

United Nations Global Compact Communication on Progress

21.10.2013

Unterstützungserklärung für den United Nations Global Compact

Sehr geehrte Damen und Herren,

um ihre Nachhaltigkeitsziele zu bekräftigen und sich, wie in ihren Grundsätzen der unternehmerischen Verantwortung verankert, auch über die Unternehmensgrenzen hinweg für die identifizierten Aufgabenfelder zu engagieren, unterzeichnete die NRW.BANK im Jahr 2009 die zehn Prinzipien des UN Global Compact.

Auch im aktuellen Berichtsjahr haben wir uns intensiv mit den Richtlinien des Global Compact beschäftigt und betriebliche Maßnahmen formalisiert, um die zehn Prinzipien im Rahmen unseres Einflussbereichs zu fördern. Die realisierten Maßnahmen und erzielten Resultate kommuniziert die NRW.BANK im Rahmen ihres jährlichen Finanzberichts.

Nach wie vor unterstützt die NRW.BANK den Global Compact aus Überzeugung und wird kontinuierlich daran arbeiten, dessen Ziele weiterhin zu fördern und diese in den eigenen täglichen Geschäftsprozessen anzuwenden.

Declaration of support for the United Nations Global Compact

Dear Sir or Madam,

In 2009, NRW.BANK signed the ten principles of the UN Global Compact in order to underline its commitment to sustainability as incorporated in its Principles of Corporate Responsibility, as well as to emphasize its commitment to action and promotion in areas it has identified outside of the organization.

During the current reporting period we have focused on the promotion of the guidelines of the Global Compact within our sphere of influence. The measures realized and results achieved in these fields are published within its annual report.

NRW.BANK supports the Global Compact out of conviction and will furthermore continue to support and promote its goals while using them in the banks daily business processes.



Dietmar P. Binkowska
Chairman of the Managing Board

Financial Report 2012

Financial Report 2012 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.

Since 2008, the “Principles of Corporate Responsibility at NRW.BANK” have defined the framework for NRW.BANK’s approach to sustainability. Besides basic rules on sustainable behaviour in dealings with customers, employees and society, these principles also take into account the special parameters under which NRW.BANK operates, namely its public mission, the “Verständigung II” agreement¹ and the house bank principle. During the past fiscal year, the internal directive was revised in order to reflect developments that have occurred during the past years. The updated principles came into force in December 2012, when they were adopted by the Board of Guarantors of NRW.BANK.

The “Principles of Corporate Responsibility at NRW.BANK” also define the framework for NRW.BANK’s Sustainability Report.

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 owner, customers, employees and its stakeholders at large. 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. Rules on compliance and money laundering prevention are integral elements of NRW.BANK’s business processes. They are designed to help the Bank prevent corruption, bribery and money laundering. In addition, NRW.BANK has installed binding regulations for the confidential treatment of information, for example company and business secrets, by its employees.
4. To safeguard its competition-neutral status, NRW.BANK complies with the principle of non-discrimination.
5. When commissioning third parties, NRW.BANK will pay attention not only to cost-efficiency but also to environmental protection, energy efficiency, female promotion and social aspects in accordance with applicable legal regulations.
6. 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 instance, NRW.BANK has

¹ The public mission of NRW.BANK is based on the provisions of the “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 the explicit guarantee granted by the state of North Rhine-Westphalia. In turn, NRW.BANK will be subject to certain business restrictions detailed in the agreement.

signed the ten principles of the UN Global Compact, the Finance Initiative of the United Nations Environment Programme as well as the German Diversity Charter.

7. NRW.BANK reviews its day-to-day work processes in light of sustainability-related aspects. The Bank will continue to improve the sustainability of its business activities and make the progress achieved measurable wherever possible. Focal points of these efforts 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.
8. NRW.BANK publishes regular reports on the further development of its internal guidelines as well as its activities in the individual areas and the progress achieved.

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.

As a public sector institution, NRW.BANK is subject to the "Verständigung II" agreement and operates in a non-discriminatory manner in the banking sector. For this purpose, it cooperates closely with the banks in North Rhine-Westphalia.

Pursuant to the Act on NRW.BANK (see Section 3, para. 1) and its statutes (see Section 5, para. 1), the Bank gears all its activities to the principle of sustainability. For NRW.BANK this means within its possibilities, "to meet the needs and aspirations of the present without compromising the ability to meet those of the future"¹.

The Bank has anchored sustainability also in its overall strategy. For NRW.BANK and its guarantor, it is a general principle of Bank-wide significance for the strategic positioning that the Bank gears all its activities to the principle of sustainability, with the details defined in the "Principles of Corporate Responsibility at NRW.BANK".

In this context, the integration of sustainability into the Bank's internal processes is an important precondition for the successful implementation of NRW.BANK's sustainability strategy, to which the development bank will therefore continue to attach great importance. The Bank has successfully installed an internal process for the introduction of new development and promotion products as well as the refinement and expansion of existing ones. As part of this process, products are checked for sustainability-related risks as well as for compliance with the Principles of Corporate Responsibility prior to their introduction.

Statutory Framework and Internal Regulations Labour Standards and Human Rights

As the development bank of the state of North Rhine-Westphalia, NRW.BANK works for its clients in the region. Where its own business operations are concerned, the Bank is fully and thoroughly committed to compliance with human rights and with the labour standards that are applicable in Germany as well as to the rejection of child and forced labour. The Bank therefore incorporated these topics in its Principles of Corporate Responsibility in the past fiscal year.

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

Equal Opportunities and Principle of Non-discrimination

NRW.BANK attaches great importance to non-discrimination and mutual respect. Equal opportunities and the prohibition of discrimination therefore represent an important element of "Assuming Social Responsibility for Employees" and support a fair working environment within NRW.BANK:

The "Fairness at Work" labour agreement came into force in 2007 to promote mutual respect and fight discrimination, sexual harassment in the workplace and mobbing within NRW.BANK.

In addition, the Bank has appointed an Equal Opportunities Officer, who acts as the designated complaint recipient under the German General Equal Treatment Act. She assists all employees who have suffered discrimination or harassment in spite of the precautionary measures taken.

NRW.BANK has developed an Equal Opportunities Plan, which comprises a catalogue of measures on the subjects of recruitment, human resources development and balancing work and family life. This plan is updated at regular intervals of three years, most recently on July 1, 2010.

Under the Equal Opportunities Plan, NRW.BANK aims for an increased percentage of female employees in more highly remunerated specialist and management positions, raising employee awareness for equal opportunities issues and a better balance of work and family life. Progress achieved is reviewed continuously and documented in the progress report of the Equal Opportunities Plan.

Compliance

Compliance with statutory and regulatory provisions is an integral element of NRW.BANK's processes and organisation. NRW.BANK has installed an independent team and appointed a Compliance Officer to handle all

compliance-related tasks. The latter not only implements and controls the necessary measures but also supports and advises the Managing Board and the management team in all compliance-related matters, for example through an annual report.

Prevention plays an important role in connection with this issue. Employees are informed and their awareness is raised through regular face-to-face training as well as written internal compliance policies.

All this ensures that compliance-relevant information is treated confidentially within the Bank. The aim of the Bank is to meet all compliance-related legal regulations and other regulatory provisions in order to prevent potential violations.

Money Laundering Prevention

Money laundering is defined 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. This definition also covers the collection and provision of assets for the purpose of committing criminal acts, in particular terrorist activities. It is imperative for the Bank to prevent money laundering within its sphere of influence.

Key tasks of money laundering prevention at NRW.BANK include the development, implementation and updating of internal principles, appropriate business-specific and customer-specific safeguarding systems and anti-money laundering controls.

To ensure compliance with legal regulations, NRW.BANK has appointed a Money Laundering Officer. The latter advises, informs and trains employees at regular face-to-face training sessions as part of a preventive approach. In addition, the Money Laundering Officer prepares a bank-wide annual analysis of the Bank's exposure to money laundering risks and reports directly to the Managing Board.

Sustainable Procurement

In response to the coming into force of the "Tariftreue- und Vergabegesetz Nordrhein-Westfalen" on May 1, 2012, NRW.BANK adjusted its procurement processes to the new law in the past fiscal year.

These adjustments primarily relate to the cooperation with the Bank's suppliers and service providers. Implementation of these changes means that aspects of female promotion, environmental protection and energy efficiency as well as social issues are binding requirements in the procurement of goods and services.

Public Corporate Governance Code

The coming into force of the Public Corporate Governance Code of NRW.BANK on January 1, 2006 made NRW.BANK one of the first public-sector companies in Germany to commit itself to transparent and responsible corporate governance. On the basis of this voluntary commitment, the Bank implements transparency and responsibility in its dealings with its internal and external target groups. 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. The state of North Rhine-Westphalia is currently drawing up a state-wide code of conduct. Following its adoption, the boards of NRW.BANK will consult on an amendment of NRW.BANK's Public Corporate Governance Code and its eventual adoption.

Freedom of Association and Right to Collective Bargaining

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. As of December 31, 2012, 68.7% of the Bank's employees

were employed under collective bargaining agreements.

The interests and needs of NRW.BANK's employees are additionally represented by a staff council formed in accordance with the North Rhine-Westphalian State Staff Representation Act. Its remit includes monitoring compliance with applicable laws, regulations, collective bargaining agreements and labour agreements. The annual staff assembly gives all employees of the Bank the opportunity to inform themselves about the staff council's activities.

Initiatives

In 2009, NRW.BANK joined the three initiatives below in order to lend meaning to its sustainability targets and to make a contribution to the tasks identified also outside its own organisation, as laid down in its Principles of Corporate Responsibility.

■ German Diversity Charter

The German Diversity Charter aims to promote the recognition, respect and implementation of diversity in German enterprises. By signing the Charter, the Bank committed itself to creating a working environment free of prejudices and social exclusion, 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 Statement of Commitment by Financial Institutions on Sustainable Development, NRW.BANK committed itself to aligning its business activities with the goal of sustainable development and to pursuing far-sighted environmental management.

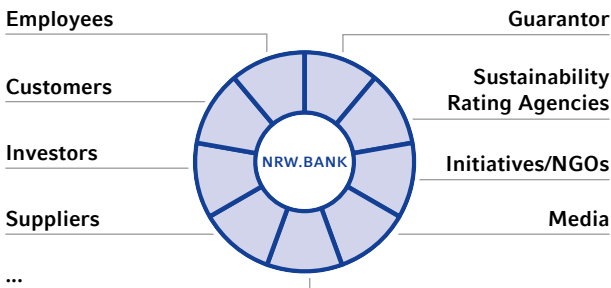
UN Global Compact

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. NRW.BANK endorses these principles within its own sphere of responsibility and helps put them into practice.

By signing these three initiatives, NRW.BANK committed itself to embracing the specific issues addressed by each initiative and incorporating them – wherever possible – into its own business processes. Therefore, during its regular review process in 2012, the Bank incorporated issues such as human rights, labour standards and the prevention of corruption into its “Principles of Corporate Responsibility at NRW.BANK”.

Stakeholder Dialogue

NRW.BANK’s most important stakeholders with regard to corporate responsibility are:



NRW.BANK’s annual financial report is a key instrument for the communication of sustainability issues to the Bank’s stakeholders. To depict the trend in the ecological and social key figures even more accurately, they are shown in a three-year comparison.

Furthermore, NRW.BANK has developed additional web pages on “Corporate Responsibility”, with the aim of increasing transparency towards its stakeholders and offer additional services in the form of information downloads and contact details. This aim was successfully reached: together with the web pages on corporate citizenship and the Public Corporate Governance Code, these web pages have been on line in German and English since the beginning of 2012 and have recorded over 2,600 page views since. For feedback and inquiries, the Bank set up a contact address at nachhaltigkeit@nrwbank.de in the past fiscal year.

NRW.BANK communicates and liaises closely with its guarantor, the state of North Rhine-Westphalia. For instance, the Bank supports the North Rhine-Westphalian government in attaining its energy and climate protection targets and implementing social and infrastructure projects. New promotion products are developed and existing ones refined in close consultation between the Bank and its guarantor.

In 2012, the subject “Sustainability” was an integral element of the Bank’s internal communication. Practical environmental responsibility tips were offered on a weekly basis on the intranet to inform employees about possibilities for savings and improvements, especially with regard to environmental protection. This way, employees were constantly exposed to this topic and invited to engage with it on a meaningful level.

Inquiries and suggestions submitted by employees via an internal communication tool showed that many employees of the Bank are sensitive to environmental issues and sent in ideas to promote environmentally responsible behaviour.

The key topic of the Bank’s sustainability efforts in the year 2012 was “Energy”, which was also reflected in the quarterly employee magazine, “KOMM MIT” and in the “prospect” supplement to the Annual Report.

Outlook

“Energy” also remains one of NRW.BANK’s key topics in 2013. Against the background of this key topic, greater transparency of all aspects related to “Corporate Responsibility” will remain an important goal for NRW.BANK’s communication with its internal and external stakeholders. The Bank therefore addresses this topic again in “prospect 2012”, highlighting additional aspects and promotion possibilities.

An important sustainability-related task for the Bank is to review its work processes and internal regulations to identify potential for optimisation and implement the respective changes.

Sustainability Ratings

Investors’ interest in sustainable investments continued to increase in the fiscal year. Besides the classic economic factors, investors are beginning to place greater weight on social and environmental aspects. Sustainability-based ratings are available to support investors in their decisions.

As an issuer in the international capital market, NRW.BANK is rated specifically for its corporate responsibility performance. In the 2012 rating processes, NRW.BANK scored good ratings from such sustainability rating agencies as Sustainalytics GmbH, oekom research AG and imug.

Sustainability Ratings

	imug	oekom research	Sustainalytics
Rating	positive	Prime	No. 17 of 62*

*Above the peer group average.

Designing Sustainable Promotion for Clients

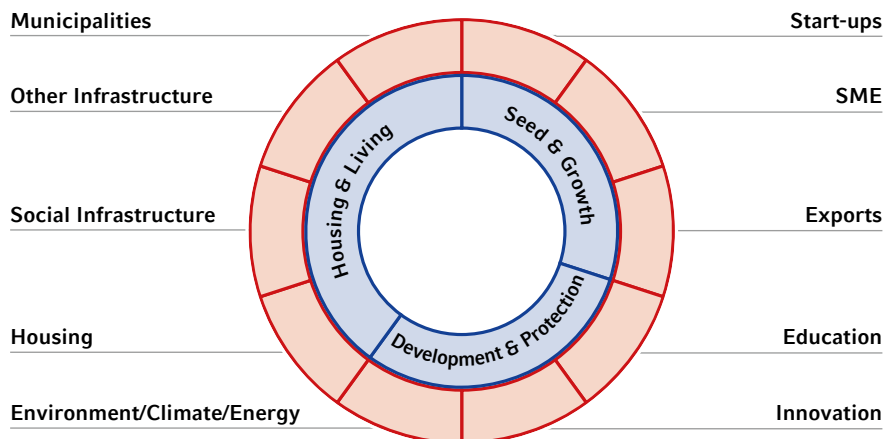
1. NRW.BANK provides its financing and advisory services creatively, competently and responsibly for the benefit of businesses, municipalities and the people in North Rhine-Westphalia.
2. In accordance with its sustainability strategy, NRW.BANK specifically promotes and funds projects and programmes designed to improve living conditions, social development as well as environmental and climate protection in North Rhine-Westphalia. In its capacity as the development bank for North Rhine-Westphalia, NRW.BANK specifically supports investments which take the North Rhine-Westphalian economy and infrastructure forward. 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.

Sustainable behaviour is a central objective of NRW.BANK’s business model and materially influences the contents and the design of its promotion products and services.

In terms of contents, NRW.BANK’s promotion products and services are divided into three fields of promotion: “Seed & Growth”, “Development & Protection” and “Housing & Living”. These form the core of NRW.BANK’s promotion strategy and at the same time denote the primary target areas. Specific promotion themes that describe the focal promotion points are assigned to each of the three fields of promotion. There are ten different promotion themes. Each promotion product is assigned to a particular promotion theme.

The expansion and refinement of the product portfolio are driven by the promotion policy principles adopted by the Board of Guarantors and NRW.BANK’s promotion strategy, which builds on these principles. Both elements facilitate the consistent and sustainable development of the promotion business taking into account the political guidelines of the North Rhine-Westphalian government. The Bank and the North Rhine-Westphalian government jointly aim to provide sustainable promotion and development solutions for the economy, the municipalities and the people in North Rhine-Westphalia. In 2012, the expansion and refinement of the product portfolio again focused on the expansion of the offerings made in the field of promotion “Development & Protection”.

Promotion Services Provided by NRW.BANK



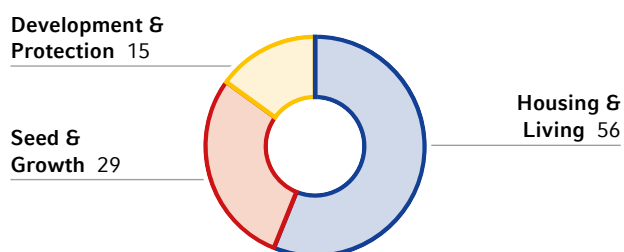
The free provision of monetary and non-monetary resources and the use of own income for the promotion business – referred to as “Förderleistung” – are integral elements of the Bank’s strategy for the design of its promotion products and services. Interest rate subsidies continue to represent one component of the “Förderleistung”. Assumption of risk and free services and provisions, such as for example advisory services for customers and support services for multipliers and house banks round off the Bank’s “Förderleistung”.

In its function as a conduit institution for the North Rhine-Westphalian savings banks, NRW.BANK plays an important role in the promotion business not only through its own promotion products but also when it comes to channelling through promotion programmes of KfW Bankengruppe and Landwirtschaftliche Rentenbank to the savings banks.

To fund its promotion activities, NRW.BANK also uses funds made available to it by other development institutions, especially KfW Bankengruppe, Landwirtschaftliche Rentenbank, the European Investment Bank as well as the Council of Europe Development Bank (CEB).

In terms of new promotion business, 2012 was the most successful year in the history of NRW.BANK. The Bank extended promotion funds totalling € 9.5 billion, thus exceeding the previous year’s good promotion result of € 8.1 billion by 17.3%. The chart below shows a breakdown of the promotion volume by fields of promotion.

Promotion Volume by Fields of Promotion in %



Seed & Growth

Small and medium-sized enterprises are the backbone of the North Rhine-Westphalian economy. They represent more than 85% of all employees, almost 90% of all trainees and apprentices and over 99% of all businesses. Accordingly, providing small and medium-sized enterprises with capital, especially with low-interest (promotion) loans has therefore always been a top priority of NRW.BANK.

In 2012, some of the promotion programmes were revised to make the range of promotion products and services even more attractive. Accordingly, the promotion result of just under € 2.8 billion even exceeded the previous year’s good result of € 2.4 billion. The new business volume picked up especially in the promotion themes “Start-ups” and “SME”. The promotion theme “Exports” also showed a positive trend.

The promotion of established SMEs – and of the field of promotion itself – continues to be dominated by the *NRW.BANK.Mittelstandskredit*, which is the promotion programme with the highest volume. Under this programme, more than 4,700 North Rhine-Westphalian enterprises received interest-subsidised loans for investments and working capital in a total amount of € 1.5 billion in 2012 (2011: 3,156 recipients; € 1.1 billion).

In addition, the *NRW.BANK.Universalkredit* also established itself as a further cornerstone of SME promotion. Under this programme, the Bank extended development loans totalling € 486.2 million in 2012 (2011: € 424.4 million). With freely selectable maturities between three and ten years, this loan meets the recipients' demand for greater flexibility and is a meaningful complement to the *NRW.BANK.Mittelstandskredit*.

To give small and medium-sized enterprises access to development loans even if they lack sufficient collateral, NRW.BANK successively expanded its range of liability releases over the past years:

- With the *NRW.BANK.Mittelstandskredit* and the *NRW.BANK.Universalkredit*, an optional 50% liability release to the benefit of the house bank is available. This liability release partially frees the house bank from its liability for servicing the development loan towards NRW.BANK. This increases local banks' readiness to grant development loans even if only limited collateral can be furnished.
- For the *NRW.BANK.Mittelstandskredit*, the Bank additionally introduced the "EIF liability release" of 60% for small and medium-sized enterprises, as defined by the EU, in 2012. 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 of the European Union.

Alternatively an 80% default guarantee from Bürgschaftsbank NRW may be applied for under both programmes.

To externally strengthen their equity capital, small and medium-sized enterprises preferably use mezzanine capital, as this instrument has no impact on their ownership structure. It offers the additional advantage that it is available to the other creditors as an additional

loss cushion thanks to the mandatory subordination agreement and generally qualifies as "economic equity" in a rating process. NRW.BANK grants mezzanine capital in the form of two coordinated products:

- The *NRW.BANK.Mittelstandsfonds* provides mezzanine capital that can be individually structured in the form of dormant shareholdings from € 1 to 7 million. It is targeted at enterprises focusing on the flexible adjustment of internal cash flows and a stronger orientation towards the characteristics of classic equity capital.
- By contrast, the *NRW/EU.Investitionskapital* is funded from the European Regional Development Fund (ERDF) and by the state of North Rhine-Westphalia and provides standardised mezzanine capital in the form of subordinated loans at very favourable conditions.

Demand for both products picked up markedly in 2012. At € 24.5 million, commitments under the *NRW.BANK.Mittelstandsfonds* alone were more than twice as high as in the previous year.

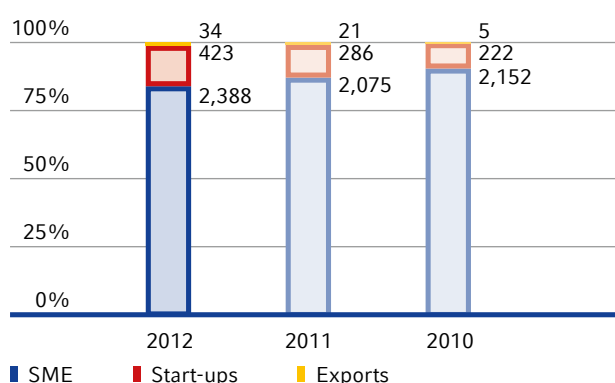
Support for business start-ups has been from the very beginning one of the main economic development tasks of NRW.BANK. The Bank nurtures start-up activity in North Rhine-Westphalia predominantly through its *NRW.BANK.Gründungskredit*, which offers interest-subsidised loans for start-up entrepreneurs. In 2012, 1,719 start-up and growth projects with a total volume of € 335.7 million (2011: 1,150 projects; € 200.4 million) were supported by this programme.

The *NRW/EU.Mikrodarlehen*, a programme funded by the ERDF and the state of North Rhine-Westphalia, is targeted specifically at micro start-ups with funding needs of up to € 25,000. At the end of 2012, NRW.BANK extended the 500th loan under this programme. 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.

Seed capital – equity capital in conjunction with entrepreneurial support of the founders – is required, in particular, by enterprises launching innovative and technically new products and services in the market. Their competitiveness and ability to innovate are of great importance for a national economy. NRW.BANK promotes such start-ups through its *NRW.BANK.Seed Fonds*. The latter provides regional seed funds with capital for investments in newly established technology-oriented businesses, thus facilitating individual investments via various funding rounds up to € 0.5 million. Through its participation in regional seed funds, NRW.BANK supports private investors in a market segment that continues to be characterised by strong market inefficiencies. Following full investment of the first *NRW.BANK.Seed Fonds* in the amount of € 30 million, the second fund of the same amount was launched in 2012.

The increasingly complex economic interrelationships 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 service centre – again attracted a strong demand in 2012. In view of the relatively easy availability of credit, the advisory services tended to focus more on forward-looking and cost-oriented options for company funding and on improving communication with external lenders.

Promotion Volume “Seed & Growth”
by Promotion Themes in % and in € Million



Development & Protection

NRW.BANK’s offerings relating to the promotion themes “Education”, “Innovation” and “Environment/Climate/Energy” are pooled in the field of promotion “Development & Protection”.

The promotion theme “Environment/Climate/Energy” accounts for over 90% of the promotion volume and the promotion cases. Here, the focus was on supporting projects complying with the North Rhine-Westphalian government’s environmental policy objectives. The product drive launched in this promotion theme in the previous year was continued in close cooperation with the North Rhine-Westphalian government in 2012.

The following new products pursuing environmental or climate-related objectives were introduced by the Bank in 2012:

- The *NRW.BANK.Gebäudesanierung* programme provides interest-subsidised loans of between € 2,500 and € 75,000 to support investments by private home owners aimed at energy efficiency upgrades, improved environmental protection and barrier-free refurbishments.
- Under the motto “Fresh money for clean water”, the state of North Rhine-Westphalia and NRW.BANK promote investments in the waste water infrastructure by way of subsidies and low-interest loans under the two programmes *NRW.BANK.Ergänzungsprogramm Abwasser* and *Ressourceneffiziente Abwasserbeseitigung NRW*.
- The programme *NRW.Sanierung privater Hausanschlüsse* promotes the modernisation of private sewage connections by private home owners. The use of funds of the state of North Rhine-Westphalia allows the loans to be offered at extremely low interest rates.

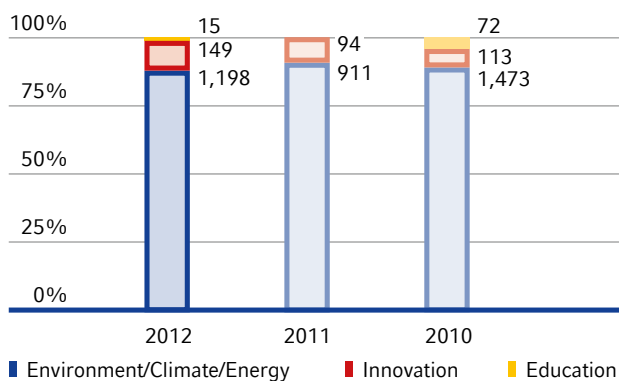
Launched in 2010, the *NRW.BANK.Elektromobilität* programme provides low-interest financing for research and development projects that fall under North Rhine-Westphalia’s “Electromobility Masterplan”.

The *NRW.BANK.Effizienzcredit* was introduced in October 2011 to support projects aimed at energy savings and energy efficiency. This loan represents a new promotion approach adopted by NRW.BANK, since the Bank makes access to promotion funds conditional on the achievement of certain minimum requirements. This offering is characterised by a simple application process, a large choice of maturities and liability releases for house banks.

In the promotion theme "Innovation", the Bank significantly expanded the scope of the *NRW.Innovationsdarlehen*, which was simultaneously renamed *NRW.BANK.Innovationskredit*. The optimised promotion programme is now available to all small and medium-sized enterprises generating sales of up to € 500 million per year. In addition, the Bank raised the maximum loan amount to € 10 million and introduced an optional liability release for loans of € 0.5 million and more.

Through its two *NRW.BANK.Venture Fonds*, NRW.BANK has, for many years, made co-investments in young, innovative North Rhine-Westphalian enterprises which operate in forward-looking sectors and have successfully completed a first financing round. These equity financings mostly take the form of an open minority investment of between € 0.5 and € 7 million and comprise several financing rounds, with the Bank aiming for an investment period of no more than seven years. In the past financial year, NRW.BANK's commitments in this field totalled € 7.3 million.

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



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 again able to increase its aggregate promotion volume in this field of promotion to more than € 5.3 billion. The largest promotion themes were "Municipalities" at € 3.1 billion and "Housing" at € 1.5 billion.

It is a key task of NRW.BANK to act as a reliable partner to the municipalities in North Rhine-Westphalia. To live up to this task, the Bank offers the *NRW.BANK.Kommunalkredit* which is designed to secure and support the proper functioning of the North Rhine-Westphalian municipalities. To fund infrastructure projects undertaken by municipalities, municipally-owned companies and municipal cooperatives, NRW.BANK additionally provides two coordinated programmes, namely *NRW.BANK.Kommunal Invest* and *NRW.BANK.Kommunal Invest Plus*.

In addition, NRW.BANK also supports the municipalities with competent advice. In this context, the Bank regularly provides the municipalities and municipally-owned companies with information about the various credit programmes and assists them with regard to issues of inter-municipal cooperation as well as municipal activity concepts, such as urban development.

A smoothly functioning infrastructure is a precondition for economic growth in a region. Quite frequently, however, the required investments exceed the public sector's available resources, which mean that private capital must be mobilised for the maintenance and the expansion of the infrastructure in North Rhine-Westphalia. This is done with the help of the *NRW.BANK.Infrastruktur* programme, which offers private investors an opportunity to fund social and technical infrastructure projects at favourable terms. At the end of 2012, an annuity loan was introduced under this programme to complement the previous instalment loan. Moreover, NRW.BANK provides customised structured finance products to support infrastructure projects. Besides

these broad-based general offerings, special offerings exist for selected infrastructure projects:

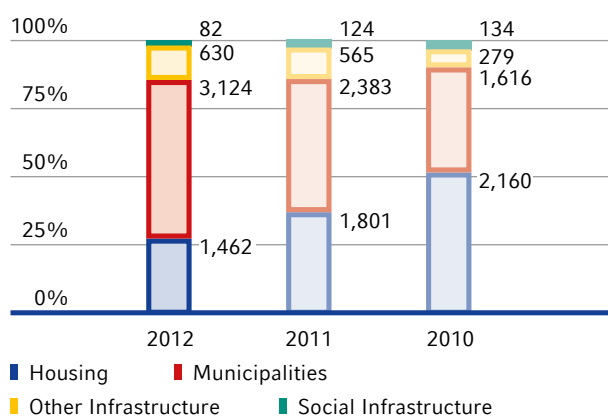
- The *NRW.BANK.Sportstätten* and *NRW.BANK.Pflege und Betreuung* programmes serve to strengthen social cohesion and thereby help to develop North Rhine-Westphalia's communities in a sustainable manner. While the first programme supports the renovation or expansion of sports facilities, the second promotes investments in elderly care homes and assisted living as well as homes and workshops for the handicapped.
- 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. The *NRW.BANK.Breitband* programme finances investments designed to build up a technology-neutral, state-wide broadband supply in North Rhine-Westphalia. The focus is on the procurement and installation of glass fibre cables.

In 2012, NRW.BANK's various social housing promotion programmes again helped to create affordable housing for lower income target groups. In addition, the Bank aims to improve the condition and the energy efficiency of the housing stock and to align existing housing resources with the requirements of demographic change. The focus is increasingly shifting to conversions and refurbishments of existing buildings. The contents of the promotion programmes are based on the annual Housing Promotion Programme drawn up by the state of North Rhine-Westphalia, which operationalises the guidelines of the promotion policy into specific promotion conditions.

The promotion loans for owner-occupied housing are extended directly to the promotion beneficiaries, who file an application with the responsible authorities. All told, the Bank provided the following loan volumes in the year 2012: € 274.7 million for the construction of low-rent flats; € 219.2 million for the purchase and construction of owner-occupied housing and € 27.5 million for the reduction of barriers in existing housing units as well as the construction of nursing homes.

Besides its own promotion programmes, NRW.BANK provides access to 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 "Housing & Living"
by Promotion Themes in % and in € Million



Assuming Social Responsibility for Employees

1. NRW.BANK is a forward-looking and socially responsible employer under public law. The Bank is especially committed to a responsible human resources and training policy as well as to fair dealings with all employees.
2. NRW.BANK complies with international standards – such as human rights, the UN Convention on the Rights of the Child for the protection of children against exploitation (Art. 32) as well as the rejection of forced labour – as well as with national laws and labour standards. The right of all employees to organise and the active support of statutory co-determination play an especially important role in this context.
3. As part of its corporate responsibility, NRW.BANK attaches great importance to avoiding discrimination. The Bank's "Fairness at Work" convention not only prohibits all forms of discrimination within NRW.BANK but also describes measures to prevent discrimination and defines rules relating to employees' right to file complaints.
4. For NRW.BANK, fair dealings with its employees also means creating a corporate culture in which partnership and cooperation, openness, mutual respect and esteem are values that are endorsed by all. Together with dialogue-oriented processes, these values lay the basis for a positive and productive working climate.
5. For NRW.BANK, assuming responsibility for its employees means creating an attractive working environment, for example through high job safety, modern health management and regulations supporting a good balance of work and family life.
6. As a modern development bank, NRW.BANK believes that the functional and social skills of women are indispensable. The Bank therefore aims to give women at all levels equal professional opportunities and to take this into account also with regard to the exercise of mandates and the Bank's investments. The Bank's family-friendly policy is also designed to give men the

possibility to achieve a better balance of work and family life and thus helps to take equal opportunities at work forward and to stabilise them.

7. While there can be no doubt that a positive working environment is conducive to high performance and excellent achievements, the most important preconditions are good qualifications as a basis to start from, as well as possibilities for further development. This is why NRW.BANK attaches top priority to excellent vocational training, constant further training and individual development. In this context, the Bank respects the individual potential, needs and interests of its employees, which is not least reflected in its signing of the "German Diversity Charter".

Sustainability and corporate responsibility are also hallmarks of NRW.BANK's human resources policy. Safe jobs, individual qualification and development possibilities as well as good working conditions all form part of this policy to help the Bank find and retain qualified and committed people in the long term.

Facilitating Development

Since 2009, NRW.BANK has given preference to internal promotions as opposed to external hiring when it comes to filling vacant positions. The Bank offers its good, qualified employees as many possibilities for development as possible, not least with a view to retaining them in the long term. A total of 90 employees used these opportunities during the year 2012 and opened up new prospects for themselves. Another 18 positions were filled by transferring apprentices and trainees into permanent employment; add to this 22 female employees returning from parental leave to resume their employment.

As it was not possible to fill all vacant positions with internal candidates, 34 new employees were hired in the past fiscal year. 24 of them changed from previously limited employment to permanent employment. As a result, NRW.BANK employed 1,258 people as of December 31, 2012.

Personnel Structure

At 4.3%, staff turnover in 2012 was higher than in the previous years. This is attributable to both an increase in age-related retirements from 1.9% to 2.8% and a rise in contracts terminated from 0.6% to 1.5%.

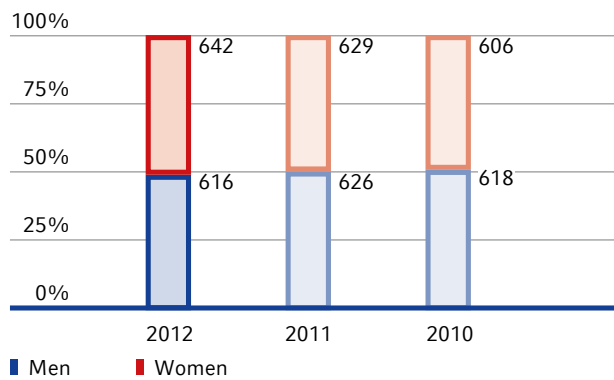
Staff additions and exits were balanced at both locations. As more men than women left the Bank

and more women than men were hired, the female percentage increased moderately in the past year.

As most of the staff exits related to retirements and most of the new staff hired were new trainees and young banking professionals, the average age remained unchanged at 42.5 years as of December 31, 2012.

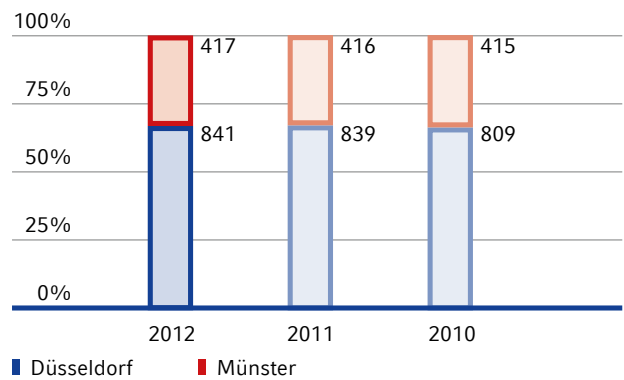
Female/Male Ratio

in Absolute Figures and in %

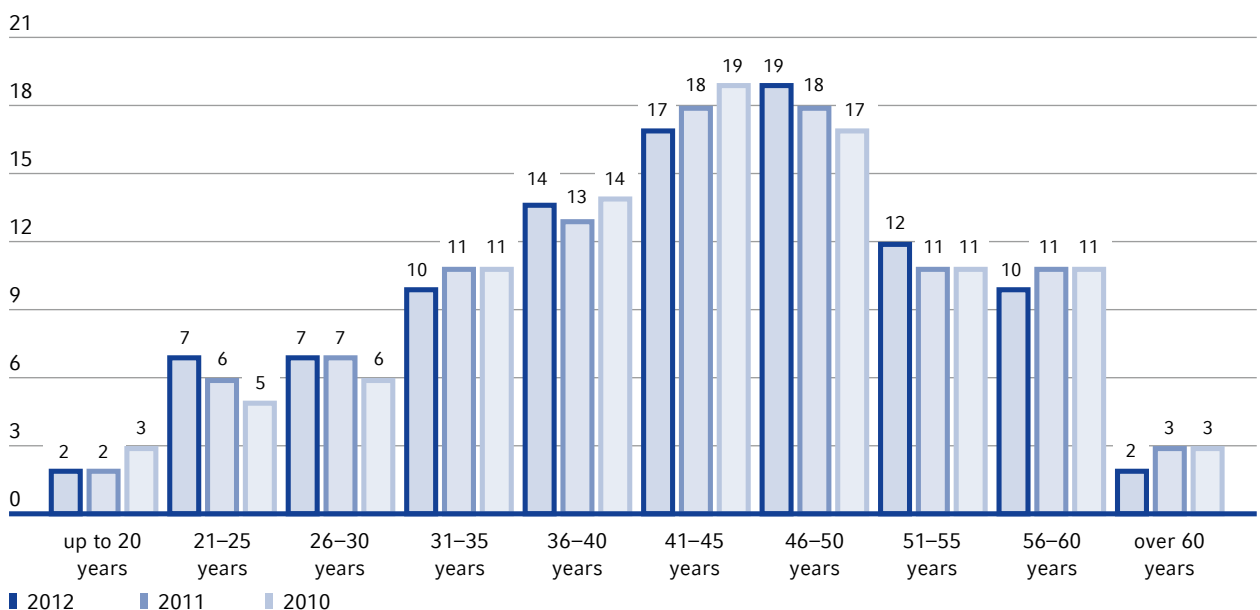


Employees by Locations

in Absolute Figures and in %



Age Structure in %

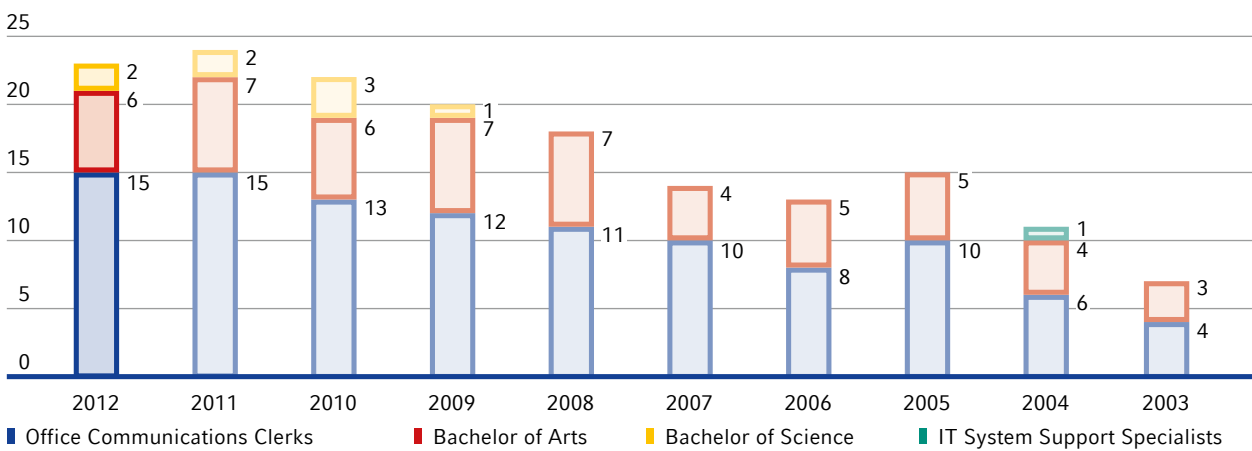


Securing Junior Staff

NRW.BANK trains young people in various professions at both its locations to ensure that it will have access now and in the future, to well-qualified employees who are familiar with the specific requirements of the development and promotion business.

But vocational training also means social responsibility – over the past years, the Bank has therefore significantly increased the number of traineeships, not least in view of the fact that the number of A-level school-leavers in 2013 will be about twice as high as in the past due to a change in the German education system. Accordingly, more than 20 traineeships will be available at both locations in all three professions in summer 2013.

Hired Apprentices and Trainees



The quality of the vocational training is just as important. NRW.BANK apprentices are consistently among the best of their class, and the Bank itself has also won several awards from the Chambers of Industry and Commerce in Düsseldorf and Münster in recognition of its achievements in the field of vocational training. In 2012, most of the Bank’s trainees scored good and very good results. Also, 2012 was the second year (after 2010) that Germany’s best office communications clerk trainee came from NRW.BANK. These achievements would not have been possible without the great commitment shown by the trainers in the specialist departments. Our thanks and respects therefore go to them as well as to all our high-performing trainees.

A total of 20 trainees successfully completed their vocational training at NRW.BANK in the past year. This means that the Bank has trained over one hundred young people since the start of vocational training in 2003. 16 of the trainees who completed their training last year used the take-over bid and the “Azubi-Stellenmarkt” post-traineeship job listing to find a permanent job in the Bank.

NRW.BANK also has a trainee programme for successful university graduates. Four young graduates joined this programme in 2012.

Further Training

NRW.BANK attaches great importance to life-long learning and therefore offers its employees a wide range of development opportunities – ranging from a comprehensive roster of seminars to the possibility to study for a degree course alongside their job at the Bank. In 2012, 69 employees were enrolled in the internal development programme to attain a degree such as a bachelor's or master's degree. Over the past years, 96 employees used this financial and time support to obtain a degree.

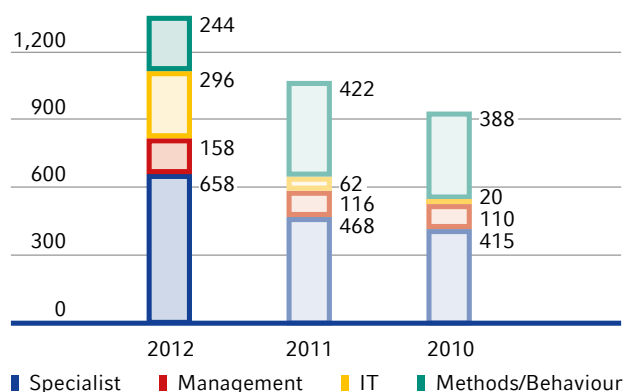
A few years ago, NRW.BANK already decided to organise training measures in the form of internal seminars¹ wherever possible. In the meantime, this has resulted in a comprehensive and constantly growing catalogue of seminars with regular offerings: from basic and special topics to aspects of methodological/behavioural competence to leadership training. This regular offering is complemented by a large number of courses on current specialist topics that are offered based on employee demand.

In 2012, seminars addressing various legal aspects as well as the implementation of new regulatory provisions led to a sharp increase in the number of participants in internal events. A trend that continued in 2012 was that internal events were primarily used to inform employees directly about relevant amendments and new developments. This led to a growing number of short – including half-day – seminars, which convey knowledge on a closely defined specialist topic in a concise manner.

The internal IT seminars, which exclusively comprise typical user trainings, usually aim to convey knowledge about new IT systems or applications used by a large number of employees. 2012 saw a sharp increase in the number of participants in these IT seminars, which was due to the fact that the Bank replaced various heritage IT systems with a new system, which required comprehensive preparations and training of the employees.

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.

Internal Seminar Attendance by Topics

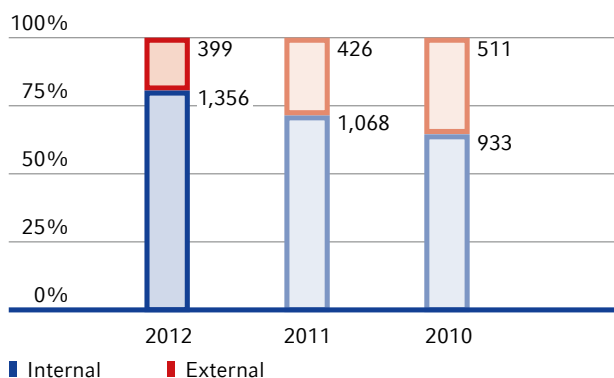


In 2012, the Bank complemented its internal three-part executive development programme by adding a follow-up module; workshops during which different relevant leadership topics are explored and discussed on the basis of participants' own experience are organised for experienced executives at intervals of about 1.5 years. This means that NRW.BANK now demands and promotes life-long learning not only with regard to specialist knowledge but also with a view to leadership expertise. 34 participants in the first of these workshops show that there is great interest on the part of the Bank's executives and led to a further increase in the number of participants in management seminars.

In view of its age structure, NRW.BANK developed an internal workshop programme in 2012 which is exclusively targeted at employees aged 50 and above who have no leadership responsibility. These workshops address topics such as knowledge, relationship, conflict and change management specifically from the point of view of people with comprehensive life and job experience but also explore measures and strategies for the preservation of their physical and mental performance. The fact that the 30 places for the first of these workshops in spring 2013 were fully booked after a very short time and that more employees have expressed their interest in such a workshop shows that this offering is very much appreciated by both employees and their superiors.

The swift and flexible implementation of qualification requirements led to a further increase in the percentage of internal training measures in 2012. External seminars will nevertheless continue to be of great importance for specialist topics for which there is often demand from a low number of employees.

Ratio of Internal and External Seminar Attendance



The 1,755 seminar participations are equivalent to 3,500 seminar days, which means that a seminar lasted 2.0 days on average. Women accounted for 52.6% of all participants in 2012.

In spite of the marked increase in seminar participations, total spending on internal and external seminars was down by 8.7% on the previous year. This reduction in costs is primarily attributable to the internal seminars and reflects the trend towards shorter – and less costly – events. The strong increase in the number of seminars – especially IT user training – was managed by the Bank's own skilled employees, which means that no additional costs were incurred.

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 day care centres in Düsseldorf and Münster. Over the past years, the Bank repeatedly adjusted the number of available places to the growing demand, so that 38 children of employees are now in day care.

In addition, employees can avail themselves of the "pme Familienservice" which offers independent advisory and agency services. Employees primarily took advantage of child care arrangements in urgent cases and child care during vacations and sought advice on issues surrounding care for family members. The support offered by NRW.BANK is clearly appreciated by employees, which is evident both from the large demand for these services and from the fact that many mothers return to work shortly after giving birth. Half of the 22 mothers who returned to work in 2012 took parental leave of no more than one year.

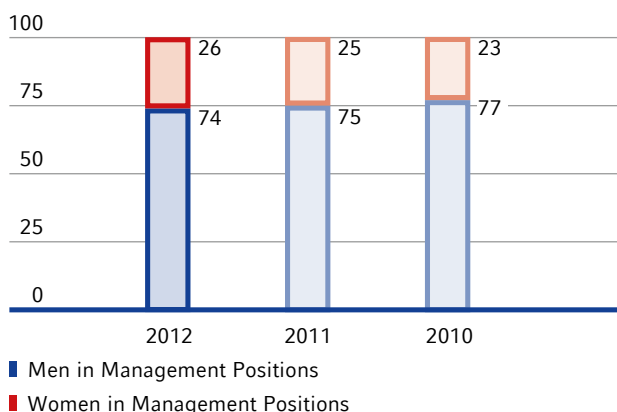
NRW.BANK's male employees are increasingly also taking advantage of the statutory possibilities that allow them to spend more time with their kids. In 2012, 23 fathers took a limited time off or reduced their working hours in the context of parental leave. This represents an increase by 76.9% on the previous year.

This also led to a moderate increase in male part-time work. As of December 31, 2012, male employees accounted for 9.5% of all part-time workers. The total percentage of part-time workers climbed from 18.7% to 20.1% in the fiscal year.

“Frauen und Männer@NRW.BANK” is a series of events offering employees at both locations the possibility to attend expert lectures on a variety of topics as well as a strategy workshop specifically for female NRW.BANK employees.

Thanks to the various measures described before, the percentage of women in both higher-paid specialist positions and managerial positions has increased slowly but steadily. 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.

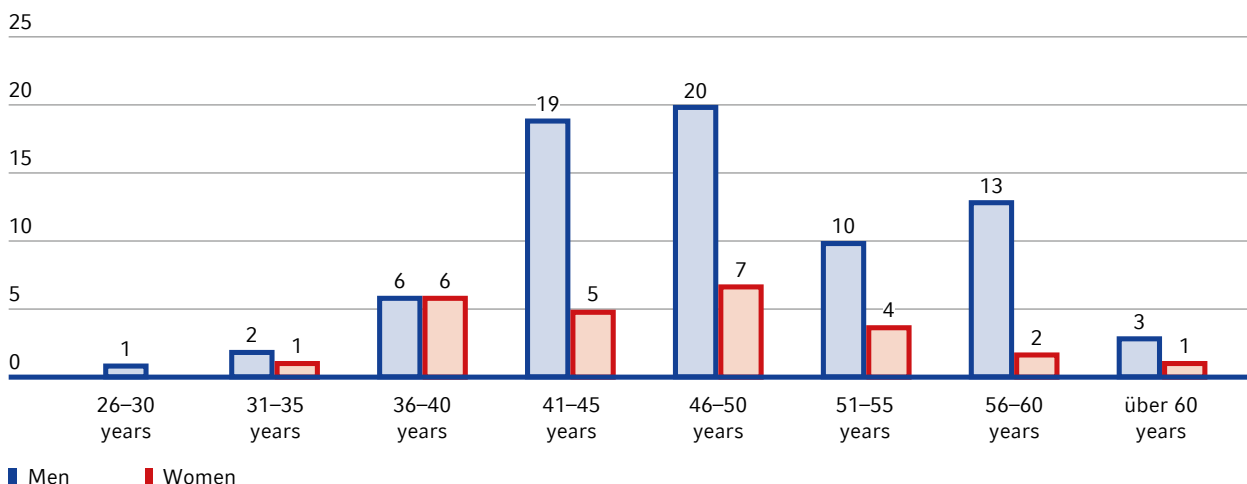
Breakdown of Management Positions in %



Of the management positions to be filled in 2012, almost two thirds were filled with a female candidate. As there are no plans, however, to expand the Bank’s personnel and, in this context, its management positions, the speed at which the degree of female representation can be increased will largely depend on the number of management positions that become vacant because of terminations or retirements.

Over 80% of the managers that may retire by 2020 are men. As these positions will be filled with a much higher share of women – not least because qualified women will be considered more often – the percentage of female managers will increase in the medium term.

Women and Men in Management Positions in %



The comparison with the previous year shows that the percentage of women has declined especially where younger managers (up to 35 years) are concerned. One of the reasons for this are temporary absentees due to parental leave as of the reporting date on December 31, 2012. To give qualified women the possibility to access and hold on to management positions, conditions are needed that allow mothers to reconcile the conflicting demands of a management position and a family. An important element is the possibility to work part time also in a management position. To achieve this, the Bank relies on individualised and flexible solutions which may comprise different degrees of part-time work and possibilities for relief, depending on the size and the employee structure of the team to be managed. As a general rule, however, management responsibility shall not be shared, which means that the reduced working time is to be achieved primarily through the delegation of specialist tasks.

Maintaining Performance

Good working conditions and exemplary health and safety policies also form part of NRW.BANK's corporate responsibility towards its employees. For many years, the Bank has implemented this in the context of its strategic health management system, which has been expanded continuously since 2006. Today, the system covers everything from a company doctor to a social worker offering confidential help to a variety of offerings revolving around such topics as preventive medicine, nutrition and sports.

A mobile massage has meanwhile become a permanent offering as part of the Bank's strategic health management activities. The special topic of the year 2012 was "Cholesterol and blood sugar". The information and preventive check-ups offered in this context met with great interest on the part of the Bank's employees.

NRW.BANK is convinced that meaningful reporting and documentation are an important precondition for

ensuring the sustainability of its healthcare management approach. This is why the Bank commenced publishing an annual health report in 2010. It informs employees about all activities related to healthcare management.

The quality of the health management system is also regularly examined by independent auditors. In the last audit, which took place in 2011, NRW.BANK was awarded the "Seal of Quality" in the "Excellence Category" of the Corporate Health Award organised by Handelsblatt, TÜV Süd Life Service GmbH and EuPD Research.

Four 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. Many of the improvements suggested by the respondents – especially ergonomics and building-related improvements – have already been put into practice. These surveys and regular examinations by the Occupational Health and Safety Officer and the company doctor allow the working conditions to be reviewed and, where necessary, improved continuously.

Apart from remedying individual situations, NRW.BANK also takes a comprehensive approach to the underlying issues, for example by a new seminar on "time and task management", special measures aimed at improving employees' stress management skills at team level or a new offering on change management. Here, the process managers develop a communication and implementation concept for their specific project which reduces the stress for all parties involved to a minimum and helps them identify the resulting opportunities and improvements.

Climate and Environmental Protection

1. NRW.BANK's resource efficiency and its active contributions to North Rhine-Westphalia's public life are an integral part of its corporate responsibility for the present and future generations.
2. Minimised use of resources and the utilisation of a large share of environmentally friendly and, preferably, renewable resources 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 aims to implement the state of the art whenever it comes to 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

Every corporate activity has an impact on the environment. A direct impact results, for instance, from the use of energy, water and materials or the production of waste. But every use of resources also entails an indirect impact on the environment, which is taken into account through the computation of greenhouse gas emissions.

NRW.BANK is well aware of this fact and takes a wide variety of different measures to keep the environmental impact of its business activity as low as possible. NRW.BANK captures, documents and evaluates its environmental key figures and ratios in order to identify areas of potential improvement and to secure the improvements that have been achieved in the long term. Since 2007, the Bank has regularly reported on selected

environmental performance indicators with a view to ensuring maximum transparency.

These environmental data are collected, evaluated and reported in accordance with the standards of the "Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU)". An important aspect of this standard is the presentation of key figures per employee, which allow the figures to be compared and indicate a trend. All people working in the buildings of NRW.BANK are covered by the analysis, including external workers. By contrast, employees on parental leave or in early retirement are not included. This results in differences from the employee figures otherwise communicated in the Annual Report¹.

The present Eco Balance² for the year 2012 covers the ecological data and the environmental impact of all NRW.BANK buildings³. At the Bank's head office in Münster, an existing building part with a size of roughly 1,700 square metres was vacated in 2012 in order to refurbish it to the state of the art. The construction activities were completed and the building was reoccupied before the end of 2012. Accordingly, the useful area analysed in the past fiscal year remained unchanged at 54,300 square metres.

In the meantime, the Bank continues to improve the energy efficiency of its existing buildings as part of its ongoing commitment to the responsible use of resources at the Münster head office.

Building Energy

NRW.BANK's comprehensive energy management approach ensures not only healthy jobs but also the lowest possible impact on the environment and the climate. The Bank's buildings are heated using district heat generated by combined heat-and-power plants, which is one of the most environmentally friendly forms of heat generation. Measures such as insulated facades and heat-insulation glazing additionally help to reduce energy requirements.

¹ In accordance with the VfU standards, 1,358 employees were taken as the basis for the relative figures in 2010, 1,382 employees in 2011 and 1,348 in 2012.

² The environmental figures were collected in cooperation with Büro WiRkung from Grevenbroich.

³ Incl. office at Ernst-Gross-Strasse in Düsseldorf, but excl. liaison office in Brussels.

Heating energy consumption per square metre reached 90 kWh in 2012, compared to 108 kWh in the past fiscal year. The reduction is primarily attributable to the very mild winter. At 3,629 kWh, consumption per employee was even 14.2% lower than in the previous year.

The electricity supply is an important criterion for a company's climate-friendliness. By opting for electricity from renewable sources, NRW.BANK clearly demonstrated its commitment to environmental and climate protection. 97% of the electricity sourced by the Bank comes from hydropower supplied by a TÜV-certified provider. This allows the Bank to save some 2,159 t of CO₂ per year compared to the market mix. This way, NRW.BANK also helps the state of North Rhine-Westphalia to reach its climate targets.

In addition, the Bank continuously aims to optimise the energy efficiency in the field of lighting and air-conditioning. At 5,672 MWh, absolute electricity consumption in 2012 was down by 6.5% on the previous year, which was also attributable to weather-related factors.

To reduce the environmental impact arising from employees' business trips to a minimum, the Bank's travel guidelines give precedence to local public transport. In addition, employees use video conferences, for example to reduce the number of journeys between the two head offices in Düsseldorf and Münster.

At 4,785,213 km, travel activity was almost on a par with the previous year. While the Bank was able to reduce the kilometres travelled by road and by rails as well as on short-haul flights, the kilometres travelled on long-haul flights increased due to some additional and longer flights.

To raise long-term promotion funds at favourable terms, the Bank is targeting an increasingly international investor base. As an issuer in the international capital market, NRW.BANK therefore maintains close relationships with its investors. In 2012, the focus was on Germany as well as the Far East, Africa, the Middle East and America. This trend is reflected in the higher number of kilometres travelled on long-haul flights.

Energy Consumption	2012	2011	2010
	kWh	kWh	kWh
Total Heating Energy	4,892,730	5,844,450	5,093,322
Heating Energy per Employee/Year	3,629	4,229	3,750
Total Electricity Consumption	5,672,010	6,067,780	5,782,431
Electricity Consumption per Employee/Year	4,207	4,391	4,258

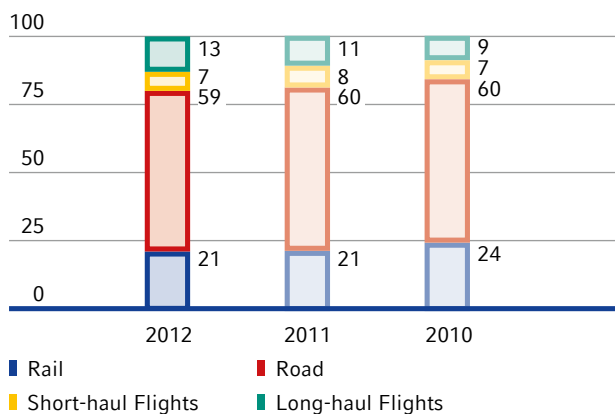
Business Travel	2012	2011	2010
	km	km	km
Rail	985,682	993,904	1,092,458
Road*	2,811,009	2,821,636	2,781,268
Short-haul Flights	330,178	373,483	326,642
Long-haul Flights	658,344	527,722	424,931
Total	4,785,213	4,716,745	4,625,299
km per Employee	3,549	3,413	3,406

* Total kilometres travelled by the Bank's cars

Business Travel

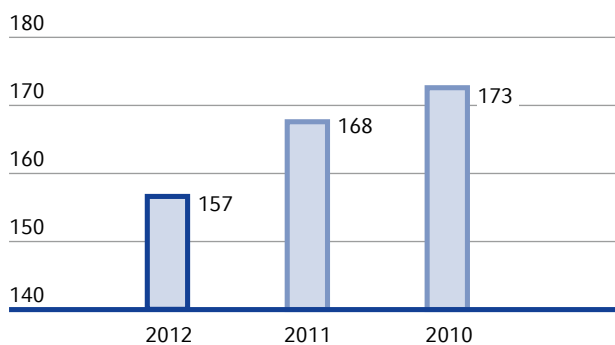
Personal contacts with clients and business partners are important for the quality of the Bank's work. This means that business travels can be replaced by modern communication technologies only to a limited extent. To provide its clients throughout North Rhine-Westphalia with information and advice, Bank employees primarily travelled by rail and by car.

Business Travel in %



The breakdown of business trips by means of transport also remained largely unchanged. At 58.7%, company cars are the most frequently used means of transport. To ensure that the vehicle fleet can be adjusted continuously also with regard to climate-related aspects, NRW.BANK has implemented a company car policy based on short lease terms and providing for ecological advice prior to the purchase of a company car. The success of this policy is not least reflected in the fact that average carbon emissions declined by 6.9% to 156.6 g CO₂/km in 2012.

Average Fleet CO₂ Emissions in g/km



Paper

In the past fiscal year, the Bank included additional paper types in its eco-balance, which means that the total amount of paper used now comprises not only office paper but also part of the printed matter used. Total paper consumption including printed matter and envelopes amounted to 61.9 t. Where printing and copier papers alone are concerned, the positive trend continued; having declined by 3.2 t in the previous year, their consumption was reduced by another 4.1 t in 2012.

Paper Consumption	2012	2011	2010
	kg	kg	kg
Total Paper Consumption*	49,239	53,253	56,454
Paper Consumption per Employee*	36.5	38.5	41.6

* Printing and copier paper, excl. printed matter and envelopes

The share of recycled paper in the Bank's total paper consumption increased moderately, while the share of FSC and PEFC paper was expanded by 11.8%. This shows that employees are showing growing environmental awareness also where the consumption of paper is concerned.

Paper Types	2012	2011	2010
	%	%	%
Recycled Paper	6.0	4.9	4.2
Primary Fibre Paper, ECF*	76.0	87.7	90.4
Primary Fibre Paper, TCF*	0.1	0.2	0.1
Primary Fibre Paper, FSC** and PEFC**	14.9***	3.1	1.8
Primary Fibre Paper, chlorine-bleached	3.0	4.1	3.4

* Elemental chlorine-free (ECF), totally chlorine-free (TCF)

** Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification Schemes (PEFC)

*** 2012 figures incl. printed matter

Water

By installing water-efficient technologies and using grey water from the air scrubbers and recooling systems for its sanitary facilities, NRW.BANK makes an active contribution to the sparing use of this precious resource.

The Bank's water consumption remained almost unchanged in 2012.

Process and Drinking Water	2012	2011	2010
Total Water Consumption	19,895 m ³	19,507 m ³	20,386 m ³
Daily Water Consumption per Employee*	59.0 l	56.5 l	60.0 l

* Based on 250 working days as per VfU methodology.

Waste

In the past fiscal year, the Bank again included additional waste fractions in its environmental report, so that the eco-balance now also covers green waste and electrical waste. Including "other" and "kitchen waste", this has resulted in an additional 142.9 t of waste compared to the "traditional" office waste. The total waste volume amounted to 371.7 t or 275.2 kg per employee.

A look at the typical office waste (residual waste, DSD-collected recyclables and paper) shows, however, that the recycling ratio again reached a high level and that the waste volume per employee was further reduced.

Waste Volume	2012	2011	2010
	t	t	t
Waste Paper	56.1	76.6	62.7
Document Shredding	56.6	45.3	73.3
Residual Waste	113.1	117.1	113.9
DSD („Green Dot“)	3.0	3.0	6.0
Total*	228.8	242.0	255.9
kg per Employee	169.8	175.1	188.4
Recycling Ratio*	55.4%	51.6%	55.5%

* Excl. other and kitchen waste

Greenhouse Gas

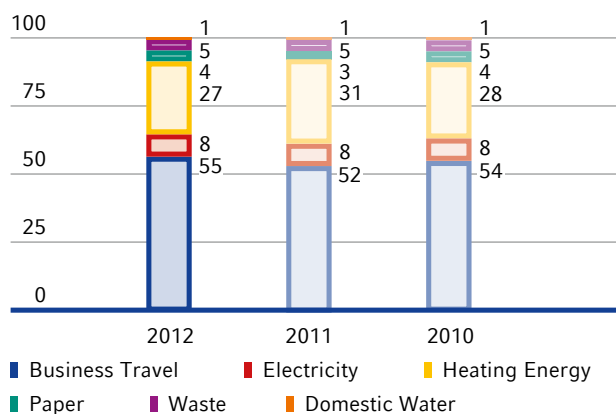
Carbon emissions are an important performance indicator for NRW.BANK. To calculate them, the Bank translates all environmentally relevant consumption figures and wastes into CO₂ equivalents using standardised conversion factors (to VfU standard). These CO₂ figures provide an insight into the climate relevance of the Bank's operations.

The Bank's carbon emissions in 2012 totalled 1,780.5 t, which is equivalent to 1,321 kg of CO₂ per employee. The total and the per-employee figures were down by 4.9% and 3.0%, respectively, on the previous year. This decline was achieved primarily because of CO₂ reductions in the fields of electricity, heating energy and waste.

CO₂ Emissions by Weight

	2012	2011	2010
	kg CO ₂	kg CO ₂	kg CO ₂
Electricity	132,521	144,071	142,654
Heating Energy incl. Emergency			
Power Diesel	488,503	586,403	507,391
Business Travel	984,397	982,026	954,894
Paper	74,244	63,883	67,745
Domestic Water	14,901	14,611	15,269
Waste	85,978	91,390	80,295
Total	1,780,544	1,882,384	1,768,248
CO₂ per Employee	1,321	1,362	1,302

CO₂ Emissions in %



By contrast, the breakdown of total CO₂ emissions by sources remained largely unchanged. At 55.3%, business trips were the main source of CO₂ emissions at NRW.BANK, followed by heating energy, which accounted for 27.4%. Thanks to the use of renewable electricity, CO₂ emissions from electricity consumption again represented less than one tenth of the total.

Direct and Indirect CO₂ Emissions at NRW.BANK in 2012

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				132,520.7
– Renewable			66,091.0	
– Market Mix		66,429.7		
Heating Energy				488,502.8
– District Heat		479,487.5		
– Emergency Power Diesel	7,602.2		1,413.1	
Travel				984,397.4
– Rail			47,115.6	
– Road	550,957.8		250,179.8	
– Long-haul Flights			71,759.5	
– Short-haul Flights			64,384.7	
Paper				74,244.0
– Chlorine-bleached			54,553.2	
– Chlorine-free			10,384.8	
– Recycled			9,306.0	
Water			14,901.4	14,901.4
Waste				85,977.7
– Waste Incineration			84,097.7	
– Special Waste			1,880.0	
CO₂ Total (to VfU Standard Update 2010)	558,560.0	545,917.2	676,066.8	1,780,544.0
CO₂ per Employee (to VfU Standard Update 2010)				1,320.9

* 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 Protocol”, emissions are divided into three categories depending on the degree of influence exerted by NRW.BANK:

- Emission category 1: all direct emissions.
- Emission category 2: 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: 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

In 2012, NRW.BANK not only continued the systematic analysis and evaluation of its environmental performance indicators but also expanded and differentiated them increasingly. The resulting eco-balance for the year 2012 shows that the Development Bank has been able to continuously improve its environmental performance. NRW.BANK will continue to work in this direction with the aim of further reducing the environmental impact of its operations.

Showing Commitment to Society

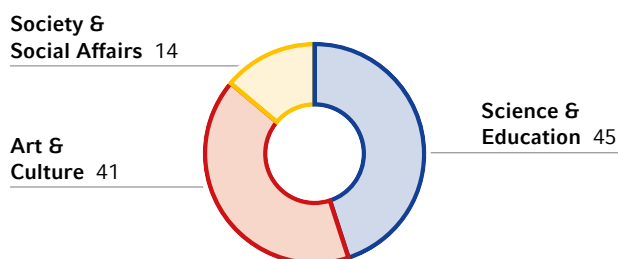
1. As part of its commitment to society and under its remit as a development bank, NRW.BANK endeavours to shape a subsidiarity-based and project-related collaboration with its partners on a medium to long-term basis in order to create the required continuity. The Bank strives to ensure the social and regional balance of its activities in North Rhine-Westphalia.
2. NRW.BANK's efforts are guided by its resolve to foster creativity and ideas as well as responsible action. In this context, the Bank focuses on sponsorships related to education (academic, cultural and economic) in North Rhine-Westphalia for a young target group.
3. In accordance with the guidelines set by the Supervisory Board, NRW.BANK makes neither direct nor indirect donations to political parties or party-related foundations. Moreover, the Bank places no advertisements in their publications.

Within the scope of its corporate responsibility, NRW.BANK demonstrates its commitment to public life and society in North Rhine-Westphalia. The respective projects are promoted in accordance with the "Guidelines for Corporate Citizenship and Other Services", which were adopted in 2011.

Each year, the Bank receives numerous requests for sponsorships and support from organisations and individuals. The Bank attaches great importance to ensuring the transparency and plausibility of its decisions with regard to the projects sponsored and has therefore implemented an internal process: 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.

In 2012, NRW.BANK again spent € 0.7 million on sponsoring activities in its three defined themes, "Science & Education", "Art & Culture" and "Society & Social Affairs". The allocation of the funds varies from year to year depending on the applications and requests received. In the past fiscal year, the funds were allocated as follows:

Sponsorships by Fields in %



To illustrate these activities, several sponsorships are highlighted below.

Science & Education

NRW.BANK's corporate citizenship is guided by its resolve to foster creativity, ideas and responsible action. Within this framework, the Bank focused on sponsorships related to education in North Rhine-Westphalia. In 2012, the following projects from the field of "Science & Education" were sponsored by the Bank:

Kindergartens and Schools

A scientific study has revealed that 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 supports the "Schach für Kids" project. In the past fiscal year, 20 kindergartens in Hagen and over 80 kindergartens in Dortmund as well as 35 day nurseries in Bochum were provided with chess sets and training materials.

Another project sponsored by NRW.BANK in 2012 was "Stadtfüchse". In the context of this project, children from problem neighbourhoods who attend primary school receive subsidies for participation in school trips to the Environmental Education Centre in Lichterode, where they are introduced and taught how to interact with nature and wildlife.

Working in cooperation with the Association for Media Education and Communication Culture, NRW.BANK designed the state-wide study entitled "Notwendige Bedingungen für eine handlungsorientierte pädagogische Praxis im frühkindlichen Bereich unter Einbeziehung von (digitalen) Medien" ("Necessary conditions for action-oriented pedagogical practice in the early childhood area and the inclusion of (digital) media"). As planned, the results of the study were presented and communicated in the second half of 2012.

The German Children and Youth Foundation aims to ensure that young people can grow up and learn in a wholesome environment. The objective is to improve structures in the educational sector and to make them more efficient. The approach covers kindergartens and schools, the transition to working life as well as family and youth work. Every year, the Foundation reaches over 150,000 children, youths and adult counsellors in over 40 programmes. The Bank sponsors the Foundation's work in North Rhine-Westphalia.

Since 2008, the Bank has sponsored the "Schulpartnerschaften" project. Specialist service providers assist the students of the participating grammar schools and secondary schools in Düsseldorf and Münster in their future career choice, for example with the help of dedicated workshops.

NRW.BANK promotes fair dealings with each other not only among its employees but also through its participation in "Schule ohne Rassismus – Schule mit Courage". This project gives children and youths the possibility to actively contribute to a positive climate at their schools by standing up against any form of discrimination, mobbing and violence. Some 300 North Rhine-Westphalian schools currently participate in this project.

Building on its long-standing, good cooperation with the "Partner für Schule NRW" foundation as part of the "STARTER & Co." initiative, the Bank launched a new student competition entitled "Wir haben Energie!" together with the foundation. The purpose of this competition is to encourage young people to take a closer look at alternative energy sources. The project was implemented for the first time in 2012 with support from the North Rhine-Westphalian State Ministry of School and Further Education. The winner of the competition was the "Nelly-Sachs-Gymnasium" in Neuss and its project "Neue Umweltjobs – Unsere Zukunft – Handeln statt Reden – der Umwelt zuliebe". Besides the prize money, the winners were also invited to spend a day at the Chair for Renewable Energy and Energy Efficiency at Düsseldorf's Technical College.

Since 2011, the Bank has promoted equal opportunities and fair education through its sponsorship of the "ROCK YOUR LIFE!" project, which supports students from educationally underprivileged backgrounds during their last two years at school by providing career advice and personalised support in continuing their education

at a higher-level school or getting a start in working life. With support from NRW.BANK, "ROCK YOUR LIFE!" built up a sponsorship base in Münster in the past year; more than 20 successful coaching relationships have already been established thanks to the Bank's support.

For several years already, NRW.BANK has supported the "Initiativkreis Ruhr" in the context of the "Dialog mit der Jugend" series of events, which provides student groups with valuable insights into professional and working life. This also includes a brief stint at NRW.BANK which allows the participants to get a first impression of working life.

For four years, NRW.BANK has lived up to its corporate responsibility, especially with regard to the promotion of young talent, through the creation of external apprenticeships. The Bank sponsored a number of additional apprenticeships for secondary school graduates in companies working as service providers for NRW.BANK. This allows the Bank to train young people in trades and professions where it cannot offer training internally. In 2012, the first apprentice successfully completed his vocational training as a chef. The Bank currently supports another four young people in their career starts as a chef, as a professional building cleaner and as an electronics specialist for facility management. NRW.BANK will continue this social sponsorship and fund the creation of up to another four external apprenticeships in 2013.

Universities

In 2012, NRW.BANK sponsored 39 dedicated and talented young students at universities participating in the NRW Student Grant Programme and the Germany Scholarship. The Bank will continue this support in 2013, when ten students specialising in financial research and housing will benefit from permanent sponsorships.

The volunteer mentors of the "Arbeiterkind e.V." association 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 the past fiscal year, NRW.BANK again subsidised the work of the association's North Rhine-Westphalian chapter.

In addition, the Bank sponsored three events for the benefit of students in 2012, assisting the young organisers in realising their ideas:

- With support from the NRW VIS Team Ruhr 2012, the Banks sponsored the preparations for simulated arbitrations in the context of the Willem C. Vis International Commercial Arbitration Moot and its arbitration finals in Vienna. The participants were students of law who officially represented Bochum's Ruhr University.
- "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.
- Tilbury House IV is an international students' debating tournament organised by the University of Cologne.

For many years, the Bank has also supported academic institutions focusing on financial research and housing. This support comprises an annual basic grant as well as a separate project-specific budget for which the institutes can apply. In the past fiscal year, the Bank supported the following institutions:

- Institut für Kredit- und Finanzwirtschaft at Bochum University
- Centre for Financial Research at Cologne University
- european centre for financial services at Duisburg/Essen University
- Institute of Spatial Planning at TU Dortmund University as well as
- Institut für Kreditwesen at Westphalian Wilhelms-University Münster.

The Bank supported another pilot project, namely the first "Schlaun-Wettbewerb", a competition initiated by "Münsterländer Architekten- und Ingenieurverein e.V.". Entrants were invited to draft an urban development concept for the eastern and western part of the railway track in the city centre of Ahlen. In 2012, the best ones from a large number of excellent ideas were selected and honoured by a panel of jurors including NRW.BANK.

Due to its great success, the Bank will also make a contribution to the second "Schlaun-Wettbewerb" and provide it with active support.

"100 Jahre Robert Schmidt – 100 Jahre regionales Denken und Handeln im Revier" is the name of a project which took place in 2012 as a joint effort of Ruhr Regional Association, TU Dortmund University, University of Applied Sciences and Arts Dortmund and "Gesellschaft für Stadtgeschichte und Urbanisierungsforschung e.V." The Bank was the sponsor of the related, one-week summer academy, during which some 50 students from different universities and subjects developed ideas for a more than 1,000 ha planning space between the cities of Bottrop, Essen, Gelsenkirchen and Gladbeck.

Sponsored by NRW.BANK, the 2012 "The Mobile and the Immobile" conference organised by the Institute of Spatial Planning at TU Dortmund University and the Academy for Spatial Research and Planning was held at the beginning of the fiscal year. The purpose of the conference was to foster a better exchange and networking on the topic "Changes and Development of Mobility". More than 60 lectures in German and English were held in the context of the conference.

Art & Culture

NRW.BANK's sponsorships in the area of "Art" focus on fostering young talent. In 2012, the Bank again organised a competition for young photographers to design the NRW.BANK.Kunstkalender, its annual calendar. Both the number and the quality of the entries show that the competition has become well established. The winner of last year's competition was Sebastian Mölleken, who photographed the images for the 2013 calendar on "Variety of Energy Generation in North Rhine-Westphalia".

Next year's calendar of NRW.BANK will be devoted to the topic "This is where I belong – children and young people in NRW".

At the Bank's head office in Münster, the two-year exhibition "Fourteen answers to the question about photography", which resulted from a cooperation with the class of Professor Köpnick at the Münster Academy of Fine Arts in 2010, ended in 2012. But not all exhibition pieces were removed, as the Bank acquired some of the works of art as part of its young talent sponsorship.

In the area of "Culture", the Bank continued its long-standing sponsorships for such activities as the "lit. COLOGNE" literature festival, the Short Film Festival Oberhausen as well as the Ruhrtriennale.

In the context of the "Innovationspool" project, new formats for communication between artists and audiences were developed for the 2012 Ruhrtriennale in cooperation with students from the Graduate Centre for the Study of Culture in Giessen. 64 tables were placed on the stage of Bochum's Jahrhunderthalle to facilitate an inspiring exchange between the audience and the artists participating in the opening opera "Europas 1&2".

NRW.BANK also sponsored up-and-coming artists in the context of the "Long Day of New Talents", which was organised in May 2012 as part of the "new talents – biennale cologne". Some 50 young university graduates from the fields of Media/Art, Film, Music/ Dance and Design had the opportunity to establish important contacts during the event, which lasted until 2:00 am.

2012 saw a number of cultural highlights around mid-year when the Bank sponsored concerts staged in cooperation with Düsseldorf's culture festival and the "Gesellschaft zur Förderung der Westfälischen Kulturarbeit e.V. (GWK)":

- Under the title "summerwinds", the GWK organised the third concert series for wooden wind instruments at 42 different locations in the Münsterland region, the city of Münster and the Netherlands. In July 2012, the staff restaurant of NRW.BANK in Münster was converted into a concert hall to stage the "Café Europa" concert by the "vienna clarinet connection".

“CHAPEAU Classique”, a concert series featuring high-calibre young chamber musicians, which was developed by the GWK with support from the Bank in the previous year, was also continued successfully. In November, NRW.BANK and GWK jointly organised a performance by violin quartet “Violons Vivants” at the Bank’s staff restaurant in Westphalia.

At both GWK concerts, hospitality services were offered in the form of Corporate Volunteering by NRW.BANK employees who thereby raised some € 1,200 for the “Freundeskreis der Westfälischen Schule für Musik e.V.”.

- 2012 was the fourth year which saw NRW.BANK cooperate with the “Düsseldorf Festival” (formerly “Altstadtherbst”). As part of the festival, the Bank hosted two concerts for a musically interested audience in the foyer of its Düsseldorf head office. The first concert was played by vibraphonist Sonja Huber and her band that was followed on the second night by French pianist Rémi Panossian and his band. The Bank’s employees again volunteered. The proceeds from the sale of drinks and snacks in the amount of roughly € 900 were donated to the Duisburg Youth Music School for the programme “An Instrument for Every Child”.

The purpose of this project is to provide each child attending a primary school in the Ruhr area to learn to play their favourite instrument. The focus is on the shared experience of making music for pupils in classes one to four. While participation is free during first class, monthly fees have to be paid thereafter. The scholarship fund “An Instrument for Every Child”, which NRW.BANK supports with a donation, currently pays the fees for children from low-income families who do not get any state support.

Another cultural project sponsored by NRW.BANK in 2012 was “Battle Cry – The Art Of Bboying” as part of the hip hop event “Beethoven Bonn – Creativity and Innovation”. The aim was to put the intercultural exchange between young people centre stage and to foster the cultural initiative of young dancers and artists. The two-day event was attended by about one thousand dance enthusiasts.

Society & Social Affairs

“Johanniter-Unfall-Hilfe e.V.” Münster received a donation from NRW.BANK to finance the purchase of a mobile outpatient and sanitary station (“MAuSS”) in the past year. MAuSS is a mobile trailer housing a treatment room, a change table and a separate section where honorary first-aid attendants can treat small and major injuries and prepare necessary transports to the hospital. In the winter, the mobile station additionally provides a warm space for the homeless.

The work of “SOS-Kinderdorf e.V.” aims at neglected or abandoned children and youths as well as disadvantaged families. NRW.BANK made a donation to help finance the renovation of a house at the SOS Children’s Village in Lippe. Up to eight children and their SOS mother will live in the house as a new SOS family once the renovation is completed.

The mission of “Bundesstiftung Kinderhospiz” 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 do not have enough to eat. The “TafelIn” organisation collects excess food of immaculate quality and distributes it to people in need. NRW.BANK supports this initiative with a donation.

Moreover, the Bank sponsored two projects organised by the charitable organisation “Children for a better World e.V.”:

- The “Children Mittagstische” provide children and youths from difficult social backgrounds with a hot meal per day. Meals are currently served at 13 children’s and young people’s facilities in North Rhine-Westphalia, where they also learn to cook and shop consciously.
- “Jugend hilft!” supports social projects in which children and young people aim to improve the situation of people in poverty, illness or other difficult situations.

Nature and Environment

Environmental and climate protection is part of NRW.BANK's corporate responsibility. Accordingly, the Bank also sponsors environmental projects in the context of its corporate citizenship.

This includes the award for good citizenship in the field of nature and the environment, which was jointly hosted by the "Bürger für Münster" foundation and the city of Münster in November 2012 under the heading "Global Change Needs Local Action".

"Eine Welt Netz NRW" realises projects aimed at raising awareness for our world, especially with regard to climate change and fair trade. NRW.BANK sponsored the following activities of the campaign "Heisse Zeiten. Nimm die Zukunft in die Hand."

- International Youth Activity Day: on this day, young people around the world organise activities on "Climate, Climate Change, Energy and Energy Consumption". One of the venues is Dortmund, where 2013 will see young people organise a central demonstration in the form of a "silent" protest, according to the motto "There Has Been Enough Talking".
- "Eine Welt Mobil": a van equipped with materials for school and out-of-school education for children and youths from third class. The lessons address topics such as climate change, energy consumption, fair trade, rain forest and responsible textile production.
- Germanwatch Climate Expedition: the lessons use historical and current satellite images to make climate change visible to children and young people. The images visualise, for instance, the accelerated melting of glaciers as well as the melting of the Greenland ice.

Going forward, NRW.BANK will continue to sponsor environmental protection projects, especially in the energy sector. In the past fiscal year, the Bank decided, for instance, to support the Science Park Gelsenkirchen. For several years the science park's project group on "Future Energies" has supported the (early) promotion of young technical talent in the North Rhine-Westphalian energy sector. The "Energiekiste" was developed at the science park and has been tested in its EnergyLab. This experimental box helps to introduce students in classes four to six to renewable energy in an easily understandable manner.

Christmas Activity and Donation

During the 2012 Christmas season, NRW.BANK organised its fifth "Leuchtende Kinderaugen" charity event in cooperation with various children's homes in North Rhine-Westphalia. Self-made stars on which children had written their Christmas wishes were hung from two Christmas trees at the Bank's Düsseldorf and Münster offices. Employees picked the stars and made over 280 wishes come true. The presents were handed over in time for Holy Night.

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

- The "Zeitpaten" project initiated by the "Bezirksverband der Siegerländer Frauenhilfen e.V." gives children time, trust and friendship for a given period of time.
- The volunteers of "Multiple-Sklerose-Kreis Siegen-Wittgenstein e.V." provide people suffering from multiple sclerosis and their families with valuable help and support.
- A cooperation project organised by the Industrial Museum of the Rhineland Regional Council and the Martin-Luther-King school in Ratingen gives children access to cultural education, for example through the Cromford-Festival, which provides them with a hands-on impression of history.

Report on Public Corporate Governance in the Year 2012

Every year, 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 Remuneration 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” (InstitutsVergV – Bank Remuneration Directive) issued by the Federal Banking Supervisory Authority for the banking sector).

One of the main reasons for these refinements was the wish – not least against the background of the loss of reputation and confidence suffered by the banking sector in the context of the global financial and economic crisis – to strengthen and restore investors’, the capital markets’ and the general public’s confidence in enterprises and their management teams. This also applies to companies in which the public sector holds material investments.

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 remuneration 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 quarter of 2013, 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

As in the previous years, the D&O insurance for the members of the Bank's executive and controlling bodies was renewed in the past fiscal year. In this context, the coverage of the insurance policies was not amended materially.

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 2011 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. In addition, NRW.BANK arranges further training measures that specifically meet the special demands made on the members of the Supervisory Board. In this context, the Bank organised a seminar on "bank management and bank regulation" in summer 2012.

It should also be pointed out that, in analogy to the qualification budget for the members of the Supervisory Board, a qualification budget was adopted for the members of the Board of Guarantors in 2012 to give them the possibility for personalised further training. The first training measures for the latter were arranged in early 2013.

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 14 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.

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. In the course of the fiscal year, the appointment of Mr Binkowska as Chairman of the Managing Board was renewed for another 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 2012. In some cases, the advice of the Public Corporate Governance Officer was sought.

Remuneration Report

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

Remuneration of the Members of the Supervisory Board

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

The table below shows the individual remuneration paid to the members of the Supervisory Board and the committees for their work on the Supervisory Board. The remuneration varies depending on their committee membership, as the remuneration 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 Remuneration Paid to Members of the Supervisory Board and Its Committees

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 12 Para. 1 Letters a to c of the Statute		Permanent Representatives of the Members Pursuant to Section 12 Para. 2 of the Statute	
Harry K. Voigtsberger (until June 21, 2012) Minister for Economic Affairs, Energy, Building, Housing and Transport of the State of North Rhine-Westphalia	13,000	Dieter Krell Assistant Secretary Ministry of Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	23,600
Garrelt Duin (since June 21, 2012) Minister for Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	16,117		
Michael Groschek (since June 21, 2012) Minister for Building, Housing, City Development and Transport of the State of North Rhine-Westphalia	9,383	Annett Fischer (since November 12, 2012) Senior Principal Ministry for Building, Housing, City Development and Transport of the State of North Rhine Westphalia	2,267
Dr. Norbert Walter-Borjans Minister of Finance of the State of North Rhine-Westphalia	26,300	Gerhard Heilgenberg Assistant Secretary Ministry of Finance of the State of North Rhine-Westphalia	22,400
Members Pursuant to Section 12 Para. 1 Letter d of the Statute		Members Pursuant to Section 12 Para. 1 Letter e of the Statute	
Horst Becker, MdL Parliamentary State Secretary Ministry for Climate Protection, Environment, Agriculture, Conservation and Consumer Affairs of the State of North Rhine-Westphalia	6,200	Iris Aichinger (since July 1, 2012) Staff representative NRW.BANK	6,200
Lutz Lienenkämper, MdL (since October 1, 2012) Parliamentary Director of the CDU Parliamentary Group North Rhine-Westphalia	4,650	Martin Bösenberg Staff representative NRW.BANK	14,900
Johannes Rimmel Minister for Climate Protection, Environment, Agriculture, Conservation and Consumer Affairs of the State of North Rhine-Westphalia	17,700	Hannelore Heger-Golletz (until June 30, 2012) Staff representative NRW.BANK	8,300
Norbert Römer, MdL Chairman of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	17,700	Frank Lill Staff representative NRW.BANK	17,300
Guntram Schneider, MdL (until July 19, 2012) Minister for Work, Social Integration and Welfare of the State of North Rhine-Westphalia	6,133	Michael Tellmann Staff representative NRW.BANK	18,000
Svenja Schulze, MdL Minister for Innovation, Science and Research of the State of North Rhine-Westphalia	16,200		
Christian Michael Weisbrich, MdL (until September 30, 2012) Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia (until March 14, 2012)	13,350		

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 remuneration 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 and/or payments made are not taken into account.

Besides the members of the Supervisory Board, the members of the Board of Guarantors, the Advisory Board for the Promotion of Housing and the Advisory Board of NRW.BANK also received individual remuneration on the basis of the resolution passed by

the Board of Guarantors. The respective remuneration complies with the above principles, but the absolute amount varies based on the different tasks and specific responsibilities.

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

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 8 Para. 1 Letters a to c of the Statute		Members Appointed by the Board of Guarantors	
Harry K. Voigtsberger (until June 21, 2012) Minister for Economic Affairs, Energy, Building, Housing and Transport of the State of North Rhine-Westphalia	3,100	Sylvia Löhrmann Minister for School and Further Education of the State of North Rhine-Westphalia	5,900
Garrelt Duin (since June 21, 2012) Minister for Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	3,517	Dr. Rüdiger Messal State Secretary Ministry of Finance of the State of North Rhine-Westphalia	6,200
Michael Groschek (since June 21, 2012) Minister for Building, Housing, City Development and Transport of the State of North Rhine-Westphalia	3,517	Udo Paschedag State Secretary Ministry for Climate Protection, Environment, Agriculture, Conservation and Consumer Affairs of the State of North Rhine-Westphalia	5,000
Dr. Norbert Walter-Borjans Minister of Finance of the State of North Rhine-Westphalia	5,900	Dr. Wilhelm D. Schäffer State Secretary Ministry of Work, Social Integration and Welfare of the State of North Rhine-Westphalia	5,900
Members Appointed by the Board of Guarantors			
Helmut Dockter State Secretary Ministry of Innovation, Science and Research of the State of North Rhine-Westphalia	5,900		
Dr. Günther Horzetzky State Secretary Ministry of Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	5,300		
Thomas Kutschaty, MdL Minister of Justice of the State of North Rhine-Westphalia	5,900		
Franz-Josef Lersch-Mense Cabinet Secretary and Head of the Premier's Department of the State of North Rhine-Westphalia	5,900		

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2. The remuneration 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 and/or payments made are not taken into account.

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

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 21 Para. 1 Letter a of the Statute		Members Pursuant to Section 21 Para. 1 Letter c of the Statute	
Harry K. Voigtsberger (until June 21, 2012) Minister for Economic Affairs, Energy, Building, Housing and Transport of the State of North Rhine-Westphalia	1,500	Dieter Hilser, MdL (until March 14, 2012)/(since July 5, 2012) Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	2,550
Michael Groschek (since June 21, 2012) Minister for Building, Housing, City Development and Transport of the State of North Rhine-Westphalia	2,050	Gerda Kieninger, MdL (since July 5, 2012) Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	1,800
Members Pursuant to Section 21 Para. 1 Letter b of the Statute		Olaf Lehne, MdL (until March 14, 2012) Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia	750
Günther Bongartz (since March 25, 2012) Senior Principal Ministry of Finance of the State of North Rhine-Westphalia	2,800	Jochen Ott, MdL (until March 14, 2012) Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	750
Dr. Michael Henze Assistant Secretary Ministry for Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	3,300	Christof Rasche, MdL (until March 14, 2012) Deputy Chairman of the FDP Parliamentary Group State Assembly of North Rhine-Westphalia	750
Hans Lauf Assistant Secretary Ministry of Work, Social Integration and Welfare of the State of North Rhine-Westphalia	3,300	Bernhard Schemmer, MdL (until March 14, 2012)/(since July 5, 2012) Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia	2,550
Dr. Gert Leis (until January 21, 2012) Assistant Secretary Ministry of Finance of the State of North Rhine-Westphalia	250	Daniela Schneckenburger, MdL (until March 14, 2012)/(since July 5, 2012) Deputy Chairwoman of the Bündnis 90/Die Grünen Parliamentary Group State Assembly of North Rhine-Westphalia	2,550
Members Pursuant to Section 21 Para. 1 Letter c of the Statute		Eva-Maria Voigt-Küppers, MdL (since July 5, 2012) Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	1,800
Ali Atalan, MdL (until March 14, 2012) Member of the DIE LINKE Parliamentary Group State Assembly of North Rhine-Westphalia	750	Klaus Vossemer, MdL (since July 5, 2012) Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia	1,800
Martin Börschel, MdL (until March 14, 2012)/(since July 5, 2012) Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	2,550	Olaf Wegner, MdL (since July 5, 2012) Member of the PIRATEN Parliamentary Group State Assembly of North Rhine-Westphalia	1,800
Holger Ellerbrock, MdL (since July 5, 2012) Member of the FDP Parliamentary Group State Assembly of North Rhine-Westphalia	1,800	Christian Michael Weisbrich, MdL (until March 14, 2012) Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia	750

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 21 Para. 1 Letter d of the Statute		Members Pursuant to Section 21 Para. 1 Letter f of the Statute	
Ingo Apel (until March 14, 2012)/ (since September 12, 2012) Vice President Haus & Grund Nordrhein-Westfalen e. V.	2,050	Jürgen Becher (until March 14, 2012) Deputy Chairman of Deutscher Mieterbund Nordrhein-Westfalen e. V.	750
Dr. Werner Küpper (until March 14, 2012)/ (since September 12, 2012) BFW Landesverband Nordrhein-Westfalen e. V.	2,050	Hans-Jochem Witzke (since September 12, 2012) 1st Chairman Mieterverein Düsseldorf e. V. and Member of the Board of Deutscher Mieterbund Nordrhein-Westfalen e. V.	1,300
Alexander Rychter (until March 14, 2012)/ (since September 12, 2012) Association Director Verband der Wohnungswirtschaft Rheinland Westfalen e. V.	2,050		
Members Pursuant to Section 21 Para. 1 Letter e of the Statute		Permanent Representatives of the Chairing Member Pursuant to Section 21 Para. 2 of the Statute	
Rudolf Graaff (until March 14, 2012)/ (since September 12, 2012) Deputy Mayor Städte- und Gemeindebund Nordrhein-Westfalen	2,050	Dr. Uwe Günther (until May 31, 2012) Head of Department Ministry of Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	1,250
Thomas Hendele (until March 14, 2012)/ (since September 12, 2012) District Administrator Kreis Mettmann	2,050		
Folkert Kiepe (until March 14, 2012) Deputy Mayor for Urban Development, Construction, Housing and Transport Städtetag Nordrhein-Westfalen	750		
Stefan Raetz (until March 14, 2012)/ (since September 12, 2012) Mayor City of Rheinbach	2,050		
Hilmar von Lojewski (since September 12, 2012) Deputy Mayor for Urban Development, Construction, Housing and Transport Städtetag Nordrhein-Westfalen	1,300		

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3. Potential duties of payment of the mandate holders and/or payments made are not taken into account.

Disclosure of the Remuneration Paid to Members of the Advisory Board

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 23 of the Statute		Members Pursuant to Section 23 of the Statute	
Harry K. Voigtsberger (until June 21, 2012) Minister for Economic Affairs, Energy, Building, Housing and Transport of the State of North Rhine-Westphalia	1,300	Heinz Fiege FIEGE Logistik Holding Stiftung & Co. KG	2,300
Garrelt Duin (since June 21, 2012) Minister for Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	1,467	Otto Rudolf Fuchs Shareholder of Otto Fuchs KG	2,000
Michael Ackermann (since October 1, 2012) Managing Director of Klinikum Bielefeld gem. GmbH	800	Prof. Dr. Ursula Gather Chairman of the Directors Conference of the Universities in North Rhine-Westphalia	2,600
Prof. Dr. Achim Bachem Chairman of the Managing Board of Forschungszentrum Jülich GmbH	2,600	Dieter Gebhard Chairman of the Regional Assembly of Westphalia-Lippe	2,300
Frank Baranowski Lord Mayor City of Gelsenkirchen	2,000	Dr. Rolf Gerlach President of the Savings Banks and Giro Association of Westphalia-Lippe	2,000
Paul Bauwens-Adenauer President of the Chamber of Industry and Commerce in North Rhine-Westphalia	0	Günter Gressler Director General of 3M Deutschland GmbH	2,600
Werner Böhnke Chairman of the Managing Board of WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank	2,000	Dr. Jürgen Großmann (until June 29, 2012) former Chairman of the Managing Board of RWE AG	1,000
Prof. Dr. Gerd Bollermann District President of the Arnsberg Regional Government	2,300	Dr. Axel Claus Heitmann (since March 1, 2012) Chairman of the Managing Board of LANXESS AG	1,667
Manfred Breuer (until March 31, 2012) Deputy Chairman of the Managing Board of Bankenvereinigung Nordrhein-Westfalen e. V.	500	Thomas Hunsteger-Petermann Lord Mayor City of Hamm	2,300
Michael Breuer President of the Savings Banks and Giro Association of the Rhineland	2,000	Dr. Hermann Janning (until November 12, 2012) former Chairman of Verband kommunaler Unternehmen e. V. – Landesgruppe Nordrhein-Westfalen	1,833
Norbert Bude (since October 1, 2012) Lord Mayor and Chairman of Städtetag Nordrhein-Westfalen	800	Peter Jung (until August 20, 2012) Lord Mayor and Deputy Chairman of Städtetag Nordrhein-Westfalen	1,333
Heinrich Otto Deichmann Chairman of the Supervisory Board of Deichmann SE	2,000	Arndt G. Kirchhoff Managing Partner of the KIRCHHOFF Group	2,300
Dr. Reinhold Festge Managing Partner of HAVER & BOECKER OHG Drahtweberei und Maschinenfabrik	2,300	Dr. Wolfgang Kirsch Director of LWL Regional Association of Westphalia-Lippe	2,300

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 23 of the Statute		Members Pursuant to Section 23 of the Statute	
Dipl.-Ing. Hanspeter Klein Chairman of the Managing Board of Verband Freier Berufe im Lande Nordrhein-Westfalen e. V.	2,600	Dr. Eckhard Ruthemeyer (until December 31, 2012) Mayor and Vice President of Städte- und Gemeindebund Nordrhein-Westfalen	2,300
Prof. Dr. Reinhard Klenke (since March 1, 2012) District President of the Münster Regional Government	2,267	Prof. Dr. Uwe Schneidewind President and Academic Managing Director of Wuppertal Institut für Klima, Umwelt, Energie GmbH	2,300
Norbert Kleyboldt Permanent Delegate of the Apostolic Administrator of Bischöfliches Generalvikariat	2,600	Dr. Ottilie Scholz Lord Mayor City of Bochum	2,600
Dr. Johannes Kramer (until September 7, 2012) former Managing Director of Städtische Kliniken Bielefeld gem. GmbH	1,500	Dr. Joachim Schorr (until May 31, 2012) former Managing Director of QIAGEN GmbH	833
Thomas Kubendorff District Administrator and Vice President of Landkreistag Nordrhein-Westfalen e. V.	2,300	Prof. Wolfgang Schulhoff President of the Düsseldorf Chamber of Handicrafts	2,000
Dr. Thomas Lange (since April 1, 2012) Chairman of the Managing Board of Bankenvereinigung Nordrhein-Westfalen e. V.	2,100	Dr. Jochen Stemplewski Chairman of the Managing Board of Wasserwirtschaftsverbände EMSCHERGENOSSENSCHAFT und LIPPEVERBAND	2,300
Markus Lewe Lord Mayor City of Münster	2,300	Dr. jur. Frank Stieler (March 1, 2012 to November 28, 2012) former Chairman of the Managing Board of HOCHTIEF AG	1,800
Ulrike Lubek Director of LVR Regional Association of the Rhineland	2,600	Peter Terium (since October 1, 2012) Chairman of the Managing Board of RWE AG	500
Wolfgang Lubert Managing Director of EnjoyVenture Management GmbH	2,600	Marianne Thomann-Stahl District President of the Detmold Regional Government	2,600
Anne Lütkes District President of the Düsseldorf Regional Government	2,300	Hans-Josef Vogel Mayor City of Arnshagen	2,600
Andreas Meyer-Lauber District Chairman of Deutscher Gewerkschaftsbund NRW	2,300	Gisela Walsken District President of the Cologne Regional Government	2,600
Dr. Paul-Josef Patt Member of the Managing Board of eCAPITAL entrepreneurial Partners AG	2,300	Prof. Dr. Jürgen Wilhelm Chairman of the Regional Assembly of the Rhineland	2,600
Jürgen Roters Lord Mayor City of Cologne	2,600	Klaus Winterhoff Legal Vice President of the Evangelical Church of Westphalia	2,000

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2. The remuneration 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 and/or payments made are not taken into account.

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

NRW.BANK has been classified as a "significant institution" as defined in Section 1 para. 2 InstitutsVergV. The Bank complies 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 takers" in the context of a risk analysis (a), determination of the Bank's relevant result by means of a total performance ratio system to measure the sustainability of the Bank's total performance (b), introduction of a deferral component and a sustainability component for the "risk takers" (c); set-up of a Remuneration Committee (d); publication of the present detailed remuneration report in compliance with the extended disclosure requirements.

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

In the past fiscal year, NRW.BANK updated the written risk analysis for the identification of "risk takers" required by the InstitutsVergV. As a result, the Head of Credit Risk was identified as an additional "risk taker". This means that the number of employees whose activities have a material impact on the overall risk profile of the Bank, including the Managing Board, increased to a total of 22. 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

A total performance ratio system was developed already for the variable remuneration of the 2011 financial year, according to the following principle: 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 then 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 remuneration received by executives shall be based on a multi-year assessment period. NRW.BANK applies this requirement to all employees, as it makes more sense for a development bank that operates sustainably to assess the remuneration-relevant performance on the basis of a multi-year period instead of the result for an individual year. When weighting the individual annual results, the current assessment period should have the highest relevance, which subsides over time. A weighted three-year average is thus calculated as follows:

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

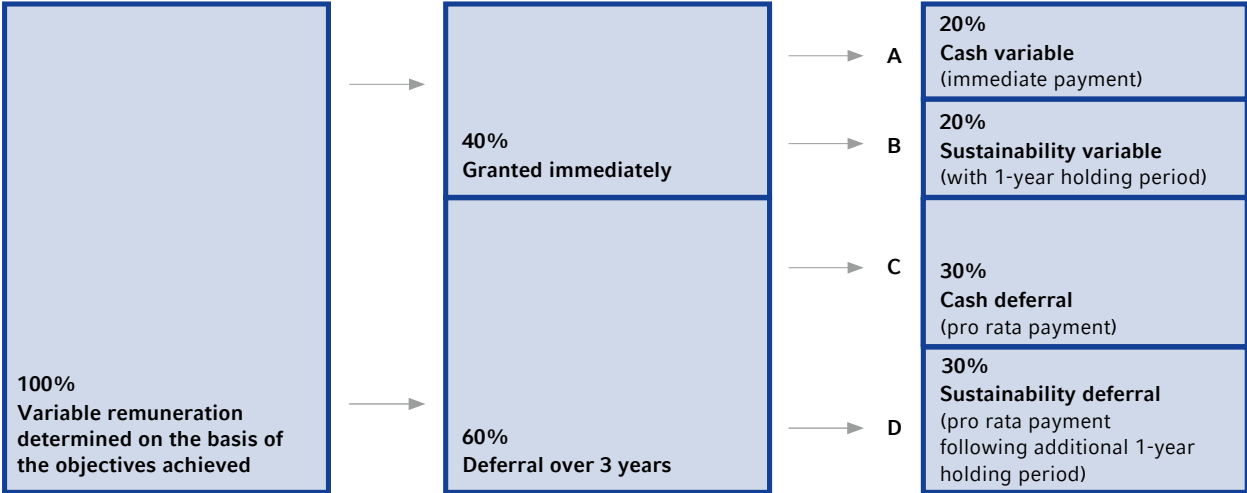
These quantitative parameters are complemented by the targets agreed between the Executive Committee and the full Managing Board as well as by a qualitative assessment of the overall risk situation. Based on a resolution by the Managing Board, the weighted three-year average of the above total performance 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 Remuneration Pursuant to Section 5 Para. 2 Nos. 4 and 5 (in conjunction with No. 6) InstitutsVergV

For the Managing Board as well as for all “risk takers”, NRW.BANK has defined

- a deferral period of 3 years for 60% of the variable component pursuant to Section 5 para. 2 No. 4 InstitutsVergV (see C + D in chart below); pursuant to Section 5 para. 2 No. 6, these deferred amounts are subject to a “negative bonus” regulation, which may lead to a reduced remuneration entitlement within the deferral period,
- as well as a one-year period for assessing the sustainable value increase of the Bank for 50% each of the directly granted variable remuneration and the deferred variable remuneration pursuant to Section 5 para. 2 No. 5 InstitutsVergV (see B + D in chart below).

The chart below shows the distribution of the individual components:



d) Remuneration Committee (“Vergütungs-ausschuss” Pursuant to Section 6 InstitutsVergV)

In the past fiscal year, the Remuneration Committee of NRW.BANK again consisted 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 Remuneration Committee in an advisory capacity in the context of their tasks.

The Remuneration Committee held two meetings in the fiscal year 2012. The Remuneration Committee performs the following tasks:

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

The Remuneration Committee reviewed the appropriateness of the remuneration systems for the employees and the Managing Board of NRW.BANK for 2011 (meeting on February 8, 2012) and for 2012 (meeting on October 29, 2012) and confirmed it in its remuneration reports. After the meetings of the Remuneration Committee, the report was submitted to both the Managing Board and the Supervisory Board.

Remuneration at NRW.BANK

Ever since its inception, NRW.BANK has, in agreement with its guarantor, geared its remuneration systems and parameters towards its promotion tasks. Against the background of its promotion-oriented character, the Bank bases its remuneration structure exclusively on regionally and/or nationally used remuneration parameters.

In accordance with Section 5 para. 2 No. 3 InstitutsVergV, the amount of the provisions for the variable remuneration to be paid out in April 2013 for the fiscal year 2012 is defined by the Managing Board on the basis of a ratio system that reflects the sustainable total performance of NRW.BANK (see presentation on page 43). 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 remuneration 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 Remuneration Structures

The necessary connection between the strategic corporate objectives agreed with the owner and the remuneration system of NRW.BANK is ensured by a systematic planning and assessment process. A consistent top-down process ensures that the corporate objectives are communicated to employees at the downstream levels. For this purpose, the individual requirements derived from the strategic corporate objectives are documented in writing in the context of a tasks and objectives planning process at the beginning of the year. The achievement of these objectives is reviewed in an annual feedback process and summarised in a written performance assessment. This process applies equally to all employees of NRW.BANK.

Managing Board Remuneration

In the past fiscal year, the Managing Board remuneration was evaluated by means of disclosure reports (mostly from development institutions) and market data of Germany's top 30 banks as surveyed by an external remuneration consulting firm. As NRW.BANK is the only development bank that is classified as a significant institution as defined in the InstitutsVergV, the partial conversion of variable into fixed remuneration components described in last year's Annual Report has led to distortions that make it difficult to compare the Bank with the other development institutions. Within the market data comparison performed by the external remuneration consulting firm, NRW.BANK's Managing Board remuneration is in the medium range in terms of the average fixed and total remuneration determined for this peer group.

The previous year's variable remuneration of the Managing Board pursuant to section 5 para. 2 Nos. 4 and 5 InstitutsVergV was in 2012 for the first time subject to the Bank's sustainable total performance. Payment of these amounts will be deferred over a period of four years (deferral and sustainability component).

The partial amounts of the variable remuneration from 2012 for fiscal year 2011 that are subject to the sustainability and malus arrangement reserve and due in April 2013 will be paid out following the respective review and decision by the Bank's responsible bodies in the first quarter of 2013.

At the same time, the variable remuneration of the Managing Board for the past fiscal year, in analogy to the variable remuneration of the "risk takers", will be determined individually 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 in accordance with the InstitutsVergV Act.

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.

In the past fiscal year, the Supervisory Board additionally decided to renew the contract of Mr Dietmar P. Binkowska with effect from September 1, 2013 and implemented the contractually agreed purchasing power adjustment, which must be effected no later than three years following the coming into force of the contract.

The table below compares the remuneration received by the Managing Board members in 2012 and 2011:

in € thsd.	Fixed remuneration		Variable remuneration		Other remuneration		Total remuneration	
	2012	2011	2012 ¹⁾	2011	2012	2011	2012 ¹⁾	2011
Dietmar P. Binkowska	704	690	33	250	29	25	766	965
Klaus Neuhaus	476	476	26	200	28	36	530	712
Michael Stölting	456	446	26	200	36	35	518	681
Dietrich Suhlrie	456	456	26	117	16	15	498	588
Ernst Gerlach								
Board member until May 31, 2010	0	0	0	83	0	0	0	83
Managing Board total	2,092	2,068	111	850	109	111	2,312	3,029

¹⁾ The figures cannot be fully compared with the prior year figures: In fiscal year 2012, the variable remuneration was deferred over an extended period for the first time in accordance with the provisions of the InstitutsVergV Act. This variable remuneration amount paid out in 2012 was commensurately low. If the deferral and sustainability components are paid out in the following years, the amount will increase again.

The table below shows the variable remuneration of the Managing Board, divided into paid-out and deferred components (Section 8 para. 3 No. 3 InstitutsVergV):

	Variable remuneration awarded in 2012	thereof deferred	thereof paid out in 2012	Reduction pursuant to Sec. 5 para. 2 No. 6
	in € thsd.	in € thsd.	in € thsd.	in € thsd.
Dietmar P. Binkowska	167	134	33	0
Klaus Neuhaus	132	106	26	0
Michael Stölting	132	106	26	0
Dietrich Suhrlie	132	106	26	0

In the event of accident or illness and in the event of premature termination or non-renewal of the contractual relationship before reaching the age of 62 (exception: Mr Binkowska from the age of 63), all members of the Managing Board are entitled to the following benefits:

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

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

The members of the Managing Board are entitled to pension benefits as they reach the age of retirement or in case of invalidity. In the event of their death their dependants are also entitled to benefits. All commitments are contractually unforfeitable or unforfeitable by law because of the number of years served.

Mr Binkowska is entitled to a fixed pension taking into account pension payments from the public pension system. In the event of invalidity and when taking

advantage of the old-age pension, the amount of the fixed pension is approx. 54% of the fixed annual salary before taking into account the pension under the statutory pension insurance. Early old-age pension may be received from the age of 63.

In the event of invalidity and when reaching the age of retirement, Mr Neuhaus benefits from a pension similar to those for civil-servants in Germany. This warrants 75% of the pensionable salary, taking into account the pension from the statutory pension insurance as well as the pension from an additional pension insurance. The pensionable salary is 69% of the fixed annual salary.

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

Mr Suhlrie benefits from a contribution-linked pension commitment. In the context of this pension commitment, a personal pension account with a starting component has been set up for him, into which annual pension components are paid. The pension component is calculated at an individual contribution rate on the basis of 69% of the annual fixed salary and 6% interest is added to the capital. When the pension becomes due, the capital in the account – possibly plus additional components in the event of invalidity – is converted into a pension.

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

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

As Mr Neuhaus and Mr Stölting benefit from commitments that are similar to those for civil servants, they are exempted from statutory pension insurance but receive benefits as defined in the North Rhine-Westphalian “Beihilfeverordnung” in the event of illness.

Provisions for pensions in an amount of € 9,223 thousand (2010: € 8,128 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. These break down as follows:

In € thsd.	Expenses ¹⁾		Present value of the obligation	
	2012	2011	2012	2011
Dietmar P. Binkowska	386	360	2,363	1,977
Klaus Neuhaus	274	318	4,171	3,897
Michael Stölting	237	183	2,191	1,954
Dietrich Suhlrie	198	185	498	300
Total Managing Board	1,095	1,046	9,223	8,128

¹⁾ The expenses shown here comprise personnel and interest expenses. In particular, they comprise the portion of the interest expenses that results from the change in the interest rate used for calculation (reduced from 5.14% on Dec. 31, 2011 to 5.05% on December 31, 2012).

Composition of the Remuneration for Employees

The salaries of all employees of NRW.BANK are composed of fixed and variable remuneration components. The fixed salaries and the variable remuneration are determined according to comparable principles for all employees. Under the InstitutsVergV, the variable remuneration for the Managing Board and the “risk takers” 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 Remuneration

NRW.BANK sets the remuneration 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 remuneration consulting firm

b) Variable Remuneration

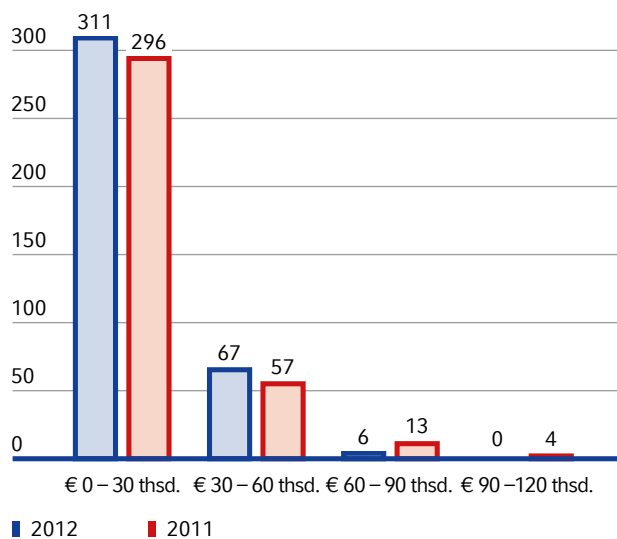
Based on the procedure described above, the Managing Board defines the available maximum bonus amount for each year and its allocation to the individual departments. This pool model ensures that the maximum bonus amount defined by the Managing Board for the Bank as a whole is not exceeded. Each individual’s share in the bonus pool is calculated on the basis of the amount of the fixed salary, the assessment of the achievement of objectives and the performance-relevant behaviour as determined in the annual planning and assessment process described above.

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

The chart below shows the frequency distribution for the employees not covered by collective agreements in 2012:

Number of Employees per Bonus Cluster

The analysis covers 384 (370) employees not covered by collective agreements (excl. Managing Board) who received a bonus in 2012 (2011) for the fiscal year 2011 (2010).



81% (2011: 80%) of the employees not covered by collective agreements received a bonus of max. € 30,000 in the fiscal year 2012. The average bonus amounted to 26% of the annual salary (2011: 22%), while the maximum bonus amounted to € 78,100 (2011: € 98,000).

The reduction in the two upper pool clusters in the past fiscal year is mainly attributable to the revised remuneration system for the risk “takers”.

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

Department/Segment	Number of recipients (of the variable remuneration) ¹⁾	Fixed remuneration ^{2) 3)}	Variable remuneration ²⁾
		€ millions	€ millions
Programme-based Promotion	121	9.7	2.4
Other Promotion/Liquidity Management	36	3.6	1.4
Staff/Services	227	17.4	4.3

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

²⁾ received in 2012.

³⁾ as there are only minor non-material amounts of remuneration received from third parties they are included.

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

Number of identified "risk takers" ^{1) 2)}	Fixed remuneration ⁴⁾	Variable remuneration ³⁾	Total remuneration
	€ millions	€ millions	€ millions
18	3.3	0.8	4.1

¹⁾ excl. Managing Board (shown separately).

²⁾ Due to the small number of "risk takers", the remuneration was not broken down by business units to comply with the principle of protection and confidentiality.

³⁾ Variable remuneration awarded for the fiscal year 2011. Of the total amount, € 0.2 million was paid out in 2012. The sustainability components will be paid out in the following three years.

⁴⁾ as there are only minor non-material amounts of remuneration received from third parties they are included.

- No remuneration as defined in Section 8 para. 3 No. 2 was paid in the past fiscal year.
- Section 8 para. 3 No. 3 InstitutsVergV: Presentation of the total amount of the variable remuneration of the “risk takers” divided into paid-out and deferred components:

Number of identified “risk takers” ^{1) 2)}	Variable remuneration awarded in 2012	Thereof deferred	Thereof paid out in 2012	Reduction pursuant to Section 5 para. 2 No. 6 InstitutsVergV
	€ millions	€ millions	€ millions	€ millions
18	0.8	0.6	0.2	0

¹⁾ excl. Managing Board (shown separately).

²⁾ Due to the small number of “risk takers”, the remuneration was not broken down by business units in order to comply with the principle of protection and confidentiality.

- Section 8 para. 3 No. 4 InstitutsVergV: Presentation of the total amount of the variable remuneration of the “risk takers” with separate presentation of the sustainability component:

Number of identified “risk takers” ^{1) 2)}	Variable remuneration awarded in 2012	Thereof dependent on the value increase of NRW.BANK as defined in Sec. 5 para. 2 No. 5 InstitutsVergV
	€ millions	€ millions
18	0.8	0.4

¹⁾ excl. Managing Board (shown separately).

²⁾ Due to the small number of “risk takers”, the remuneration was not broken down by business units in order to comply with the principle of protection and confidentiality.

- In the past fiscal year, severance payments arising from individual contracts pursuant to Section 8 para. 3 No. 5 InstitutsVergV were made in five cases in the total amount of € 456 thousand. The highest severance payment was € 155 thousand.

Employees Covered by Collective Agreements

a) Fixed Remuneration

The scope for the fixed remuneration 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 Remuneration

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 5.6% (2011: 5.3%) of the fixed annual salary was paid out in 2012.

Report of the Supervisory Board

To fulfil the tasks to which it is subjected by law and the statute, the Supervisory Board held four meetings in 2012. Another 18 meetings were held by the Committees composed of the members of the Supervisory Board. The Executive Committee held five meetings, while the Promotion Committee held three meetings and two written votes. The Risk Committee met four times. Due to overlapping appointments, which arose at short notice, one member of the Supervisory Board was 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 2013 to 2016, 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 7, 2012.

Moreover, the Supervisory Board renewed the appointment of the Supervisory Board Chairman, Dietmar P. Binkowska, for another five years.

KPMG AG Wirtschaftsprüfungsgesellschaft carried out the audit of the financial statements for 2012 and the statement of financial condition of NRW.BANK and issued an unqualified audit opinion. The Supervisory Board and the Audit Committee formed from among its members discussed in detail the report of the external auditors on the results of their audits. Following the final result of the audit, they raised no objections.

At its meeting on March 15, 2013, 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 2012. As in the previous years, no consolidated financial statements were prepared, as the Bank is not obliged to do so under commercial law.

The May 2012 parliamentary elections in North Rhine-Westphalia entailed a number of new appointments to NRW.BANK's bodies. The Supervisory Board would like to thank the retiring members for their constructive work in taking NRW.BANK forward as the development bank of the state of North Rhine-Westphalia.

Düsseldorf/Münster, March 15, 2013



Garrelt Duin
Chairman of the Supervisory Board

Management Report

of NRW.BANK for the Fiscal Year 2012

State Development Bank of North Rhine-Westphalia

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

Business Model and Strategy

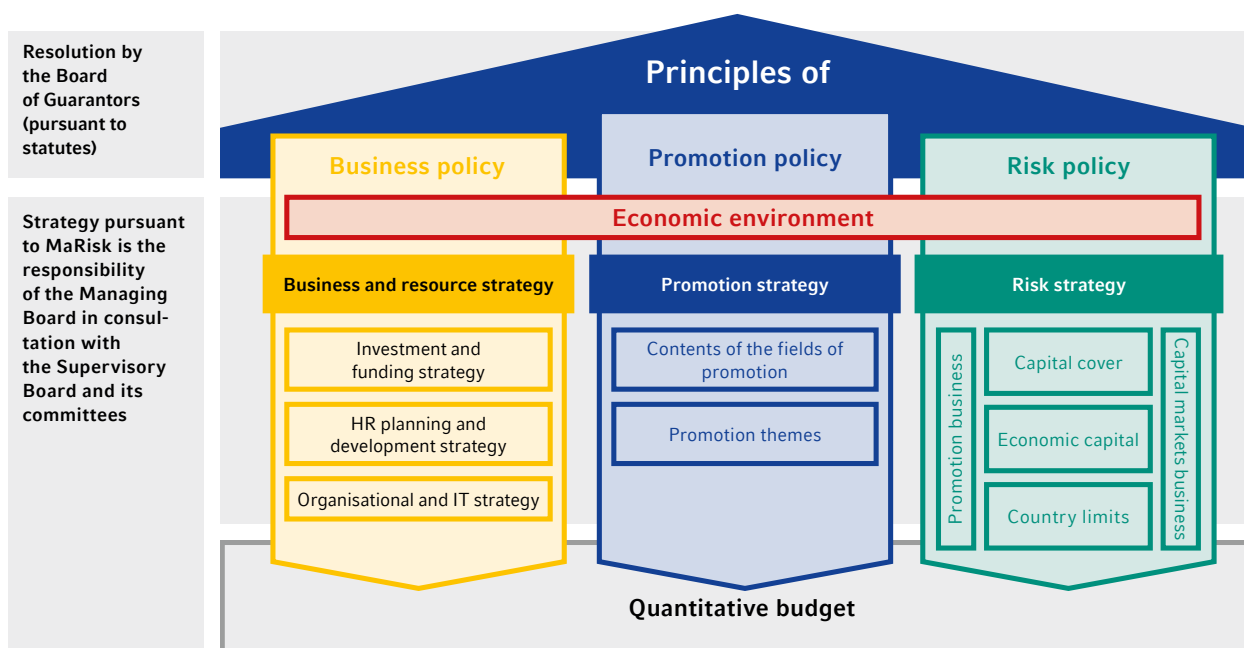
The business model of NRW.BANK is that of a largely budget-independent development bank with an integrated promotion and development policy. According to the "Verständigung II" agreement of March 1, 2002 between the EU Commission and the German government, NRW.BANK is a legally independent development bank engaging in competition-neutral structural and development business which permanently benefits from institutional and guarantor liability as well as from an explicit funding guarantee from its guarantor. NRW.BANK generates its own income, which is used

to finance its development and promotion activities, to secure the long-term viability of the Bank, also with regard to the creation of its own, non-interest-bearing provisions and reserves, and to finance the banking operations, particularly by granting loans, underwriting guarantees and investing in participations.

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

NRW.BANK liaises closely with its executive bodies and ensures the appropriate degree of transparency in implementing and refining its tasks.

The overall bank strategy is structured into two levels based on formal aspects. The first level consists of principles, which, according to the statutes, are adopted by the Board of Guarantors; the second level is the strategy level, which, according to the Minimum Requirements on Risk Management (MaRisk), is the responsibility of the Managing Board. The principles of the business, promotion and risk policy define the framework of strategic action. The business, promotion and risk strategy puts the strategic positioning of the Bank which is defined in the principles into more concrete terms and leads to a multi-year quantitative budget.



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

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

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

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

In the year 2012, NRW.BANK extended promotion funds totalling approx. € 9.5 billion (2011: € 8.1 billion) to support some 43,300 projects. The use of own funds, e.g. to reduce the interest rates on promotion loans, is a key aspect of NRW.BANK's business model.

The promotion strategy is implemented in the "Programme-based Promotion" segment and the "Other Promotion/Liquidity Management" segment.

The Programme-based Promotion segment comprises the 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 and Municipal Financing.

Where the capital market business is concerned, NRW.BANK continues to adapt its activities to the changed environment resulting from the financial market crisis and is reducing its business volume and total assets as planned. While portfolio investments continue to be held with the intention of being held permanently, the capital market business is being scaled down primarily through maturing investments as well as through portfolio-enhancing and risk-reducing measures such as limit cuts and the selective wind-down of certain risk assets. In 2012, the business volume was reduced by a total of € 9.4 billion.

Economic Report

Economic Climate

Growth in the world economy slowed down in the course of 2012. The slowdown affected all economic regions to different degrees. Caught in the midst of the debt and confidence crisis, the euro-zone was under considerable economic pressure. While this weighed on the economic upward trend in Germany – and hence in North Rhine-Westphalia –, which is a traditional export country, it did not cause fundamental damage.

The German Economy

The German economy grew in a difficult environment moderately by 0.7% compared to the previous year. The German export sector performed surprisingly well given the global economic slowdown. Germany's private households also provided positive stimulation. Higher real wages and a lower annual average unemployment rate of 6.8% led to high consumer spending. Together with historically low interest rates and a general trend towards investments in real assets, the stable labour market stimulated private housing construction. Government consumption, i.e., government spending on goods and services, was also robust. The federal government's new borrowings were reduced to € 22.5 billion, as the revenue side benefited

particularly strongly from those revenue-producing factors – the good labour market situation and high consumer spending. Together with the social security surplus, the government budget showed a moderate surplus of 0.1% of GDP as defined in the Maastricht criteria.

In view of the European debt crisis, however, companies' relatively pessimistic expectations had a notable impact on capital spending. Very low interest rates and low lending obstacles for businesses failed to offset this negative factor sufficiently.

Consumer prices increased sharply, primarily because of higher energy prices. Against this background, energy savings and resource efficiency remained high up on the economic policy agenda. Germany's rate of inflation stood at 2.0% in spite of the economic slowdown.

The North Rhine-Westphalian Economy

Just like the all-German economy, the North Rhine-Westphalian economy also slowed down markedly compared to 2011, with NRW's growth rate probably slightly below the nationwide average. The lower growth in the North Rhine-Westphalian economy is due to the manufacturing sector's specialisation in intermediate and capital goods, which suffered particularly from the high uncertainty resulting from the euro crisis in 2012. One of the main reasons for the high cyclical sensitivity of the North Rhine-Westphalian economy is the steel sector, which plays a much more important role in North Rhine-Westphalia than in the rest of Germany and responds much more sensitively to changes in economic activity. The strong focus of North Rhine-Westphalia's automotive (supplier) industry on European markets also had an adverse impact, as economic activity in Europe slowed down more strongly than in other regions. The chemicals and mechanical engineering sectors, which have a more global focus, were less affected by the economic slowdown in Europe.

The weaker performance of the North Rhine-Westphalian economy is reflected in the NRW.BANK.ifo Business Climate, which peaked in February and then declined continuously until October, save for a short recovery in April. While businesses' expectations had been pessimistic since May, their assessment of the current business situation also shifted into negative territory in October. Since November, however, the business climate has improved moderately, although it failed to return to the levels seen in the first half of the year. In nearly all sectors covered by the survey, capacity utilisation dropped below the long-term average in the second half of the year. Except for the moderate recovery towards the end of the year, the business climate showed a clearly downward trend especially in the manufacturing sector.

Sentiment in the construction sector was mainly affected by public building construction, whereas private housing construction was not so much affected by the negative trend. The euro crisis led to a strong increase in demand for existing properties. Real estate prices showed a stable to moderately upward trend.

At 8.1%, the annual average unemployment rate in North Rhine-Westphalia was slightly higher than in the previous year, which means that the labour market essentially remained robust in what was a weaker economic environment.

Financial Markets

The European sovereign debt crisis was not overcome in 2012. According to the European Central Bank (ECB), however, the risks to financial stability in Europe declined noticeably in the course of the year, although the European financial system remains vulnerable. The focus of the measures taken to solve the crisis recently shifted from fighting the most urgent crisis symptoms directly to improving the euro-zone's medium-term financial stability through implementation of the necessary structural reforms.

At the beginning of the year, a voluntary private sector haircut was implemented to put Greece's public finance on a more solid basis. This helped to ease the situation in the financial markets for a certain time. But as the situation in Spain deteriorated, uncertainty increased significantly again, prompting the ECB to take standard and non-standard measures. The announcement to make unlimited purchases of bonds issued by ailing governments if necessary helped to reduce the respective risk premiums. The coming into force of the European Stability Mechanism (ESM) following the approval by the Federal Constitutional Court in September 2012 also helped to ease the situation noticeably. The fact that risk premiums remain high compared to the previous year shows, however, that market participants are still very sceptical about the progress of fiscal consolidation in some European countries.

Another problem is the lending restraint of banks in the periphery countries and the resulting difficulties for the ECB to pass on monetary stimuli. According to the ECB, this is the reason why the central bank purchased sovereign bonds issued by euro-zone member countries in 2012.

The decisions taken led to additional risks worth billions of euros for Germany, which nevertheless remained a sought-after "safe haven"; this status was supported not least by the high tax revenues. Interest rates have marked new lows. The good credit ratings of Germany and of its federal states have made it easier for public-sector banks to raise funds.

Business Trend

Key Developments and Ratios

NRW.BANK looks back on a successful business and earnings performance in 2012.

Due to further improved favourable funding conditions, especially in conjunction with short-term money-market transactions, the Bank was able to generate a very good operating income before risk provisions/valuation adjustments of € 445.0 million in 2012 (2011: € 370.2 million), which was almost fully used to strengthen its allowance reserves and risk-bearing capacity.

In the context of the refined business, promotion and risk strategy, NRW.BANK continued to reduce its capital market portfolio. While portfolio investments continue to be held with the intention of being held permanently, the portfolio was reduced primarily in the context of maturities as well as through portfolio-enhancing and risk-reducing measures such as the selective wind-down of certain risk assets and limit cuts.

Due to its good credit ratings and the low interest rates, NRW.BANK was able to issue its bonds at favourable terms, thus further strengthening its long-term funding base.

As demand for NRW.BANK's promotion products was high, the Bank exceeded the total new commitments target defined for its promotion activities.

Promotion loans extended according to the house bank principle, especially the "NRW.BANK.Mittelstandskredit", showed a very positive trend.

Due to the low interest rates available to developers and buyers in the market, new social housing promotion business failed to participate in the positive trend in the real estate market and demand for housing promotion funds was lower than planned.

As of December 31, 2012, total assets amounted to € 149.1 billion (2011: € 152.5 billion). The business volume reached € 169.8 billion (2011: € 179.2 billion).

NRW.BANK's earnings in the fiscal year were composed as follows:

	Programme-based Promotion		Other Promotion/ Liquidity Management		Staff/Services		NRW.BANK Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Net interest income	227.7	229.5	235.3	159.7	78.3	75.4	541.3	464.6
Net commission income	12.4	19.3	64.9	62.3	-0.8	-1.9	76.5	79.7
Net income from trading operations	0.0	0.0	6.4	3.0	0.0	0.0	6.4	3.0
Other operating result	15.4	8.5	0.2	0.2	6.2	19.3	21.8	28.0
Administrative expenses	-79.8	-78.1	-29.0	-29.4	-92.2	-97.6	-201.0	-205.1
– Personnel expenses	-43.0	-41.4	-6.1	-6.2	-65.1	-59.8	-114.2	-107.4
– Operating expenditure	-36.8	-36.7	-22.9	-23.2	-27.1	-37.8	-86.8	-97.7
Operating income before risk provisions/ revaluation	175.7	179.2	277.8	195.8	-8.5	-4.8	445.0	370.2
Risk provisions/ revaluation adjustments	-111.5	9.5	-65.3	-301.1	-246.6	-8.7	-423.4	-300.3
thereof: allocation to fund for general banking risks	0.0	0.0	0.0	0.0	-225.0	0.0	-225.0	0.0
Taxes on income and revenues	-0.3	-0.5	0.0	0.0	-2.7	-7.3	-3.0	-7.8
Net income/ loss for the year	63.9	188.2	212.5	-105.3	-257.8	-20.8	18.6	62.1
Average risk-weighted assets (in € billion)	18.6	15.8	15.1	14.1	0.3	0.3	34.0	30.2
Active Employees (number)	558	552	46	45	654	658	1,258	1,255

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 such as IT/Organisation/Internal Services, Risk Management or Accounting/Controlling/Bank Taxation as well as the strategic investments held as part of the public mission.

As of December 31, 2012, NRW.BANK employed 1,258 (2011: 1,255) people, including 60 (2011: 56) trainees/apprentices.

Earnings Position

Net Interest and Net Commission Income

At € 617.8 million, net interest and commission income was up by € 73.5 million on the previous year (2011: € 544.3 million), which was clearly above plan.

Net interest income increased by € 76.7 million to € 541.3 million (2011: € 464.6 million).

At € 227.7 million, net interest income in the Programme-based Promotion segment was slightly lower than in the previous year (2011: € 229.5 million) and was primarily influenced by interest income in the Housing Promotion Department in the amount of € 206.6 million (2011: € 202.4 million). By contrast, higher allocations to provisions for interest rate subsidies, which were made due to the higher volume of new promotion loan commitments, had a dampening effect.

Net interest income in the Other Promotion/Liquidity Management segment increased by € 75.6 million to € 235.3 million in spite of a lower business volume. The decline in earnings anticipated because of the

reduction of the securities portfolio did not materialise thanks to improved funding conditions. Moreover, short-term money-market transactions made on the basis of the applicable business, promotion and risk strategies generated higher margins than in the previous year on comparable volumes. Thanks to the low interest rates, the Bank was able to place new long-term issues at favourable terms, thus strengthening its funding basis in the long term. As in the past, no recourse was made to the funding facilities provided by the European Central Bank.

At € 78.3 million, net interest income in the Staff/Services segment slightly exceeded the prior year level (2011: € 75.4 million). Strategic investments held as part of the Bank's public mission made higher profit contributions, while lower interest rates resulted in reduced funding costs.

Net commission income of € 76.5 million was slightly higher than in the previous year (2011: € 79.7 million). The Programme-based Promotion segment reported lower net commission income due to the fact that certain handling fees from the subsidised grant business were not collected by NRW.BANK as of the balancing date because the underlying contractual negotiations with its clients were still pending. Net commission income in the Other Promotion/Liquidity Management segment increased due to lower hedging expenses. The reduction in surrogate loan transactions in the second half of 2012 had no tangible effect on net commission income in the fiscal year.

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 2012, net income from trading operations amounted to € 6.4 million (2011: € 3.0 million).

Other Operating Income

Other operating income amounted to € 21.8 million (2011: € 28.0 million). In the past fiscal year, the focus was on the release of provisions that were no longer needed. In particular, due to unscheduled repayments,

there was a higher release of provisions for interest rate subsidies of € 12.9 million (2011: € 5.7 million). The high prior year result additionally included the release of a tax provision after the completion of the tax audit.

Administrative Expenses

At € -201.0 million (2011: € -205.1 million), NRW.BANK's administrative expenses came in below budget. Personnel expenses increased moderately, e.g. due to one-time effects, which was more than offset by the strict management of operating expenses.

Personnel expenses increased by € 6.8 million to € -114.2 million in 2012 (2011: € -107.4 million). With the number of active employees remaining almost unchanged, the € 4.5 million increase in wages and salaries to € -94.5 million (2011: € -90.0 million) was primarily due to the 2.9% pay rise effective July 1, 2012, wage tax expenses for prior years and a moderate increase in the number of employees with limited employment contracts, who were hired to handle peak loads in the processing of promotion programmes, especially the processing of the subsidised grant business. The remaining increase in personnel expenses was primarily the result of higher expenses for pensions.

Operating expenditure declined by € 10.9 million to € -86.8 million (2011: € -97.7 million). The reduction is mainly attributable to lower project-related IT consulting expenses as well as to reduced maintenance expenses, especially in conjunction with the modernisation of the existing building in Münster.

Risk Provisions/Revaluation Adjustments

Risk provisions/revaluation adjustments amounted to € -423.4 million (2011: € -300.3 million). NRW.BANK used the good operating result to further strengthen its risk-bearing capacity. The Bank allocated a total of € 414.7 million to allowance reserves. Of this amount,

€ 189.7 million related to allowance reserves as defined in section 340f HGB, while € 225.0 million related to the fund for general banking risks pursuant to section 340g HGB. These reserves were not least established in response to the continued uncertainty in the financial markets.

As part of these measures, NRW.BANK established general allowance reserves in an amount of € 174.3 million for counterparty risks from loan and securities transactions. They are calculated according to a concept on the basis of which anticipated defaults are statistically determined taking probabilities of default and loss ratios into account and compared with the actual defaults. As the actual defaults in the fiscal year were lower than the statistically calculated defaults, the Bank made the respective allocations.

The Programme-based Promotion segment posted a result of € -111.5 million (2011: € 9.5 million). In addition to risk provisions for the lending business in the amount of € -14.6 million and amortisation and expenses in conjunction with investments in the amount of € 5.1 million, the Bank allocated a total of € 92.1 million to the allowance reserves for the promotion segments in 2012.

Risk provisions/revaluation adjustments in the Other Promotion/Liquidity Management segment amounted to € -65.3 million (2011: € -301.1 million).

The result was primarily influenced by the € -81.8 million increase in allowance reserves for the capital market business.

In addition, a net positive result in the amount of € 16.5 million was posted as a result of the following effects. At the request and initiative of the final investors, NRW.BANK withdrew and repaid certain outstanding securities. In the long term, this will improve the Bank's funding base, as the final investors

usually invest in new issues of NRW.BANK. This resulted in net losses on securities sales of € –195.6 million. These realised net losses contrasted with opposite bottom line effects in the total portfolio of € 212.1 million. These were primarily composed of net gains and revaluation adjustments for securities in the amount of € 221.0 million, net gains on derivatives in the amount of € –65.5 million and a special payment from a hedge in the amount of € 51.4 million.

Risk provisions/revaluation adjustments in the Staff/ Services segment amounted to € –246.6 million (2011: € –8.7 million). Another € 225.0 million was allocated to the fund for general banking risks.

Net Profit

NRW.BANK posted a net profit of € 18.6 million (2011: € 62.1 million) for the fiscal year 2012, which will be paid out towards federal interest expenses pursuant to section 14 of the Act on NRW.BANK (NRW.BANKG).

Net Worth Position

NRW.BANK's total assets declined by € 3.4 billion to € 149.1 billion as of December 31, 2012 (2011: € 152.5 billion).

Receivables from banks remained more or less unchanged at € 33.2 billion (2011: € 33.3 billion). The promotion business handled according to the house bank principle is included in this balance sheet item. Under this method, customers file an application for promotion funds with the house bank, which passes it on to NRW.BANK. NRW.BANK then makes the funds available to the customer through their house bank. 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 2012. A portion of NRW.BANK's earnings is used to further optimise the lending terms.

Receivables from customers decreased by € 0.8 billion to € 63.5 billion (2011: € 64.3 billion). In the securities business, the portfolio of registered securities declined by € 0.6 billion to € 7.3 billion, while the portfolio of note loans was reduced by € 0.2 billion to € 13.3 billion.

The balance sheet item "bonds and other interest-bearing securities" declined by € 2.2 billion to € 45.7 billion in 2012 (2011: € 47.9 billion) due to the scheduled reduction of the capital market portfolio.

NRW.BANK essentially reduced the portfolio of instruments from banks by € 1.4 billion to € 18.7 billion. The portfolio of instruments from public-sector issuers increased by € 0.1 billion to € 21.5 billion. The portfolio of instruments from mostly European companies from the financial sector was reduced by € 0.9 billion to € 4.9 billion.

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

Trust assets and trust liabilities declined by € 0.1 billion to € 1.8 billion (2011: € 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.

As in the previous years, Fitch Ratings, Moody's and Standard & Poor's reviewed NRW.BANK's credit ratings in 2012. In July 2012, Moody's changed the outlook for several EU countries, including Germany, from stable to negative in view of the ongoing debt crisis in the euro-zone. Germany's Aaa rating has remained unaffected so far. Due to the close guarantee and support mechanism of the federal government towards

its federal states and of the federal states towards their guaranteed development banks, Moody's also changed the outlook for the state of North Rhine-Westphalia and NRW.BANK accordingly. The Aa1 ratings of the state of North Rhine-Westphalia and NRW.BANK have remained unchanged so far. Fitch Ratings and Standard & Poor's also reaffirmed the good ratings of NRW.BANK.

List of current ratings

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

The Other Promotion/Liquidity Management segment is responsible for the funding of NRW.BANK. As a development bank benefiting from a state guarantee, NRW.BANK continued to experience strong demand for its debt. NRW.BANK catered to investors' need for state-guaranteed, liquid bonds and consolidated its market presence with further benchmark issues in euros and US dollars. During the fiscal year NRW.BANK placed debt worth approx. € 13.4 billion (2011: € 10.8 billion) with a wide international investor base. In this context, a shift towards the domestic market occurred. 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. Euro-denominated issues attracted the highest demand, followed by the US dollar and the British pound. The prorated decline in USD issues was offset by GBP issues. Besides winning new investors,

NRW.BANK is attaching growing importance to investor retention. Short-term funding under the Global Commercial Paper Programme, especially the US dollar, again met with very high demand in 2012 and was the most favourable source of funding for NRW.BANK throughout the year 2012.

Liabilities to banks rose by € 0.7 billion to € 40.8 billion (2011: € 40.1 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 and NRW.BANK.Gründungskredit according to the house bank principle, showed a very positive trend and increased by € 0.2 billion on the previous year to € 21.3 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).

The portfolio of note loans increased by € 0.8 billion to € 10.9 billion, while the portfolio of registered

securities grew by € 0.3 billion to € 4.5 billion. Money-market transactions in the form of time deposits increased by € 0.4 billion. By contrast, liabilities from repo transactions declined by € 0.9 billion.

Liabilities to customers decreased by € 1.6 billion to € 21.1 billion (2011: € 22.7 billion). They are mainly composed of registered instruments in the amount of € 18.6 billion (2011: € 19.6 billion). The portfolio of note loans and the portfolio of money-market transactions in the form of time deposits declined by € 0.3 billion each.

Certificated liabilities were down by € 3.0 billion to € 62.0 billion as of the end of the year (2011: € 65.0 billion). The portfolio of money-market instruments declined by € 3.2 billion to € 39.2 billion, while the portfolio of municipal bonds decreased by € 0.5 billion to € 0.4 billion. By contrast, the portfolio of bearer bonds increased by € 0.7 billion to € 22.3 billion.

Capital ratios

	Dec. 31, 2012	Dec. 31, 2012
	%	%
Overall capital ratio	44.33	18.30
Core capital ratio	39.93	12.51

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 2012.

Equity Capital

At € 17.8 billion, equity capital pursuant to the German Commercial Code (HGB) was on a par with the previous year's € 17.7 billion.

The equity capital as defined in the German Banking Act (KWG) amounted to € 18,488.7 million (2011: € 5,628.9 million), as of December 31, 2012.

Now that the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) has completed its review of the effects of the integration of the former Wohnungsbauförderungsanstalt on NRW.BANK's regulatory equity capital, the Bank's equity capital may be recognised in full for regulatory purposes. This resulted in a marked increase in the overall capital ratio and the core capital ratio.

Post Balance Sheet Events

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

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 bad debts.

Development of the Economic Environment

While the year 2012 was still marked by fiscal and monetary policy measures at a global level, 2013 should see the economic environment stabilise – this forecast being subject to great uncertainty. The world economy should grow by approx. 3.5%, i.e. at a slightly higher rate than this year. The weak leading indicators and the persisting structural problems suggest that the euro-zone economy will grow only very moderately, if at all, in the first six months of 2013. The general climate in the euro-zone should gradually become more positive in the second half of the year. Nevertheless, the growth rate will probably not move far above the zero line in the second half of the year, either. The heterogeneous performance in the euro-zone is likely to continue.

Thanks to Germany's extensive integration with global trade, the stabilisation in the world economy and the more benign economic trend in the euro-zone should have a positive impact also on Germany. While the outlook for the first six months of the year is relatively bleak, the recovery should send exports rising especially in the second half of the year. Together with the favourable interest rates and a good credit supply, this should have a positive effect on the relatively weak corporate spending. Against this background, demand for NRW.BANK's investment promotion loans is expected to remain high. Private consumption,

which benefits from the good income situation, and private housing construction, which is stimulated by persistently low interest rates, will be other growth drivers in 2013. Due to the weaker first half of the year, the labour market will no longer be as dynamic as in 2012, which suggests that the jobless rate will be more or less on a par with the year 2012. Government spending is unlikely to make any relevant contribution to growth. The debt brake and the many financially weak local authorities suggest that public construction spending will increase only moderately. On balance, we expect real GDP to grow by 0.5% in 2013. The growth rate in 2014 should be 1.5 to 2% higher.

The rate of inflation should move around the 2% mark in 2013, which means that there will be no major change compared to 2012. On the one hand, the energy cost pressure is likely to subside somewhat in 2013, provided there are not further tensions in the Middle East. On the other hand, electricity prices should rise noticeably due to the increase in the "Ökostromabgabe" (eco-electricity levy).

In view of the anticipated economic recovery, inflation is unlikely to decline significantly in 2014, either.

Reflecting the nationwide trend, the North Rhine-Westphalian economy should be fairly weak at the beginning of 2013. One leading indicator shows new manufacturing orders, for instance, currently standing well below the prior year level. As the year progresses, however, the economy should recover slightly. 2013 is likely to remain a difficult year for the manufacturing sector, although a stabilisation at a low level is possible, as the inventory cycle, which starts again at the beginning of an economic recovery, should stimulate the chemicals and metals industries, in particular. The overall outlook is moderate and the North Rhine-Westphalian economy is likely to grow at a lower rate than the all-German economy.

Development of the Bank

NRW.BANK anticipates to further strengthen its position as the central development bank for North Rhine-Westphalia in consultation with its guarantor. By developing and marketing efficient development and promotion products, NRW.BANK will continue to support the economic and structural development of North Rhine-Westphalia, especially in implementing the move towards green energy.

Income from the promotion business is expected to increase moderately, as there is growing demand for promotion products in the market for long-term financings, which are usually characterised by higher margins. The Bank expects to participate in a growing number of long-term, high-volume financings, e.g. to support growth investments by larger SMEs as well as infrastructure projects in North Rhine-Westphalia.

In the Municipal Financing unit, NRW.BANK will continue its integrated approach. NRW.BANK sees itself as a reliable partner to North Rhine-Westphalia's municipalities, and the funding and promotion of municipalities and communities will remain a key focus of its promotion activities.

NRW.BANK expects net interest income and net commission income to decline markedly in 2013. Going forward, a maximum of only 50% of the future repayments from the international capital market business will be re-invested. The portfolio, which makes an important contribution to earnings, will thus be further reduced. In the context of the planned streamlining of the capital market portfolio, surrogate loan transactions were closed prematurely in the past fiscal year, which will also have a dampening effect on income in the coming years. These effects could partially be offset by higher margins expected to be generated in the capital market environment as well as by money market transactions completed in the course of the year.

The Bank aims for its total administrative expenses to remain below a maximum of € 215 million in 2013. Personnel expenses should increase only by the already known and expected increases and due to slightly higher additions to pension provisions. Operating expenses should exceed the level of 2012 due to higher expenses, especially for IT projects. A cost risk could arise from still unknown projects, e.g. in conjunction with national and European banking supervision as well as the accounting process.

At the bottom line, NRW.BANK therefore expects its operating income before risk provisions/revaluation adjustments in 2013 to be lower than in the past fiscal year.

Risk provisions/revaluation adjustments should again be influenced by general allowances in 2013.

In future, possible rating downgrades in the Other Promotion/Liquidity Management segment could cause higher general allowance reserves for counterparty risks from loan and securities transactions.

NRW.BANK will continue to aim for an increase in the fund for general banking risks.

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

Total assets and the business volume will probably continue to decline steadily due to the planned reduction of the securities portfolio.

With effect from January 1, 2013, NRW.BANK implemented changes to its organisational structure with the aim of meeting the demands of its clients and its owner, the state of North Rhine-Westphalia, even more effectively.

The Infrastructure Finance, Public-sector Clients and EU and Foreign Trade Promotion units (previously part of the Special Promotion Department) as well as the Research/Promotion Strategy unit (previously part of the Central Product Management Department) have been merged with the Board Office, Parliamentary and European Matters and Marketing units (previously part of the Corporate Communications Department) to form the Corporate Strategy/Public Infrastructure Finance Department.

The Press and Communications unit (previously part of the Corporate Communications Department) has been turned into a staff unit and been placed under the direct responsibility of the Managing Board Chairman.

The Advisory Services unit (previously part of the Special Promotion Department) now forms part of the Promotion Programmes Department.

In this context, the former Corporate Communications Department and Special Promotion Department have been closed.

Moreover, the Equity Investments Department has been renamed "Corporate Finance"; the Syndicated Loans/Special Finance unit has been incorporated into this department.

The Anti-Money Laundering/Compliance Team has transferred from the Legal Department to the Risk Management Department.

Risk and Opportunity Report

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

At the beginning of the fiscal year, NRW.BANK began to adjust its risk-bearing capacity concept to the further developed regulatory requirements, especially with regard to the paper "Aufsichtliche Beurteilung bankinterner Risikotragfähigkeitskonzepte" (supervisory assessment of banks' internal risk-bearing capacity concepts) published by BaFin in December 2011. The adjustments to the risk-bearing capacity concept related to the calculation of economic capital and to the determination of the capital cover now based on two different perspectives – a going concern perspective and a gone concern perspective.

Organisation of Risk Management

The full Managing Board of NRW.BANK is responsible for the risk management system. This includes, in particular, the proper organisation of risk management, the risk strategy, the risk-bearing capacity concept as well as risk monitoring. In the context of the general reporting process, the Managing Board is regularly informed about the Bank-wide risk situation.

The Supervisory Board monitors the Managing Board's conduct of the Bank's affairs. The Risk Committee,

a committee of the Supervisory Board, addresses the Bank's risk situation. The committee receives reports on the risk profile for the various risk categories on a quarterly basis.

The Board of Guarantors decides, among other things, on the release from liability of the members of the Supervisory Board and the Managing Board and – in the context of the annual strategy process – on the principles of the business, promotion and risk policies.

The committees in charge of risk management are the Asset Liability Committee (ALCO), the two Credit Committees for the promotion business and the capital market business as well as the Strategy Committee.

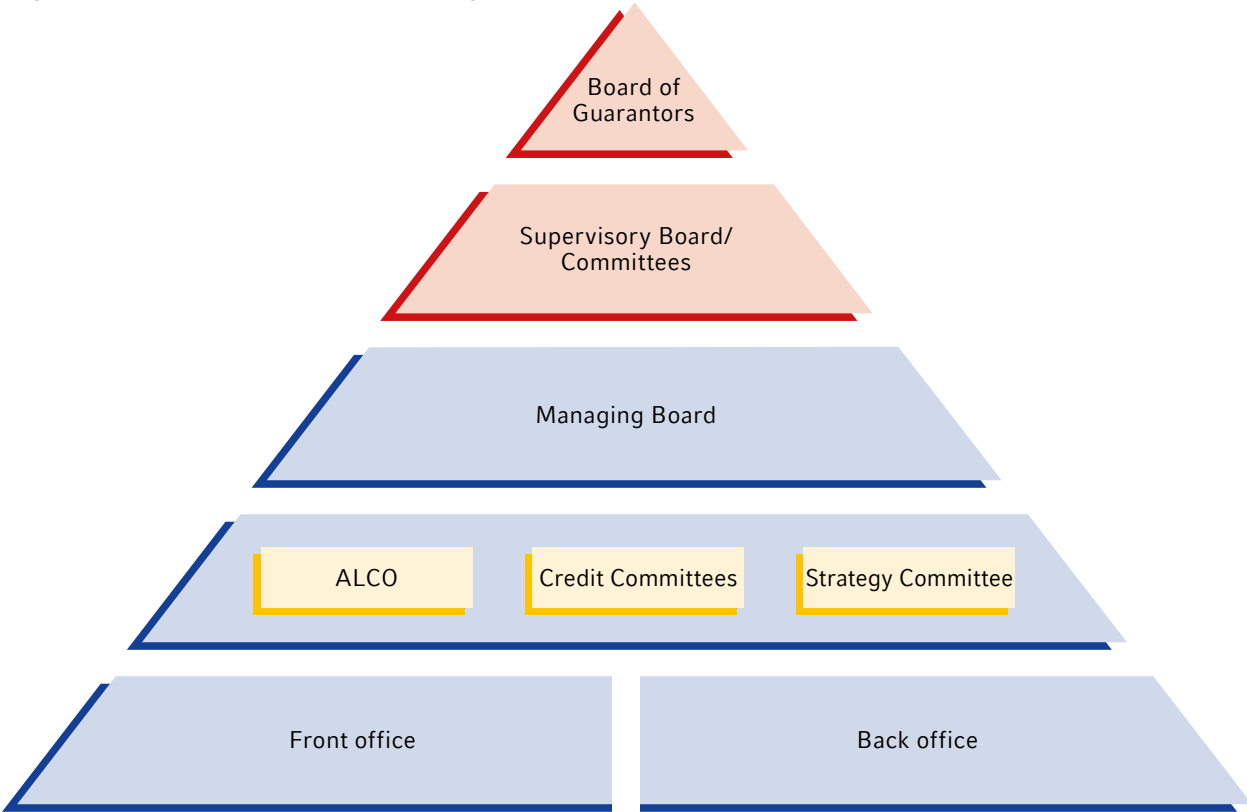
The Asset Liability Committee, which is composed of all members of the Managing Board and four divisional heads, is responsible for issues relating to market risks and liquidity risks. It also addresses general topics such as capital allocation, profit management and balance

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

The Credit Committees prepare credit decisions to be made by the Managing Board and take their own credit decisions based on their limits and level of competence. In addition, they address issues of a general nature relating to counterparty risks. The Committee structure was adjusted in the fiscal year 2012, resulting in two separate Committees, one for the promotion business and one for the capital markets business. The new structure more aptly reflects NRW.BANK's positioning as a development bank.

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.

Organisational Structure of Bank Steering



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

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

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

Risk Policy and Strategy

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

The risk strategy is part of the (overall) strategy of NRW.BANK, which comprises the business, promotion and risk strategies. The risk strategy builds on the promotion and business strategies and aims to ensure balanced risk management within NRW.BANK. As part of the operational controlling process, it translates the risk strategy principles into appropriate limits. It covers a planning period of four years.

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

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 systematically examines whether the overall risk profile fully reflects all risks which may potentially influence the net worth, earnings or liquidity position. This is done at a Bank-wide level on an annual basis and whenever required on special occasions. On this basis, risks are classified as material or immaterial risks.

Among the material risks identified are the counterparty risk and the market risk as well as the liquidity risk and the operational risk. The two latter risk types are less relevant for the Bank-wide risk and therefore rank behind the counterparty risk and the market risk.

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

Risk-bearing Capacity

Economic capital is the relevant risk management parameter of NRW.BANK across all risk types and departments. It measures the risks that were classified as material in the context of the risk inventory and translates them into a Bank-wide ratio using a consistent methodology.

Due to increasingly precise regulatory requirements, the risk-bearing capacity concept, together with the risk strategy for the years 2012–2015, has been revised extensively, especially with regard to the paper “Aufsichtliche Beurteilung bankinterner Risikotragfähigkeitskonzepte” (supervisory assessment of banks’ internal risk-bearing capacity concepts) published by the Federal Financial Supervisory Authority (BaFin) in December 2011. As a result, the risk-bearing capacity has been controlled from a going concern perspective and a gone concern perspective since the beginning of the fiscal year.

Institutional liability, guarantor liability and the explicit funding guarantee granted to NRW.BANK by its guarantor for the performance of its promotion tasks are not accepted as risk-mitigating factors in either of the two perspectives.

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

A going concern perspective is taken for the immediate management of the risk-bearing capacity. It is based on the German Commercial Code (HGB) in accordance

with the Bank’s accounting policy. The focus is on avoiding losses in the balance sheet in order to protect creditors and owners. Accordingly, those risks that could adversely affect a balance sheet under HGB are considered in economic capital. Economic capital is determined with a confidence level of 99%. This is to ensure that even rare losses up to a mid-range amount can be covered without materially disturbing the business activity.

As an additional sub-condition, the gone concern perspective analyses the risk-bearing capacity with a confidence level of 99.96% to ensure that the Bank is able to cover even extreme risk situations with existing assets. Under this approach, the focus is on protecting the creditors in a fictitious liquidation case.

The table below shows the composition of economic capital from both perspectives. The figures cannot be directly compared with the prior year figures, as they were determined on the basis of the old risk-bearing capacity concept, in which aspects of the going concern perspective and the gone concern perspective were combined. Moreover, the confidence levels were adjusted from 99.98% to 99.00% for the going concern perspective and to 99.96% for the gone concern perspective.

Bank-wide Economic Capital

	Dec. 31, 2012		Dec. 31, 2011
	Going concern € millions	Gone concern € millions	€ millions
Counterparty risk	1,599	5,131	4,535
Market risk	34	4,624	1,820
Liquidity risk	14	–	–
Operational risk	35	140	180
Diversification effect	–	–759	–402
Total economic capital	1,681	9,136	6,133

More detailed information on the individual risk types and the methods used for their calculation is provided in the respective paragraphs on the risk types.

The counterparty risk is one of the key risks taken at a Bank-wide level. Differences between the going concern perspective and the gone concern perspective primarily result from the confidence level used.

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

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

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

Under the going concern perspective, Bank-wide economic capital is determined by way of a simple addition of the economic capital of the risk types without taking diversification effects into account. This is due to the fact that the overall bank risk is largely determined by the counterparty risk, which means that no material diversification effects exist. Under the gone concern perspective, material diversification effects exist between the counterparty risk and the market risk, which is why they are taken into account when determining the economic capital at a Bank-wide level to avoid overstating the overall bank risk. The correlation used is estimated conservatively on the basis of bank-specific data in such a way that it can be considered

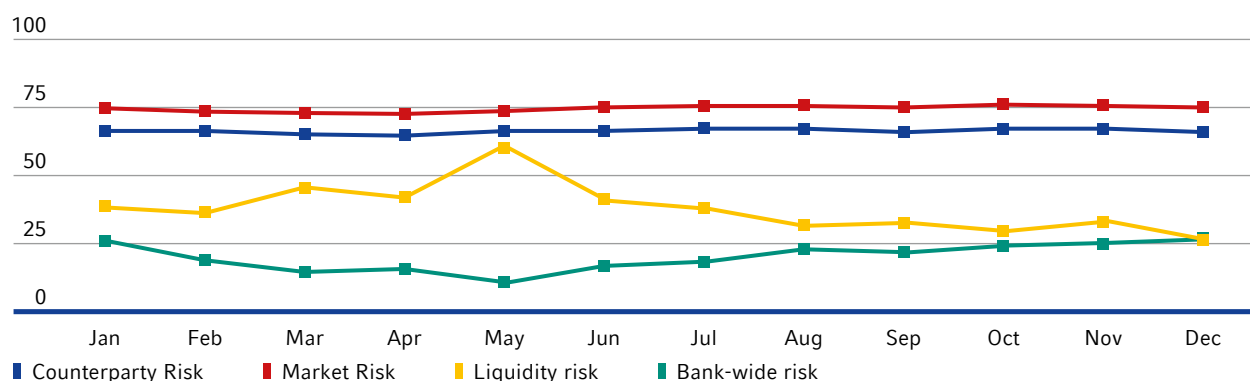
to be sufficiently stable even in an economic downturn as well as under market conditions that are unfavourable for the Bank's business and risk structure. The reliability of the diversification assumptions and the stability of the correlation are reviewed regularly and whenever required on special occasions.

The economic capital is compared with the maximum capital cover that is available to cover risks. Just like the economic capital, the capital cover is calculated in accordance with the respective perspective taking into account regulatory and balance sheet equity components, adjusted for specific correction amounts. Under the going concern perspective, for instance, the capital components tied up in accordance with the Solvency Regulation (SolvV) are deducted. Under the gone concern perspective, hidden charges and reserves, in particular from securities and derivatives, are deducted if they are negative on balance. Positive own credit risk effects are not accepted as mitigating factors on the liabilities side. As of the reporting date, the capital cover amounted to € 13.2 billion under the going concern perspective and to € 13.1 billion on the gone concern perspective. These amounts include the allocations to allowance reserves made in the fiscal year.

For the direct management of risks under the going concern perspective, the Bank-wide economic capital limit is defined and allocated to the material risk types and departments in the context of the annual strategy process. This ensures that sufficient risk capital is available to achieve the planned income and that the risks are limited at the same time. Utilisation of the limits is determined on the basis of the economic capital. As an additional condition, the economic capital shall not exceed the capital cover under the gone concern perspective.

The chart below shows the limit utilisation for the main risk types in the course of the year. The individual risk types and the overall bank risks were always within the limits defined for the going concern perspective. The Bank's risk-bearing capacity was given at all times throughout the fiscal year.

Limit utilisation in the course of 2012 in %



The economic capital for operational risks is determined each year in accordance with the regulatory basic indicator approach. As the economic capital allocated to cover potential losses thus remains constant throughout the year and no distinction is made between limit and utilisation, the operational risk is not shown in the above limit utilisation chart.

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

Stress Tests

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

The stress tests are performed at a Bank-wide level on a quarterly basis and whenever required on special occasions.

Similar to the risk-bearing capacity concept, separate stress tests are performed under the going concern perspective and the gone concern perspective. The stress scenarios examine the effects of a deterioration of exposures (increase in probabilities of default and

loss given default) and of a change in market data (interest rates, credit spreads). Special emphasis is placed on the primary controlling cycle in the going concern perspective. Both historical and hypothetical scenarios are analysed.

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

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

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

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

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

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

Counterparty Risk

Definition

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

Credit risk is the risk of a contractual partner failing to meet its obligations to repay liquid funds (loans) granted or securities. The credit risk thus also includes issuer risks arising from securities.

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

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

The risk from equity holdings results from the risk of incurring losses from the provision of equity capital to enterprises. NRW.BANK's equity holdings primarily comprise investments which are held as part of the public mission and were transferred to the Bank upon its inception as well as investments made as part of the Bank's mission as a development bank.

Methods

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

- The amount of the exposure is the amount at risk. It is the sum total of the relevant amount of all receivables. In the case of loans, this is the remaining capital plus binding payment obligations; in the case of securities, it is the higher of the cost price and the nominal value. Credit equivalents are recognised to calculate counterparty risks from derivatives, taking netting and collateral pursuant to standardised framework agreements into account. In addition, credit derivatives are recognised at their nominal value; the purchase of protection reduces the exposure of the respective reference counterparty, while the sale of protection increases it. The (counterparty risk-related) amount of the exposure thus differs from the business volume and from balance sheet total.
- The probability of default is derived from the debtor's internal rating. For this purpose, NRW.BANK uses differentiated risk classification methods. The portfolios of corporates, banks and real estate clients are classified using rating procedures meeting the requirements of the internal rating based (IRB) approach of the Solvency Regulation. The ratings for exposures to foreign governments are determined on the basis of external agency ratings and structured internal plausibilisation. In view of the joint liability scheme and the fiscal compensation scheme, uniform ratings are awarded in particular to savings banks and domestic municipalities respectively. Simplified internal risk classification methods are used for smaller portfolios. Depending on the type of debtor, each rating is assigned a probability of default based on a 24-step scale, so that all debtors are included as risk-relevant in the calculation of the economic capital on a staggered basis.

- The loss given default (LGD) describes the portion of the exposure which would inevitably be lost in the case of insolvency proceedings after realisation of potential collateral. Differentiated LGDs are assigned to the exposures depending on the type of debtor.

NRW.BANK determines the economic capital for the counterparty risk on the basis of a credit value-at-risk. The risk horizon is one year, the confidence level is 99% under the going concern perspective and 99.96% under the gone concern perspective.

The credit value-at-risk is calculated according to the formula of the IRB approach under the Solvency Regulation. Methodologically, a difference is initially made only between default and non-default of a debtor. As maturities are adjusted, rating migrations that may lead to additional capital requirements are also taken into account.

As the IRB approach is based on the assumption of an indefinitely granular portfolio, an additional concentration surcharge is determined on the basis of a simulation process and reflected in the economic capital. As a result, high exposures make a disproportionate contribution to the risk, which means that the surcharge takes concentrations into account.

To further reduce concentrations – not only with regard to risks but also regarding income – single name concentration limits at Group level and cross-borrower concentration limits at country level are defined for the amount of the exposure.

Besides the economic capital (unexpected loss), standard risk costs (expected loss) are generally taken into account when defining the terms and conditions. This way, it is ensured that the expected losses are compensated by corresponding income.

In the context of the Bank-wide stress tests, various historical and hypothetical scenarios are analysed, which assume deteriorations in the rating quality that are differentiated by receivable classes.

The above risk management methods allow NRW.BANK to identify unbalanced portfolio developments and risk concentrations, to appropriately monitor counterparty risks and to take any measures that may be required at an early stage.

Validation

The ratings and loss given defaults are validated at least once per year. For the social housing promotion portfolio, which is the biggest portfolio of NRW.BANK in terms of individual exposures, differentiated analyses are performed for individual segments such as investors and owner-occupiers.

Besides the ratings and the loss given defaults, the methodological assumptions that serve as the basis for the calculation of economic capital are also reviewed annually. For instance, the maturity adjustment implemented to reflect rating migrations is checked for plausibility.

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

Risk Assessment and Limitation

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

Key elements used to monitor the counterparty risk:

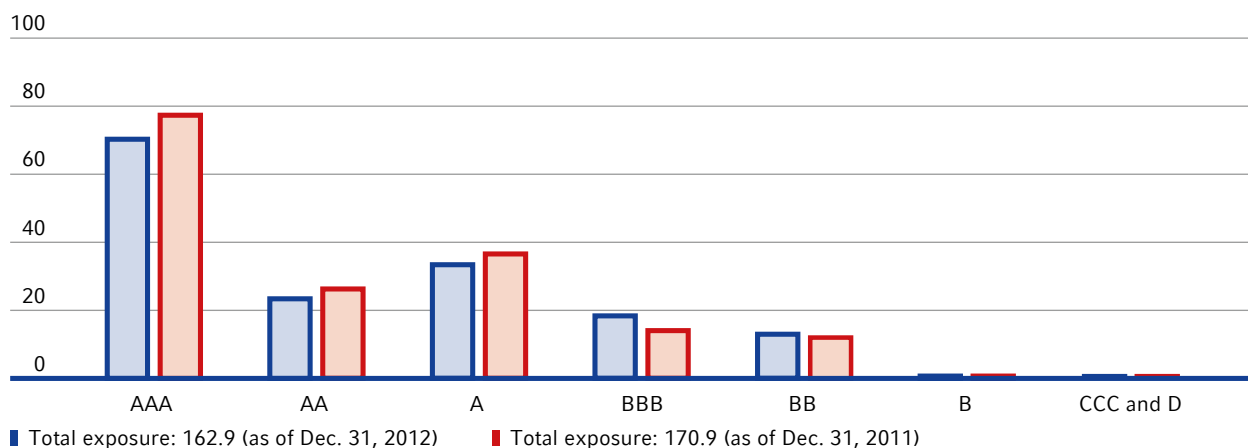
- Event-related bad news process incl. immediate analysis and decision on individual measures (e.g. rating review, limit adjustments)
- Daily monitoring of single name, group and country limits
- Daily monitoring of capital market investments in the context of an early warning system (e.g. changes in credit spreads and ratings)
- Monthly monitoring of economic capital limits
- At least annual monitoring of individual credit exposures
- Ongoing monitoring of the watch list, which contains intensive care and problem exposures

If limits are exceeded in special cases, reasons must be given. If these deviations are material – according to clearly defined criteria – they must be decided by the Managing Board and be submitted to the executive bodies for information.

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

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

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



NRW.BANK's total exposure amounts to € 162.9 billion (2011: € 170.9 billion).

Due to the high proportion of government and municipal loans, most of the ratings lie in the internal rating class AAA. The investment grade quota amounts to 90.4% (2011: 96.1%) (which represents the internal rating classes AAA to BBB). Changes in the rating composition of the portfolio compared to the previous year primarily result from rating downgrades of existing positions, methodologically-induced rating shifts in the field of social housing promotion and the reduction in international capital market exposures. In particular, surrogate loan transaction declined by € 5.8 billion due to active liquidation and to maturing investments. The increase in the BBB and BB rating classes is mainly attributable to rating downgrades of positions that were already included in the portfolio.

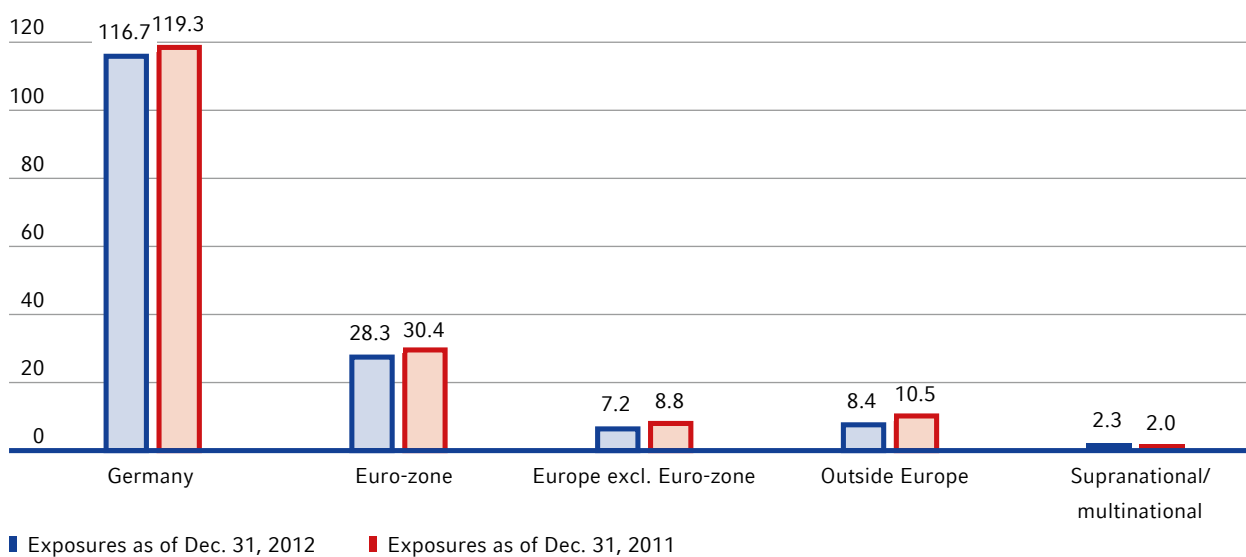
NRW.BANK's portfolio is focused on Germany (€ 116.7 billion or 71.7% of the total exposure; 2011: 69.8%). The main emphasis is on North Rhine-Westphalia, and there is a concentration on municipal borrowers. This concentration is the result of the public development mission, because of which the Bank has a special

responsibility towards the municipalities and provides them with reliable funding.

In addition, there are international exposures, some of which were already taken over upon the inception of the Bank. As a largely independent development bank, NRW.BANK uses the income from these exposures primarily to the benefit of the promotion business. The total international exposure – including derivatives – amounts to € 46.2 billion (28.3% of the total exposure; 2011: € 51.7 billion) and is composed of exposures to European countries (€ 35.4 billion) and to non-European countries as well as supranational and multinational organisations (€ 10.7 billion). Summing up, the international exposure is focused almost exclusively (93.5%) on investment-grade countries.

The European exposure comprises investments in the euro-zone in the amount of € 28.3 billion (2011: € 30.4 billion) and investments outside the euro-zone of € 7.2 billion (2011: € 8.8 billion). The non-European exposures focus on North America with € 6.2 billion (2011: € 7.2 billion) and Asia with € 1.3 billion (2011: € 1.9 billion). Supranational and multinational organisations account for a total of € 2.3 billion (2011: € 2.0 billion).

Geographic breakdown of exposures (incl. derivatives, in € billions)



NRW.BANK closely monitors the exposure to the euro-zone periphery countries, which currently comprise Greece, Portugal, Spain, Ireland, Italy and Cyprus. New

exposures to these countries are not permitted as a general rule. The table below shows the Bank's total exposure to these countries as of December 31, 2012.

Exposures to selected euro-zone countries (incl. derivatives, prior-year figures in parentheses)

	Public sector		Private sector	
	Governments € millions	Government-related enterprises/ Financial institutions € millions	Financial institutions* € millions	Corporates € millions
Spain	3,811 (4,041)	724 (739)	1,950 (2,394)	124 (188)
Italy	3,506 (3,652)	– (4)	167 (173)	124 (124)
Portugal	1,248 (1,418)	231 (350)	72 (94)	9 (11)
Ireland	864 (991)	– (–)	435 (510)	4 (4)
Greece	– (146)	70 (43)	– (–)	– (–)
Cyprus	37 (75)	– (–)	– (–)	– (–)

* mostly secured exposures such as Pfandbriefe

Of these countries, Portugal, Greece and Cyprus have an internal sub-investment-grade rating. Such sub-investment-grade ratings exclusively result from rating downgrades of investments that were already contained in the portfolio. In the course of the fiscal year, the exposures to these countries were reduced, in particular through the reduction in surrogate loan transactions and the complete sale of Greek government bonds. Moreover, amounts that became due were not reinvested. The increase in exposures to Greek government-related enterprises is due to the necessary write-up of existing positions in the balance sheet as of December 31, 2012.

As the sovereign debt crisis continued, the pressure on the ratings of various debtors, especially foreign governments, increased even further. In response to this, the Bank continued to refine its risk strategy and took portfolio-optimising and risk-mitigating measures such as limit cuts and the liquidation of risk assets also in 2012. As a result, the total exposure declined by € 8 billion in 2012. New burdens faced by the governments or a more pronounced economic slowdown could put the ratings under further pressure.

Where securitisation exposures are concerned, NRW.BANK constantly monitors the counterparty risk associated with the underlying reference pools. Various risk-mitigating measures were implemented for the existing exposures. Besides the replacement of individual counterparties, this also included the purchase of selected hedges. The exposure declined by € 587 million in the fiscal year, mainly due to repayments. As of the balance sheet date, the securitisation exposures – mostly of investment-grade quality – amounted to € 5.5 billion (2011: € 6.1 billion). A major portion of the portfolio (75.8%) additionally benefits from a comprehensive state guarantee (e.g. from the US Department of Education).

The equity investment business comprises investments which are primarily held on behalf of the federal state and were transferred to the Bank upon its inception as well as investments entered into as part of the Bank's development mission. The counterparty risks arising from the investments are largely based on strategic and operational risks, which are primarily analysed using the corporate data made available for investment

controlling purposes. Controlling for these companies includes continuous monitoring of profits 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. Moreover, the investment contracts usually contain regulations which reserve a veto/approval right for NRW.BANK in specific cases.

For some equity investments, the counterparty risk is limited by a strong direct or indirect involvement of the public sector. In the case of seven participation funds in promotion business (e.g. NRW.BANK.Mittelstandsfonds), the counterparty 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 Portigon 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 risk.

Economic Capital

The economic capital set aside for counterparty risks remained largely stable in the course of the year. Risk-increasing effects resulting from rating downgrades in the sovereign portfolio as well as methodologically induced rating shifts were offset by a reduction in risk assets.

As of the reporting date, the economic capital set aside for counterparty risk was € 1.6 billion under the going concern perspective and € 5.1 billion under the gone concern perspective. Differences between the two perspectives primarily result from the confidence level used.

Risk Provisions

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

In the securities business, the amount of the risk provisions for derivative components is determined using market information, mathematical models and individual creditworthiness estimates. In the case of structured products, which are scrutinised down to the individual counterparty level, 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.

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

Opportunities

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

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

NRW.BANK determines anticipated losses on the basis of probabilities of default and loss given default and incorporates them in the planning and extrapolation for its result under HGB. Where the actual defaults are lower than the anticipated losses at the end of the year, there is the opportunity to strengthen the general allowance reserves for counterparty risks from loan and securities transactions. For instance, € 174.3 million were allocated to these reserves, thus further strengthening the Bank's equity capital, at the end of the fiscal year.

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

Market Risk

Definition

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

Methods

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

Since the beginning of the fiscal year, market risks have been managed in the context of the new risk-bearing capacity concept immediately on the basis of the "HGB-Value-at-Risk Concept" (HGB-VaR going concern perspective). Under this approach, all market risks which may influence the HGB income statement are taken into account. In the investment portfolio, this may be potentially unmatched interest and exchange rate positions resulting from different fixed interest periods or currencies of the assets side and the liabilities side and have not yet been hedged at a nominal value basis in the context of asset/liability management. For the trading portfolio and the liquidity reserve, all relevant risks types are additionally examined on a mark-to-market basis. Accordingly, temporary market value fluctuations, e.g. from specific interest rate risks (credit spreads), are counted under the HGB perspective for the trading portfolio and the liquidity reserve. The HGB-VaR calculation is based on the sensitivity of the HGB income statement towards fluctuations in market prices ("HGB sensitivities"). In contrast to a mark-to-market VAR concept, the focus is not on the mark-to-market sensitivities but on the sensitivity of the HGB result. The HGB-VaR is calculated for the current and for the next two fiscal years as well as generally for all future periods.

In addition, the VaR is examined on a mark-to-market basis (MtM-VaR gone concern perspective). The (mark-to-market) sensitivities used to calculate the VaR take into account general and specific interest rate risks, exchange rate risks and volatility risks. Under this approach, the general interest rate risks from the largely equity-funded social housing promotion business as well as the specific interest rate risks (credit spreads) are considered in the investment portfolio.

The volatilities and correlations needed to determine the VaR figures are identical for both perspectives.

The VaR is calculated on a linear basis and – where non-linear risks exist – on the basis of a Monte Carlo simulation, which produces 3,000 scenarios per trading day. The historical observation period is 250 days, with a greater weight placed on incidents in the more recent past.

The calculation of VaR is supplemented with daily stress scenario computations. In this context, hypothetical scenarios are considered for interest rates, foreign exchange rates, implicit volatilities and credit spreads. In addition, the effects of changes in interest rates and credit spreads are examined for the identified historical scenarios. The standardised stress scenarios are supplemented if needed with individual, situational considerations tailored to the risk structure of the Bank's portfolio. Moreover, the analysis of the sensitivities and risk concentrations from the above risk factors is an integral element of daily market risk measurement.

Validation

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

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

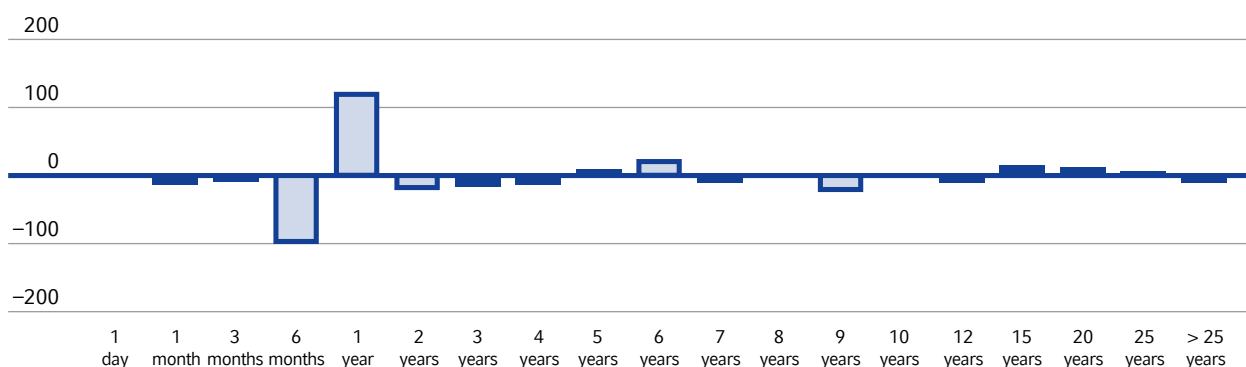
In addition, the parameters and assumptions of the model are regularly reviewed in the context of various daily, monthly and annual processes.

Risk Assessment and Limitation

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

Due to the hedges used, there are no material fixed-interest-period mismatches at Bank-wide level under the HGB-oriented going concern perspective.

HGB interest rate sensitivities towards a +1 bp interest rate shift in € thsd. as of Dec. 31, 2012



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

Reflecting the low interest rate and exchange rate risks, the Bank-wide HGB-VaR for market risks for all future fiscal years amounted to € 1.1 million as of December 31, 2012.

HGB-VaR going concern (Bank-wide) in € millions



The average HGB-VaR for market risks in the fiscal year was € 2.2 million. The minimum was € 1.1 million on December 27, 2012 and the maximum was € 3.5 million on March 19, 2012.

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

HGB-VaR going concern (Bank-wide)

	March 31,2012	June 30,2012	Sept. 30, 2012	Dec. 31, 2012
	€ millions	€ millions	€ millions	€ millions
Interest rate risk	1.3	0.7	1.4	0.2
Currency Risk	2.1	2.1	1.3	1.1
Credit spread risk	0.6	0.4	0.2	0.1
Interest rate volatility risk	0.0	0.0	0.0	0.0
Diversification	-1.1	-0.8	-1.1	-0.3
Total VaR	2.9	2.3	1.8	1.1

No material positions were held in the trading portfolio in the fiscal year. Accordingly, the maximum VaR in the fiscal year was € 1.1 million.

Economic Capital

For strategic management of economic capital, the Bank uses a confidence level of 99% under the going concern perspective and of 99.96% under the gone concern perspective. A risk horizon of one year with a shorter holding period of approximately three months is analysed. The latter reflects the possibility to exert influence, e.g. by reducing risk positions in the event of an unfavourable market trend. The economic capital for market risks is determined conservatively from a stress VaR with stressed correlations and volatilities. This way, the Bank ensures that the calculation of economic capital also reflects unfavourable market phases. Accordingly, the economic capital remains relatively constant.

Due to the largely closed positioning, the economic capital for market risks amounted to € 34 million as of the reporting date under the going concern perspective.

The economic capital for market risks under the gone concern perspective in particular includes general interest rate risks from the social housing promotion loans. These are primarily funded with own funds. To comply with MaRisk, the own funds used to finance housing promotion loans may not be taken into account in the risk calculation. The MaRisk thus imply that housing promotion loans are funded with overnight

deposits at fully matching maturities. This results in a high assumption based interest position. In addition, economic capital includes all credit spread risks of the investment portfolio. Any resulting fluctuations in the market value are usually not recognised in profit/loss in NRW.BANK's HGB income statement. As of the reporting date, the economic capital set aside for market risk amounted to € 4.6 billion under the gone concern perspective.

KWG Interest Rate Shock

The effect of the sudden and unexpected interest rate change in the investment book defined by BaFin circular 11/2011 – currently +/-200 basis points – is dominated by the above-mentioned assumption based interest position of the housing promotion loans. As of December 31, 2012, the negative change in the present value of the Bank's investment book resulting from a +200 bp interest rate shock amounted to 13.6% of the regulatory equity capital (2011: 30.7%). The change against the previous year in particular results from the full recognition of the balance sheet equity for regulatory purposes. At the same time, NRW.BANK also calculates the effects of the +/-200 bp interest rate shock on the HGB result. As the positions in the Bank's investment portfolio are held with a permanent holding intention, this perspective is in accordance with the Bank's primary risk management approach. In contrast to the above gone concern figures, these stress scenarios show very low risks from fixed-interest-period mismatches: with +200 bp, the total of all HGB losses across all future accounting periods is only 0.02% (2011: 1.0%) of the regulatory equity capital.

Opportunities

The aim of NRW.BANK's asset/liability management is to generate a fixed interest and commission margin with regard to the HGB income statement. This entails low market risks, which limit the respective opportunities in the investment portfolio. The biggest opportunities therefore lie in the development of the rates on the asset and the liability side and not in additional gains from mismatched interest and currency positions. In the trading portfolio, further opportunities are also ruled out due to the existing limit. This means that opportunities for generating additional HGB income from market risk positions play only a minor role. From a mark-to-market point of view, market price fluctuations lead to changes in unrealized profit and losses. In the investment portfolio, these are regarded as temporary value fluctuations – provided that they are not permanently impaired. Accordingly, net gains in the investment portfolio result from portfolio-enhancing measures.

Liquidity Risk

Definition

The liquidity risk includes, in particular:

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

Methods

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

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

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

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

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

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

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

Risk Assessment and Limitation

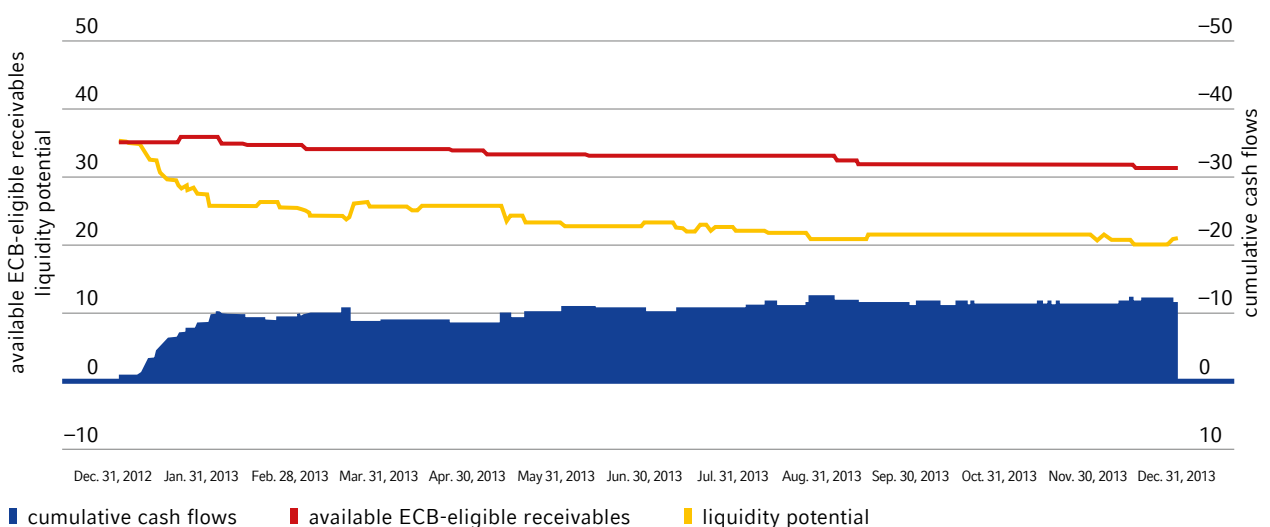
Because of the explicit funding guarantee extended by NRW.BANK's guarantor and its correspondingly good rating, the Bank can generate the required liquidity at short notice at any time. The Bank usually funds itself in the money and capital markets. NRW.BANK continues to benefit from a very favourable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

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

To limit the liquidity risk, a liquidity risk limit system exists for the entire period covered by the liquidity gap analysis. This system is based on the MaRisk requirements for assets to be held as liquidity buffer. The limit system also covers liquid securities for observation periods of more than one month. In addition, there are further funding possibilities of the money and capital markets, which are reflected in the limit system in a second step, with haircuts being applied.

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

Liquidity gap analysis of NRW.BANK in € billions



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

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

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

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

Liquidity risk 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 2012. The liquidity ratio as of the reporting date was 3.6 (2011: 3.4), well above the regulatory required minimum of 1.0.

Economic Capital

As of the reporting date, the economic capital for liquidity risks under the going concern perspective (income risks of the HGB result for the issuance volume planned for the next 12 months) was € 14 million.

The parameters and assumptions of the liquidity risk model (especially liquidity gap analysis, limit system and stress tests) are reviewed regularly.

Funding Structure

As a state-guaranteed development bank, NRW.BANK again saw strong demand for funding instruments in the past fiscal year. The Bank met investors' demand for state-guaranteed liquid bonds and strengthened its market presence through further EUR and USD benchmark issues (total volume of benchmark issues in 2012: € 1.8 billion). The issues were placed with a broad investor base.

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

NRW.BANK also used its international funding programmes for funding purposes. These essentially comprise the Debt Issuance Programme, which covers medium and long maturities, and the Global Commercial Paper Programme, which covers maturities of up to 12 months. The GCP Programme constituted a particularly favourable source of funding for NRW.BANK throughout the fiscal year (€ 11.4 billion outstanding as of December 31, 2012).

Opportunities

NRW.BANK continues to attract strong demand from investors thanks to its status as a development bank and the funding guarantee granted by the state of North Rhine-Westphalia. This is reflected in a favourable funding environment for the Bank – even in times of tight financial markets. But even in case of a further reduction in the Bank's own funding spread, there are no plans to increase the funding volume materially. Additional opportunities may arise, however, for the coverage of short-term liquidity, which may take place in different money market segments, depending on the financial markets.

Operational Risk

Definition

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.

Methods

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

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

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

Prior to each product launch, a detailed analysis regarding potential operational risks is carried out in the context of a standardised process.

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

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

NRW.BANK uses standardised contracts to minimise legal risks from transactions. Deviations from standardised contracts and individual transactions are approved by the legal department. The Bank is currently not involved in any significant pending proceedings.

Risk Assessment and Limitation

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

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

Neither the losses and loss-free risk events identified in 2012 nor the findings from the self-assessments and the observation of early warning indicators have revealed any risks that could jeopardise the continued existence of the Bank.

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

Economic Capital

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

Strategic Risks

Definition

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.

Risk Assessment

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.

In the context of the risk inventory, the strategic risk was classified as immaterial. Starting 2013, NRW.BANK will nevertheless include the business and cost risk, which forms part of the strategic risk, in the management of its risk-bearing capacity.

Reporting

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

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

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

The quarterly reports to the Risk Committee are based on the monthly reports that are relevant for the quarter; while the level of detail is reduced with a view to the recipients, all material aspects are addressed.

Internal Control System with Regard to the Accounting Process

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

The Managing Board of NRW.BANK is responsible for the creation and effective maintenance of an appropriate accounting-related internal control system. Responsibility for implementation rests with the Finance 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. Bank-wide functional responsibility for the accounting rules, the booking system, accounting and the definition of the valuation principles rests with the Finance unit. This ensures that consistent accounting and valuation principles are applied within NRW.BANK even where business transactions are recorded locally. Risk Management is responsible for the trading-independent valuation and results analysis.

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

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

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

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.

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

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

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

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

In accordance with section 13 para. 3 sentence 2 of the Act on NRW.BANK, the auditor is appointed in consultation with the North Rhine-Westphalian Court of Audit.

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

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

Balance Sheet

of NRW.BANK at December 31, 2012

Assets

see Notes No.

Dec. 31, 2011

	€	€	€ thousands
1. Cash			
a) cash on hand	15,286.05		24
b) balances with central banks	408,497,465.05		427,442
thereof:			
with Deutsche Bundesbank			
€ 408,497,465.05			(427,442)
		408,512,751.10	427,466
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		22,178,561.67	21,434
thereof:			
eligible for refinancing with Deutsche Bundesbank € 22,178,561.67			(21,434)
3. Receivables from banks 1, 12, 24, 28			
a) payable on demand	2,033,400,980.46		2,109,992
b) other	31,199,578,193.06		31,166,089
		33,232,979,173.52	33,276,081
4. Receivables from customers 2, 12, 24, 28		63,482,981,688.56	64,335,526
thereof:			
secured by mortgages € 75,704,741.12			(120,038)
loans to public authorities and entities under public law € 37,970,607,317.25			(37,346,875)
To be carried forward:		97,146,652,174.85	98,060,507

Liabilities

	see Notes No.	€	€	Dec. 31, 2011 € thousands
1. Liabilities to banks	14, 24, 27, 28			
a) payable on demand		1,095,122,678.70		724,503
b) with agreed maturity or period of notice		<u>39,675,673,430.25</u>		<u>39,334,355</u>
			40,770,796,108.95	<u>40,058,858</u>
2. Liabilities to customers	15, 24, 28			
a) other liabilities				
aa) payable on demand		123,263,378.97		108,756
ab) with agreed maturity or period of notice		<u>20,977,940,110.14</u>		<u>22,552,801</u>
			21,101,203,489.11	<u>22,661,557</u>
3. Certificated liabilities	16, 24, 28			
a) bonds and notes issued by the bank		<u>61,972,263,055.25</u>		<u>64,986,954</u>
			61,972,263,055.25	<u>64,986,954</u>
3a. Trading portfolio	17		107,209,411.85	131,554
4. Trust liabilities	18		1,826,225,047.55	1,935,352
thereof:				
trust loans € 1,826,225,047.55				(1,935,352)
5. Other liabilities	19, 24		295,816,776.62	45,074
6. Deferred items	20, 24		266,422,252.75	265,263
7. Provisions	21			
a) for pensions and similar obligations		1,433,237,334.00		1,334,276
b) tax reserves		5,861,075.37		6,329
c) for interest rate subsidies		83,320,897.35		73,686
d) other		<u>440,194,362.49</u>		<u>441,968</u>
			1,962,613,669.21	<u>1,856,259</u>
8. Subordinated liabilities	22		2,487,920,207.00	2,591,820
thereof:				
due in less than two years € 276,000,000.00				(204,600)
			130,790,470,018.29	134,532,691
		To be carried forward:		

Balance Sheet

of NRW.BANK at December 31, 2012

Assets

	see Notes No.	€	€	Dec. 31, 2011	€ thousands
			To be carried forward:	97,146,652,174.85	98,060,507
5. Bonds and other interest-bearing securities	3, 9, 12, 13, 24, 26, 28				
a) money market instruments					
aa) of public institutions		0.00			100,008
thereof: eligible as collateral for Deutsche Bundesbank advances € 0.00					(0)
			0.00		
b) bonds and notes					
ba) of public institutions		21,522,396,303.02			21,355,447
thereof: eligible as collateral for Deutsche Bundesbank advances € 19,620,393,313.92					(19,312,337)
bb) of other issuers		23,746,534,312.31			26,217,236
thereof: eligible as collateral for Deutsche Bundesbank advances € 19,336,264,784.12					(20,710,056)
			45,268,930,615.33		47,572,683
c) bonds issued by the bank			431,334,042.67		194,538
principal amount € 387,654,000.00					(184,686)
				45,700,264,658.00	47,867,229
6. Shares and other non-interest-bearing securities	4, 9, 12			1,957,200.00	1,957
6a. Trading portfolio	5, 24			197,462,942.41	273,508
7. Equity investments in non-affiliated companies	6, 9			2,262,183,887.33	2,256,416
thereof: equity investments in banks € 2,243,772,546.20					(2,243,773)
8. Equity investments in affiliated companies	6, 9			134,713,323.10	115,363
9. Trust assets	7			1,826,225,047.55	1,935,352
thereof: trust loans € 1,826,225,047.55					(1,935,352)
10. Intangible assets	9			17,296,849.54	21,599
11. Tangible fixed assets	9			69,501,096.19	76,134
12. Other assets	8, 24			1,493,840,185.15	1,688,770
13. Deferred items	10, 24			235,564,807.15	249,164
Total assets				149,085,662,171.27	152,545,999

Liabilities

see Notes No.		Dec. 31, 2011	
	€	€	€ thousands
	To be carried forward:	130,790,470,018.29	134,532,691
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		491,060,000.00	265,340
thereof: special item pursuant to Section 340e (4) of the German Commercial Code (HGB)	€ 1,060,000.00		(340)
11. Equity capital	23		
a) subscribed capital	17,000,000,000.00		17,000,000
b) capital reserves	537,385,024.56		445,633
c) reserves from retained earnings			
ca) reserves required by NRW.BANK's statutes	36,100,000.00		36,100
cb) other reserves	219,647,128.42		219,647
d) profit for the year	0.00		35,588
		17,793,132,152.98	17,736,968
Total liabilities		149,085,662,171.27	152,545,999
1. Contingent liabilities	24, 25		
liabilities from guarantees and indemnity agreements		17,051,172,794.61	22,693,956
2. Other commitments	24, 25		
irrevocable loan commitments		3,492,337,582.75	3,727,961
3. Administered funds		166,870,347.85	190,451

Profit and Loss Account

of NRW.BANK for the Period January 1–December 31, 2012

		see Notes No.		Jan. 1 – Dec. 31, 2011
		€	€	€ thousands
1. Interest income from	31			
a) lending and money market transactions		2,805,875,953.53		2,894,986
b) interest-bearing securities and book-entry securities		<u>1,738,329,338.97</u>		<u>1,850,282</u>
		4,544,205,292.50		4,745,268
2. Interest expenses	31	<u>4,017,825,152.24</u>		<u>4,293,876</u>
			526,380,140.26	451,392
3. Income from				
a) equity investments in non-affiliated companies		3,274,246.13		2,809
b) equity investments in affiliated companies		<u>10,176,656.91</u>		<u>8,997</u>
			13,450,903.04	11,806
4. Income from profit pooling, profit transfer and partial profit transfer agreements			1,476,465.17	1,389
5. Commission income	29	85,018,299.53		141,497
6. Commission expenses		<u>8,541,728.07</u>		<u>61,798</u>
			76,476,571.46	79,699
7. Net profit from trading portfolio			6,411,251.42	2,980
8. Other operating income	30		22,350,443.21	47,390
9. General administrative expenses				
a) personnel expenses				
aa) wages and salaries		94,473,008.66		89,979
ab) social security contributions and expenses for pensions and other employee benefits		<u>19,682,308.26</u>		<u>17,470</u>
thereof: for pensions € 8,278,945.14		114,155,316.92		107,449 (4,737)
b) andere other administrative expenses	32	<u>73,061,859.32</u>		<u>88,809</u>
			187,217,176.24	196,258
10. Depreciation and value adjustments on intangible and tangible fixed assets			13,757,495.84	8,888
11. Other operating expenses	30		384,377.90	19,294
		To be carried forward:	445,186,724.58	370,216

see Notes No.	€	€	Jan. 1 – Dec. 31, 2011 € thousands
	To be carried forward:	445,186,724.58	370,216
12. Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions		590,353,175.79	145,477
thereof: allocation to fund for general banking risks € 225,000,000.00			(0)
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		0.00	151,872
14. Income from write-ups of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as tangible fixed assets		166,942,811.16	0
15. Expenses from the assumption of losses		0.00	2,903
16. Result from normal operations		21,776,359.95	69,964
17. Taxes on income and revenues	3,015,676.78		7,826
18. Other taxes not shown under other operating expenses	177,925.54	3,193,602.32	7,913
19. Net profit		18,582,757.63	62,051
20. Designated payout due to legal requirements		18,582,757.63	20,163
21. Allocation of net income to reserves from retained earnings			
a) reserves required by NRW.BANK's statutes		0.00	6,300
22. Profit for the year		0.00	35,588

Notes

of NRW.BANK for fiscal 2012

Preparation of NRW.BANK's Annual Accounts

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

As in the previous year, assets and liabilities in the present annual accounts have been recognised at amortised cost in accordance with Section 252 et seq. 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. HGB in conjunction with Section 252 et seq. 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 recourse receivables. Value adjustments were deducted from assets. Non-performing loans were written off.

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 financial 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 interest rate-induced movements and/or market price-induced movements.

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

In the context of the determination of the fair value, NRW.BANK applies mark-to-market valuation provided that an active market exists for a given security. In this case, the valuation is based on the liquid prices provided by respected market data providers (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 the Risk Management Department.

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 are discounted using the average market rate of the past seven years as appropriate for the remaining maturities.

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

In accordance with the option granted under Section 253 para. 2 sentence 2 HGB, NRW.BANK has discounted provisions for pension obligations or comparable long-term obligations using the average market rate for an assumed remaining maturity of 15 years. The interest rate of 5.05% used for discounting was stipulated by Deutsche Bundesbank.

The accumulation for pension, benefit and personnel provisions was recognised in interest expense in an amount of € 34.3 million (2011: € 17.3 million).

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

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

In accordance with Article 67 para. 1 sentence 2 EGHGB, 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, 2012, excess cover of € 0.1 million exists for these provisions.

8. Loss-Free Valuation of the Banking Book

On October 8, 2012, the Specialist Banking Committee of the IDW published RS BFA 3 "Individual Aspects of the Loss-Free Valuation of Interest-Related Transactions in the Banking Book" (Einzelfragen der verlustfreien Bewertung von zinsbezogenen Geschäften des Bankbuchs). According to the pronouncement, a provision for contingent losses must be established for a surplus of obligations resulting from the banking and interest book in an overall view of the transactions. NRW.BANK performed the corresponding calculations in the 2012 financial statements, for which a periodic (P&L-oriented) view was taken. The present value of the future interest result of the banking book was

reduced by risk and administrative costs for the total term. The calculation did not result in a surplus of obligations, which means that there was no need to establish a provision for contingent losses.

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

For securities held in the financial investment portfolio with a carrying value of € 8,095,428,146.38, an aggregate market value of € 7,414,422,921.50 was determined.

These securities include a portfolio of Euro-zone countries with a carrying value of € 6,940,301,657.45 and a market value of € 6,406,557,932.99 and non-EMU EU countries with a carrying value of € 268,203,918.21 and a market value of € 221,488,383.57.

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

9. Hedge Relationship of the Liquidity Reserve

To hedge against interest rate risks, assets with a carrying amount of € 421.0 million and derivatives with a nominal volume of € 440.0 million were combined into a hedge relationship. The hedge relationship hedges interest rate risks in an amount of € 19.5 million.

The transactions covered have a maximum remaining maturity until September 21, 2022.

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. Financial Instruments of the Trading Portfolio

In accordance with Section 340e para. 3 HGB, instruments in the trading portfolio (securities, financial instruments) are measured at fair value less a risk discount of € 4.6 million. The risk discount was calculated on the basis of the value-at-risk (VaR) model, which the Risk Management Department also uses for internal monitoring of the market risks of the trading book. 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 financial instruments in the trading portfolio remained unchanged in the past fiscal year.

In order to comply with the distribution restriction for unrealised gains required pursuant to Section 340e para. 4 HGB, an amount of € 720,000.00 (2011: € 331,777.87) of the net result of the trading portfolio was allocated to the "fund for general banking risks" pursuant to Section 340g HGB.

11. Currency Translation

Foreign currency amounts are translated in accordance with Section 340h HGB and Section 256a HGB and statement RS BFA 4 of the IDW. Assets, liabilities and pending transactions denominated in foreign currencies were translated using the spot exchange rate on December 31, 2012. In this context, NRW.BANK uses the reference rates of the European System of Central Banks (ESCB).

In accordance with Section 340h HGB and Section 256a 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, 2012	Dec. 31, 2011
	€ millions	€ millions
Payable on demand	2,033.4	2,110.0
Other receivables		
– up to 3 months	1,972.2	2,568.5
– between 3 months and 1 year	2,373.9	1,731.4
– between 1 and 5 years	11,193.9	11,210.8
– more than 5 years	15,659.6	15,655.4
Total receivables from banks	33,233.0	33,276.1

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 € 21.4 million (2011: € 355.8 million).

Receivables from Customers (2)

Breakdown by Maturity	Dec. 31, 2012	Dec. 31, 2011
	€ millions	€ millions
– up to 3 months	4,308.4	2,659.8
– between 3 months and 1 year	2,327.3	3,298.2
– between 1 and 5 years	13,663.6	13,348.1
– more than 5 years	43,183.7	45,029.4
Total receivables from customers	63,483.0	64,335.5

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 (2011: € 0.8 million).

Bonds and Other Interest-Bearing Securities (3)

Marketability	Dec. 31, 2012	Dec. 31, 2011
	€ millions	€ millions
Bonds and other interest-bearing securities		
– listed on a stock exchange	42,212.0	43,839.2
– not listed on a stock exchange	3,488.3	4,028.0
Total bonds and other interest-bearing securities	45,700.3	47,867.2

Of the bonds and other interest-bearing securities, an amount of € 4,823.0 million (2011: € 4,825.7 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 € 0.0 million (2011: € 51.1 million) were recognised for companies in which equity investments are held.

Of the total bonds and other interest-bearing securities € 431.4 million (2011: € 294.5 million) are held as part of the liquidity reserve and € 45,268.9 million (2011: € 47,572.7 million) are held in the financial investment portfolio.

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

Marketability	Dec. 31, 2012	Dec. 31, 2011
	€ 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 financial investment portfolio.

Trading Portfolio (Assets) (5)

Breakdown of Trading Portfolio

	Dec. 31, 2012	Dec. 31, 2011
	€ millions	€ millions
Derivative financial instruments	0.0	0.1
Receivables	116.3	58.9
Bonds and other interest-bearing securities	85.8	216.8
Risk discount pursuant to Section 340e para. 3 sentence 1 HGB	-4.6	-2.3
Total trading portfolio	197.5	273.5

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

NRW.BANK holds € 2,262.2 million (2011: € 2,256.4 million) in equity investments in non-affiliated companies and € 134.7 million (2011: € 115.4 million) in equity investments in affiliated companies. Of this amount, € 2,190.8 million (2011: € 2,190.8 million) are securitized by marketable securities. However, none are listed on a stock exchange.

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

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

- Portigon AG (formerly WestLB AG)
- Investitionsbank des Landes Brandenburg (ILB)

Trust Assets (7)

Trust assets comprise the following:

Breakdown by Asset Type

	Dec. 31, 2012	Dec. 31, 2011
	€ millions	€ millions
Receivables from banks	123.8	139.2
Receivables from customers	1,702.4	1,796.1
Total trust assets	1,826.2	1,935.3

Other Assets (8)

The total figure of € 1,493.8 million (2011: € 1,688.8 million) contains, among other things, € 1,071.7 million (2011: € 1,010.5 million) in receivables from Portigon AG (formerly WestLB AG) for reimbursement of pension obligations as well as € 17.8 million (2011: € 0.0 million) in receivables from Helaba Landesbank Hessen-Thüringen for reimbursement of pension obligations, € 0.0 million (2011: € 370.2 million) adjustment item from currency translation (in accordance with Section 340h HGB) as well as € 386.6 million (2011: € 290.4 million) in interest receivables from the state of North Rhine-Westphalia under the value guarantee for the equity investment in Portigon AG (formerly 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, 2012				Dec. 31, 2012	
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Bonds and other interest-bearing securities forming part of fixed assets	46,625.3				44,387.6	0.0
Shares and other non-interest-bearing securities forming part of fixed assets	1.9	Net change pursuant to Section 34 para. 3 sentence 2 RechKredV: € 3,818.2 million			1.9	0.0
Equity investments in non-affiliated companies	3,828.3				2,262.2	0.0
Equity investments in affiliated companies	149.1				134.7	8.5
Intangible assets	65.6	1.9	0.0	50.2	17.3	6.1
Land and buildings	64.2	0.2	0.1	5.1	59.4	2.0
Office equipment	24.0	0.7	0.2	14.4	10.1	5.5

€ 58.9 million (2011: € 60.3 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, 2012	Dec. 31, 2011
	€ millions	€ millions
Discounts from underwriting business	101.6	99.3
Prepaid swap fees	59.4	60.0
Prepaid CDS fees	54.4	66.7
Other	20.2	23.2
Total deferred items	235.6	249.2

Deferred Tax Assets (11)

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

Subordinated Assets (12)

Subordinated assets are included in:

Breakdown by Asset Type	Dec. 31, 2012	Dec. 31, 2011
	€ millions	€ millions
Receivables from banks	0.8	0.8
Receivables from customers	23.8	37.6
Bonds and other interest-bearing securities	20.4	20.4
Shares and other non-interest-bearing securities	1.9	1.9
Total subordinated assets	46.9	60.7

Pledged Assets (13)

Of the assets reported, NRW.BANK pledged € 505.0 million (2011: € 1,244.2 million) under repurchase agreements.

Liabilities to Banks (14)

Breakdown by Maturity	Dec. 31, 2012	Dec. 31, 2011
	€ millions	€ millions
Payable on demand	1,095.1	724.5
Other liabilities		
– up to 3 months	3,264.7	4,233.3
– between 3 months and 1 year	3,386.4	2,315.8
– between 1 and 5 years	14,144.5	14,133.7
– more than 5 years	18,880.1	18,651.6
Total liabilities to banks	40,770.8	40,058.9

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 € 10.6 million (2011: € 237.8 million).

Liabilities to Customers (15)

Breakdown by Maturity

	Dec. 31, 2012	Dec. 31, 2011
	€ millions	€ millions
Payable on demand	123.3	108.8
Other liabilities		
– up to 3 months	1,184.5	1,210.8
– between 3 months and 1 year	1,265.6	1,022.4
– between 1 and 5 years	4,285.7	5,381.3
– more than 5 years	14,242.1	14,938.3
Total liabilities to customers	21,101.2	22,661.6

Liabilities to customers include liabilities to affiliated companies in the amount of € 13.2 million (2011: € 6.0 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, 2012	Dec. 31, 2011
	€ millions	€ millions
Notes issued		
– mortgage bonds	0.6	0.6
– municipal bonds	424.1	913.4
– other bonds	61,547.6	64,072.9
Total certificated liabilities	61,972.3	64,986.9

€ 21,717.7 million (2011: € 28,470.0 million) of the notes issued is due in the following year.

Trading Portfolio (Liabilities) (17)

Breakdown of Trading Portfolio

	Dec. 31, 2012	Dec. 31, 2011
	€ millions	€ millions
Derivative financial instruments	13.2	17.8
Liabilities	94.0	113.7
Total trading portfolio	107.2	131.5

Derivative financial instruments include futures in the amount of € 32 thousand as well as margin accounts in an identical amount with opposite sign.

Trust Liabilities (18)

Trust liabilities comprise the following:

Breakdown of Trust Liabilities

	Dec. 31, 2012	Dec. 31, 2011
	€ millions	€ millions
Liabilities to banks	16.5	22.4
Liabilities to customers	1,244.5	1,308.0
Other liabilities	565.2	604.9
Total trust liabilities	1,826.2	1,935.3

Other Liabilities (19)

Other liabilities totalling € 295.8 million (2011: € 45.1 million) include an adjustment item from currency translation (in accordance with Section 340h HGB) in the amount of € 245.4 million (2011: € 0.0 million), € 18.6 million (2011: € 20.2 million) in liabilities owed to the state of North Rhine-Westphalia, € 6.4 million (2011: € 4.2 million) in liabilities owed to the Tax Office, € 3.4 million (2011: € 4.0 million) in interest to be paid on existing profit participation rights and subordinated liabilities once the annual accounts have been approved, € 2.9 million (2011: € 2.9 million) in liabilities from profit and loss transfer agreements and € 1.0 million (2011: € 1.4 million) in unpaid premiums from credit default swaps.

Deferred Items (20)**Breakdown of Deferred Items**

	Dec. 31, 2012	Dec. 31, 2011
	€ millions	€ millions
Swap fees received in advance	188.4	209.5
Premiums from underwriting business	61.0	28.4
Other	17.0	27.4
Total deferred items	266.4	265.3

Provisions (21)

The provision for pensions includes € 1,071.7 million (2011: € 1,009.3 million) in pension obligations to employees of Portigon AG (formerly WestLB AG) as well as € 17.8 million (2011: € 0.0 million) in pension obligations to employees of Helaba Landesbank Hessen-Thüringen who have claims for or are entitled to a pension under the laws relating to civil servants. Pursuant to Article 1 Section 4 para. 1 sentence 4 of the Bank Redefining Act (Neuregelungsgesetz) of July 2, 2002, these obligations passed from Westdeutsche Landesbank Girozentrale to NRW.BANK. NRW.BANK is entitled to reimbursement from Portigon AG (formerly WestLB AG) and Helaba Landesbank Hessen-Thüringen in the same amount, which is shown in "other assets".

NRW.BANK's provision for additional benefits is at € 211.1 million (2011: € 209.2 million). This amount includes € 180.8 million (2011: € 179.2 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 € 0.0 million (2011: € 1.2 million) for employees with dual contracts involving private-law entitlements to additional benefits. An additional € 30.3 million (2011: € 28.8 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 (2011: 76.7 million) exist for potential compensation claims under the value guarantee.

Provisions for anticipated losses in an amount of € 62.4 million (2011: € 68.1 million) exist for structuring measures that may be required for the CDO portfolio. In addition, there is an amount of € 35.6 million (2011: € 42.4 million) for agreed loan collateralisation costs, which will be incurred in future periods.

Subordinated Liabilities and Capital with Participation Rights (22)

The subordinated liability as described below exceeds 10% of the total subordinated liabilities of € 2,487.9 million (2011: € 2,591.8 million).

The state of North Rhine-Westphalia has to make repayments towards the federal government in conjunction with the use of house promotion loans granted by the federal government. Under applicable federal state law, NRW.BANK has to transfer the required funds from the repayment of housing promotion loans to the state budget. This transfer duty takes the form of a non-interest-bearing subordinated loan in an amount of € 2,413.9 million granted by the state of North Rhine-Westphalia to NRW.BANK, which has to be repaid by the year 2044 in accordance with a defined repayment plan. Based on the repayments made to date, the subordinated loan was stated in an amount of € 2,082.9 million as of December 31, 2012.

The remaining subordinated liabilities of € 405.0 million carry an average interest rate of 3.8% (2011: 4.1%) 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 € 276.0 million (2011: € 204.6 million).

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

Interest expenses of € 11.2 million (2011: € 12.3 million) were incurred for subordinated liabilities.

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

In 2012, 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 (2011: € 11.0 million).

Equity Capital (23)

As of December 31, 2012, NRW.BANK's subscribed capital was € 17,000.0 million (2011: € 17,000.0 million). The reserves totalled € 793.1 million (2011: € 701.3 million).

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

Commercial Law Equity	Dec. 31, 2012	Dec. 31, 2011
	€ millions	€ millions
Subscribed capital	17,000.0	17,000.0
Capital reserves	537.4	445.6
Reserves from retained earnings		
– reserves required by NRW.BANK's statutes	36.1	36.1
– other reserves	219.6	219.6
Profit for the year	0.0	35.6
Total equity capital	17,793.1	17,736.9

Once the annual accounts are approved, the capital of NRW.BANK required for regulatory purposes under Section 10 KWG will total € 18,935.0 million (2011: € 7,503.6 million).

In the past fiscal year 2012, the Federal Financial Supervisory Authority (BaFin) completed its review of the integration of the former Wohnungsbauförderungsanstalt and its effects on NRW.BANK's regulatory equity capital. As a result, the Bank's equity capital is now recognised in full for regulatory purposes, which has resulted in much higher regulatory equity capital than in the previous year.

Foreign Currency Assets/Foreign Currency Liabilities (24)

At year-end, NRW.BANK had foreign currency assets valued at € 9,729.2 million (2011: € 10,743.0 million) and foreign currency liabilities valued at € 21,488.2 million (2011: € 21,211.1 million). Contingent liabilities and other commitments denominated in foreign currencies totalled € 3,638.5 million (2011: € 5,242.5 million).

Contingent Liabilities and Other Commitments (25)

Contingent liabilities totalled € 17,051.2 million (2011: € 22,694.0 million) and incorporate € 16,514.8 million (2011: € 22,304.4 million) for credit derivatives (thereof € 361.8 million for embedded derivatives [2011: € 400.3 million]) and € 536.4 million (2011: € 389.6 million) for other guarantees and indemnity agreements.

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

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

Other commitments comprise irrevocable credit commitments in an amount of € 3,492.3 million (2011: € 3,728.0 million). Of this total, € 740.6 million (2011: € 809.9 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 € 3,406.0 million (2011: € 7,093.5 million) were pledged to the Deutsche Bundesbank and notes in a nominal amount of € 6,310.3 million (2011: € 6,860.3 million) were submitted to the Deutsche Bundesbank in the context of the "KEV" process (KEV: Kreditforderungen – Einreichung und Verwaltung/credit claims – submission and administration) as collateral for funding facilities. Securities with a nominal value of € 22.7 million (2011: € 23.9 million) were deposited with the EUREX (electronic futures and options exchange) as collateral for forward transactions. In addition, securities in a nominal amount of € 4,388.4 million (2011: € 3,703.3 million) were transferred in the past fiscal year to secure off-exchange derivatives; these securities were deposited as collateral with the counterparty. In addition, an amount of € 243.8 million (2011: € 100.4 million) was transferred as collateral for repo transactions and securities in an amount of € 2.0 million (2011: € 2.0 million) were assigned as rent deposit.

Collateral for Own Liabilities (27)

Collateral for registered municipal bonds and notes totalled € 2.2 million (2011: € 62.0 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, 2012, the nominal amounts of the cover were as follows:

Cover	Dec. 31, 2012		Dec. 31, 2011	
	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	0.0	4,365.0	5.8	5,911.1
Loans raised secured with registered mortgage bonds or registered municipal bonds and notes	0.0	2.2	0.0	62.0
Liabilities requiring cover	0.0	4,367.2	5.8	5,973.1
Mortgage and/or municipal loans	0.0	17,935.5	111.9	17,995.8
Other ordinary cover (securities)	0.0	100.2	0.0	220.2
Excess cover	0.0	240.0	10.0	240.0
Cover funds	0.0	18,275.7	121.9	18,456.0
Excess cover	0.0	13,908.5	116.1	12,482.9

Statement of Income

Services Rendered for Third Parties (29)

The net commission income includes € 9.0 million (2011: € 14.6 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 € 15.9 million (2011: € 42.1 million) in income from the write-back of other provisions.

Other operating expenses include an amount of € 0.2 million (2011: € 18.4 million) in addition to the provisions for additional benefits established for employees of Portigon AG (formerly WestLB AG).

Income and Expenses Unrelated to the Accounting Period (31)

The introduction of a new loan management system led to a change in the functionality for the accrual of commitment interest which had a one-time effect of € 4.2 million on interest income and a one-time effect of € 3.0 million on interest expenses.

Fee Paid to Auditor of the Annual Accounts (32)

In fiscal 2012, the auditor charged a total fee of € 1.8 million (2011: € 1.5 million). € 1.4 million (2011: € 1.2 million) of which accounted for fees for the auditing of the annual accounts, € 0.1 million (2011: € 0.2 million) for other auditing services and € 0.3 million (2011: € 0.1 million) for other services.

Miscellaneous

Other Financial Obligations

NRW.BANK has long-term obligations for building rents, IT service and leasing agreements, telephony and the computer centre of € 57.1 million up to the end of the contractual term with a remaining term of 8 years, of € 23.6 million with a remaining term of 7.5 years, € 3.0 million with a remaining term of 7 years, € 1.7 million with a remaining term of 6.5 years, € 1.2 million with a remaining term of 5 years, € 0.1 million with a remaining term of 4 years, € 7.4 million with a remaining term of 3.5 years, € 0.6 million with a remaining term of 2 years as well as € 0.1 million with a remaining term of 1.5 years.

There is an obligation to make additional contributions in the amount of € 8.0 million (2011: € 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

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

Derivative Transactions

The total nominal value of derivative transactions was € 195,173 million (2011: € 241,303 million).

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

Banking Book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2012
	€ millions	€ millions	€ millions	€ millions
Interest rate risks				
Interest rate swaps	188,529	152,357	8,271	-12,751
Interest rate options				
– bought (long)	2,836	2,145	166	–
– written (short)	2,479	2,816	–	-39
Caps, floors	10	–	–	–
Stock market contracts				
– bought	–	–	–	–
– written (short)	2,825	–	–	–
Forward Rate Agreements	–	–	–	–
Other interest rate forwards	737	423	6	-38
Total interest rate risks	197,416	157,741	8,443	-12,828
Currency risks				
Foreign exchange forwards, swaps	6,369	7,208	8	-121
Currency swaps/interest rate				
currency swaps	12,652	12,179	397	-1,211
Total currency risks	19,021	19,387	405	-1,332
Credit derivatives				
– bought (long) ¹	2,111	1,445	31	-30
– written (short) ²	22,304	16,515	38	-697
Total credit derivatives	24,415	17,960	69	-727
Total banking book	240,852	195,088	8,917	-14,887

¹) includes € 260 million (2011: € 369 million) in embedded derivative instruments which have to be separated (HFA 22)

²) includes € 362 million (2011: € 400 million) in embedded derivative instruments which have to be separated (HFA 22)

Trading book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2012
	€ millions	€ millions	€ millions	€ millions
Interest rate risks				
Interest rate swaps	357	81	–	–11
Interest rate options	–	–	–	–
Stock market contracts				
– bought (long)	9	4	0	–
– written (short)	10	–	–	–
Forward Rate Agreements	–	–	–	–
Other interest rate forwards	–	–	–	–
Total interest rate risks	376	85	0	–11
Total currency risks	–	–	–	–
Total credit derivatives	–	–	–	–
Total trading book	376	85	0	–11

Banking book and trading book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2012
	€ millions	€ millions	€ millions	€ millions
Total interest rate risks	197,792	157,826	8,443	–12,839
Total currency risks	19,021	19,387	405	–1,332
Total credit derivatives	24,415	17,960	69	–727
Total banking book and trading book	241,228	195,173	8,917	–14,898

The presentation of derivative transactions also reflects embedded derivative instruments that have to be separated of a nominal value of € 3,325 million (2011: € 3,299 million).

The average nominal value of the derivative transactions and other forward transactions entered into by NRW.BANK for the period from January 1, 2012 to December 31, 2012 was € 216,632 million (2011: € 259,300 million).

Contrary to the previous year, the market values of the derivative transactions are shown without 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, 2011	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2012
	€ millions	€ millions	€ millions	€ millions
OECD banks	210,187	168,557	7,242	-11,811
Non-OECD banks	-	-	-	-
OECD public-sector entities	462	13,794	1,258	-2,032
Other counterparties	30,203	12,737	417	-1,044
Total banking book	240,852	195,088	8,917	-14,887

Trading book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2012
	€ millions	€ millions	€ millions	€ millions
OECD banks	376	85	0	-11
Non-OECD banks	-	-	-	-
OECD public-sector entities	-	-	-	-
Other counterparties	-	-	-	-
Total trading book	376	85	0	-11

Banking book and trading book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2012
	€ millions	€ millions	€ millions	€ millions
Total banking book and trading book	241,228	195,173	8,917	-14,898

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

The interest rate contracts are spread across the entire spectrum of maturities, with approx. 43% (2011: 36%) having a remaining time to maturity of more than 5 years.

Banking book	Interest rate risks		Currency risks		Credit derivatives	
	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Residual maturity						
– up to 3 months	38,601	9,747	5,828	7,570	564	777
– more than 3 months to 1 year	24,184	17,058	3,737	2,618	1,480	763
– more than 1 to 5 years	64,437	63,165	6,619	6,560	10,308	11,122
– more than 5 years	70,194	67,771	2,837	2,639	12,063	5,298
Total banking book	197,416	157,741	19,021	19,387	24,415	17,960

Trading book	Interest rate risks		Currency risks		Credit derivatives	
	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Residual maturity						
– up to 3 months	18	4	–	–	–	–
– more than 3 months to 1 year	211	0	–	–	–	–
– more than 1 to 5 years	27	11	–	–	–	–
– more than 5 years	120	70	–	–	–	–
Total trading book	376	85	–	–	–	–

Banking book and trading book	Interest rate risks		Currency risks		Credit derivatives	
	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Total banking book and trading book	197,792	157,826	19,021	19,387	24,415	17,960

Number of Employees

The average number of female staff employed by NRW.BANK in 2012 was 695 (2011: 674), and the average number of male staff, including the Managing Board, employed over the year was 629 (2011: 636). At the end of the year, there were 1,198 (2011: 1,199) active employees and 60 (2011: 56) trainees/apprentices, which results in a total headcount of 1,258 (2011: 1,255).

Remuneration

The remuneration (including remuneration in kind) of Managing Board Chairman Dietmar P. Binkowska amounted to € 765,500.84 in the year 2012 (2011: € 964,919.25), while the remuneration of the other members of the Managing Board totalled € 1,546,122.08 (2011: € 2,064,309.94).

Provisions for pensions in an amount of € 9,223 thousand (2011: € 8,128 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 € 529 thousand (2011: € 518 thousand). Pension provisions for this group of persons totalled € 11,058 thousand (2011: € 11,012 thousand).

The remuneration of the Supervisory Board totalled € 258 thousand (2011: € 304 thousand). The remuneration of the Advisory Board amounted to € 158 thousand (2011: € 181 thousand).

Advances and Loans

For members of the Supervisory Board of NRW.BANK loans totalling € 28 thousand (2011: € 44 thousand) exist whose interest rates range from 3.7% to 3.75%.

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

Seats Held by Members of the Managing Board

Dietmar P. Binkowska

Galeria Kaufhof GmbH
InCity Immobilien AG
Investitionsbank des Landes Brandenburg (ILB)
Ströer Out-of-Home Media AG (until January 6, 2013)
Portigon AG (formerly WestLB AG)
Fiege Logistik (Schweiz) AG

Michael Stölting

Investitionsbank des Landes Brandenburg (ILB)
Erste Abwicklungsanstalt

Seats Held by Employees

Gabriela Pantring

Investitionsbank des Landes Brandenburg (ILB)
(until December 24, 2012)

Christiane Jansen

Investitionsbank des Landes Brandenburg (ILB)
(since November 16, 2012)

Dr. Peter Güllmann

Investitionsbank des Landes Brandenburg (ILB)

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

Name and head offices of the company	Direct (D)/ Indirect (I)	Capital share %	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/I	51,00%	2,722	-1,821	Dec. 31, 2010
Casino Duisburg GmbH & Co. KG, Duisburg	I	100,00%	10,000	1,829	Dec. 31, 2011
Casino Erfurt GmbH & Co. KG, Erfurt	I	100,00%	12	-42	Dec. 31, 2010
Deutsche Lotto Marketing GmbH, Münster	I	100,00%	47	-9	Dec. 31, 2012
Life Science Inkubator Betriebs GmbH & Co. KG, Bonn	I	95,00%	424	-19	Dec. 31, 2011
LSI Pre-Seed-Fonds GmbH, Bonn	D	65,79%	7,116	-486	Dec. 31, 2011
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, 2011
NRW.BANK.Kreativwirtschaftsfonds Beteiligungs-GmbH, Düsseldorf	D	100,00%	32	3	Dec. 31, 2011
NRW.BANK.Kreativwirtschaftsfonds GmbH & Co. KG, Düsseldorf	D	100,00%	3,261	-1,737	Dec. 31, 2011
NRW.BANK.Mittelstandsfonds Beteiligungs-GmbH, Düsseldorf	D	100,00%	25	0	Dec. 31, 2011
NRW.BANK.Mittelstandsfonds GmbH & Co. KG, Düsseldorf	D	100,00%	17,570	1,263	Dec. 31, 2011
NRW.BANK.Seed Fonds Beteiligungs-GmbH, Düsseldorf	D	100,00%	33	4	Dec. 31, 2011
NRW.BANK.Seed Fonds GmbH & Co. KG, Düsseldorf	D	100,00%	10,933	-1,415	Dec. 31, 2011
NRW.BANK.Seed Fonds Zwei GmbH & Co. KG, Düsseldorf	D	100,00%	29	-1	Dec. 31, 2011
NRW.BANK.Spezialfonds Beteiligungs-GmbH, Düsseldorf	D	100,00%	26	1	Dec. 31, 2011

Name and head offices of the company	Direct (D)/ Indirect (I)	Capital share %	Equity in € thousands	Net income/ loss for the year in € thousands	As at
NRW.BANK.Spezialfonds GmbH & Co. KG, Düsseldorf	D	100,00%	94	-6	Dec. 31, 2011
NRW.BANK.Venture Fonds Beteiligungs-GmbH, Düsseldorf	D	100,00%	24	4	Dec. 31, 2011
NRW.BANK.Venture Fonds GmbH & Co. KG, Düsseldorf	D	100,00%	22,686	-2,103	Dec. 31, 2011
NRW.BANK.Venture Fonds Zwei GmbH & Co. KG, Düsseldorf	D	100,00%	6,458	-86	Dec. 31, 2011
Unterstützungseinrichtungs GmbH der Westdeutsche Lotterie GmbH & Co. OHG, Münster	D/I	100,00%	26	0	Dec. 31, 2012
Westdeutsche Lotterie GmbH & Co. OHG, Münster	D	100,00%	91,858	9,735	Dec. 31, 2011
Westdeutsche Lotto-Vertriebs GmbH, Münster	I	100,00%	25	6	Dec. 31, 2011
Westdeutsche Spielbanken GmbH, Duisburg	D	100,00%	26	0	Dec. 31, 2011
Westdeutsche Spielbanken GmbH & Co. KG, Duisburg	D/I	100,00%	18,320	-3,469	Dec. 31, 2011
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	359	Dec. 31, 2012
WestNet Lottoservice GmbH, Münster	I	100,00%	256	133	Dec. 31, 2012
WestSpiel Entertainment GmbH, Duisburg	I	100,00%	25	0	Dec. 31, 2011
2 Other equity investments					
2.1 Financial institutions					
Investitionsbank des Landes Brandenburg, Potsdam	D	50,00%	188,990	11,117	Dec. 31, 2011
Portigon AG, Düsseldorf	D	30,51%	2,954,000	-48,000	Dec. 31, 2011
2.2 Other companies					
abbino GmbH, Dortmund	I	35,15%	-2,239	-444	Mar. 31, 2011
AplaGen GmbH, Baesweiler	I	26,21%	-3,141	-2,015	Dec. 31, 2008
BGB Ges. Bankenkonsortium ZENIT GmbH, Mülheim	D	33,40%	2,286	417	Dec. 31, 2011
CellAct Pharma GmbH, Dortmund	I	36,15%	-631	-649	Dec. 31, 2011
CEVEC Pharmaceuticals GmbH, Köln	I	25,59%	125	-3,026	Dec. 31, 2011
Cryotherapeutics GmbH, Potsdam	I	21,28%	-847	-673	Dec. 31, 2011
DIREVO Industrial Biotechnology GmbH, Köln	I	22,79%	3,747	-2,950	Dec. 31, 2011
ELS Fonds GmbH & Co. KG, Recklinghausen	I	32,30%	5,381	-308	Dec. 31, 2011
Epivios GmbH, Bonn	I	24,60%			Dec. 31, 2012
Gründerfonds Bielefeld-Ostwestfalen GmbH & Co. KG, Münster	I	38,42%	1,358	-132	Dec. 31, 2011
Gründerfonds Münsterland GmbH & Co. KG, Münster	I	37,81%	805	-192	Dec. 31, 2011
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	1	Dec. 31, 2011
Luxury Fashion Trade GmbH, Düsseldorf	I	20,26%	9,304	-700	Dec. 31, 2011
NRW.International GmbH, Düsseldorf	D	33,33%	25	-1	Dec. 31, 2011
ODS Oddset Deutschland Sportwetten GmbH, München	I	33,44%	78	-120	Dec. 31, 2011
Phenox GmbH, Bochum	I	27,61%	3,851	-24	Dec. 31, 2011
Reformhaus Bacher GmbH & Co. KG, Düsseldorf	I	45,00%	1,505	3,589	Dec. 31, 2011
Rheinland Venture Capital GmbH & Co. KG, Köln	I	39,92%	4,025	-132	Dec. 31, 2011
Schnöring GmbH, Schalksmühle	I	39,00%	592	257	Dec. 31, 2011
Scienion AG, Dortmund	I	23,50%	-2,890	226	Dec. 31, 2011
Seed Capital Dortmund GmbH & Co. KG, Dortmund	I	46,51%	4,274	-950	Dec. 31, 2011
Seed Fonds für die Region Aachen GmbH & Co. KG, Aachen	I	46,95%	5,373	-412	Dec. 31, 2011
Seed Fonds II für die Region Aachen GmbH & Co. KG, Aachen	I	46,14%			Dec. 31, 2012
Sirius Seedfonds Düsseldorf GmbH & Co. KG, Düsseldorf	I	44,61%	7,054	-161	Dec. 31, 2011
WINDTEST Grevenbroich GmbH, Hamburg	D	25,00%	140	314	Dec. 31, 2011
Xsite GmbH, Düsseldorf	I	22,71%	-336	-494	Dec. 31, 2011

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 Statute

Harry K. Voigtsberger (until June 21, 2012)

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

Garrelt Duin (since June 21, 2012)

Chairman (since August 3, 2012)
Minister for Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia
Düsseldorf

Michael Groschek (since June 21, 2012)

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

Dr. Norbert Walter-Borjans

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

Members Appointed by the Board of Guarantors

Helmut Dockter

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

Dr. Günther Horzetzky

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

Thomas Kutschaty, MdL

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

Franz-Josef Lersch-Mense

Cabinet Secretary and Head of the Premier's Department of the State of North Rhine-Westphalia
Düsseldorf

Sylvia Löhrmann

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

Dr. Rüdiger Messal

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

Udo Paschedag

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

Dr. Wilhelm D. Schäffer

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

Supervisory Board

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

Harry K. Voigtsberger (until June 21, 2012)

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

Garrelt Duin (since June 21, 2012)

Chairman (since August 3, 2012)
Minister for Economic Affairs, Energy and Industry
of the State of North Rhine-Westphalia
Düsseldorf

Michael Groschek (since June 21, 2012)

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

Dr. Norbert Walter-Borjans

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

Members Appointed by the Board of Guarantors**Horst Becker, MdL**

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

Lutz Lienenkämper, MdL (since October 1, 2012)

Parliamentary Director
 of the CDU Parliamentary Group
 North Rhine-Westphalia
 Düsseldorf

Johannes Remmel

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

Norbert Römer, MdL

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

Guntram Schneider, MdL (until July 19, 2012)

Minister for Work, Social Integration and Welfare
 of the State of North Rhine-Westphalia
 Düsseldorf

Svenja Schulze, MdL

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

Christian Michael Weisbrich, MdL

(until September 30, 2012)
 Member of the CDU Parliamentary Group
 State Assembly of North Rhine-Westphalia
 (until March 14, 2012)
 Düsseldorf

Representatives of the Bank's Staff**Iris Aichinger (since July 1, 2012)**

Staff representative
 NRW.BANK
 Düsseldorf

Martin Bösenberg

Staff representative
 NRW.BANK
 Münster

Hannelore Heger-Golletz (until June 30, 2012)

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 Statute**

Dieter Krell

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

Annett Fischer (since November 12, 2012)

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

Gerhard Heilgenberg

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

Managing Board

Dietmar P. Binkowska (Chairman)

Klaus Neuhaus

Michael Stölting

Dietrich Suhlrie

Düsseldorf/Münster, February 5, 2013

NRW.BANK

The Managing Board

Binkowska, Neuhaus, Stölting, Suhlrie

Cash Flow Statement

of NRW.BANK as of December 31, 2012

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

	2012
	€ millions
1. Net income	
Reconciliation	18.6
2. Depreciation, write-downs and write-ups of claims, tangible and financial assets	-2.1
3. Changes in provisions	234.1
4. Changes in other non-cash items	182.5
5. Gain/loss on the sale of financial and tangible assets	
Losses	132.9
Gains	-279.7
6. Other adjustments	-538.2
7. Subtotal	-251.9
8. Changes in receivables	
a) from banks	-420.6
b) from customers	601.4
9. Changes in securities (with the exception of financial assets)	-44.9
10. Changes in other assets from operating activities	5.2
11. Changes in liabilities	
a) to banks	1,150.0
b) to customers	-1,688.3
12. Changes in certificated liabilities	-3,056.4
13. Changes in other liabilities from operating activities	608.1
14. Interest and dividends received	4,972.7
15. Interest paid	-4,251.3
16. Extraordinary cash received	0.0
17. Extraordinary cash disbursed	0.0
18. Income tax payments	-6.2
19. Cash flow from operating activities	-2,382.2

2012

	€ millions
20. Cash from the disposal of	
a) financial assets	2,441.2
b) tangible assets	0.1
21. Disbursements for investments in	
a) financial assets	-42.2
b) tangible assets	-0.9
22. Changes in cash from other investing activities	-1.9
23. Cash flow from investing activities	2,396.3
24. Cash from allocations to equity capital	91.8
25. Distributions on equity	
a) dividend payments	-20.2
b) other disbursements	0.0
26. Cash changes from other capital	-103.9
27. Cash flow from financing activities	-32.3
28. Cash and cash equivalents at the beginning of the period	448.9
29. Cash flow from operating activities	-2,382.2
30. Cash flow from investing activities	2,396.3
31. Cash flow from financing activities	-32.3
32. Other changes in cash and cash equivalents	0.0
33. Cash and cash equivalents at the end of the period	430.7

Equity Capital

	Subscribed Capital	Capital Reserves	Reserves from Retained Earnings		Profit for the Year	Total
			Reserves Required by NRW.BANK's Statutes	Other Reserves from Retained Earnings		
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
As of Dec. 31, 2010	17,215.0	351.7	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 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	36.1	219.7	35.6	17,737.0
Distribution to the state of NRW					-35.6	-35.6
Compensation payments of the federal government for new promotion measures		91.7				91.7
Net profit					18.6	18.6
Designated payout due to legal requirements					-18.6	-18.6
As of Dec. 31, 2012	17,000.0	537.3	36.1	219.7	0.0	17,793.1

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 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Düsseldorf, February 18, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pukropski	Bormann
Wirtschaftsprüfer	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 5, 2013

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 Statute

Harry K. Voigtsberger (until June 21, 2012)
Chairman
Minister for Economic Affairs, Energy,
Building, Housing and Transport
of the State of North Rhine-Westphalia
Düsseldorf

Michael Groschek (since June 21, 2012)
Chairman
Minister for Building, Housing,
City Development and Transport
of the State of North Rhine-Westphalia
Düsseldorf

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

Günther Bongartz (since March 25, 2012)
Senior Principal
Ministry of Finance
of the State of North Rhine-Westphalia
Düsseldorf

Dr. Michael Henze
Assistant Secretary
Ministry for Economic Affairs,
Energy and Industry
of the State of North Rhine-Westphalia
Düsseldorf

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

Dr. Gert Leis (until January 21, 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 Statute

Ali Atalan, MdL (until March 14, 2012)
Member of the DIE LINKE Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Martin Börschel, MdL
(until March 14, 2012)/(since July 5, 2012)
Member of the SPD Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Holger Ellerbrock, MdL (since July 5, 2012)
Member of the FDP Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Dieter Hilser, MdL
(until March 14, 2012)/(since July 5, 2012)
Member of the SPD Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Gerda Kieninger, MdL (since July 5, 2012)
Member of the SPD Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Olaf Lehne, MdL (until March 14, 2012)
Member of the CDU Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Jochen Ott, MdL (until March 14, 2012)
Member of the SPD Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Christof Rasche, MdL (until March 14, 2012)
Deputy Chairman of the FDP Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Bernhard Schemmer, MdL
(until March 14, 2012)/(since July 5, 2012)
Member of the CDU Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Daniela Schneckenburger, MdL

(until March 14, 2012)/(since July 5, 2012)
Deputy Chairwoman of the Bündnis 90/Die Grünen
Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

Eva-Maria Voigt-Küppers, MdL (since July 5, 2012)

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

Klaus Vossemer, MdL (since July 5, 2012)

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

Olaf Wegner, MdL (since July 5, 2012)

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

Christian Michael Weisbrich, MdL

(until March 14, 2012)
Member of the CDU Parliamentary Group
State Assembly of North Rhine-Westphalia
Düsseldorf

**Members Pursuant to Section 21 Para. 1
Letter d of the Statute****Ingo Apel** (until March 14, 2012)/

(since September 12, 2012)
Vice President
Haus & Grund Nordrhein-Westfalen e. V.
Düsseldorf

Dr. Werner Küpper (until March 14, 2012)/

(since September 12, 2012)
BFW Landesverband Nordrhein-Westfalen e. V.
Bonn

Alexander Rychter (until March 14, 2012)/

(since September 12, 2012)
Association Director
Verband der Wohnungswirtschaft
Rheinland Westfalen e. V.
Düsseldorf

**Members Pursuant to Section 21 Para. 1
Letter e of the Statute****Rudolf Graaff** (until March 14, 2012)/

(since September 12, 2012)
Deputy Mayor
Städte- und Gemeindebund Nordrhein-Westfalen
Düsseldorf

Thomas Hendele (until March 14, 2012)/

(since September 12, 2012)
District Administrator
Kreis Mettmann
Mettmann

Folkert Kiepe (until March 14, 2012)

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

Stefan Raetz (until March 14, 2012)/

(since September 12, 2012)
Mayor
City of Rheinbach
Rheinbach

Hilmar von Lojewski (since September 12, 2012)

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

**Members Pursuant to Section 21 Para. 1
Letter f of the Statute****Jürgen Becher** (until March 14, 2012)

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

Hans-Jochem Witzke (since September 12, 2012)

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

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

Dr. Uwe Günther (until May 31, 2012)

Department Head
Ministry of Economic Affairs,
Energy and Industry
of the State of North Rhine-Westphalia
Düsseldorf

Sigrid Koeppinghoff (since January 15, 2013)

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

Members of the Advisory Board

Members Pursuant to Section 23 of the Statute

Harry K. Voigtsberger (until June 21, 2012)
Chairman
Minister for Economic Affairs, Energy,
Building, Housing and Transport
of the State of North Rhine-Westphalia
Düsseldorf

Garrelt Duin (since June 21, 2012)
Chairman
Minister for Economic Affairs,
Energy and Industry
of the State of North Rhine-Westphalia
Düsseldorf

Michael Ackermann (since October 1, 2012)
Managing Director of
Klinikum Bielefeld gem. GmbH
Bielefeld

Prof. Dr. Achim Bachem
Chairman of the Managing Board of
Forschungszentrum Jülich GmbH
Jülich

Frank Baranowski
Lord Mayor
City of Gelsenkirchen
Gelsenkirchen

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

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

Prof. Dr. Gerd Bollermann
District President
of the Arnsberg Regional Government
Arnsberg

Manfred Breuer (until March 31, 2012)
Deputy Chairman of the Managing Board
of Bankenvereinigung Nordrhein-Westfalen e. V.
Düsseldorf

Michael Breuer
President of the Savings Banks and Giro Association
of the Rhineland
Düsseldorf

Norbert Bude (since October 1, 2012)
Lord Mayor and Chairman of
Städtetag Nordrhein-Westfalen
Düsseldorf

Heinrich Otto Deichmann
Chairman of the Supervisory Board of
Deichmann SE
Essen

Dr. Reinhold Festge
Managing Partner of
HAVER & BOECKER OHG
Drahtweberei und Maschinenfabrik
Oelde

Heinz Fiege
FIEGE Logistik Holding Stiftung & Co. KG
Greven

Otto Rudolf Fuchs
Shareholder of
Otto Fuchs KG
Meinerzhagen

Prof. Dr. Ursula Gather

Chairwoman of the Directors Conference
of the Universities in North Rhine-Westphalia
Dortmund

Dieter Gebhard

Chairman
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 (until June 29, 2012)

former Chairman of the Managing Board of
RWE AG
Essen

Dr. Axel Claus Heitmann (since March 1, 2012)

Chairman of the Managing Board of
LANXESS AG
Leverkusen

Thomas Hunsteger-Petermann

Lord Mayor
City of Hamm
Hamm

Dr. Hermann Janning (until November 12, 2012)

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

Peter Jung (until August 20, 2012)

Lord Mayor and Deputy Chairman of
Städtetag Nordrhein-Westfalen
Cologne

Arndt G. Kirchhoff

Managing Partner of the
KIRCHHOFF Group
Iserlohn

Dr. Wolfgang Kirsch

Director of LWL
Regional Association
of Westphalia-Lippe
Münster

Dipl.-Ing. Hanspeter Klein

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

Prof. Dr. Reinhard Klenke (since March 1, 2012)

District President
of the Münster Regional Government
Münster

Norbert Kleyboldt

Permanent Delegate of the Apostolic
Administrator of Bischöfliches Generalvikariat
Münster

Dr. Johannes Kramer (until September 7, 2012)

former Managing Director of
Städtische Kliniken Bielefeld gem. GmbH
Bielefeld

Thomas Kubendorff

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

Dr. Thomas Lange (since April 1, 2012)
Chairman of the Managing Board of
Bankenvereinigung Nordrhein-Westfalen e. V.
Düsseldorf

Markus Lewe
Lord Mayor
City of Münster
Münster

Ulrike Lubek
Director of LVR
Regional Association
of the Rhineland
Köln

Wolfgang Lubert
Managing Director of
EnjoyVenture Management GmbH
Düsseldorf

Anne Lütkes
District President
of the Düsseldorf Regional Government
Düsseldorf

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

Jürgen Roters
Lord Mayor
City of Cologne
Cologne

Dr. Eckhard Ruthemeyer (until December 31, 2012)
Mayor and Vice President of
Städte- und Gemeindebund Nordrhein-Westfalen
Düsseldorf

Roland Schäfer (since January 1, 2013)
Mayor and 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 (until May 31, 2012)
former Managing Director of
QIAGEN GmbH
Hilden

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

Dr. Jochen Stemplewski
Chairman of the Managing Board of
Wasserwirtschaftsverbände
EMSCHERGENOSSENSCHAFT
und LIPPEVERBAND
Essen/Dortmund

Dr. jur. Frank Stieler

(March 1, 2012 to November 28, 2012)
former Chairman of the Managing Board of
HOCHTIEF AG
Essen

Peter Terium (since October 1, 2012)

Chairman of the Managing Board of
RWE AG
Essen

Marianne Thomann-Stahl

District President
of the Detmold Regional Government
Detmold

Hans-Josef Vogel

Mayor
City of Arnsberg
Arnsberg

Gisela Walsken

District President
of the Cologne Regional Government
Cologne

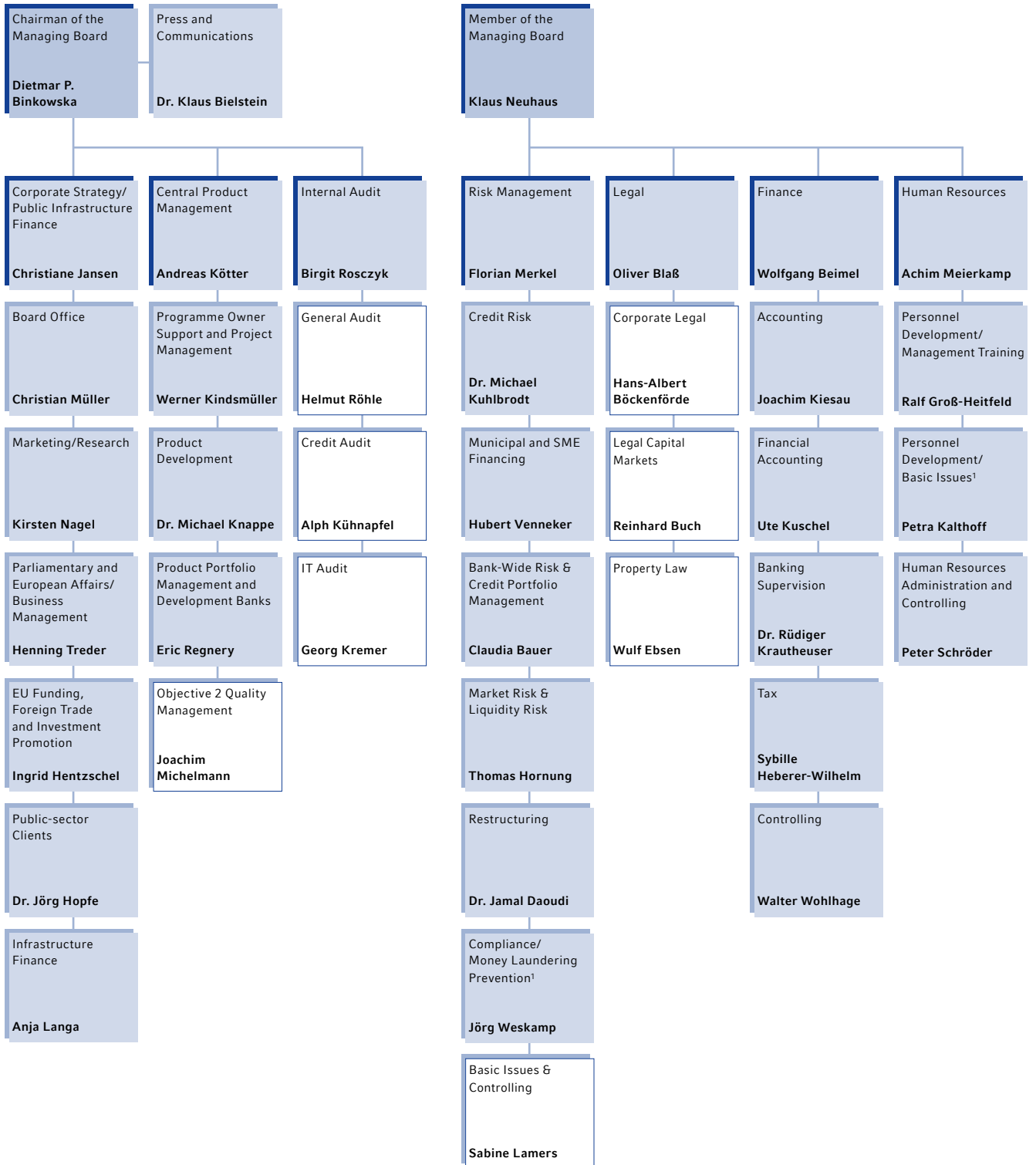
Prof. Dr. Jürgen Wilhelm

Chairman
of the Regional Assembly
of the Rhineland
Cologne

Klaus Winterhoff

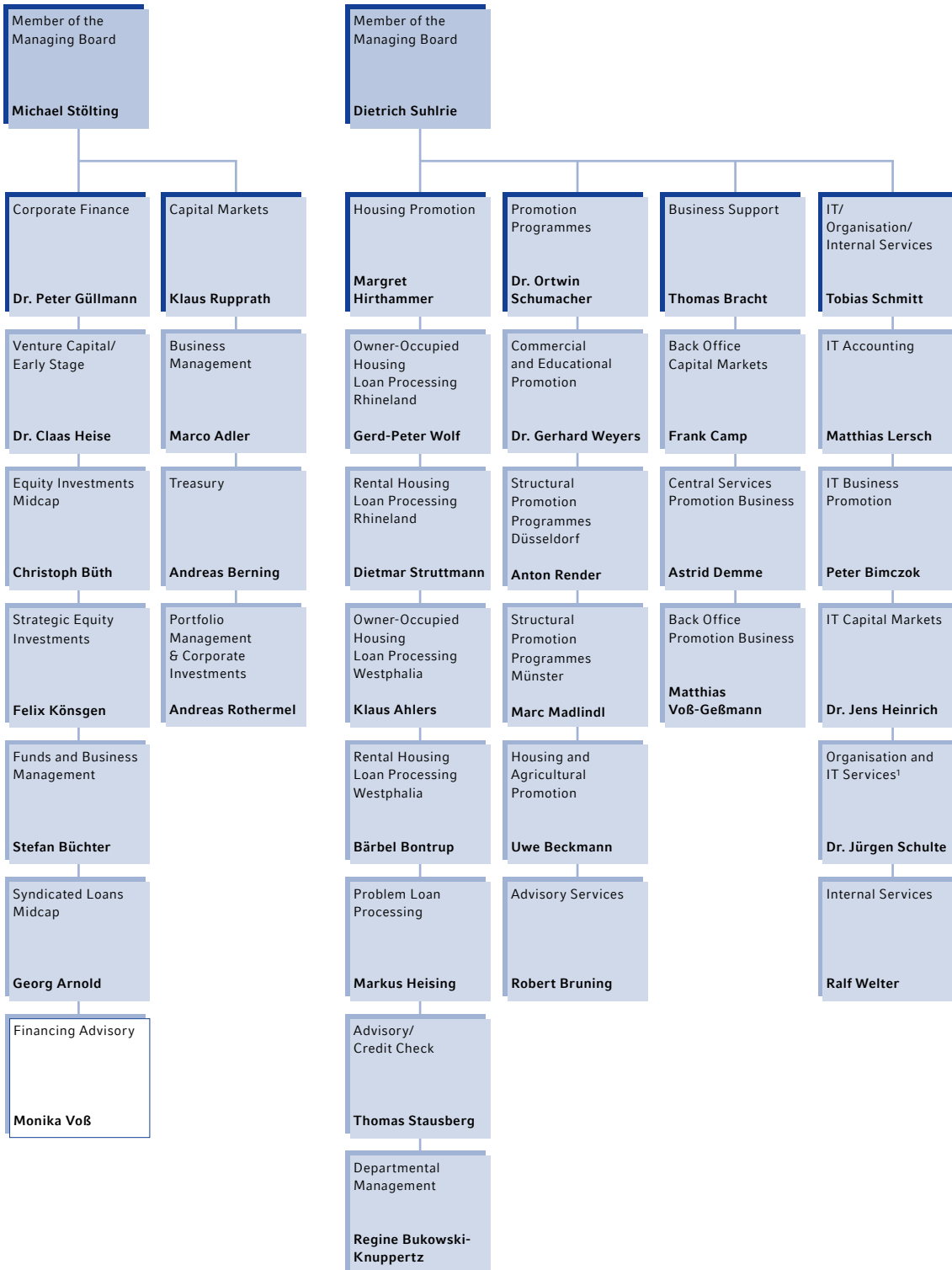
Legal Vice President
of the Evangelical Church of Westphalia
Bielefeld

Organisation Chart



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.



NRW.BANK at a Glance

NRW.BANK Facts

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

Guarantors

- State of North Rhine-Westphalia (100%)

Liabilities/Guarantees

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

Legal Status Public law bank

Head Offices Düsseldorf and Münster

Information Services of NRW.BANK

Initial advice and information on the promotion programmes:

NRW.BANK.Infoline

Phone +49 211 91741-4800

Fax +49 211 91741-7832

info@nrwbank.de

If you have more detailed questions about promotion and financing projects, the Service Centre will be pleased to put you in touch with the regionally responsible, specialist promotion advisor or other specialist partners.

For further advice, you may also contact:

EU and Foreign Trade & Investment Promotion

Phone +49 211 91741-4000

Fax +49 211 91742-6218

europa@nrwbank.de

Accounting Management – Public Sector Clients

Phone +49 211 91741-4600

Fax +49 211 91741-2666

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Corporate Responsibility nachhaltigkeit@nrwbank.de

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Financial Calendar 2013

March 19, 2013
September 19, 2013
November 15, 2013

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

Promotion Volumes

	2012	2011
	€ millions	€ millions
Housing & Living	5,297	4,873
Seed & Growth	2,845	2,382
Development & Protection	1,362	858
Total	9,504	8,113

Key Figures

	2012	2011
	€ millions	€ millions
Total assets	149,086	152,546
Equity capital pursuant to the German Commercial Code (HGB)	17,793	17,737
Equity capital as defined in the German Banking Act (KWG)	18,489	5,629
Net interest and net commission income	618	544
Administrative expenses	201	205
Operating income	445	370
Core capital ratio	39.93%	12.51%
Staff	1,258	1,255

Ratings

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

Sustainability Ratings

	imug	oekom research	Sustainalytics
Rating	positive	Prime	No. 17 of 62*

*Above the peer group average



