount of € 0.7 million was earmarked for sponsorships in the fields of "Science and Education", "Art and Culture" and "Society and Social Affairs" in the year 2011.

The allocation of the budget may vary from year to year depending on the nature of the requests received. In the reporting period, the share allocated to "Science and Education" projects increased from the previous year's 31% to 54%. The Bank believes that this area of sponsorship is a central building block for a successful future for the people in North Rhine-Westphalia and therefore deserves a prominent place within the Bank's commitment to society. The share of sponsorship funding made available for "Art and Culture" and "Society and Social Affairs" declined accordingly during the reporting period.

Sponsorships by Fields in %



To illustrate these activities, several sponsorships are highlighted below.

Science and Education

NRW.BANK's corporate citizenship is guided by its resolve to foster creativity, ideas and responsible action. Within this framework, the Bank focuses on sponsorships related to education in North Rhine-Westphalia. In the year 2011, NRW.BANK expanded its competence in the area of "Science and Education" through the following projects:

Kindergartens and Schools

According to a scientific study, playing chess has a positive impact on children's development already from age three in that it promotes spatial and logical thinking as well as social skills and the ability to integrate. This is why the Bank supported the "Schach für Kids" project by providing chess sets and training materials to selected kindergartens in the area covered by the federal-state programme "Soziale Stadt". The project aims to roll out "Chess for Kids" throughout North Rhine-Westphalia.

"Qualified physical education on a daily basis at primary schools not only improves children's physical fitness but is also a catalyst for more motivated learning and better results even in cognitive subjects."¹ As a contribution to early childhood education, NRW.BANK therefore supports the "Klasse in Sport – Initiative für täglichen Schulsport e.V." (KiS) initiative in its goal to optimise primary school sports both in quantitative and qualitative terms.

Working in cooperation with the Association for Media Education and Communication Culture (GMK), NRW.BANK designed a state-wide study. Its objective was to determine the required conditions for action-oriented pedagogical practice in the early childhood area and the inclusion of (digital) media. The educational principles, which were newly developed for North Rhine-Westphalia and are currently still in a test phase, provided the basis. The results of the study and the project ideas

to be deduced from them are expected to become available in 2012.

Since 2008, the Bank has sponsored the "Schulpartnerschaften" project in Düsseldorf and Münster, the locations of its dual head offices. This project benefits four schools directly. To provide students with career guidance, specialist service providers implement customised presentations, workshops and advisory sessions at the participating grammar schools and secondary schools. Both the teachers and the students were quite unanimous in appreciating this programme which was felt to add value to their career choice process.

For several years, the Bank has successfully partnered with "STARTER & Co.", an initiative of the "Partner für Schule NRW" foundation. The annual "Schüleridee des Jahres" event was one of the focal points of this cooperation. As this event will not be continued in this form, the Bank joined the foundation in developing a new student competition on the topic of "Ideas and Projects for the Utilisation of Renewable Energies" to be launched in 2012.

Launched in 2008, the "ROCK YOUR LIFE!" school project offers students with educationally underprivileged backgrounds career advice and personalised support in continuing their education at a higher-level school or getting a start in working life. The project trains university students to act as volunteer mentors for a student during his or her last two years at school. The goal is to instil the required confidence in their mentees so that they can go on to live self-determined lives. Currently operating in just under 20 locations in Germany, the initiative makes a successful contribution to improving fairness in the education system for students from disadvantaged social backgrounds. The "ROCK YOUR LIFE!" initiative will use the funding from NRW.BANK to build a sponsorship base in Münster.

¹ Result of a scientific longitudinal study of the German Sport University Cologne, October 2009.

Following on from a pilot project successfully launched in 2009, NRW.BANK continued to exercise its corporate responsibility through the creation of external apprenticeships during the reporting period. The Bank sponsored a number of additional apprenticeships for secondary school graduates in companies working as service providers for NRW.BANK. This allows to train young people in trades and professions where the Bank cannot offer training internally. Five young people are currently benefiting from this programme which has given them a career start as a chef, as a professional building cleaner or as electronics specialist for facility management. NRW.BANK plans to expand this field of social sponsorship and to support the creation of another four external apprenticeships in 2012.

Universities

In 2011, NRW.BANK decided to sponsor 39 grants for dedicated and talented young university students. Starting in 2012, the grants will be offered at universities participating in the NRW-Stipendienprogramm (NRW student grant programme).

During the reporting period, NRW.BANK supported the North Rhine-Westphalian chapter of "Arbeiterkind e.V.". The charity's volunteer mentors provide working-class children with guidance on a variety of issues related to going to university – from initial encouragement to consider this kind of higher education and orientation during the starting phase to advice on student loans and motivation to finish the course and achieve a degree.

In addition, the Bank sponsored two events for the benefit of students in 2011, assisting the young organisers in realising their ideas:

- The "Symposium Oeconomicum" is a one-day economics conference which takes place annually in Münster. This event is designed to promote exchange between students and business leaders, scientists, prominent social figures and politicians.
- "MUIMUN" (Münster University International Model United Nations) is an annual simulation of a UN conference for students from all over the world. Its purpose is to promote understanding between nations and stimulate international exchange of ideas.

In the area of "Science and Education", the Bank continued its policy of supporting academic institutions focusing on financial research and housing. The beneficiaries were the Institut für Kredit- und Finanzwirtschaft (ikf) at Bochum University, the "Centre for Financial Research" (CFR) at Cologne University, the "european center for financial services" (ecfs) at Duisburg/Essen University, the Institute of Spatial Planning (IRPUD) at TU Dortmund University and the Institut für Kreditwesen (ifk) at Westphalian Wilhelms-University Münster. Apart from an annual basic grant of € 10,000 per institute, NRW.BANK provided a separate budget which allows participating institutes to apply for funding of interesting projects.

In 2011, the Bank supported another pilot project, namely the first "Schlaun-Wettbewerb"¹, a competition initiated by Münsterländer Architekten- und Ingenieurverein e.V. (an association of architects and engineers in the Münster region). The competition invites entrants to draft an urban development concept for the eastern and western part of the railway track in the city centre of Ahlen. The brief calls for innovative and sustainable solutions which shape and evolutionise the urban and natural spaces in the area. The competition is open to students and graduates in urban planning, architecture, landscape planning and civil engineering up to the age of 35. The award ceremony will take place in mid-2012.

¹ More information at www.schlaun-wettbewerb.de

“100 Jahre Robert Schmidt – 100 Jahre regionales Denken und Handeln im Revier” is the name of a project which will take place in 2012 as a joint effort of Ruhr Regional Association (RVR), TU Dortmund University, Fachhochschule Dortmund and Gesellschaft für Stadtgeschichte und Urbanisierungsforschung e.V. (GSU). The topic of discussion will be the future of the metropolitan Ruhr region from the viewpoint of regional planning. The organisers hope to receive answers to a number of pressing issues including the demographic development, the differences in social standing among the urban population as well as the medium-term forecast of stagnating and dramatically shrinking spaces. The Bank will be the exclusive sponsor of the summer academy organised as part of the project. Up to 50 students from planning-related courses at all North Rhine-Westphalian universities can participate. Awards will be offered for the three best solutions outlined for future developments in the metropolitan Ruhr region.

Art and Culture

NRW.BANK’s sponsorships in the area of “**Art**” focus on fostering young talent. For several years, the Bank has sponsored young photographers by organising a competition for the professional design of the NRW.BANK.Kunstkalender, its annual art calendar. This competition meanwhile attracts considerable attention among young photographers, as can be seen both from the number of entries and the improved quality of the submissions. The theme for the 2011 calendar, “Spaces of encounter in North Rhine-Westphalia”, was interpreted by Tobias Vollmer.

The 2012 art calendar was designed by competition winner Felix Gemein, born in Hilden in 1985, and Ola Kilber, born in Rudny in 1982, under the title “Lakes, rivers and other bodies of water in North Rhine-Westphalia”. The second prize worth € 1,000 was awarded by the Bank to Vladimir Wegener, Essen, and the third prize worth € 500 was won by Natalie Bothur, Cologne.

Next year, NRW.BANK’s art calendar will be devoted to the topic of “energy”. The young photo designer Sebastian Mölleken will implement his concept under the title “Variety of energy generation in North Rhine-Westphalia”.

The year 2010 saw the launch of an unusual project at NRW.BANK in Münster – a cooperation with the class of Professor Köpnick at the Academy of Fine Arts Münster. This cooperation resulted in an exhibition entitled “Fourteen answers to the question about photography” which remained on show for two years. The Bank’s building in Münster was one of the subjects featured by the young photographers. Regular guided tours of this exhibition were offered also during the reporting period.

Moreover, NRW.BANK is already preparing another exhibition in cooperation with the Academy of Fine Arts Münster. Scheduled to open in autumn 2012, this exhibition expands the Bank’s cooperation with the academy: A competition was organised for the artistic design of two atriums at NRW.BANK in Münster. At the end of 2011, a jury composed of professors from the academy and the Managing Board of NRW.BANK shortlisted three concepts. While first place went to the joint entry submitted by Melanie Bisping and Clara Napp, the second and third places went to Sabine Huzikiewiz and Sujin Seo.

Following a personal presentation of the ideas by the artists, the Bank’s Managing Board chose the two winning concepts, namely “Interplay of reflection and transparency” by Melanie Bisping and Clara Napp as well as “Illuminated stairs” by Sujin Seo. NRW.BANK will support the implementation of the two ideas with grants of up to € 5,000 per atrium. The pieces of art will remain on show in the building for two years.

In the focal area of **"Culture"**, the Bank continued its long-standing sponsorships for such activities as the internationally renowned "lit.COLOGNE" literature festival, the equally renowned International Short Film Festival Oberhausen as well as the new Ruhrtriennale cycle which started in 2009. Within the context of the "Innovationspool" project of the Ruhrtriennale, a young film maker was given an opportunity to produce a film about the Ruhrtriennale which was shown via various online media during the festival and remains posted on the NRW.BANK website.

2011 saw a number of cultural highlights around mid-year when the Bank sponsored concerts staged in cooperation with Düsseldorf's "Altstadtherbst" festival and the Gesellschaft zur Förderung der Westfälischen Kulturarbeit e.V. (GWK).

The cooperation with the "Altstadtherbst" festival came to fruition already for the third time. As in the previous years, the concerts took place in the Bank's foyer in Düsseldorf. The Bank demonstrated its commitment to the performing arts by opening its doors to a music-loving audience on two nights. A young local band called "Stabil Elite" performed on the first night, followed by French bass clarinet player Thomas Savy on the second night. Catering services were once more performed by NRW.BANK employees. This corporate volunteering effort allowed the proceeds of the beverage and snack sale to be donated to kindergartens with a focus on music in Düsseldorf. A total of approximately € 1,200 was handed over.

Last year, GWK benefited from the Bank's support in developing "CHAPEAU Classique", a new concert series featuring high-calibre young chamber musicians. NRW.BANK's staff restaurant in Münster served as the venue of one concert which saw a masterful performance by Anita Farkas (Western concert flute), Simone Seiler (harp) and Zeynep Köylüoğlu (bassoon). Here, too, hospitality services were performed by NRW.BANK employees who thereby raised some € 850 for the Freundeskreis der Westfälischen Schule für Musik e.V.

NRW.BANK also places great importance on its sponsorship of Nordrhein-Westfalen-Stiftung Naturschutz, Heimat und Kulturpflege. This foundation supports charities, associations and volunteer groups willing to contribute to one of the foundation's three themes for the benefit of future generations. Through its sponsorship the Bank supported the expansion of a three-dimensional multimedia simulation of steel production at the Hoesch-Museum Dortmund, the protection of biodiversity in the environs of the Blankenburg as well as the "Biologische Station Gütersloh/Bielefeld e.V.". The latter offers educational measures and hands-on guided tours to introduce children and youth, in particular, to the protection of endangered species and nature in general.

Society and Social Affairs

The North Rhine-Westphalian section of "Lebenshilfe für Menschen mit geistiger Behinderung e.V." aims to improve the social inclusion of mentally handicapped people and their families. The Bank's sponsorship enabled the charity to expand its state-wide advice line for parents of handicapped children and to purchase a pre-owned compact car so that counsellors can visit families with handicapped members at home.

The mission of Deutscher Kinderschutzbund e.V. NRW, the North Rhine-Westphalian section of the German Child Protection Association, is to promote the implementation of the United Nations' Convention on the Rights of the Child and to enforce children's rights. A sponsorship undertaken by NRW.BANK helps the charity expand its "Child Protection Competence Centre" where its employees receive training on the subject of child endangerment so as to enable them to respond professionally to cases of neglect and abuse of children.

Another charity benefiting from NRW.BANK's support for its activities in North Rhine-Westphalia is Bundesstiftung Kinderhospiz. Its mission is to spread and publicise the concept of children's hospices and to lobby for the interests of life-limited children.

Even though food is abundantly available in Germany, many people suffer food shortages. The "Tafeln" organisation has made it its mission to alleviate such hardship by collecting "excess" food of immaculate quality and distributing it to people in need. During the reporting period, NRW.BANK supported the charity's local food banks in Geldern and Windeck-Eitorf which urgently needed refrigerated vehicles for transporting collected food.

Single parents are often under strong pressure both in their working and private lives. Last year, NRW.BANK supported a "self-help" pilot project in cooperation with the AHG-Gesundheitszentrum. The idea was to offer preventive training courses to provide single parents with guidance on how to shape their day-to-day lives without compromising on their own personal needs (such as closeness, autonomy, physical well-being and self-enhancement) or the basic needs of their children. NRW.BANK funded a course comprising twenty 90-minute classes for 14 participants.

In 2011, the "Leuchtende Kinderaugen" Christmas charity was organised as a corporate volunteering effort for the fourth time. Children living in a number of designated orphanages sent in their Christmas wishes on self-made stars which were hung from two large Christmas trees at the Bank's Düsseldorf and Münster offices. Employees were free to pick a star and make the wish come true. The presents were handed over by NRW.BANK employees in time for Holy Night. This volunteering effort by NRW.BANK employees resulted in 271 presents being distributed for Christmas 2011.

Moreover, two North Rhine-Westphalian charities benefited from NRW.BANK's annual Christmas donation in 2011:

- Förderverein Fähre is a charity which integrates mentally handicapped persons into working environments and local communities. Some 70 to 80 people are currently undergoing special work training to find a new self-determined role in life. NRW.BANK's donation supported the funding for these special work places.
- Christophorusschule in Bonn is a special school of the Regional Association of the Rhineland (LVR). At the school, over 200 handicapped students receive special education and support to enable them to lead a largely independent life. NRW.BANK made a donation towards a theatre project organised by the school.

Report on Public Corporate Governance in the Year 2011

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

Legal Framework Relating to Public Corporate Governance

NRW.BANK constantly examines the consequences that arise from changes in the legal framework relating to public corporate governance. In the years following the adoption of the internal Code of NRW.BANK, the respective rules for listed joint stock companies have been refined and separate rules have been adopted for public-sector companies.

Examples include

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

One of the main reasons for these refinements was the wish – not least against the background of the loss of reputation and confidence suffered by the banking sector in the context of the global financial and economic

crisis – to strengthen and restore investors’ and the general public’s confidence in enterprises and their management teams. This also applies to companies in which the public sector holds material investments. The efforts at a European level to strengthen the confidence in a functioning and reliable banking system are reflected in the Guidelines on Internal Governance published by the European Banking Authority (EBA) in autumn 2011.

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

The bodies of NRW.BANK have addressed various aspects of the framework conditions developed by the federal government and taken the initiative to review the internal Public Corporate Governance Code of NRW.BANK. The revised Code should reflect not only the objectives defined by comparable regulations but also the experience gained in the past years. In addition, these are closely integrated and matched with the state of North Rhine-Westphalia’s ideas regarding the implementation of a state-wide Code of Conduct. In this context, it will also be important to adequately incorporate the particularities that result from the legally codified tasks of NRW.BANK as a competition-neutral and largely budget-independent development bank on the one hand and from the regulations of the German “Anstaltsrecht” and banking supervision on the other hand. Following the adoption of a Code of Conduct for the state of North Rhine-Westphalia, probably in the first half of 2012, the bodies of NRW.BANK plan to consult about an amended Public Corporate Governance Code of NRW.BANK and its adoption.

Directors and Officers (D&O) Insurance

In the past fiscal year, the executive bodies of NRW.BANK again addressed the question of whether a deductible should be included when renewing the D&O insurance policies for the members of the Bank's executive bodies. These discussions were triggered by the rules that apply to joint stock companies under the German Management Compensation Act. The Board of Guarantors decided not to include a deductible in the insurance policies for the year 2012. The reasons for this decision were: NRW.BANK's legal status as a public-law institution, the structure and composition of the Supervisory Board, which provide for some mandatory members, the well-established, low-risk business model and, in particular, the lack of general regulations for companies in which the state of North Rhine-Westphalia holds material investments. The amendments to Section 52a KWG were also taken into account in the decision.

Availability of Qualification Enhancement Measures

As one of the results of the global financial crisis, the German Bundestag emphasised the necessity of the personal and functional qualification of the members of supervisory bodies for banks in Section 36 para. 3 KWG, which was revised in the context of the amendment of the German Banking Act in summer 2009. Besides the creation of reporting duties, which enable the Banking Supervisory Authority to assess a member's personal and functional qualification with regard to the respective business activities, a focus is placed on ongoing qualification enhancement. The bodies of NRW.BANK again addressed this idea in the past financial year and adopted a qualification budget for the members of the Supervisory Board, which further details their possibilities for individual qualification enhancement. The qualification budget may be used by each member of the Supervisory Board, in agreement with the Public Corporate Governance Officer, for further training measures that match his or her personal requirements. The Bank thus lives up to its general responsibility to offer the members of its Supervisory Board the possibility for ongoing qualification enhancement.

Fundamental Governance Structure of NRW.BANK

As a supervisory body, the Supervisory Board supervises the management activities of the Managing Board and is involved in the long-term positioning of the Bank. In accordance with the Minimum Requirements for Risk Management (MaRisk), the overall bank strategy, which comprises the business, promotion and risk strategies, is discussed with the Supervisory Board – following preliminary consultation in the Promotion and Risk Committee. With regard to the guiding ideas determining the strategies as well as the principles of the business, promotion and risk policies, the Supervisory Board submits a resolution proposal to the Board of Guarantors. In the past year, four meetings were held by the Supervisory Board and 17 meetings were held by the committees formed by the Supervisory Board in compliance with legal requirements; these meetings were attended by the Managing Board.

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

Following the resignation of the regional associations of the Rhineland and of Westphalia-Lippe as guarantors in 2011, the cooperation between the Supervisory Board and the Managing Board continues to be characterised by an open and trusting dialogue in the interest of NRW.BANK and its guarantor, the state of North Rhine-Westphalia. The dialogue held at the meetings is complemented by a close, ongoing exchange, especially between the Chairman of the Supervisory Board and the Chairman of the Managing Board but also between the Managing Board and the Chairmen of the individual committees.

The members of the Managing Board are appointed by the Supervisory Board for a maximum period of five years. Ever since its inception, NRW.BANK has been characterised by a clear allocation of competencies and responsibilities on the Managing Board. The rules of procedure of the Managing Board remained unchanged in the past fiscal year; in keeping with NRW.BANK's transparency policy, they are published on the website of the Bank.

NRW.BANK's Public Corporate Governance Code includes comprehensive requirements relating to the integrity of the Managing Board, i.e. the appropriate attitude and approach to side-line occupations, invitations and gifts that affect the way in which the office is exercised. Additional regulations are adopted by the Executive Committee whenever required. The respective behavioural obligations were also fulfilled in 2011. In some cases, the advice of the Public Corporate Governance Officer was sought.

Compensation Report

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

Compensation of the Members of the Supervisory Board

The compensation of the Supervisory Board is based on a general resolution passed by the Board of Guarantors and is unrelated to the business performance. The concept of a compensation structure which is not dependent on the business performance primarily reflects the underlying idea according to which the generation of profits is not the primary business objective. The compensation of the Supervisory Board and its committees consists of a work compensation that is unrelated to the meetings held and an additional meeting-related fee. As specified by the Board of Guarantors, the work compensation and the meeting attendance fee are identical within the Supervisory Board and its committees. No distinction is made between a member, the vice chairperson or the chairperson. Besides this compensation, travel expenses incurred by mandate holders are adequately refunded. The payment of value added tax depends on the respective tax status of the individual members.

The table below shows the individual compensation paid to the members of the Supervisory Board and the committees for their work on the Supervisory Board. The compensation varies depending on their committee membership, as the compensation is paid on a pro rata temporis basis for each month or part thereof in cases where members join or resign during the course of a year.

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

	Total compensation		Total compensation
	€		€
Members pursuant to Section 12 para. 1 letters a) to c) of the statutes		Permanent Representatives of the members pursuant to Section 12 para. 2 of the statutes	
Harry K. Voigtsberger Minister for Economic Affairs, Energy, Building, Housing and Transport of the State of North Rhine-Westphalia	29,000	Dieter Krell Assistant Secretary Minister for Economic Affairs, Energy, Building, Housing and Transport of the State of North Rhine-Westphalia	24,200
Dr. Norbert Walter-Borjans Minister of Finance of the State of North Rhine-Westphalia	26,000	Gerhard Heiligenberg Assistant Secretary Ministry of Finance of the State of North Rhine-Westphalia	23,000
Ulrike Lubek Director of LVR Regional Association of the Rhineland (until May 31, 2011)	11,383	Renate Hötte Regional Councillor Regional Association of the Rhineland (until May 31, 2011)	10,433
Dr. Wolfgang Kirsch Director of LWL Regional Association of Westphalia-Lippe (until May 31, 2011)	11,683	Matthias Löb Regional Councillor Regional Association of Westphalia-Lippe (until May 31, 2011)	9,233
Members pursuant to Section 12 para. 1 letter d) of the statutes		Members pursuant to Section 12 para. 1 letter e) of the statutes	
Johannes Rimmel, MdL Minister for Climate Protection, Environment, Agriculture, Nature Conservation and Consumer Protection of the State of North Rhine-Westphalia	18,000	Iris Aichinger Banker NRW.BANK (until December 15, 2011)	11,800
Norbert Römer, MdL Chairman of the SPD Parliamentary Group NRW	18,300	Martin Bösenberg Associate Director NRW.BANK	12,400
Guntram Schneider Minister of Labour, Integration and Social Affairs of the State of North Rhine-Westphalia	10,300	Hannelore Heger-Golletz Director NRW.BANK	17,200
Svenja Schulze, MdL Minister of Innovation, Science, Research and Technology of the State of North Rhine-Westphalia	18,300	Frank Lill Representative NRW.BANK	18,600
Christian Michael Weisbrich, MdL Member of the CDU Parliamentary Group NRW	18,600	Michael Tellmann Associate Director NRW.BANK	14,800

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

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

Implementation of the Special Requirements Made on Important Institutions Pursuant to Sections 5 and 6 of the "Institutsvergütungsverordnung" (InstitutsVergV – Bank Compensation Directive)

According to a letter by the Federal Financial Supervisory Authority (BaFin) dated May 10, 2011, NRW.BANK has been classified as an "important institution" as defined in Section 1 para. 2 InstitutsVergV with effect from the past fiscal year. Since the fiscal year 2011, the Bank has had to comply not only with the general requirements but also with the special requirements of Sections 5 and 6 InstitutsVergV as well as the extended disclosure requirements pursuant to Section 8 InstitutsVergV.

These include the following aspects, which are explained in detail below: identification of the "risk carriers" in the context of a risk analysis (a); development of a total performance ratio system to measure the sustainability of the Bank's total performance (b); introduction of a retention component and a sustainability component for the "risk carriers" (c); set-up of a Compensation Committee (d); development of the present detailed compensation report in compliance with the extended disclosure requirements.

a) Identification of the "Risk Carriers" Pursuant to Section 5 Para. 1 Sentence 2 InstitutsVergV

NRW.BANK has carried out a written risk analysis in which all divisional managers as well as three department heads with responsibility for positions in the Capital Markets Division have been identified as those employees whose activities have a material impact on the overall risk profile of the Bank. Just like the members of the Managing Board, they must comply with the additional requirements of Section 5 para. 2 to 4 InstitutsVergV.

b) Determination of the Total Performance of the Bank Pursuant to Section 5 Para. 2 No. 3 InstitutsVergV

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

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

- through the consideration of standard risk costs for anticipated risks and
- through the consideration of adequate interest on the economic capital to cover unexpected default, market price, liquidity and operational risks.

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

According to Section 3 para. 4 InstitutsVergV, the variable compensation received by executives shall be based on a multi-year assessment period. NRW.BANK applies this requirement to all employees, as it makes more sense for a development bank that operates sustainably to assess the compensation-relevant performance on the basis of a multi-year period instead of the result for an individual year. When weighting the individual annual results, the current assessment period should have the highest relevance, which subsides over time. A weighted three-year average is thus calculated as follows:

- past fiscal year 3/6
- previous fiscal year 2/6
- year prior to previous fiscal year 1/6

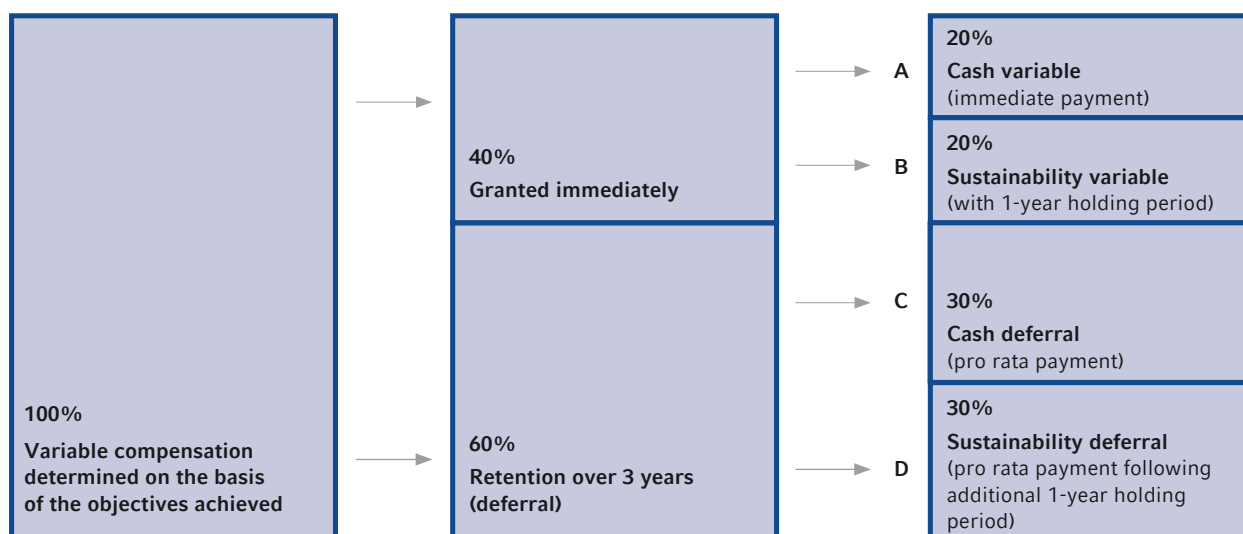
These quantitative parameters are complemented by the targets agreed between the Executive Committee and the full Managing Board as well as by a qualitative assessment of the overall risk situation. Based on a resolution by the Managing Board, the weighted three-year average of the above total performance ratios are relevant for determining the total performance pursuant to Section 5 para. 2 No. 3 InstitutsVergV for all employees.

c) Payment Conditions of the Variable Compensation Pursuant to Section 5 Para. 2 Nos. 4 and 5 InstitutsVergV

For the Managing Board as well as for all "risk carriers", NRW.BANK has defined

- a retention period of 3 years for 60% of the variable component pursuant to Section 5 para. 2 No. 4 InstitutsVergV (components C + D) as well as
- a one-year period for assessing the sustainable value increase of the Bank for 50% each of the directly granted variable compensation and the retained variable compensation pursuant to Section 5 para. 2 No. 5 InstitutsVergV (components B + D).

The chart below shows the distribution of the individual components:



d) Compensation Committee (“Vergütungsausschuss” Pursuant to Section 6 InstitutsVergV)

The Compensation Committee of NRW.BANK was set up in the past fiscal year and consists of the following voting members:

- Head of Human Resources (Chairperson)
- Head of Capital Markets
- Head of Risk Management (Vice Chairperson)
- Head of Social Housing Promotion
- Head of BCB.

The

- Head of Auditing
- Head of Legal/Compliance/Money Laundering Prevention
- Head of IT/Organisation/Internal Services

and

- the Managing Board member in charge of risk management

are involved in the work of the Compensation Committee in an advisory capacity in the context of their tasks.

The Compensation Committee held three meetings in the fiscal year 2011. The Compensation Committee directly advises the Managing Board on the appropriateness and the structure of the compensation systems of all employees of NRW.BANK. In addition, it performs the following tasks:

- Monitoring of the compensation systems of NRW.BANK with regard to their appropriateness and compliance with applicable regulatory requirements;
- Advising the Managing Board on the appropriateness of the compensation systems of NRW.BANK as well as the applicable regulatory requirements;

- Reporting to the Managing Board and the Supervisory Board on the appropriateness of the compensation systems of NRW.BANK at least once a year; if necessary, additional reports on given occasions;
- Information duties towards the Chairperson of the Supervisory Board.

At its meeting on February 8, 2012, the Compensation Committee reviewed the appropriateness of the compensation systems for the employees and the Managing Board of NRW.BANK for 2011 and confirmed it in its respective compensation report.

Compensation at NRW.BANK

Ever since its inception, NRW.BANK has, in agreement with its guarantors, geared its compensation systems and compensation parameters towards its promotion tasks. Against the background of its promotion-oriented character, the Bank bases its compensation structure exclusively on regionally and/or nationally used compensation parameters. In accordance with Section 6 InstitutsVergV, the Compensation Committee reviews the appropriateness of the compensation systems on an annual basis and reports the results of this review to the Managing Board and the Supervisory Board of the Bank.

In accordance with Section 5 para. 2 No. 3 InstitutsVergV, the amount of the provisions for the variable compensation to be paid out in April 2012 for the fiscal year 2011 is defined by the Managing Board on the basis of a ratio system that reflects the sustainable total performance of NRW.BANK (see above). This quantitative assessment is complemented by the targets agreed between the Executive Committee and the full Managing Board as well as by a qualitative assessment of the overall risk situation. The variable compensation is paid out only after the respective financial statements have been discussed by the Supervisory Board and adopted by the Board of Guarantors.

Consistency between Strategic Corporate Objectives and Compensation Structures

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

Managing Board Compensation

Due to the classification as an important institution as defined in the InstitutsVergV, NRW.BANK had the compensation system for the Managing Board reviewed by an external compensation consulting firm in 2011 with regard to the requirements to be fulfilled by important institutions under the InstitutsVergV. Thereupon, following implementation of the requirements under the InstitutsVergV, the compensation of the Managing Board was adjusted. This change was implemented with effect from the past fiscal year by way of a resolution by the Executive Committee and with the Managing Board's consent to the adjustment of the employment contracts. In accordance with the regulations for the "risk carriers", part of the former variable compensation was converted into a non-dynamic extra pay to the fixed annual salary. At the same time and in accordance with Section 5 para. 2 Nos. 4 and 5 InstitutsVergV, the reduced variable payments are – for

the first time for the fiscal year 2011 – subject to the Bank's sustainable total performance and are paid out over a period of four years (deferral and sustainability component). The Bank thus complies with the duty arising under Section 10 InstitutsVergV.

According to a decision taken by the Bank's competent bodies to implement the InstitutsVergV, the variable compensation of the Managing Board – in analogy to the variable compensation of the "risk carriers" – is to be fixed individually each year on the basis of the Bank's total performance ratios, the achievement of the complementary objective agreement with the Executive Committee and a qualitative overall risk assessment. The objectives agreed with the Executive Committee reflect the special demands made on a development bank and take into account that the generation of profits is not the main business purpose. In accordance with the corporate policy, which is geared to the sustainable development of the North Rhine-Westphalian economy, the local authorities and the people in the state, the agreed objectives are divided into superordinate objectives to be achieved over a long to medium term and objectives to be achieved within one year. Both the long/medium-term objectives and the short-term objectives are derived from the overall bank strategy. They reflect the "principles of the business, promotion and risk policy" adopted by the Board of Guarantors and the regulatory requirements.

As far as the Chairman of the Managing Board is concerned, the contractually agreed purchasing power adjustment, which must be effected no later than three years following the coming into force of the contract, was implemented in the past fiscal year.

The table below compares the compensation received by the Managing Board members in 2011 and 2010:

€ thousands	Fixed compensation		Variable compensation		Other compensation		Total compensation	
	2011 ¹⁾	2010	2011	2010	2011	2010	2011	2010
Dietmar P. Binkowska	690	600	250	250	25	30	965	880
Klaus Neuhaus	476	402	200	200	36	33	712	635
Michael Stölting	446	380	200	200	35	28	681	608
Dietrich Suhlrie (since June 1, 2010)	456	228	117	0	15	22	588	250
Ernst Gerlach (until May 31, 2010)	0	162	83	200	0	19	83	381
Managing Board total	2,068	1,772	850	850	111	132	3,029	2,754

¹⁾ The figures cannot be fully compared with the prior year figures: As a result of the adjustment of the Managing Board compensation described above (partial conversion of the variable compensation into a non-dynamic extra pay) a higher fixed and, hence, total compensation for the Managing Board for 2011 is shown in the table. The actual effects of the reduction and the deferral of the variable compensation will become visible only in the financial reports for 2012, as the presentation of the compensation relates to the time of payment. This means that the variable compensation shown above relates to the Managing Board bonus agreed by the Executive Committee in March 2011 for the fiscal year 2010.

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

Provisions for pensions in an amount of € 8,128 thousand (2010: € 7,082 thousand) have been established to cover the Bank's obligations arising from Managing Board members' contractual entitlements in respect of retirement benefits, invalidity benefits as well as death benefits to their dependants.

Composition of the Compensation for Employees

The salaries of all employees of NRW.BANK are composed of fixed and variable compensation components. The fixed salaries and the variable compensation are determined according to comparable principles for all employees. Under the InstitutsVergV, the variable compensation for the Managing Board and the "risk carriers" must be linked to the sustainable total performance; NRW.BANK applies this principle to all employees.

The fixed salaries are paid monthly, while the variable bonuses are paid once a year at the beginning of the second quarter following the approval of the annual financial statements by the Board of Guarantors.

Employees Not Covered by Collective Agreements

a) Fixed Compensation

NRW.BANK sets the compensation of its employees who are not covered by collective agreements in accordance with the salaries paid for the respective function by comparable German companies. Since 2004, NRW.BANK has therefore participated in a regular market comparison carried out by an external compensation consulting firm.

b) Variable Compensation

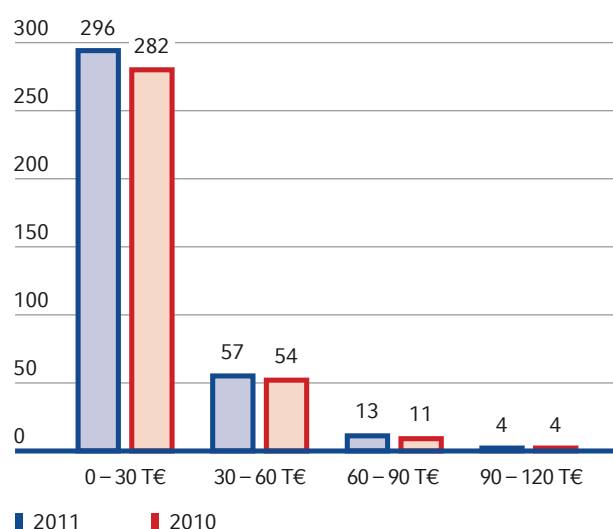
Based on the procedure described above, the Managing Board defines the available maximum bonus amount for each year and its allocation to the individual departments. This pool model ensures that the maximum bonus amount defined by the Managing Board for the Bank as a whole is not exceeded. The individual bonus amount is fixed in the context of the pool model at department level taking into account the amount of the fixed salary, the assessment of the achievement of objectives and the performance-relevant behaviour as determined in the planning and assessment process.

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

The chart below shows the frequency distribution for the employees not covered by collective agreements in 2011:

Number of Employees per Bonus Cluster

The analysis covered 370 (351) employees not covered by collective agreements (excl. Managing Board) who received a bonus in 2011 (2010) for the fiscal year 2010 (2009).



80% (2010: 80%) of the employees not covered by collective agreements received a bonus of max. € 30,000 in the fiscal year 2011 (2010). The average bonus amounted to just under 22% of the annual salary (2010: 22%), while the maximum bonus amounted to € 98,000 (2010: € 115,000).

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

Disclosure Pursuant to Section 7 Para. 2 No. 2 and Section 8 Para. 3 Nos. 1 – 5 InstitutsVergV

- Section 7 para. 2 No. 2 InstitutsVergV: The total amount of all compensation for employees not covered by collective agreements is stated on the basis of the Bank's segment report. It is divided into fixed and variable components as well as the number of beneficiaries receiving variable compensation:

Department/Segment	Number of recipients ¹⁾	Fixed	Variable
		compensation ^{2) 3)}	compensation ²⁾
		€ millions	€ millions
Programme-based Promotion	115	9.2	2.4
Other Promotion/Liquidity Management	36	3.5	1.5
Staff/Services	219	16.9	4.3

¹⁾ all employees not covered by collective agreements incl. staff changes in the course of the year (new hirings, departures, retirements)

²⁾ collected in the fiscal year

³⁾ includes non-material amounts of compensation received from third parties

- Section 8 para. 3 No. 1: Presentation of the total amount of all compensation paid to "risk carriers", broken down into fixed and variable components and the number of beneficiaries.

Number of identified "risk carriers" ¹⁾	Fixed	Variable	Total
	compensation ^{2) 3)}	compensation ²⁾	compensation
	€ millions	€ millions	€ millions
17	3.2	1.2	4.4

¹⁾ excl. Managing Board (shown separately)

²⁾ received in FY 2011

³⁾ includes non-material amounts of compensation received from third parties

- No compensation as defined in Section 8 para. 3 No. 2 was paid in the past fiscal year.
- The information requirements of Section 8 para. 3 Nos. 3 and 4 InstitutsVergV will be met in the next fiscal year, as the provisions of Section 5 para. 2 Nos. 4 and 5 InstitutsVergV (deferral) are for the first time applied in the fiscal year 2012.
- Severance payments arising from individual contracts pursuant to Section 8 para. 3. No. 5 were made in one case in an amount of € 110,000.

Employees Covered by Collective Agreements

a) Fixed Compensation

The scope for the fixed compensation of employees covered by collective agreements is defined in the

"Manteltarifvertrag für das private Bankgewerbe und die öffentlichen Banken" (basic collective agreement for private-sector and public-sector banks) as well as internal regulations.

b) Variable Compensation

NRW.BANK's employees covered by collective agreements participate in a bonus programme whose general features are comparable with that for the employees not covered by collective agreements. The available total amount is defined each year as a function of the business result. A bonus of approximately 5.3% (2010: 5.1%) of the fixed annual salary was paid out in 2011.

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 2011. Another 17 meetings were held by the Committees composed of the members of the Supervisory Board. This comprised five meetings by the Executive Committee including two extraordinary meetings as well as two written votes. The Promotion Committee held four meetings. Moreover, the Audit Committee held one ordinary meeting and two extraordinary meetings as well as one written vote. The Risk Committee met four times. In addition, the Audit Committee and the Risk Committee held one joint meeting, which was followed by a written vote. Due to overlapping appointments, which arose at short notice, two members of the Supervisory Board were unable to attend half of the meetings as prescribed in Clause 5.4.8 of the Public Corporate Governance Code of NRW.BANK.

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

In accordance with regulatory requirements and the provisions in the statutes, the Supervisory Board addressed the business, promotion and risk strategy for the years 2012 to 2015, which had previously been discussed by the Promotion Committee and the Risk Committee. The principles of the business, promotion and risk policies were submitted for approval to the Board of Guarantors, which is the competent body under the Bank's statutes. The Board of Guarantors approved the proposed strategy at its meeting on December 14, 2011.

KPMG AG Wirtschaftsprüfungsgesellschaft carried out the audit of the financial statements for 2011 and the statement of financial condition of NRW.BANK and issued an unqualified audit opinion. The Supervisory Board and the Audit Committee formed from among its members discussed in detail the report of the external auditors on the results of their audits. Following the final result of the audit, they raised no objections.

At its meeting on March 16, 2012, 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 2011. As in the previous years, no consolidated financial statements were prepared, as the Bank is not obliged to do so under commercial law.

The Regional Associations of the Rhineland and of Westphalia-Lippe exercised the option granted to them under an agreement between all guarantors in conjunction with the "Act on NRW.BANK" ("Gesetz über die NRW.BANK" – NRW.BANKG) and resigned from the group of guarantors with effect of June 1, 2011. The state of North Rhine-Westphalia is now the sole guarantor of NRW.BANK. This led to changes on the executive and controlling bodies of NRW.BANK.

The Supervisory Board of NRW.BANK would like to thank the members who have retired from this body for their constructive work, which helped take NRW.BANK forward as the development bank of North Rhine-Westphalia.

Düsseldorf/Münster, March 16, 2012



Harry K. Voigtsberger
Chairman of the Supervisory Board

Management Report

of NRW.BANK for the Fiscal Year 2011

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 guarantor, the state of North Rhine-Westphalia, 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.

Due to an agreement between all guarantors, the regional associations of the Rhineland and of Westphalia-Lippe resigned as guarantors of NRW.BANK with effect from June 1, 2011. As a result, the subscribed capital of NRW.BANK was reduced moderately.

With the state of North Rhine-Westphalia as the sole guarantor, NRW.BANK's strategic focus as the development bank for the companies, local authorities and families in North Rhine-Westphalia remains unchanged.

As an important player in the network spanning the corporate and academic sectors, society and the political sector, NRW.BANK helps to find solutions to the major challenges of our times, especially globalisation, demographic change and climate protection.

In response to these challenges, NRW.BANK has established a new promotion architecture. The Bank's major promotion themes such as "promotion of SMS", "housing promotion", "climate protection" and "start-up finance" have been pooled in three fields of promotion, namely "Seed & Growth", "Housing & Living" and "Development & Protection". This pooling of related themes allows the promotion themes to be addressed in a structured and integrated manner.

Economic Climate

The world economy had a promising start to the year 2011. World trade was back to the pre-crisis level at the beginning of the year, and global output remained robust following very strong growth in 2010. As the year progressed, however, the outlook, especially for the industrialised countries, deteriorated. Against the background of the unrest in the Arab world, oil prices picked up markedly in the first half of the year, and important supply chains were disrupted as a result of the tsunami disaster in Japan.

But the topic that dominated the world economy in 2011 was the sovereign debt crisis in Europe, which intensified even further. At the political level, it led to several summit meetings at which measures aimed at stabilising the highly indebted periphery countries and the financial system in the euro-zone were addressed. The sovereign debt crisis clearly illustrates the yet unresolved problems, especially of the industrialised countries. Besides the high debt levels of the public and/or private sectors, these problems primarily include the global macroeconomic imbalances and the major differences between the competitiveness of the developed economies. The current low interest and liquidity policy pursued by the European Central Bank (ECB), which is used to address these problems in the short term, entails the risk of asset price bubbles forming in the medium term. Such bubbles already led to undesirable market distortions in the past.

The German Economy

In Germany, the year 2011 also started with exceptionally good economic growth. In particular, capital formation in machinery and equipment provided a strong boost. The economic upswing primarily took place in the first half of the year, as the German economy was unable to isolate itself from the global economic developments

and the developments in Europe, in particular. Both incoming orders and manufacturing output slowed down at a high level in the second half of the year. But a growth rate of 3% for the full year shows that the German economy was very robust overall. In mid-2011, GDP reached the pre-crisis level again. The positive overall trend is attributable both to the sharp rise in exports in the summer half-year and, most importantly, to private consumption, which remained stable throughout the year. Consumer spending benefited from the increase in total disposable incomes, as the number of people in employment reached a new record level in 2011 when it passed the 41 million mark for the first time. At 7.1%, the average annual unemployment rate dropped to the lowest level since German reunification. The situation in the private housing construction sector was also good in 2011, which was reflected in a sharp rise in building permits and construction companies' improved assessment of their situation. Reflecting the dynamic global and domestic growth, consumer prices picked up more strongly, with the cost of living up by 2.3% on the previous year on an annual average.

Another positive factor for the economy was the good credit supply to the corporate sector throughout the year, which was reflected in the constantly low level of the Ifo Credit Constraint Indicator and the fact that the new corporate lending was up on the prior year level. Corporate spending remained stable in 2011. Due to the good economic growth and the resulting unexpectedly high tax revenues, net new borrowings of the public sector have slowed down markedly. At federal government level, an amount of € 17.3 billion was raised in 2011, compared to € 44 billion in 2010. Nevertheless, the public sector will be forced to consolidate its budgets at all levels in the coming years. To ensure that the required budget discipline is achieved, a "debt brake" has been included in the German Constitution.

Economic Development in North Rhine-Westphalia

The North Rhine-Westphalian economy continued to recover in 2011, with the number of persons subject to social insurance contributions reaching the highest level since 1992. According to estimates by the "Arbeitskreis Volkswirtschaftliche Gesamtrechnungen der Länder", North Rhine-Westphalia's real GDP in the first half of 2011 was up by 3.5% on the previous year. Growth was primarily driven by the good performance of the construction sector, which made up for the losses incurred because of the harsh winter of 2010/11. The good trend at the end of 2010 led to a moderate statistical exaggeration, though. Economic activity slowed down markedly in the second half of 2011. This was reflected in the downward movement of the NRW.BANK.ifo-business climate. Compared to this, the situation in the capital goods industry and individual sectors of the manufacturing industry such as automotive, mechanical engineering and metals processing were very good, though. According to an estimate by Rheinisch-Westfälisches Institut für Wirtschaftsforschung Essen (RWI), the North Rhine-Westphalian economy grew by a gratifying 2.8% in the full year 2011. While this is slightly higher than the long-term average, it is below the Germany-wide growth rate of 3.0% for the year 2011. This is primarily attributable to the performance of the steel and automotive sectors, which are of special importance to North Rhine-Westphalia. The cyclical steel industry suffered from the slowdown in macroeconomic growth in the second half of the year. Moreover, the North Rhine-Westphalian auto industry has a strong focus on European output markets, which suggests that it has been hit harder by the latter's current weakness than the German auto industry as a whole.

Financial Markets

The European sovereign debt crisis intensified in 2011. While Greece and Ireland had received comprehensive financial support already in 2010, Portugal also applied for assistance in 2011. Italy and Spain were faced with a growing loss of confidence and, hence, with rising bond yields. Nevertheless, no official government aid was required for these countries in 2011, although the ECB stepped up its purchases of government bonds from euro-zone countries.

European government bonds used to be regarded as low-risk investments and have required no equity backing so far. Sovereign bonds from European issuers have been and will remain an important element of the securities business of a largely budget-independent development bank. This situation changed fundamentally after the financial crisis. Government debt levels in some countries increased dramatically. This led to rating downgrades, higher financing costs and rising sovereign debt levels. Greece has become the very symbol of this paradigm change, similar to the bankruptcy of Lehman Brothers during the 2008 financial market crisis. Greek bonds quickly became high-risk investments, which had to be revalued also by the banks.

At the same time, a large number of new German and, in particular, European supervisory regulations (e.g. transposition of CRD II into German law) and rules for the financial sector were adopted. This new situation had a direct impact on the business models and risk strategies of many banks.

The sovereign debt crisis of the year 2011 intensified the confidence crisis for many European banks, as they are directly affected by an increased devaluation risk of government bonds. In response to this, banks sought to reduce their government bond holdings. This led to mutually reinforcing effects, as the declining demand sent government bond prices falling, while banks still had high holdings and, hence, high risks of devaluation. Politicians responded with a set of measures, most of which were adopted at the crisis summit held by the European heads of state and government in October 2011. These measures include a comprehensive, voluntary private sector haircut for Greece, the capitalisation of financially weak banks, leveraging of the European Financial Stabilisation Fund (EFSF) and strict austerity requirements for especially debt-ridden public sector

budgets. In addition, there were government changes in many European countries. At another crisis summit held in early December, the 17 EMU countries (plus most of the other EU countries, also referred to as "17+") agreed to include debt brakes in their national constitutions. They also decided to bring the European Stability Mechanism (ESM) forward to mid-2012. The EU countries also expressed their readiness to make an additional € 200 billion available to the International Monetary Fund (IMF) through the national central banks.

But the steps above were not sufficient to calm down the financial markets to the desired extent, which is why the risk premiums for ailing euro countries have stayed at a high level. According to the ECB, the sovereign debt crisis and the recession that is on the cards for large parts of the common currency area have greatly increased the downside risks to financial stability in Europe, which have turned into a systemic crisis.

Against the background of the above developments, Germany's public finance situation is relatively favourable. As a traditional "safe haven" with excellent ratings, Germany was able to raise money in the capital market at historically low interest rates. In combination with the unexpectedly strong increase in tax revenues, this led to the federal government's new borrowings being only about half as high as originally planned for 2011. Going forward, however, the guarantee promises that have been made to help stabilise the financial situation in individual euro countries and the macroeconomic environment may weigh heavily on Germany's public finance.

In this context, NRW.BANK continued to develop its promotion, business and risk policy with the aim of optimising its investment portfolio and mitigating its risks.

Mission and Activity of NRW.BANK

Under its mission, NRW.BANK's activities are geared to supporting the state's structural, economic and social policies as well as the public tasks of the government institutions and agencies charged with implementing these policies. While working in compliance with the subsidy and aid regulations of the European Community, NRW.BANK fulfils its mission using all customary financing instruments, particularly by granting loans, underwriting guarantees and investing in participations. NRW.BANK is essentially a budget-independent development bank. To generate the funds used for development and promotion purposes, the Bank holds and manages a securities portfolio and engages in risk hedging transactions.

The new business volume totalled € 8.1 billion in 2011 (2010: € 8.2 billion). In the context of its three fields of promotion, the promotion of SMEs with a broad range of debt and equity products and competent advice remains a core activity of NRW.BANK. As a strong partner to the North Rhine-Westphalian economy, the Bank also offers attractive and well-matched promotion and financing products also for business start-ups.

In 2011, the promotion business including government and municipal finance accounted for € 99.0 billion (2010: € 100.4 billion) of the Bank's total assets, while liquidity management accounted for € 53.5 billion (2010: € 56.4 billion).

Climate Protection. Economic development, just like housing construction and urban development, can be successful only if the impact of climate change and the change in energy policy are taken into account as well. This is why NRW.BANK places special emphasis on the theme "Environment/Climate/Energy" in the "Development & Protection" field.

Against the background of the quick nuclear phase-out, the Federal Republic of Germany has formulated ambitious goals for the reorganisation of its energy supply. Important preconditions for the accomplishment of these goals are a marked increase in energy efficiency, greater use of renewable energies and an intelligent combination of production and consumption. NRW.BANK offers special promotion and financing products to support the energy policy change in North Rhine-Westphalia.

A key promotion programme for companies in North Rhine-Westphalia to increase resource efficiency is the NRW.BANK.Effizienz kredit, which was introduced in October 2011. It allows companies to finance replacement investments for energy savings, the reduced use of resources and the avoidance and reduction of sewage water, waste, hazardous substances and noise. A precondition for this loan to be granted are energy savings of at least 20% or an increase in resource efficiency of at least 10%.

The "NRW.BANK.Elektromobilität" programme is designed to fund innovations in the field of electromobility and companies' purchases of electric vehicles. The Bank thus supports the North Rhine-Westphalian government's objective of having 250,000 electric vehicles registered in the federal state by the year 2020.

NRW.BANK also supports efficiency enhancing measures in the private sector, e.g. with regard to the modernisation of buildings. The "NRW.BANK.Gebäudesanierung" programme is an attractive product that was developed at the end of the past financial year and was launched in early 2012.

Housing Promotion. Apart from the modernisation of buildings in North Rhine-Westphalia to energy efficiency standards, NRW.BANK focuses on the promotion of affordable housing for low-income earners. The Bank supports this important social task also with measures that help ease the situation in social hotspots and support the development of urban neighbourhoods. Barrier-free building is a special focus in the field of residential housing construction. Loans in a total amount of roughly € 780 million were committed in 2011.

The social housing promotion activities are detailed by way of the benchmark process. In the context of this process, the Housing Ministry outlines the framework of social housing promotion with regard to the promotion targets and the promotion conditions (programme contents). The Ministry defines the programme contents and promotion requirements that have an impact on risk controlling and risk management at NRW.BANK, in consultation with the Managing Board of NRW.BANK. The North Rhine-Westphalian Cabinet decides on and adopts the benchmarks. The basis is formed by the "Gesetz zur Förderung und Nutzung von Wohnraum für das Land Nordrhein-Westfalen" (WFNG NRW – Law on the Promotion and Use of Housing for the State of North Rhine-Westphalia).

Municipal Finance. The financial situation of the local authorities continues to be marked by high and partly rising debt levels. In this tight budget situation, the local authorities must address the growing challenges of demographic change, climate protection and fiercer locational competition. This has led to a strong increase in municipal investment requirements. The political debate thus focused on the question of what sustainable help for the most strongly affected local authorities should look like. In this context, the NRW Parliament adopted the "Stärkungspakt Stadtfinanzen" pact at the end of 2011. NRW.BANK remains a reliable partner to the local authorities in North Rhine-Westphalia and will make an active contribution to the successful implementation of the pact. There are currently no signs of a credit crunch for the local authorities.

Advisory Services. Against the background of the difficult financial situation in the municipal sector, the advisory services for districts, cities and communities became increasingly important. The main emphasis was on advice on available funding and financing possibilities for infrastructure projects but also on budget consolidation strategies.

Advice is key to all promotion themes and continues to gain in importance. The traditional counselling events – lectures and workshops, e.g. with (savings) banks as well as chambers and economic development firms – continue to represent the core of NRW.BANK's advisory activities. Some 2,000 advisory sessions took place throughout North Rhine-Westphalia. In-house Counselling Days at the Bank's head offices in Düsseldorf and Münster complemented the Bank's personal information offerings.

In addition, NRW.BANK operates an info line to provide initial advice on promotion and development funds. Growing use has been made of this possibility, with more than 29,000 calls received from businesses, local authorities, private individuals, banks and savings banks as well as other multipliers in 2011.

Business Trend

Key Developments and Ratios

The business trend and results of NRW.BANK in the year 2011 were satisfactory. Positive effects resulted from the favourable trend in the promotion business.

As a largely budget-independent development bank, NRW.BANK has held an investment portfolio to generate the development and promotion funds ever since its foundation through spin-off from the former Westdeutsche Landesbank Girozentrale. In the context of the refined business, promotion and risk strategy, this portfolio is successively being reduced to further improve the Bank's risk position. This reduction takes place in conjunction with maturities as well as through portfolio-optimising and risk-mitigating measures such as limit cuts and the targeted liquidation of certain risk assets. As a result of these measures, the operating result declined in line with expectations but was still satisfactory.

The fiscal year 2011 was marked by the sovereign debt crisis also for NRW.BANK. Against the background of the great uncertainty about the outcome of the Greek government debt crisis, NRW.BANK wrote down those bonds whose economic risk is attributable to the Greek government to 30% of their original nominal value. These write-downs were largely covered by operating income generated in the fiscal year.

Net profit for the year totalled € 62.1 million.

Total assets declined by € 4.3 billion to € 152.5 billion due to the reduction of the securities portfolio.

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

	Programme-based Promotion		Other Promotion/Liquidity Management		Staff/Services		NRW.BANK Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Net interest income	229.5	211.3	159.7	228.8	75.4	83.4	464.6	523.5
Net commission income	19.3	20.7	62.3	61.2	-1.9	-1.5	79.7	80.4
Net income from trading operations	0.0	0.0	3.0	0.1	0.0	0.0	3.0	0.1
Other operating result	8.5	15.2	0.2	0.1	19.3	16.0	28.0	31.3
Administrative expenses	-78.1	-80.7	-29.4	-27.9	-97.6	-92.0	-205.1	-200.6
– Personnel expenses	-41.4	-40.6	-6.2	-6.0	-59.8	-60.2	-107.4	-106.8
– Operating expenditure	-36.7	-40.1	-23.2	-21.9	-37.8	-31.8	-97.7	-93.8
Operating income	179.2	166.5	195.8	262.3	-4.8	5.9	370.2	434.7
Risk provisions/ revaluation adjustments	9.5	-46.9	-301.1	-83.4	-8.7	-200.4	-300.3	-330.7
thereof: allocation to fund for general banking risks	0.0	0.0	0.0	0.0	0.0	-180.0	0.0	-180.0
Extraordinary result	0.0	0.0	0.0	0.0	0.0	-1.5	0.0	-1.5
Net profit/loss for the year before income tax	188.7	119.6	-105.3	178.9	-13.5	-196.0	69.9	102.5
Taxes on income and revenues	-0.5	-0.5	0.0	0.0	-7.3	-6.6	-7.8	-7.1
Net profit/loss for the year	188.2	119.1	-105.3	178.9	-20.8	-202.6	62.1	95.4
Average risk-weighted assets (in € billion)	15.8	15.2	14.1	14.4	0.3	0.2	30.2	29.8
Employees (number)	552	543	45	44	658	637	1,255	1,224

As of December 31, 2011, NRW.BANK employed 1,255 (2010: 1,224) people, including 56 (2010: 53) trainees/apprentices.

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

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

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

Earnings Position

Net Interest and Net Commission Income

At € 544.3 million, net interest and commission income was down by € 59.6 million on the good level of the previous year.

Net interest income decreased by € 58.9 million to € 464.6 million (2010: € 523.5 million).

As a result of the ongoing expansion of the promotion business, NRW.BANK's Programme-based Promotion segment reported an increase by € 18.2 million to € 229.5 million.

In the Other Promotion/Liquidity Management segment, the decline by € 69.1 million to € 159.7 million reflects the effects of the reduction of the securities portfolio. The decline was primarily attributable to lower interest income (which decreased in the context of general liquidity management) from government bonds with short remaining maturities acquired above par (mostly Germany, France and the Netherlands), which were repaid as planned in 2011.

The lower net interest income in the Staff/Services segment was primarily attributable to reduced income from investments.

Net commission income was slightly lower than in the previous year and mainly resulted from income from surrogate loan transactions and from the promotion business.

Net Income from Trading Operations

NRW.BANK's trading book contains short-term trading transactions with interest rate products undertaken by the Other Promotion/Liquidity Management segment. In the fiscal year 2011, net income from trading operations amounted to € 3.0 million (2010: € 0.1 million).

Other Operating Income

Other operating income decreased slightly by € 3.3 million to € 28.0 million and primarily related to the release of provisions no longer needed.

Administrative Expenses

Compared to the previous year, administrative expenses increased by a moderate € 4.5 million to € -205.1 million (2010: € -200.6 million).

Personnel expenses rose by € 0.6 million to € -107.4 million in 2011. The increase in wages and salaries and in social security contributions by € 3.2 million and € 0.8 million, respectively, is attributable to a moderate rise in the number of employees with limited and unlimited employment contracts and a 1.6% pay rise which became effective on January 1, 2011. This was partly offset by valuation effects relating to provisions for pensions and additional benefits, because of which the required additions were € 3.4 million lower than in the previous year.

At € -97.7 million (2010: € -93.8 million), **operating expenses** were higher than in the previous year. This was primarily attributable to increased expenses for buildings and offices.

Risk Provisions/Revaluation Adjustments

Risk provisions/revaluation adjustments amounted to € –300.3 million (2010: € –330.7 million).

In the lending business, risk provisions/revaluation adjustments improved by € 41.4 million to net income of € 14.6 million. In the Programme-based Promotion segment, more valuation adjustments were released than established thanks to an improved risk structure.

The Greek sovereign debt crisis had a material impact on risk provisions/revaluation adjustments in the securities business of the Other Promotion/Liquidity Management segment in 2011. At the EU summit on October 27, 2011, Greece's private creditors generally agreed to a voluntary haircut of 50%. Against the background of the continued uncertainty about the future of the Greek government budget and the current discussion held in the context of the ongoing debt restructuring negotiations, NRW.BANK has written down the carrying amounts of bonds whose economic risk is attributable to the Greek government beyond the above haircut by € 442.0 million to 30% of the original nominal value. After these write-downs, the carrying amount of these bonds stood at € 188.8 million as of December 31, 2011.

Risk provisions/revaluation adjustments in the equity investments business are largely determined by write-downs on investments held as part of NRW.BANK's investments in the Programme-based Promotion segment as well as by write-downs on strategic investments held on behalf of the federal state in the Staff/Services segment and improved to € –10.3 million (2010: € –20.2 million).

Net Profit

In fiscal 2011, NRW.BANK generated a net profit before income tax of € 69.9 million.

Although NRW.BANK is exempt from income tax, the Bank incurred income taxes in an amount of € –7.8 million (2010: € –7.1 million). These related to income from strategic investments to which the Bank's tax exemption does not apply.

Net profit for the year 2011 amounted to € 62.1 million (2010: € 95.4 million). Section 14 of the Act on NRW.BANK (NRW.BANK G) provides for € 20.2 million to be paid out towards federal interest expenses. Net income after allocations to the statutory reserves of € 6.3 million amounted to € 35.6 million. This amount will be paid out to the state of North Rhine-Westphalia based on an agreement between all guarantors, which was signed at the time of the foundation of NRW.BANK.

Net Worth Position

While the promotion business was expanded, other business declined due to the reduction of the securities portfolio in the context of the business, promotion and risk strategy. The portfolio was reduced actively as well as through scheduled repayments.

Receivables from banks rose by € 1.1 billion to € 33.3 billion, primarily due to an increase in the promotion business handled according to the "local relationship bank method". Under this method, customers file an application for promotion funds with the relationship bank, which passes it on to NRW.BANK. NRW.BANK then makes the funds available to the customer through their relationship bank. Funded through the low-interest KfW-Unternehmerkredit programme, the NRW.BANK.Mittelstandskredit loan for SMEs remained the highest-volume development programme of NRW.BANK and the state of North Rhine-Westphalia in 2011. A portion of NRW.BANK's earnings is used to further optimise the lending terms.

Receivables from customers decreased by € 1.4 billion to € 64.3 billion (2010: € 65.7 billion). This was primarily due to a € 1.6 billion decline in time deposits and a € 0.6 billion reduction in receivables from collateral provided for money market transactions. By contrast, note loans increased by € 0.8 billion.

The balance sheet item “bonds and other interest-bearing securities” declined by € 3.1 billion to € 47.9 billion in the fiscal year 2011. This is mainly attributable to the fact that the portfolio of instruments from domestic public-sector issuers dropped by € 1.8 billion to € 9.7 billion, the portfolio of instruments from domestic banks decreased by € 0.6 billion to € 10.6 billion and the portfolio of instruments from mostly European companies from the financial sector was reduced by € 0.4 billion to € 5.8 billion.

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

List of Current Ratings

Long-term rating
Short-term rating
Outlook

Trust assets and trust liabilities declined by € 0.1 billion to € 1.9 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 guarantor, NRW.BANK shares the same excellent rating with the state of North Rhine-Westphalia.

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

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

The Other Promotion/Liquidity Management 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 consolidated its market presence with further benchmark issues in euros and US dollars.

During the fiscal year NRW.BANK placed debt worth approx. € 11 billion (2010: € 13 billion) with a wide investor base. To optimise its funding, NRW.BANK

continues to use the following funding programmes: the Global Commercial Paper Programme to cover maturities of up to twelve months and the Debt Issuance Programme to cover medium and long maturities. In view of the market situation, investors show increased interest in secure products with good ratings. Thanks to the first-class creditworthiness of NRW.BANK, our issues remained in demand even in the challenging market environment.

Liabilities to banks increased by € 1.2 billion to € 40.1 billion. Note loans increased by € 1.1 billion, repo transactions by € 0.9 billion and liabilities from guarantees underwritten by € 0.4 billion. By contrast,

registered instruments declined by € 0.8 million and money market transactions in the form of time deposits decreased by € 0.6 billion. The promotion loans funded through KfW Bankengruppe, which are paid out on the assets side primarily in the form of the NRW.BANK. Mittelstandskredit according to the "local relationship bank method, showed a very positive trend and increased by € 0.2 billion on the previous year to € 21.6 billion. The largely programme-driven lending business is also funded to a lesser degree through Landwirtschaftliche Rentenbank, the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).

Liabilities to customers decreased by € 2.1 billion to € 22.7 billion; they continue to be dominated by registered instruments in an amount of € 19.6 billion, which declined by € 1.1 billion in the past fiscal year, though. Moreover, the money-market business in the form of time deposits declined by € 1.2 billion. By contrast, note loans increased by € 0.1 billion.

Certificated liabilities amounted to € 65.0 billion at the end of the year (2010: € 68.1 billion). On the one hand, money market instruments declined by € 6.4 billion to € 42.4 billion; on the other hand,

municipal bonds decreased by € 0.3 billion to € 0.9 billion. By contrast, bearer bonds rose by € 3.5 billion to € 21.6 billion.

Equity Capital

Equity Capital pursuant to the German Commercial Code (HGB) remained almost unchanged at € 17.7 billion.

In the fiscal year 2011, the regional associations of the Rhineland and of Westphalia-Lippe exercised the option granted to them under an agreement signed between all guarantors at the time of the foundation of NRW.BANK in conjunction with Section 4 para. 5 NRW.BANK G and resigned as guarantors of NRW.BANK with effect from June 1, 2011. They converted their shares of 0.69% each into shares in WestLB AG which were previously held by NRW.BANK. As a result, the state of North Rhine-Westphalia is the sole guarantor of NRW.BANK. The subscribed capital now amounts to € 17.0 billion (2010: € 17.2 billion).

The equity capital as defined in the German Banking Act (KWG) amounted to € 5,628.9 million (2010: € 5,282.7 million), as of December 31, 2011.

Capital Ratios

	Dec. 31, 2011	Dec. 31, 2010
	%	%
Overall capital ratio	18.30	18.02
Core capital ratio	12.51	15.17

The capital adequacy is determined based on the Solvency Regulation (SolvV). The regulatory capital requirements were complied with at any time in the fiscal year 2011.

The decline in the core capital ratio is primarily attributable to the fact that Wohnungsbauförderungs-

anstalt no longer prepares its own balance sheet due to the legally prescribed integration of the state housing assets into NRW.BANK. This led to shifts between the core capital and the supplementary capital as part of the determination of the regulatory own funds. This did not affect the overall capital ratio.

Risk Report

Risk Report NRW.BANK uses a comprehensive set of risk monitoring and management tools to control the risks to which it is exposed. The Bank has implemented a framework of guidelines, organisational structures and processes to identify, measure, aggregate and manage the risks and to limit them in accordance with the Bank's risk-bearing capacity.

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

NRW.BANK's risk management instruments and processes proved their effectiveness also in the highly uncertain environment.

Organisation of Risk Management

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

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

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

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

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

The overall bank strategy, which comprises the business, promotion and risk strategies, is analysed, revised and adapted to new conditions in the context of the annual strategy process. The strategy is discussed by the Risk Committee and the Supervisory Board. The annual strategy process is concluded by way of a resolution passed by the Board of Guarantors on the principles of the business, promotion and risk policies.

Organisational Structure of Bank Steering



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

Additions to the product portfolio of NRW.BANK made in the context of the ongoing portfolio expansion are subjected to the cross-divisional process for the introduction of new products. This ensures that the risks arising from new products are identified, measured and limited. In addition, the risk management instruments and processes are generally refined and adjusted on an ongoing basis.

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

Risk inventory

Effective risk management and monitoring hinges on the precise identification and assessment of risks. In the context of Group-wide risk inventory taking, NRW.BANK examines which risks could have a material impact on the net worth, earnings or liquidity position. Among the key risks identified are the counterparty default risk and the market risk and, to a minor extent, the liquidity risk and the operational risk.

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 credit risk also includes the issuer risk arising from securities.

The development and promotion funds extended by NRW.BANK are either secured or granted through the "local relationship bank" method, which means that the respective portfolio is a low-risk portfolio.

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.

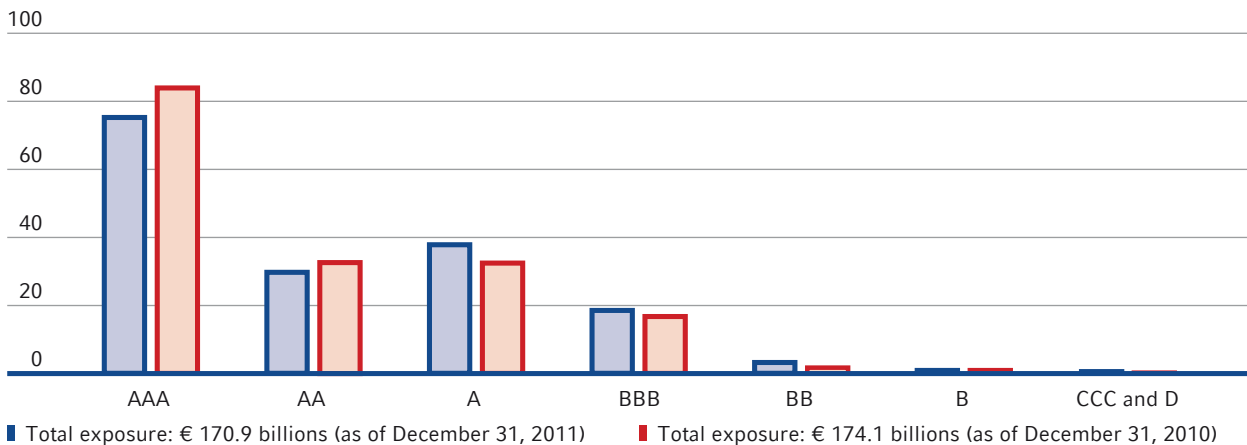
NRW.BANK enters into derivatives on the stock exchange or over the counter using standardised contracts with selected counterparties with a good credit standing.

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

Settlement risks are mitigated by the bank by processing all securities transactions "delivery against payment".

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 2011 was € 170.9 billion (2010: € 174.1 billion). This computation includes binding payment obligations, derivatives-based credit equivalents and the cost price of securities. It does not

incorporate pro-rata interest and trust assets. The total exposure also includes collateralisation of derivative transactions as well as protection bought in the credit derivatives market.

96.1% (2010: 97%) of the asset portfolio is of investment grade quality (rating classes AAA to BBB). The Bank enters into sub-investment grade exposures only where this is required as part of its public mission, e.g. the promotion of SMEs and in the case of social housing promotion. Changes in the rating composition of the portfolio against the previous year primarily resulted from rating downgrades of positions already held in the portfolio as well as from a general reduction in exposures.

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

In order to limit concentration risks, the Bank defines single name concentration limits for companies and groups of companies as well as appropriate country limits. Due to its mission, NRW.BANK has special responsibility towards the local authorities in North Rhine-Westphalia. As a reliable partner, the Bank provides them with funding, which entails certain concentrations with regard to the state of North Rhine-Westphalia and the local authorities in the federal state.

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 2011, no new exposures were taken on in this segment, except for one transaction that is fully guaranteed by the European Investment Fund. The Bank's structured product exposures amounted to € 6.1 billion on the balance sheet date (2010: € 6.3 billion).

Geographically, NRW.BANK is primarily exposed to Germany in an amount of € 119.3 billion (69.8% of the total exposure, prev. year 69.9%), with the main emphasis on North Rhine-Westphalia. Of the total current foreign exposure in an amount of € 51.7 billion (30.2% of the total exposure, prev. year 30.1%), € 39.8 billion relates to countries in Europe, while € 11.9 billion refers to non-European countries. The Bank's foreign exposure relates almost entirely (92.4%) to investment grade countries.

As a result of the persistent sovereign debt crisis, the rating pressure on various borrowers, especially foreign governments, increased even further. The Bank responded to this at an early stage by refining its risk strategy and taking portfolio-enhancing and risk-mitigating measures such as limit reductions and the elimination of risk assets. Ratings could come under further pressure if new burdens are imposed on the governments and/or the economy slows down even further.

Sub-investment grade exposures are exclusively attributable to rating downgrades of investments already held in the portfolio and are monitored especially closely (new exposures in such countries are ruled out). These include direct exposures towards Portugal, Greece, Hungary and Iceland (€ 2.1 billion) as well as exposures to regions and government-related enterprises in such countries (€ 0.6 billion) including the respective write-downs.

NRW.BANK applies various control mechanisms to ensure the good rating quality of its portfolio. These centre on the Bank's risk strategy, in association with an economic capital concept. The limits are set at the portfolio level on the basis of a Credit VaR for a holding period of one year and a 99.98% confidence level. The computations are incorporated into extensive scenario and stress analyses. Different historical and hypothetical scenarios are used to simulate deteriorations in the rating quality and in potential realisation proceeds. The analysis covers not only the effects on the risk-bearing capacity but also the effects on the income statement under stress.

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

The equity investment business comprises investments held on behalf of the federal state as well as investments held as part of the Bank's mission. The resulting counterparty default risks of the investments are largely based on the strategic and operational risks, which are analysed using the corporate data made available for investment controlling purposes. Controlling for these companies

includes continuous monitoring of profits or losses and of conformity to projections. In the case of major equity holdings, the quarterly report also includes a review of risk-relevant developments. As such, risk management is a systematic and continuous process that enables rapid adaptation to changing conditions. At some of these investments, the Bank's position as shareholder is represented through mandates on bodies such as advisory councils, supervisory boards or investment committees.

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

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

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

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

The economic capital set aside for counterparty default risk was € 4.5 billion (2010: € 4.1 billion) as of the reporting date. The decline against the previous year is attributable to the above-mentioned rating downgrades of positions already held in the portfolio.

Risk Provisions

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.

In the securities business, the amount of the risk provisions for derivative components is determined using market information, mathematical models and individual creditworthiness estimates. Specifically, in the case of structured products, a comparison is performed between the counterparties identified as critical and 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.

Market Risk

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

In addition to assessing linear influences, the model also applies a Monte Carlo simulation to capture non-linear influences of the few optional positions on the value of the portfolio. The historical observation period is 250 days, with a greater weight placed on incidents in the more recent past. 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 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.

The market risk focuses on the general and specific interest rate risks of the investment portfolio. The resulting fluctuations in market values are not recognised in profit or loss under commercial law unless there is a permanent impairment in value. Due to the Bank's intention to hold investments in the investment portfolio permanently, the hedges used by the Bank relate to the nominal value of bullet positions, meaning that only insignificant fixed interest period incongruencies occur in the presentation under commercial law accounting

rules; these incongruencies are strictly limited. Cash-value fixed interest period incongruencies and, hence general interest rate risks arise primarily because of widening credit spreads, as, in this case, – despite hedges based on nominal values being in place – the market values of the securities and the hedges are no longer fully matched (“cash value hedge asymmetries”). Moreover, the Bank's trading strategy also includes active positions to a minor extent.

Currency risks play only a minor role. They are primarily hedged using derivatives, which means that, for purposes of reporting under commercial law accounting rules, there is only a currency risk on the margin generated.

As of December 31, 2011, the VaR for general market risks in the banking book and the trading book totalled € 71.4 million (2010: € 38.6 million). No material trading book existed in 2011. The average VaR for general market risks in the fiscal year was € 44.4 million. While the VaR declined moderately in the first six months of 2011, it rose markedly in the second half of the year due to increased volatility in the market parameters and growing hedge asymmetries resulting from the intensification of the sovereign debt crisis. Accordingly, the minimum of € 23.1 million on April 11, 2011 contrasted with a maximum of € 80.7 million on November 16, 2011.

Given that the Bank is controlled in accordance with HGB standards, a distinction is made when accounting for specific interest rate risks; positions of the trading portfolio are fully accounted for, while those positions of the financial investment portfolio and liquidity reserve are accounted for which do not meet internal minimum ratings defined on the basis of debtor/asset classes. This approach reflects the fact that NRW.BANK acquires positions with the intention of holding them permanently and usually holds them until final maturity. As of the end of the year, the VaR for specific interest rate risks was € 36.3 million (2010: € 26.9 million). This increase is also attributable to the higher volatility of the credit spreads resulting from the government debt crisis.

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

The economic capital for general and specific market risks was € 1.8 billion (2010: € 1.1 billion) as of the reporting date. Just like the increase in the VaR, the increase in economic capital is attributable to the financial market uncertainties resulting from the European government debt crisis and the related higher volatilities and changed correlations between individual segments of the financial market.

Liquidity Risk

The liquidity risk includes:

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

To safeguard its ability to meet payment obligations at any time, NRW.BANK has a substantial portfolio of securities/receivables that can be deposited with the ECB. Moreover, the Bank can generate liquidity at short notice at any time without having to sell securities/receivables thanks to the explicit funding guarantee extended by NRW.BANK's guarantor 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. A limit system ensures that the Bank's payment ability is guaranteed at all times taking into account a substantial liquidity buffer. The latter includes the liquid assets required under MaRisk.

Stress tests are performed in the context of liquidity management. These stress tests take into account crisis-specific effects on payments, the liquidity buffer maintained by the Bank as well as the limit utilisation. The results are analysed at least on a monthly basis.

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 2011. The liquidity ratio as of the reporting date was 3.4 (2010: 5.0), well above the regulatory required minimum of 1.0.

Operational Risk

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

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

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

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

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

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

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

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

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

The economic capital for operational risk was € 0.2 billion (2010: € 0.2 billion) as of December 31, 2011.

Strategic Risks

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

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

NRW.BANK's statutory mission is based on the provisions of the "Verständigung II" agreement between the German government and the EU 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 risk including specific interest rate risks, also of the investment portfolio, as well as operational risk) and combines them in a methodologically consistent manner to generate a key number for the entire Bank.

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

Bank-wide economic capital is determined taking diversification effects between the counterparty default risk and the market risk into account. It totals € 6.1 billion at a confidence level of 99.98%.

Bank-wide Economic Capital

Economic capital	Dec. 31, 2011	Dec. 31, 2010
	€ billions	€ billions
Counterparty default risk	4.5	4.1
Market risk	1.8	1.1
Operational risk	0.2	0.2
Sub-total	6.5	5.4
Diversification effect	-0.4	-0.3
Total economic capital	6.1	5.1

The economic capital is compared with the capital cover, which is determined with due allowance for the equity components required by banking regulations and reported in the balance sheet. The capital cover totalled € 11.9 billion (2010: € 10.7 billion) as of the reporting date.

In keeping with the differentiated accounting of specific interest rate risks in the market 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. Given NRW.BANK's holdings of securities eligible for ECB repo transactions as well as the funding guarantee extended by its guarantors, there is currently no need to sell securities for liquidity management purposes.

The management concept is supplemented with Bank-wide stress and scenario analyses. The Bank takes an integrated approach, which consistently integrates the main risk types, i.e. counterparty default risk and market risk. Historical and hypothetical scenarios are used to analyse the effects on the risk-bearing capacity and the income statement of the Bank.

In the context of the strategy process for 2012–2015, several adjustments regarding the management of the risk-bearing capacity were adopted and became effective on January 1, 2012. In particular, the Bank thus complies with the requirements arising from the paper "Aufsichtliche Beurteilung bankinterner Risiko-tragfähigkeitskonzepte" (supervisory assessment of banks' internal risk-bearing capacity concepts) published by the Federal Financial Supervisory Authority (BaFin) in December 2011. Going forward, the risk-bearing capacity will be monitored by two separate controlling cycles, one in a going concern perspective and one in a gone concern perspective.

Under this dual approach, direct control of the risk-bearing ability will be managed in a going concern perspective, i.e. based on HGB accounting standards. This approach is geared to the avoidance of balance sheet losses with a view to protecting the institution's creditors and owners. This means that the calculation of economic capital takes into accounts those risks which can impact a HGB balance sheet. Under this approach the utilisation of the capital cover will be clearly lower than in the past.

As an additional constraint, the risk-bearing ability is measured in a gone concern perspective. This view ignores the institutional liability, the guarantor liability and the explicit funding guarantee undertaken by NRW.BANK's guarantor in order to enable the Bank to perform its mission as the state's development bank. As a result, the economic capital will exceed the capital cover moderately as per January 1, 2012. The Bank has prepared for this event by refining its risk strategy at an early point in time and by taking measures to optimise the portfolio and reduce its risk position; these measures have included limit reductions and the disposal of risk assets.

Internal Control System with Regard to the Accounting Process

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

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

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

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

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

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

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

Report of Anticipated Developments

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

Development of the Economic Environment

In view of the unusually high uncertainty, it is extremely difficult to assess the outlook for 2012. It is safe to assume that the financial markets will be characterised by high volatility and uncertainty about the sovereign debt crisis. The signs and signals are not consistent and are subject to future political developments. Generally speaking, a lot will depend on whether the sovereign debt and banking crisis will be mastered. The resolution passed by the "17+" governments in late 2011 to add "debt brakes" to their respective constitutions is an important sign that reflects the serious political efforts aimed at solving the crisis. The complexity and sheer size of the task suggests that the crisis is unlikely to be overcome in the short term.

From today's point of view, a growth rate of a good 3% appears to be possible for the world economy, as the global leading indicators do not point to a marked slow-down in the world economy. Growth in 2012 will again primarily be driven by the emerging markets, while the USA will probably grow only moderately.

The European economy will clearly suffer from the sovereign debt crisis in 2012. On the one hand, capital spending and consumer demand should weaken against the background of high uncertainty. On the other hand, the European periphery countries, in particular, will clearly reduce their demand as a result of the public sector's budget consolidation efforts.

Germany will be unable to isolate itself from this trend. The leading indicators are clearly pointing downwards and indicate a difficult start to the new year. Compared to 2011, real GDP is likely to grow at a moderate rate of only about 0.5% in annual average terms. Exports are expected to decline, as Germany's key importing countries will probably experience recessionary tendencies. This means that growth is likely to be stimulated primarily by domestic demand. This is not least suggested by the fact that unemployment is expected to remain low, with incomes of people in salaried employment rising, which should support a good consumer climate as well as private housing construction. The very high level of capacity utilisation in the corporate sector, in conjunction with the extremely low interest rates, should support a stable trend in modernisation investments and spending on new plant capacity. Even so, companies' extremely good financing situation could deteriorate somewhat next year. This is attributable to the more restrictive requirements imposed on banks, which must achieve higher equity ratios and comply with stricter regulatory requirements. Against this background, banks are likely to reduce their balance sheets. NRW.BANK nevertheless believes that there will be no marked credit squeeze in Germany. The slow-down in economic activity suggests that the euro-zone's 2% inflation target will not be exceeded. In the medium to long term, however, there is a risk of inflation accelerating again as a result of the European Central Bank's low-interest and liquidity policy in 2012. The low interest rates should also prevent a marked increase in capital market yields.

The unexpectedly high tax revenues in 2011 will not easily be repeated in 2012. The public sector will (have to) continue its budget consolidation efforts. However, the economic impact should be relatively low, however, given that Germany's adjustment requirements are lower compared to other European countries. Nevertheless, the uncertainty about the potential burdens resulting from the European bailout packages for EMU countries and the support of German banks remains very high.

Against the background of the highly uncertain forecast for 2012, the outlook for 2013 is subject to even greater uncertainty. Although the world economy is expected to recover relatively slowly, 2013 should nevertheless be somewhat more encouraging than 2012. While the European economy will probably see only moderately positive growth, the emerging countries should post higher growth rates. The German economy should continue to grow somewhat more quickly than the rest of Europe.

Development of the Bank

In the coming years, the promotion activities of NRW.BANK will continue to be geared strictly to the Bank's business, promotion and risk strategy.

NRW.BANK anticipates being able to further strengthen its position as the development bank for North Rhine-Westphalia in consultation with its guarantors. In this context, the debt brake for the public sector budgets could play a role in future. Moreover, the range of promotion instruments is to be expanded further and optimised with a view to meeting the structural policy challenges in North Rhine-Westphalia. The risk strategy has been updated in accordance with the business strategy with the aim of reducing risks selectively and refining the controlling functions.

NRW.BANK expects a positive trend for its promotion business in 2012 and 2013. Growing demand for low-interest investment loans is expected to lead to continued growth for the Bank's promotion units. Higher interest subsidies may therefore be required compared to the prior year. Overall, NRW.BANK expects to see a noticeable decline in net interest income and net commission income in the coming years due to the reduction of the securities portfolio.

The Bank also aims to keep administrative expenses stable through strict cost management in the coming years. Unexpected delays in the implementation of the large-scale projects realised in the context of the IT strategy could have an impact on the bottom line.

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

The increase in personnel expenses is to be offset through cost-cutting measures targeted at operating expenditure. It is planned to complete the replacement of the old IT systems by 2014 and to leverage positive synergies as a result. However, a cost risk exists with regard to yet unknown requirements that may arise in the national and international banking regulatory environment and may lead to cost-intensive measures.

From today's point of view, the sovereign debt crisis will continue to make itself felt also in the following two years. Consequently NRW.BANK cannot rule out the possibility of having to set aside provisions in the future.

Developments relating to investments held on behalf of the federal state, which are primarily of an external nature, represent another factor of uncertainty.

On balance, NRW.BANK expects the results of the following years to remain below the level of 2011.

Total assets should decline due to the consistent reduction of the securities portfolio.

Development of the Segments

In the Programme-based Promotion segment, the Board of Guarantors confirmed the new promotion architecture of NRW.BANK in the context of its resolution on the principles of the promotion policy. The promotion activities are divided into three fields of promotion and ten promotion themes. The fields of promotion are "Housing & Living" (covering the promotion themes Local Governments, Housing as well as Social and Other Infrastructure), "Development & Protection" (covering the promotion themes Environment/Climate/Energy, Innovation and Education) as well as "Seed & Growth" (covering the promotion themes Provision of Capital to Mid-sized Businesses, Start-ups and Exports; the promotion theme "Provision of Capital to Mid-sized Businesses" has been renamed "SME" with effect from 2012). The promotion strategy of NRW.BANK for the 2012 – 2015 planning period is geared to the respective objectives.

The programmes in the "Seed & Growth" field cover the complete lifecycle of a company, from start-up to growth phases or difficult financial situations to succession. The supply of debt and equity capital will remain an important objective within the promotion themes of "Start-up" and "SMEs", with another focus on advisory services for business start-ups and SMEs.

Products on "foreign trade" additionally assist North Rhine-Westphalian companies in making inroads into foreign markets. This helps to strengthen their international competitiveness and to secure jobs in North Rhine-Westphalia in the long term.

Building on its product range, which is broadly based, e.g. with regard to target groups and sectors, NRW.BANK intends to strengthen its position as a sought-after and reliable partner to North Rhine-Westphalia's corporate sector also in future.

In the field of "Development & Protection", the Environment/Climate/Energy theme will play an even more important role going forward. This is attributable to the change in energy policy, which is being pushed ahead by the federal and the North Rhine-Westphalian governments and is actively supported by NRW.BANK.

In 2011, the Bank already launched new products for the promotion of resource efficiency and developed innovations in this field. In 2012, there will be new programmes within this promotion theme, which will be targeted at private individuals, corporates and municipalities. The possibilities for promotion range from the energy-efficient modernisation of residential buildings to the acquisition of resource-efficient machinery to the development or acquisition of electric vehicles.

The "Housing" theme in the promotion field of "Housing & Living" is dominated by the implementation and the ongoing development of social housing promotion in accordance with the requirements of the Law on the Promotion and Use of Housing for the State of North Rhine-Westphalia (WFNG NRW) and the benchmark process laid down in the law. The established benchmark process integrates the state government's promotion policy objectives with NRW.BANK's social housing promotion strategy. The "benchmark resolution" includes specifications of the volume of the housing promotion programme, the amount and the duration of the interest subsidisation and the functional and regional focal points. A growing focus will be placed on measures aimed at increasing energy efficiency and climate protection. Measures that have played an important role for a long time, such as the promotion of barrier-free housing and the creation of new forms of housing for the elderly, will also remain highly relevant. In this context, the aim will be to further enhance the quality of existing and new housing. Using the scope for interest rate setting opened up by the WFNG NRW Act will help to avoid misinvestments and to match the promotion more effectively to actual social requirements.

Moreover, when it comes to promotion decisions, greater consideration will be given to forward-looking urban development. The aim is the integrated promotion of housing and the housing environment. NRW.BANK therefore aims to integrate the individual promotion products in the promotion field of "Housing & Living" even more closely to ensure an integrated urban development approach.

Important questions to be addressed relate to how the cooperation with the European development institutions can be strengthened and how the possibilities of the next EU development period can be exploited more effectively.

In the Other Promotion/Liquidity Management segment, the focus of the "Municipalities" theme will remain on the strategic positioning of NRW.BANK as a reliable municipal funding partner in the context of its public mission. This also includes advice on municipal investment solutions as well as support for public sector's budget consolidation efforts. The promotion of measures aimed at improving and expanding the municipal infrastructure also form part of NRW.BANK's promotion strategy.

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

In December 2011, the European Commission approved the restructuring of WestLB AG in accordance with the EU state aid provisions on the basis of a benchmark agreement between the Financial Market Stabilisation Fund, which is represented by the Federal Agency for Financial Market Stabilisation, the Savings Banks and Giro Association of the Rhineland, the Savings Banks and Giro Association of Westphalia-Lippe, Erste Abwicklungsanstalt (EAA), the Regional Association of Westphalia-Lippe, the Regional Association of the Rhineland and the state of North Rhine-Westphalia. According to the benchmark agreement, part of WestLB AG's banking operations will be spun off while others will be sold. The restructuring plan submitted by the federal government provides for a "Verbundbank" to be spun off from WestLB AG and to be transferred to Landesbank Hessen-Thüringen Girozentrale (Helaba). Subsequently, the assets and liabilities that have not been transferred to the "Verbundbank" or been sold in the meantime are to be transferred to EAA on June 30, 2012. After this date, WestLB AG will act as a service and portfolio management bank (working title: SPM-Bank) and provide services to the "Verbundbank" and to EAA as well as to third-party portfolios, while remaining under the same ownership and control.

NRW.BANK is not directly involved in the restructuring process of WestLB AG.

The book value of NRW.BANK's share in WestLB AG is secured by an irrevocable and unlimited guarantee from the state of North Rhine-Westphalia. This guarantee frees NRW.BANK from any risks arising in this context. It should also be noted that NRW.BANK has previously been released from any burdens, especially in the context of the restructuring of WestLB AG, and that the North Rhine-Westphalian government has declared its intention to continue this policy within the parameters of its budgetary remit also in future. NRW.BANK does not expect any change to arise in this respect from the planned restructuring.

Post Balance Sheet Events

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

Balance Sheet

of NRW.BANK at December 31, 2011

Assets

see Notes No.

Dec. 31, 2010

	€	€	€ thousands
1. Cash			
a) cash on hand	23,917.92		54
b) balances with central banks	427,442,183.43		1,344,582
thereof:			
with Deutsche Bundesbank			
€ 427,442,183.43			(1,344,581)
		427,466,101.35	1,344,636
2. Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks			
a) treasury bills and discounted treasury notes as well as similar debt instruments issued by public institutions		21,434,316.29	20,715
thereof:			
eligible for refinancing with Deutsche Bundesbank € 21,434,316.29			(20,715)
3. Receivables from banks	1, 12, 24, 28		
a) payable on demand	2,109,992,013.11		2,607,684
b) other	31,166,089,436.78		29,621,146
		33,276,081,449.89	32,228,830
4. Receivables from customers	2, 12, 24, 28	64,335,526,399.69	65,718,253
thereof:			
secured by mortgages € 120,038,174.60			(186,172)
loans to public authorities and entities under public law € 37,346,874,864.41			(38,126,952)
		98,060,508,267.22	99,312,434
	To be carried forward:		

Balance Sheet

of NRW.BANK at December 31, 2011

Assets

	see Notes No.	€	€	Dec. 31, 2010	
				€ thousands	
			To be carried forward:	98,060,508,267.22	99,312,434
5. Bonds and other interest-bearing securities	3, 9, 12, 13, 24, 26, 28				
a) money market instruments					
aa) of public institutions		100,007,490.00			146,045
thereof: eligible as collateral for Deutsche Bundesbank advances		€ 0.00			(146,045)
			100,007,490.00		
b) bonds and notes					
ba) of public institutions		21,355,446,623.10			23,294,571
thereof: eligible as collateral for Deutsche Bundesbank advances		€ 19,312,336,717.42			(21,502,987)
bb) of other issuers		26,217,236,458.60			27,391,371
thereof: eligible as collateral for Deutsche Bundesbank advances		€ 20,710,056,174.93			(22,530,270)
			47,572,683,081.70		50,685,942
c) bonds issued by the bank			194,538,352.87		125,852
principal amount		€ 184,686,000.00			(121,371)
				47,867,228,924.57	50,957,839
6. Shares and other non-interest-bearing securities	4, 9, 12			1,957,200.00	1,957
6a. Trading portfolio	5			273,507,994.36	574,626
7. Equity investments in non-affiliated companies	6, 9			2,256,416,101.52	2,263,193
thereof: equity investments in banks		€ 2,243,772,546.20			(2,252,990)
8. Equity investments in affiliated companies	6, 9			115,362,625.97	101,639
9. Trust assets	7			1,935,351,673.60	2,020,125
thereof: trust loans		€ 1,935,351,673.60			(2,020,125)
10. Intangible assets	9			21,598,719.15	25,955
11. Tangible fixed assets	9			76,133,572.89	74,950
12. Other assets	8, 24			1,688,770,376.57	1,213,621
13. Deferred items	10, 24			249,163,494.79	291,172
Total assets				152,545,998,950.64	156,837,511

Liabilities

see Notes No.		Dec. 31, 2010	
	€	€	€ thousands
	To be carried forward:	134,532,691,334.10	138,873,380
9. Capital with participation rights	22	11,000,000.00	11,000
thereof:			
due in less than two years	€ 0.00		(0)
10. Fund for general banking risks		265,340,000.00	265,008
thereof: special item pursuant to Section 340e (4) of the German Commercial Code (HGB)	€ 331,777.87		(8)
11. Equity capital	23		
a) subscribed capital	17,000,000,000.00		17,215,000
b) capital reserves	445,632,548.27		351,756
c) reserves from retained earnings			
ca) reserves required by NRW.BANK's statutes	36,100,000.00		29,800
cb) other reserves	219,647,128.42		24,367
d) profit for the year	35,587,939.85		67,200
		17,736,967,616.54	17,688,123
Total liabilities		152,545,998,950.64	156,837,511
1. Contingent liabilities	24, 25		
liabilities from guarantees and indemnity agreements		22,693,956,055.46	23,057,033
2. Other commitments	24, 25		
irrevocable loan commitments		3,727,961,371.68	4,095,861
3. Administered funds		190,451,137.69	172,059

Profit and Loss Account

of NRW.BANK for the Period January 1–December 31, 2011

		see Notes No.		Jan. 1 – Dec. 31, 2010
		€	€	€ thousands
1. Interest income from				
a) lending and money market transactions		2,894,985,466.34		2,798,900
b) interest-bearing securities and book-entry securities		<u>1,850,282,313.95</u>		<u>2,076,228</u>
			4,745,267,780.29	4,875,128
2. Interest expenses	31		<u>4,293,875,614.60</u>	<u>4,374,193</u>
				500,935
3. Income from				
a) equity investments in non-affiliated companies			2,809,322.32	11,581
b) equity investments in affiliated companies			<u>8,997,332.34</u>	<u>9,092</u>
				20,673
			11,806,654.66	
4. Income from profit pooling, profit transfer and partial profit transfer agreements				1,388,793.19
				1,917
5. Commission income	29		141,497,197.40	179,094
6. Commission expenses			<u>61,798,344.13</u>	<u>98,691</u>
				80,403
				79,698,853.27
7. Net profit from trading portfolio				2,979,554.32
				74
8. Other operating income	30, 31			47,390,027.02
				32,059
9. General administrative expenses				
a) personnel expenses				
aa) wages and salaries			89,978,686.09	86,735
ab) social security contributions and expenses for pensions and other employee benefits			<u>17,470,525.97</u>	<u>20,103</u>
thereof:				106,838
for pensions € 4,737,044.31				(10,458)
b) other administrative expenses	32		<u>88,809,300.07</u>	<u>79,341</u>
				186,179
				196,258,512.13
10. Depreciation and value adjustments on intangible and tangible fixed assets				8,887,807.53
				14,503
11. Other operating expenses	30			19,294,349.57
				663
				370,215,378.92
			To be carried forward:	370,598

see Notes No.	€	€	Jan. 1 – Dec. 31, 2010 € thousands
To be carried forward:		370,215,378.92	370,598
12. Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions		145,476,879.96	478,729
thereof: allocation to fund for general banking risks € 0.00			(180,000)
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		151,871,827.08	0
14. Income from write-ups of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as tangible fixed assets		0.00	152,415
15. Expenses from the assumption of losses		2,902,535.15	4,352
16. Result from normal operations		69,964,136.73	104,050
17. Taxes on income and revenues	7,825,895.75		7,053
18. Other taxes not shown under other operating expenses	87,583.08		87
		7,913,478.83	7,140
19. Extraordinary expenses		0.00	1,527
20. Net profit		62,050,657.90	95,383
21. Designated payout due to legal requirements		20,162,718.05	18,183
22. Allocation of net income to reserves from retained earnings			
a) reserves required by NRW.BANK's statutes		6,300,000.00	10,000
23. Profit for the year		35,587,939.85	67,200

Notes

of NRW.BANK at December 31, 2011

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.

Until May 31, 2011, the state of North Rhine-Westphalia held 98.62% and the two regional associations each held 0.69% in NRW.BANK. The regional associations of the Rhineland and of Westphalia-Lippe exercised the option granted to them under an agreement signed between all guarantors in conjunction with Section 4 para. 5 NRW.BANK G and resigned as guarantors of NRW.BANK with effect from June 1, 2011. In return for their shares in NRW.BANK, the regional associations received shares in WestLB AG. The subscribed capital of NRW.BANK was reduced moderately as a result. The state of North Rhine-Westphalia is now the sole guarantor of NRW.BANK.

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

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

Accounting and Valuation Principles

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

1. General

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

2. Receivables

The Housing Promotion Department's promotion loans to customers and banks, most of which are at no interest or below-market interest, are carried at their nominal value. This recognises the fact that these loans are quite predominantly funded at matching maturities from the former state housing assets and takes into account the "interest balance guarantee" under which the state of North Rhine-Westphalia would compensate for any negative interest balance for all promotion loans granted by the Housing Promotion Department up to December 31, 2009. No negative interest balance existed for these receivables as of the balance sheet date.

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

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.

The mortgage-secured promotion loans granted by the Housing Promotion Department in an amount of € 21.0 billion as of December 31, 2011 (2010: € 21.1 billion) did not meet the requirements of Section 14 para. 1 and 2 of the Pfandbrief Act at the time they were granted. These receivables are therefore no longer shown in a sub-item in the balance sheet. The prior year figures were adjusted accordingly.

3. Securities

Securities are valued at cost; any difference between the cost and the repayment amount is recognised on a pro rata basis as income. Securities held in the investment portfolio are valued according to the mitigated lower of cost or market principle. If their carrying amount is 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.

Securities held in the liquidity reserve are valued strictly at the lower of cost or market principle.

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

NRW.BANK incorporated the principles of the IDW statement on accounting (IDW RS HFA 22) of September 2, 2008 in the current financial statements. According to these principles, each structured financial instrument held in the investment portfolio is generally recognised as an integral asset. In those cases where the structured financial instrument has much higher or additional risks than the basic instrument due to an embedded derivative, each individual component is recognised separately as an underlying transaction and a derivative.

4. Derivatives

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

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

5. Equity Investments in Affiliated and Non-Affiliated Companies

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

6. Tangible Assets

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

7. Provisions

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

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

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

In accordance with the option granted under Section 253 para. 2 sentence 2 of the German Commercial Code (HGB), NRW.BANK has discounted provisions for pension obligations or comparable long-term obligations using the average market rate for an assumed remaining maturity of 15 years. The interest rate of 5.14% used for discounting was stipulated by Deutsche Bundesbank.

The accumulation for pension, early retirement, anniversary and benefit obligations was recognised in interest expense in an amount of € 17.3 million (2010: € 0.9 million).

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

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

In accordance with Article 67 para. 1 sentence 2 EGHGB, the option was used insofar as the existing provisions are maintained due to excess cover, as the required release would have to be reallocated by December 31, 2024 at the latest. As of December 31, 2011, excess cover of € 0.1 million existed for these provisions.

8. Loss-Free Valuation of the Banking Book

Because the securities held in the investment portfolio 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.

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

For securities held in the investment portfolio with a carrying value of € 15,027,176,178.32, an aggregate market value of € 13,354,921,692.48 was determined. These securities include a portfolio of euro-zone countries with a carrying value of € 12,974,566,506.99 and a market value of € 11,640,474,837.47 and non-EMU EU countries with a carrying value of € 838,072,374.27 and a market value of € 751,317,779.03.

9. Hedge Relationships of the Liquidity Reserve

To hedge against interest rate risks, assets with a carrying amount of € 190.2 million and derivatives with a nominal volume of € 155.0 million were combined into a hedge relationship. The hedge relationship hedges interest rate risks in an amount of € 5.9 million.

The transactions covered have a maximum remaining maturity until January 27, 2020. The transactions in the derivatives portfolios are hedges for the securities portfolios. Interest-induced movements in the market values of the hedged items and the hedges will be mutually off-setting in future. Effectiveness is measured retrospectively on the basis of the dollar offset method.

Interest rate risks are managed on the basis of sensitivities.

10. Financing Instruments of the Trading Portfolio

In accordance with Section 340e para. 3 HGB, instruments in the trading portfolio (securities, financial instruments) are measured at the fair value less a risk discount of € 2.3 million.

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

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

Of the net result of the trading portfolio, an amount of € 331,777.87 (2010: € 8,222.13) was allocated to the "Fund for general banking risks" pursuant to Section 340g HGB in order to comply with the distribution restriction for unrealised gains required pursuant to Section 340e para. 4 HGB.

11. Currency Translation

Foreign currency amounts have been translated in accordance with Section 340h and Section 256a of the German Commercial Code (HGB) and statement RS BFA 4 of the IDW. Assets and liabilities denominated in foreign currencies were translated using the spot exchange rate on December 30, 2011. In this context, NRW.BANK uses the reference rates of the European System of Central Banks (ESCB).

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

Balance Sheet

Receivables from Banks (1)

Breakdown by Maturity	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
Payable on demand	2,110.0	2,607.7
With residual maturities of		
– up to 3 months	2,568.5	2,471.3
– between 3 months and 1 year	1,731.4	1,531.8
– between 1 and 5 years	11,210.8	10,584.9
– more than 5 years	15,655.4	15,033.1
Total receivables from banks	33,276.1	32,228.8

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 € 355.8 million (2010: € 427.6 million).

Receivables from Customers (2)

Breakdown by Maturity	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
With residual maturities of		
– up to 3 months	2,659.8	6,036.2
– between 3 months and 1 year	3,298.2	1,785.3
– between 1 and 5 years	13,348.1	12,083.2
– more than 5 years	45,029.4	45,813.6
Total receivables from customers	64,335.5	65,718.3

As in the previous year, receivables from customers do not include receivables from affiliated companies. The receivables from other companies in which equity investments are held totalled € 0.8 million (2010: € 0.8 million).

Bonds and Other Interest-Bearing Securities (3)

Marketability	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
Bonds and other interest-bearing securities		
– listed on a stock exchange	43,839.2	46,800.6
– not listed on a stock exchange	4,028.0	4,157.2
Total bonds and other interest-bearing securities	47,867.2	50,957.8

Of the bonds and other interest-bearing securities, an amount of € 4,825.7 million (2010: € 4,642.8 million) is due in the following year.

As in the previous year, bonds and other interest-bearing securities do not include securities from affiliated companies. Securities in an amount of € 51.1 million (2010: € 51.1 million) were recognised for companies in which equity investments are held.

Of the total bonds and other interest-bearing securities € 294.5 million (2010: € 588.4 million) are held as part of the liquidity reserve and € 47,572.7 million (2010: € 50,369.4 million) are held in the investment portfolio.

Shares and Other Non-Interest-Bearing Securities (4)

Marketability	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
Shares and other non-interest-bearing securities		
– listed on a stock exchange	0.0	0.0
– not listed on a stock exchange	1.9	1.9
Total shares and other non-interest-bearing securities	1.9	1.9

All shares and other non-interest-bearing securities are held in the investment portfolio.

Trading Portfolio (Assets) (5)

Breakdown of Trading Portfolio

	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
Derivative financial instruments	0.1	0.5
Receivables	58.9	424.0
Bonds and other interest-bearing securities	216.8	152.5
Risk discount pursuant to Section 340e para. 3 sentence 1 HGB	-2.3	-2.4
Total trading portfolio	273.5	574.6

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

NRW.BANK holds € 2,256.4 million (2010: € 2,263.2 million) in equity investments in non-affiliated companies and € 115.4 million (2010: € 101.6 million) in equity investments in affiliated companies. Of this amount, € 2,190.8 million (2010: € 2,200.0 million) are evidenced by marketable securities. However, none are listed on a stock exchange.

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

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

- WestLB AG
- Investitionsbank des Landes Brandenburg (ILB)

Trust Assets (7)

Trust assets comprise the following:

Breakdown by Asset Type

	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
Receivables from banks	139.2	150.2
Receivables from customers	1,796.1	1,869.9
Total trust assets	1,935.3	2,020.1

Other Assets (8)

The total figure of € 1,688.8 million (2010: € 1,213.6 million) contains, among other things, € 1,010.5 million (2010: € 992.8 million) in receivables from WestLB AG for reimbursement of pension and benefit obligations, € 370.2 million (2010: € 0.0 million) balancing item from foreign exchange valuation (in accordance with Section 340h of the German Commercial Code (HGB)) as well as € 290.4 million (2010: € 200.0 million) in interest receivables from the state of North Rhine-Westphalia under the value guarantee for the equity investment in WestLB AG.

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, 2011				Dec. 31, 2011	
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Bonds and other interest-bearing securities forming part of fixed assets	49,387.3				46,625.3	442.0
Shares and other non-interest-bearing securities forming part of fixed assets	1.9	Net change pursuant to Section 34 para. 3 sentence 2 RechKredV: € 4,352.9 million			1.9	0.0
Equity investments in non-affiliated companies	3,835.1				2,256.4	0.0
Equity investments in affiliated companies	127.6				115.4	7.7
Intangible assets	64.5	1.1	0.0	44.0	21.6	5.5
Land and buildings	60.9	3.3	0.0	3.1	61.1	1.1
Office equipment	22.9	1.3	0.2	9.0	15.0	2.3

€ 60.3 million (2010: € 58.6 million) of the amount shown under land and buildings represent land and buildings used for business purposes.

Deferred Items (10)

Breakdown of Deferred Items	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
Discounts from underwriting business	99.3	103.8
Pre-paid swap fees	60.0	75.5
Pre-paid CDS fees	66.7	81.4
Other	23.2	30.5
Total deferred items	249.2	291.2

Deferred Tax Assets (11)

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

Subordinated Assets (12)

Subordinated assets are included in:

Breakdown by Asset Type	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
Receivables from banks	0.8	0.8
Receivables from customers	37.6	37.9
Bonds and other interest-bearing securities	20.4	20.4
Shares and other non-interest-bearing securities	1.9	1.9
Total subordinated assets	60.7	61.0

Pledged Assets (13)

Of the assets reported, NRW.BANK pledged € 1,244.2 million (2010: € 392.1 million) under repurchase agreements.

Liabilities to Banks (14)

Breakdown by Maturity	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
Payable on demand	724.5	241.4
With residual maturities of		
– up to 3 months	4,233.3	4,395.5
– between 3 months and 1 year	2,315.8	1,887.7
– between 1 and 5 years	14,133.7	13,118.8
– more than 5 years	18,651.6	19,198.3
Total liabilities to banks	40,058.9	38,841.7

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 € 237.8 million (2010: € 268.4 million).

Liabilities to Customers (15)

Breakdown by Maturity

	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
Payable on demand	108.8	130.3
With residual maturities of		
– up to 3 months	1,210.8	2,413.4
– between 3 months and 1 year	1,022.4	1,294.5
– between 1 and 5 years	5,381.3	5,442.4
– more than 5 years	14,938.3	15,490.4
Total liabilities to customers	22,661.6	24,771.0

Liabilities to customers include liabilities to affiliated companies in the amount of € 6.0 million (2010: € 5.9 million). As in the previous year, liabilities to customers do not include liabilities to other companies in which equity investments are held.

Certificated Liabilities (16)

Breakdown of Certificated Liabilities

	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
Notes issued		
– mortgage bonds	0.6	0.0
– municipal bonds	913.4	1,176.9
– other bonds	64,072.9	66,897.5
Total certificated liabilities	64,986.9	68,074.4

€ 28,470.0 million (2010: € 27,622.4 million) of the notes issued is due in the following year.

Trading Portfolio (Liabilities) (17)

Breakdown of Trading Portfolio

	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
Derivative financial instruments	17.8	15.1
Liabilities	113.7	39.3
Total trading portfolio	131.5	54.4

Trust Liabilities (18)

Trust liabilities comprise the following:

Breakdown of Trust Liabilities	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
Liabilities to banks	22.4	32.0
Liabilities to customers	1,308.0	1,365.2
Other liabilities	604.9	622.9
Total trust liabilities	1,935.3	2,020.1

Other Liabilities (19)

Other liabilities totalling € 45.1 million (2010: € 67.8 million) include € 20.2 million (2010: € 18.2 million) in liabilities owed to the state of North Rhine-Westphalia, € 4.2 million (2010: € 4.2 million) in liabilities owed to the Tax Office, € 4.0 million (2010: € 3.6 million) in interest to be paid on existing profit participation rights and subordinated liabilities once the annual accounts have been approved, € 2.9 million (2010: € 4.4 million) in liabilities from profit and loss transfer agreements and € 1.4 million (2010: € 1.5 million) in unpaid premiums from credit default swaps.

Deferred Items (20)

Breakdown of Deferred Items	Dec. 31, 2011	Dec. 31, 2010
	€ millions	€ millions
Premiums from underwriting business	28.4	57.4
Swap fees received in advance	209.5	242.4
Other	27.4	14.6
Total deferred items	265.3	314.4

Provisions (21)

The provision for pensions includes € 1,009.3 million (2010: € 991.7 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 Article 1 Section 4 para. 1 sentence 4 of the Bank Redefining Act (Neuregelungsgesetz) of July 2, 2002, these obligations passed from Westdeutsche Landesbank Girozentrale to NRW.BANK. NRW.BANK is entitled to reimbursement from WestLB AG in the same amount, which is shown in "other assets".

NRW.BANK's provision for additional benefits is at € 209.2 million (2010: € 198.5 million). This amount includes € 179.2 million (2010: € 170.2 million) in obligations to persons covered under the former pension agreement of Westdeutsche Landesbank Girozentrale, for which NRW.BANK has assumed the additional benefit payments since the spin-off from Westdeutsche Landesbank Girozentrale and another € 1.2 million (2010: € 1.1 million) for employees with dual contracts involving private-law entitlements to additional benefits. An additional € 28.8 million (2010: € 27.2 million) has been set aside for claims to additional benefits that employees of NRW.BANK have for their retirement.

Provisions in an amount of € 76.7 million were established in the financial year for potential compensation claims under the value guarantee.

Provisions for anticipated losses in an amount of € 68.1 million (2010: € 300.8 million) were established for structuring measures that may be required for the CDO portfolio. In addition, there is an amount of € 42.4 million (2010: € 54.4 million) for agreed loan collateralisation costs, which will be incurred in future periods.

Subordinated Liabilities and Capital with Participation Rights (22)

The following subordinated liability exceeds 10% of the total subordinated liabilities of € 2,591.8 million (2010: € 2,711.8 million).

The state of North Rhine-Westphalia must make repayments towards the federal government in conjunction with the use of house promotion loans granted by the federal government. Under applicable federal state law, NRW.BANK must transfer the required funds from the repayment of housing promotion loans to the state budget. This transfer duty takes the form of a non-interest-bearing subordinated loan in an amount of € 2,413.9 million granted by the state of North Rhine-Westphalia to NRW.BANK, which must be repaid by the year 2044 in accordance with a defined repayment plan. Based on the repayments made to date, the subordinated loan was stated in an amount of € 2,186.8 million as of December 31, 2011.

The remaining subordinated liabilities of € 405.0 million carry an average interest rate of 4.1% (2010: 4.0%) and have original maturities between 10 and 30 years. There is no early redemption obligation.

Subordinated liabilities include liabilities with a remaining term of less than two years in an amount of € 204.6 million (2010: € 223.9 million).

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

Interest expenses of € 12.3 million (2010: € 11.1 million) were incurred for subordinated liabilities.

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

In 2011, 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 (2010: € 11.0 million).

Equity Capital (23)

As of December 31, 2011, NRW.BANK's subscribed capital was € 17,000.0 million (2010: € 17,215.0 million). The reserves totalled € 445.6 million (2010: € 405.9 million).

The regional associations of the Rhineland and of Westphalia-Lippe exercised the option granted to them under an agreement signed between all guarantors in conjunction with Section 4 para. 5 NRW.BANK G and resigned as guarantors of NRW.BANK with effect from June 1, 2011. As a result, the subscribed capital declined by € 238.0 million. Subsequently, an amount of € 23.0 million was taken from the revenue reserve and allocated to the subscribed capital to arrive at an even amount. The subscribed capital now amounts to € 17,000.0 million (2010: € 17,215 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, 2011	Dec. 31, 2010
	€ millions	€ millions
Subscribed capital	17,000.0	17,215.0
Capital reserves	445.6	351.7
Reserves from retained earnings		
– reserves required by NRW.BANK's statutes	36.1	29.8
– other reserves	219.6	24.4
Profit for the year	35.6	67.2
Total equity capital	17,736.9	17,688.1

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 € 7,503.6 million (2010: € 5,874.1 million).

Foreign Currency Assets/Foreign Currency Liabilities (24)

At year-end, NRW.BANK had foreign currency assets valued at € 10,743.0 million (2010: € 10,496.7 million) and foreign currency liabilities valued at € 21,211.1 million (2010: € 24,964.4 million). Contingent liabilities and other commitments denominated in foreign currencies totalled € 5,189.5 million (2010: € 5,038.1 million).

Contingent Liabilities and Other Commitments (25)

Contingent liabilities totalled € 22,694.0 million (2010: € 23,057.0 million) and incorporate € 22,304.4 million (2010: € 22,685.5 million) for credit derivatives (thereof € 400.3 million for embedded derivatives [2010: € 514.7 million]) and € 389.6 million (2010: € 371.5 million) for other guarantees and indemnity agreements.

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

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

Other commitments comprise irrevocable credit commitments in an amount of € 3,728.0 million (2010: € 4,095.9 million). Of this total, € 809.9 million (2010: € 1,179.1 million) relates to commitments in conjunction with the housing promotion business.

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

Assets Used as Collateral (26)

Bonds and notes in a nominal amount of € 7,093.5 million (2010: € 7,807.8 million) were pledged to the Deutsche Bundesbank and notes in a nominal amount of € 6,860.3 million (2010: € 7,110.3 million) were submitted to the Deutsche Bundesbank in the context of the "KEV" process (KEV: Kreditforderungen – Einreichung und Verwaltung/Submission and administration of credit claims) as collateral for funding facilities. Securities with a nominal value of € 23.9 million (2010: € 23.0 million) were deposited with the EUREX (electronic futures and options exchange) as collateral for forward transactions. In addition, an amount of € 100.4 million (2010: € 52.5 million) was transferred as collateral for repo transactions and securities in an amount of € 2.0 million (2010: € 2.0 million) were assigned as rent deposit. In addition, securities in a nominal amount of € 3,703.3 million (2010: € 1,115.0 million) were transferred in the past fiscal year to secure off-exchange derivatives; these securities were deposited as collateral with the counterparty.

Collateral for Own Liabilities (27)

Collateral for registered mortgage bonds amounted to € 0.0 million (2010: € 0.3 million) and registered municipal bonds and notes totalled € 62.0 million (2010: € 110.9 million).

Cover (28)

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, 2011, the details of the cover were as follows:

Cover	Dec. 31, 2011		Dec. 31, 2010	
	Mortgage bonds (DR I) € millions	Municipal bonds (DR II) € millions	Mortgage bonds (DR I) € millions	Municipal bonds (DR II) € millions
Mortgage bonds and municipal bonds issued	5.8	5,911.1	31.3	7,953.7
Loans raised secured with registered mortgage bonds or registered municipal bonds and notes	0.0	62.0	0.3	110.9
Liabilities requiring cover	5.8	5,973.1	31.6	8,064.6
Mortgage and/or municipal loans	111.9	17,995.8	177.6	19,302.5
Other ordinary cover (securities)	0.0	220.2	0.0	330.2
Excess cover	10.0	240.0	15.0	390.0
Cover funds	121.9	18,456.0	192.6	20,022.7
Excess cover	116.1	12,482.9	161.0	11,958.1

Statement of Income

Services Rendered for Third Parties (29)

The net commission income includes € 14.6 million (2010: € 14.4 million) resulting from the administration of loans and subsidies held in trust.

Other Operating Income and Expenses (30)

The principal contribution towards other operating income is composed of € 42.1 million (2010: € 25.7 million) in income from the write-back of other provisions.

Other operating expenses include an amount of € 18.4 million (2010: € 0.0 million) in addition to the provisions for additional benefits established for employees of WestLB AG.

Income and Expenses Unrelated to the Accounting Period (31)

Besides income from the write-back of provisions, which are shown under "Other operating income", interest income in an amount of € 11.9 million was taken into account.

Fee Paid to Auditor of the Annual Accounts (32)

In fiscal 2011, the auditor charged a total fee of € 1.5 million (2010: € 1.4 million). € 1.2 million (2010: € 1.2 million) of which accounted for fees for the auditing of the annual accounts, € 0.2 million (2010: € 0.1 million) for other auditing services and € 0.1 million (2010: € 0.1 million) for other services.

Miscellaneous

Other Financial Obligations

NRW.BANK had long-term obligations for IT service agreements, building rents and the computer centre of € 64.2 million with a remaining term of 9 years, € 3.4 million with a remaining term of 8 years, as well as € 32.2 million with a remaining term of 7.5 years.

There is an obligation to make additional contributions in the amount of € 8.0 million (2010: € 8.0 million) to the European Investment Fund.

Other Obligations

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

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

Deposit Insurance

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 € 241,303 million (2010: € 239,091 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.

Banking Book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2011
	€ millions	€ millions	€ millions	€ millions
Interest rate risks				
Interest rate swaps	169,733	188,529	6,980	11,400
Interest rate options				
– bought (long)	4,674	2,836	275	–
– written (short)	2,419	2,479	–	74
Caps, floors	20	10	0	–
Stock market contracts				
– bought	11,405	–	–	–
– written	1,488	2,825	–	1
Interest rate forwards				
– bought	75	79	10	–
– written	816	658	6	61
Total interest rate risks	190,629	197,416	7,271	11,536
Currency risks				
Foreign exchange forwards, swaps	11,353	6,369	254	13
Currency swaps/interest currency swaps	10,704	12,652	663	1,323
Total currency risks	22,057	19,021	917	1,336
Credit derivatives				
– bought (long)	2,480	2,111	200	19
– written (short)	22,550	22,304	13	1,985
Total credit derivatives	25,030	24,415	213	2,004
Total banking book	237,716	240,852	8,401	14,876

Trading Book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2011
	€ millions	€ millions	€ millions	€ millions
Interest rate risks				
Interest rate swaps	1,169	357	–	18
Interest rate options				
– bought (long)	–	–	–	–
– written (short)	–	–	–	–
Stock market contracts				
– bought (long)	–	9	0	–
– written (short)	171	10	–	0
Other interest rate forwards	–	–	–	–
Total interest rate risks	1,340	376	0	18
Currency risks	–	–	–	–
Credit derivatives				
– bought (long)	–	–	–	–
– written (short)	35	–	–	–
Total credit derivatives	35	–	–	–
Total trading book	1,375	376	0	18

Banking Book and Trading Book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2011
	€ millions	€ millions	€ millions	€ millions
Total interest rate risks	191,969	197,792	7,271	11,554
Total currency risks	22,057	19,021	917	1,336
Total credit derivatives	25,065	24,415	213	2,004
Total banking book and trading book	239,091	241,228	8,401	14,894

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

The average nominal value of the derivatives and other forward transactions entered into by NRW.BANK for the period from January 1, 2011 to December 31, 2011 was € 259,300 million (2010: € 225,410 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:

Banking Book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2011
	€ millions	€ millions	€ millions	€ millions
OECD banks	209,244	210,187	7,698	12,806
Non-OECD banks	0	0	0	0
OECD public-sector entities	463	462	38	1
Other counterparties	28,009	30,203	665	2,069
Total banking book	237,716	240,852	8,401	14,876

Trading Book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2011
	€ millions	€ millions	€ millions	€ millions
OECD banks	1,371	376	0	18
Non-OECD banks	–	–	–	–
OECD public-sector entities	–	–	–	–
Other counterparties	4	0	0	0
Total trading book	1,375	376	0	18

Banking Book and Trading Book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2011
	€ millions	€ millions	€ millions	€ millions
Total banking book and trading book	239,091	241,228	8,401	14,894

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

The interest rate contracts are spread across the entire spectrum of maturities, with approx. 36% (2010: 36%) having a remaining time to maturity of more than five years.

Banking Book	Interest rate risks		Currency risks		Credit derivatives	
	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Residual maturity						
– up to 3 months	31,356	38,601	11,323	5,828	275	564
– 3 months to 1 year	24,257	24,184	935	3,737	344	1,480
– 1 to 5 years	66,008	64,437	6,649	6,619	9,141	10,308
– more than 5 years	69,008	70,194	3,150	2,837	15,271	12,063
Total banking book	190,629	197,416	22,057	19,021	25,030	24,415

Trading Book	Interest rate risks		Currency risks		Credit derivatives	
	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Residual maturity						
– up to 3 months	996	18	–	–	5	0
– 3 months to 1 year	29	211	–	–	30	0
– 1 to 5 years	125	27	–	–	–	–
– more than 5 years	190	120	–	–	–	–
Total trading book	1,340	376	–	–	35	0

Banking Book and Trading Book	Interest rate risks		Currency risks		Credit derivatives	
	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Total banking book and trading book	191,969	197,792	22,057	19,021	25,065	24,415

Number of Employees

The average number of female staff employed by NRW.BANK in 2011 was 674 (2010: 651), and the average number of male staff, including the Managing Board, employed over the year was 636 (2010: 631). At the end of the year, there were 1,199 (2010: 1,171) active employees and 56 (2010: 53) trainees/apprentices, which results in a total headcount of 1,255 (2010: 1,224).

Compensation

The compensation (including compensation in kind) of Managing Board Chairman Dietmar P. Binkowska amounted to € 964,919.25 in the year 2011 (2010: € 880,456.76), while the compensation of the other members of the Managing Board totalled € 2,064,309.94 (2010: € 1,873,702.33).

The figures are not fully comparable with the prior year figures. This is due to the fact that the Managing Board compensation was adjusted (conversion of part of the variable compensation into fixed compensation) to fulfil the requirements of the Bank Compensation Directive ("InstitutsVergV"). As a result of this adjustment, higher total compensation is stated in these financial statements. The opposite effect will not become visible before next year.

Provisions for pensions in an amount of € 8,128 thousand (2010: € 7,082 thousand) have been established to cover the Bank's obligations arising from Managing Board members' contractual entitlements in respect of retirement benefits, invalidity benefits as well as death benefits to their surviving dependants.

The total remuneration for former members of the Managing Board and their surviving dependants amounted to € 518 thousand (2010: € 418 thousand). Pension provisions for this group of persons totalled € 11,012 thousand (2010: € 10,803 thousand).

The remuneration of the Supervisory Board totalled € 304 thousand (2010: € 375 thousand). The remuneration of the Advisory Board amounted to € 181 thousand (2010: € 124 thousand).

Advances and Loans

The members of the Supervisory Board of NRW.BANK received advances and loans totalling € 44 thousand (2010: € 55 thousand). This sum includes € 7 thousand in loans granted on the conditions of the Housing Promotion Regulations of the state of North Rhine-Westphalia, whose interest rates range from 0% to 3.3%. Loans in an amount of € 37 thousand were granted at interest rates between 0% and 5.4%.

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

Seats Held by Members of the Managing Board

Dietmar P. Binkowska

Galeria Kaufhof GmbH
Investitionsbank des Landes Brandenburg (ILB)
Ströer Out-of-Home Media AG
WestLB AG
Fiege Logistik (Schweiz) AG
InCity Immobilien AG

Michael Stölting

Börse Düsseldorf AG
Investitionsbank des Landes Brandenburg (ILB)
Erste Abwicklungsanstalt

Seats Held by Employees

Dr. Peter Güllmann

Investitionsbank des Landes Brandenburg (ILB)

Gabriela Pantring

Investitionsbank des Landes Brandenburg (ILB)

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

Name and head offices of the company	Direct (D)/ Indirect (I)	Equity capital %	Equity in € thousands	Net income/ loss for the year in € thousands	As at
1 Equity investments in affiliated companies					
1.1 Other companies					
Bremer Spielcasino GmbH & Co. KG, Bremen	D	51.00%	2,722	-1,821	Dec. 31, 2010
Casino Duisburg GmbH & Co. KG, Duisburg	I	100.00%	10,000	1,078	Dec. 31, 2010
Casino Erfurt GmbH & Co. KG, Erfurt	I	100.00%	12	-42	Dec. 31, 2010
Deutsche Lotto Marketing GmbH, Münster	I	100.00%	57	-5	Dec. 31, 2011
Life Science Inkubator Betriebs GmbH & Co. KG, Bonn	I	95.00%	393	368	Dec. 31, 2010
LSI Pre-Seed-Fonds GmbH, Bonn	D	65.79%	7,603	-2	Dec. 31, 2010
Neue Deutsche Spielcasino GmbH & Co. KG, Berlin	I	100.00%	1,769	-1,931	Dec. 31, 2010
Nordwestlotto in Nordrhein-Westfalen GmbH, Münster	D	100.00%	156	0	Dec. 31, 2010
NRW.BANK.Kreativwirtschaftsfonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	29	3	Dec. 31, 2010
NRW.BANK.Kreativwirtschaftsfonds GmbH & Co. KG, Düsseldorf	D	100.00%	2,012	-182	Dec. 31, 2010
NRW.BANK.Mittelstandsfonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	25	0	Dec. 31, 2010
NRW.BANK.Mittelstandsfonds GmbH & Co. KG, Düsseldorf	D	100.00%	9,862	-1,235	Dec. 31, 2010
NRW.BANK.Seed Fonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	29	3	Dec. 31, 2010
NRW.BANK.Seed Fonds GmbH & Co. KG, Düsseldorf	D	100.00%	9,121	-1,064	Dec. 31, 2010
NRW.BANK.Spezialfonds Beteiligungs-GmbH	D	100.00%			
NRW.BANK.Spezialfonds GmbH & Co. KG, Düsseldorf	D	100.00%			
NRW.BANK.Venture Fonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	20	2	Dec. 31, 2010
NRW.BANK.Venture Fonds GmbH & Co. KG, Düsseldorf	D	100.00%	25,086	-1,869	Dec. 31, 2010
NRW.BANK.Venture Fonds Zwei GmbH & Co. KG, Düsseldorf	D	100.00%			
Unterstützungseinrichtung GmbH der Westdeutsche Lotterie GmbH & Co. OHG, Münster	D/I	100.00%	26	0	Dec. 31, 2011
Westdeutsche Lotterie GmbH & Co. OHG, Münster	D	100.00%	82,045	8,908	Dec. 31, 2010
Westdeutsche Lotto-VertriebsGmbH, Münster	I	100.00%	19	2	Dec. 31, 2010
Westdeutsche Spielbanken GmbH, Duisburg	D	100.00%	26	0	Dec. 31, 2010
Westdeutsche Spielbanken GmbH & Co. KG, Duisburg	D/I	100.00%	22,079	-5,808	Dec. 31, 2010
Westdeutsche Spielcasino International GmbH, Duisburg	D	100.00%	25	0	Dec. 31, 2010
Westdeutsche Spielcasino Service GmbH, Duisburg	D	100.00%	9,525	0	Dec. 31, 2010
Westdeutsche Spielcasino Verwaltungs GmbH, Duisburg	I	100.00%	33	8	Dec. 31, 2010
WestEvent GmbH & Co. KG, Münster	D/I	100.00%	3,927	215	Dec. 31, 2010
WestNet Lottoservice GmbH, Münster	I	100.00%	123	85	Dec. 31, 2011
WestSpiel Entertainment GmbH, Duisburg	I	100.00%	25	0	Dec. 31, 2010
2 Other equity investments					
2.1 Financial institutions					
Investitionsbank des Landes Brandenburg, Potsdam	D	50.00%	183,305	5,955	Dec. 31, 2010
WestLB AG, Düsseldorf	D	30.51%	4,107,000	-240,000	Dec. 31, 2010
2.2 Other companies					
abbino GmbH, Dortmund	I	35.15%	-2,239	-444	Mar. 31, 2011
AplaGen GmbH, Baesweiler	I	26.21%	-3,141	-2,015	Dec. 31, 2008
BGB Ges. Bankenkonsortium ZENIT GmbH, Mülheim	D	33.40%	1,868	311	Dec. 31, 2010
CellAct Pharma GmbH, Dortmund	I	29.20%	17	-685	Dec. 31, 2010
CEVEC Pharmaceuticals GmbH, Köln	I	27.39%	-600	-9,464	Dec. 31, 2010
ELS Fonds GmbH & Co. KG, Recklinghausen	I	32.30%	4,648	-8	Dec. 31, 2010
Gründerfonds Bielefeld-Ostwestfalen GmbH & Co. KG, Münster	I	38.42%	622	-221	Dec. 31, 2010
Gründerfonds Münsterland GmbH & Co. KG, Münster	I	37.81%	344	-18	Dec. 31, 2010
IMECH GmbH – Institut für Mechatronik – i. L., Moers	D	25.00%	61	1	Jul. 31, 2000
Kapitalbeteiligungsgesellschaft für die mittelständische Wirtschaft in NRW mbH, Neuss	D	49.63%	1,367	6	Dec. 31, 2010
NRW.International GmbH, Düsseldorf	D	33.33%	25	1	Dec. 31, 2010
Phenox GmbH, Bochum	I	27.61%	2,876	607	Dec. 31, 2010
PK Logistik Beteiligungs-GmbH, München	I	39.66%	13,031	44	Dec. 31, 2010
Reformhaus Bacher GmbH & Co. KG, Düsseldorf	I	45.00%	-4,102	-3,610	Dec. 31, 2010
Rheinland Venture Capital GmbH & Co. KG, Köln	I	39.92%	3,037	-627	Dec. 31, 2010
Scienion AG, Dortmund	I	23.50%	-3,116	-168	Dec. 31, 2010
Seed Capital Dortmund GmbH & Co. KG, Dortmund	I	46.51%	4,338	-227	Dec. 31, 2010
Seed Fonds für die Region Aachen GmbH & Co. KG, Aachen	I	46.95%	5,150	-263	Dec. 31, 2010
Sirius Seedfonds Düsseldorf GmbH & Co. KG, Düsseldorf	I	44.61%	5,777	69	Dec. 31, 2010
WINDTEST Grevenbroich GmbH, Hamburg	D	25.00%	-174	30	Dec. 31, 2010
Xsite GmbH, Düsseldorf	I	22.96%	-22	-781	Dec. 31, 2010

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

Board of Guarantors/Supervisory Board/ Managing Board

Board of Guarantors

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

Harry K. Voigtsberger

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

Dr. Norbert Walter-Borjans

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

Ulrike Lubek (until May 31, 2011)

Director of LVR
Regional Association of the Rhineland
Cologne

Dr. Wolfgang Kirsch (until May 31, 2011)

Director of LWL
Regional Association of Westphalia-Lippe
Münster

Members Appointed by the Board of Guarantors

Horst Becker, MdL (until December 31, 2011)

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

Helmut Dockter

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

Dr. Günther Horzetzky

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

Thomas Kutschaty, MdL (since January 1, 2012)

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

Franz-Josef Lersch-Mense

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

Sylvia Löhrmann, MdL

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

Dr. Rüdiger Messal

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

Udo Paschedag

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

Dr. Wilhelm D. Schäffer

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

Supervisory Board

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

Harry K. Voigtsberger

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

Dr. Norbert Walter-Borjans

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

Ulrike Lubek (until May 31, 2011)

Director of LVR
Regional Association of the Rhineland
Cologne

Dr. Wolfgang Kirsch (until May 31, 2011)

Director of LWL
Regional Association of Westphalia-Lippe
Münster

Members Appointed by the Board of Guarantors**Horst Becker, MdL** (since January 1, 2012)

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

Johannes Remmel, MdL

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

Norbert Römer, MdL

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

Ute Schäfer, MdL

(from January 10, 2011 to May 5, 2011)
 Minister of Family, Children, Youth, Culture and Sports
 of the State of North Rhine-Westphalia
 Düsseldorf

Guntram Schneider

Minister of Labour, Integration and Social Affairs
 of the State of North Rhine-Westphalia
 Düsseldorf

Svenja Schulze, MdL

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

Christian Michael Weisbrich, MdL

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

Representatives of the Bank's Staff**Iris Aichinger** (until December 15, 2011)

Banker
 NRW.BANK
 Düsseldorf

Martin Bösenberg

Staff representative
 NRW.BANK
 Münster

Hannelore Heger-Golletz

Staff representative
 NRW.BANK
 Münster

Frank Lill

Staff representative
 NRW.BANK
 Düsseldorf

Michael Tellmann

Staff representative
 NRW.BANK
 Düsseldorf

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

Dieter Krell

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

Gerhard Heilgenberg

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

Renate Hötte (until May 31, 2011)

Regional Councillor
Regional Association of the Rhineland
Cologne

Matthias Löb (until May 31, 2011)

Regional Councillor
Regional Association of Westphalia-Lippe
Münster

Managing Board

Dietmar P. Binkowska (Chairman)

Klaus Neuhaus

Michael Stölting

Dietrich Suhlrie

Düsseldorf/Münster, February 14, 2012

NRW.BANK

The Managing Board

Binkowska, Neuhaus, Stölting, Suhlrie

Cash Flow Statement

of NRW.BANK as of December 31, 2011

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

	2011
	€ millions
1. Net income	62.1
Reconciliation	
2. Depreciation, write-downs and write-ups of receivables, tangible and financial assets	443.6
3. Changes in provisions	-60.4
4. Other non-cash expenses/income	-72.1
5. Gain/loss on the sale of financial and tangible assets	
Losses	111.0
Gains	-355.9
6. Other adjustments	-453.8
7. Subtotal	-325.5
8. Changes in receivables	
a) from banks	-953.4
b) from customers	1,594.4
9. Changes in securities (with the exception of financial assets)	586.2
10. Changes in other assets from operating activities	45.2
11. Changes in liabilities	
a) to banks	1,195.7
b) to customers	-2,251.3
12. Changes in certificated liabilities	-3,266.0
13. Changes in other liabilities from operating activities	-409.7
14. Interest and dividends received	4,446.3
15. Interest paid	-3,909.7
16. Extraordinary cash received	0.0
17. Extraordinary cash disbursed	0.0
18. Income tax payments	-8.9
19. Cash flow from operating activities	-3,256.7

2011

	€ millions
20. Cash from the disposal of	
a) financial assets	2,424.3
b) tangible fixed assets	0.0
21. Disbursements for investments in	
a) financial assets	-34.3
b) tangible fixed assets	-4.4
22. Changes in cash from other investing activities	-1.1
23. Cash flow from investing activities	2,384.5
24. Cash from allocations to equity capital	93.9
25. Distributions on equity	
a) dividend payments	-18.2
b) other disbursements	0.0
26. Cash changes from other capital	-120.0
27. Cash flow from financing activities	-44.3
28. Cash and cash equivalents at the beginning of the period	1,365.4
29. Cash flow from operating activities	-3,256.7
30. Cash flow from investing activities	2,384.5
31. Cash flow from financing activities	-44.3
32. Other changes in cash and cash equivalents	0.0
33. Cash and cash equivalents at the end of the period	448.9

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	
As of Dec. 31, 2009	675.0	255.8	18,953.0	19.8	25.2	0.0	19,928.8
Capital increase	16,540.0		-16,539.1		-0.8		0.1
Reclassification into subordinated loans			-2,413.9				-2,413.9
Compensation payments of the federal government for new promotion measures		95.9					95.9
Net profit						95.4	95.4
Designated payout from Wfa due to legal requirements						-18.2	-18.2
Allocation to reserves required by NRW.BANK's statutes in statement of income				10.0		-10.0	0.0
As of Dec. 31, 2010	17,215.0	351.7	0.0	29.8	24.4	67.2	17,688.1
Allocation of profit for the year to other reserves from retained earnings for the purpose of housing promotion „benchmark procedure“					67.2	-67.2	0.0
Compensation payments of the federal government for new promotion measures		93.9					93.9
Disposal of capital share of LVR	-119.0						-119.0
Disposal of capital share of LWL	-119.0						-119.0
Proceeds from exchange					151.1		151.1
Capital increase	23.0				-23.0		0.0
Net profit						62.1	62.1
Designated payout form Wfa due to legal requirements						-20.2	-20.2
Allocation to reserves required by NRW.BANK's statutes in statement of income				6.3		-6.3	0.0
As of Dec. 31, 2011	17,000.0	445.6	0.0	36.1	219.7	35.6	17,737.0

Reproduction of the Auditor's Report

We have issued the following unqualified Auditor's Report:

"Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement, the notes to the financial statements, the cash flow statement and the statement of changes in equity, together with the bookkeeping system, and the management report of the NRW.BANK, Duesseldorf and Muenster, for the business year from 1 January to 31 December 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Düsseldorf, February 15, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pukropski
Wirtschaftsprüfer

Bormann
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 14, 2012

NRW.BANK

The Managing Board



Dietmar P. Binkowska
Chairman of the Managing Board



Klaus Neuhaus
Member of the Managing Board



Michael Stölting
Member of the Managing Board



Dietrich Suhlrie
Member of the Managing Board

Members of the Advisory Board for Housing Promotion

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

Harry K. Voigtsberger

Chairman

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

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

Dr. Michael Henze

Assistant Secretary

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

Hans Lauf

Assistant Secretary

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

Dr. Gert Leis (until January 1, 2012)

Assistant Secretary

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

Dr. Lukas Mangelsdorff (since January 22, 2012)

Assistant Secretary

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

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

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

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

Özlem Alev Demirel, MdL (until June 22, 2011)

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

Dieter Hilser, MdL

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

Olaf Lehne, MdL

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

Jochen Ott, MdL

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State Assembly of North Rhine-Westphalia
Düsseldorf

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State Assembly of North Rhine-Westphalia
Düsseldorf

Bernhard Schemmer, MdL

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State Assembly of North Rhine-Westphalia
Düsseldorf

Daniela Schneckenburger, MdL

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Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Christian Michael Weisbrich, MdL

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

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Haus & Grund Nordrhein-Westfalen e. V.
Düsseldorf

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BFW Landesverband Nordrhein-Westfalen e. V.
Bonn

Alexander Rychter

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

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for Urban Development, Construction,
Housing and Transport
Städtetag Nordrhein-Westfalen
Köln

Thomas Hendele

District Administrator
Kreis Mettmann
Mettmann

Rudolf Graaff (since July 1, 2011)

Deputy Mayor
Städte- und Gemeindebund Nordrhein-Westfalen
Düsseldorf

Stefan Raetz

Mayor
City of Rheinbach
Rheinbach

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

Deputy Chairman
Deutscher Mieterbund
Nordrhein-Westfalen e. V.
Düsseldorf

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

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

Members of the Advisory Board

Members Pursuant to Section 23 of the Statutes

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

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Chairman of the Managing Board
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Jülich

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Lord of Mayor
City of Gelsenkirchen
Gelsenkirchen

Paul Bauwens-Adenauer

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of the Chamber of Industry and Commerce
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Düsseldorf

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Westdeutsche Genossenschafts-Zentralbank
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Arnsberg

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Nordrhein-Westfalen e. V.
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Giro Association of the Rhineland
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Essen

Dr. Reinhold Festge

Managing Partner
of HAVER & BOECKER OHG
Drahtweberei und Maschinenfabrik
Oelde

Heinz Fiege

Chairman of the Managing Board
of FIEGE Stiftung & Co. KG
Greven

Otto Rudolf Fuchs

Shareholder
of Otto Fuchs KG – Metallwerke
Meinerzhagen

Prof. Dr. Ursula Gather

Chairman of the Directors Conference
of the Universities in NRW
Dortmund

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of the Regional Assembly of Westphalia-Lippe
Münster

Dr. Rolf Gerlach

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

Günter Gressler

Director General
of 3M Deutschland GmbH
Neuss

Dr. Jürgen Großmann

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of RWE AG
Essen

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City of Hamm
Hamm

Dr. Hermann Janning

Chairman
of Verband kommunaler Unternehmen e. V.
– Landesgruppe Nordrhein-Westfalen
Cologne

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Lord Mayor
Chairman of Städtetag Nordrhein-Westfalen
Cologne

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Managing Partner
of the KIRCHHOFF Group
Iserlohn

Dr. Wolfgang Kirsch (since August 1, 2011)

Director of LWL
Regional Association of Westphalia-Lippe
Münster

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

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Permanent Delegate of the Apostolic
Administrator of Bischöfliches Generalvikariat
Münster

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Managing Director
of Städtische Kliniken Bielefeld gem. GmbH
Bielefeld

Thomas Kubendorff

District Administrator
President of Landkreistag Nordrhein-Westfalen e. V.
Düsseldorf

Markus Lewe

Lord Mayor
City of Münster
Münster

Ulrike Lubek (since 1.8.2011)

Director of LVR
Regional Association of the Rhineland
Cologne

Wolfgang Lubert

Managing Director
of enjoyventure Management GmbH
Düsseldorf

Anne Lütkes

Head of the Düsseldorf Regional Government
Düsseldorf

Dr.-Ing. Herbert Lütkestratkötter (until May 12, 2011)

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of the Managing Board of HOCHTIEF AG
Essen

Andreas Meyer-Lauber

District Chairman
of Deutscher Gewerkschaftsbund NRW
Düsseldorf

Dr. Paul-Josef Patt

Member of the Managing Board
of eCAPITAL entrepreneurial Partners AG
Münster

Dr. Peter Paziorek (until May 31, 2011)
Head of the Münster Regional Government (retired)
Münster

Jürgen Roters
Lord Mayor
City of Cologne
Cologne

Dr. Eckhard Ruthemeyer
President
of Städte- und Gemeindebund Nordrhein-Westfalen
Düsseldorf

Prof. Dr. Uwe Schneidewind
President and Academic Managing Director
of Wuppertaler Institut für Klima,
Umwelt, Energie GmbH
Wuppertal

Dr. Ottilie Scholz
Lord Mayor
City of Bochum
Bochum

Dr. Joachim Schorr
Managing Director
of QIAGEN GmbH
Hilden

Prof. Wolfgang Schulhoff
President
of the Düsseldorf Chamber of Handicrafts
Düsseldorf

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Chairman of the Managing Board
of Wasserwirtschaftsverbände
EMSCHERGENOSSENSCHAFT
und LIPPEVERBAND
Essen/Dortmund

Dr. Johannes Teysen (until May 11, 2011)
Chairman of the Managing Board
of E.ON AG
Düsseldorf

Marianne Thomann-Stahl
Head of the Detmold Regional Government
Detmold

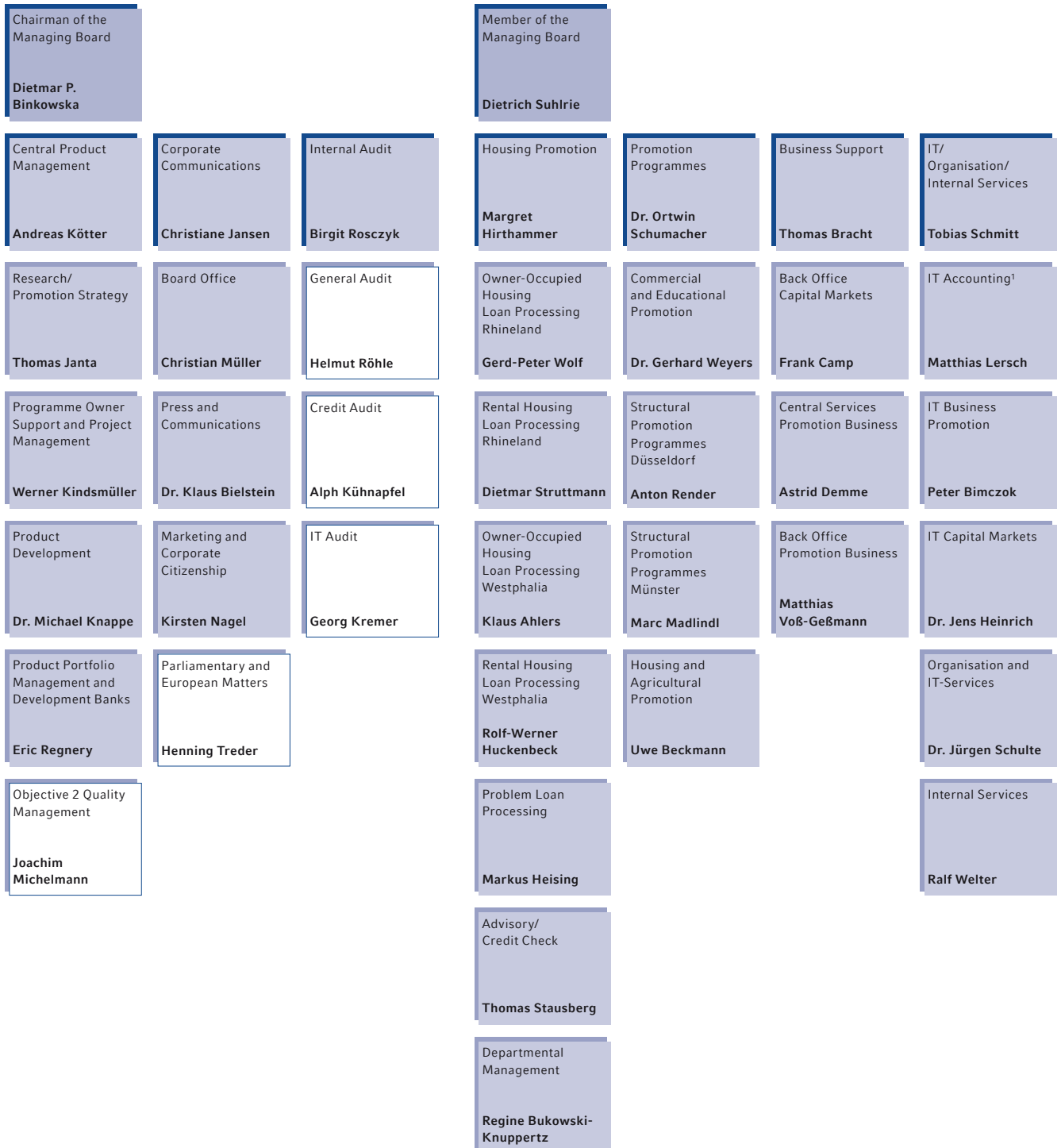
Hans-Josef Vogel
Mayor
City of Arnsberg
Arnsberg

Gisela Walsken
Head of the Cologne Regional Government
Cologne

Prof. Dr. Jürgen Wilhelm
Chairman
of the Regional Assembly of the Rhineland
Cologne

Klaus Winterhoff
Council Member
Legal Vice President
of the Evangelical Church of Westphalia
Bielefeld

Organisation Chart of NRW.BANK



Department
 Unit
 Team with direct reporting line to the Department Head

¹ 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

Special Promotion
and Advisory

Gabriela Pantring

Equity Investments

Dr. Peter Güllmann

Capital Markets

Klaus Rupprath

Credit Risk

**Dr. Michael
Kuhlbrodt**

Compliance,
Money Laundering¹

Manfred Gorka

Accounting

Joachim Kiesau

Personnel
Development/
Management Training

Ralf Groß-Heitfeld

Infrastructure
Finance

Andreas Wittler

Technology/
Innovation Finance

Dr. Claas Heise

Business
Management

Marco Adler

Municipal and SME
Financing

Hubert Venneker

Corporate Legal

**Hans-Albert
Böckenförde**

Financial
Accounting

Ute Kuschel

Personal
Development/
Basic Issues¹

Petra Kalthoff

Syndicated Loans/
Special Finance

Georg Arnold

SME Finance

Christoph Büth

Treasury

Andreas Berning

Bank-Wide Risk &
Credit Portfolio
Management

Claudia Bauer

Legal Capital
Markets

Reinhard Buch

Banking
Supervision

**Dr. Rüdiger
Krautheuser**

Human Resources
Administration and
Controlling

Peter Schröder

Public-sector
Clients

Dr. Jörg Hopfe

Strategic Equity
Investments

Felix Könsen

Credits

Jörg Eicker

Market Risk &
Liquidity Risk

Thomas Hornung

Property Law

Wulf Ebsen

Tax

**Sybille
Heberer-Wilhelm**

EU Funding,
Foreign Trade
and Investment
Promotion

Ingrid Hentzschel

Funds and Business
Management

Stefan Büchter

Portfolio Manage-
ment & Financial
Engineering

Andreas Rothermel

Restructuring

Dr. Jamal Daoudi

Controlling

Walter Wohlhage

Advisory
Centre Rhineland
and Westphalia

Robert Bruning

Special Financing
and Financing
Advisory

Anja Langa

Basic Issues &
Controlling

Sabine Lamers

Business
Management

Carsten Lerch

NRW.BANK at a Glance

NRW.BANK Facts

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

Guarantors

■ State of North Rhine-Westphalia (100%)

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

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Financial Calendar 2012

March 19, 2012
 August 6, 2012
 November 5, 2012

Annual accounts press conference
 Publication of the promotion result for the second quarter
 Publication of the promotion result for the third quarter

Promotion Volumes

	2011	2010
	€ millions	€ millions
Housing & Living	4,873	4,189
Seed & Growth	2,382	2,379
Development & Protection	858	1,657
Total	8,113	8,225

Key Figures

	2011	2010
	€ millions	€ millions
Total assets	152,546	156,838
Equity capital pursuant to the German Commercial Code (HGB)	17,737	17,688
Equity capital as defined in the German Banking Act (KWG)	5,629	5,283
Net interest and net commission income	544	604
Personnel expenses	107	107
Operating expenses	98	94
Operating income	370	435
Core capital ratio	12.51	15.17
Staff	1,255	1,224

Ratings

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

Sustainability Ratings

	imug	oekom research	Sustainalytics
Rating	Nachhaltigkeits- rating 2011	oekom Corporate Rating 2010	Company Report 2012
Result	positive	C+ Prime	61 out of 100 points

Corporate Responsibility nachhaltigkeit@nrwbank.de



