

**United Nations Global Compact
Communication on Progress
2015**

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.



Klaus Neuhaus

Vorsitzender des Vorstands / Chairman of the Managing Board

Financial Report 2014

Financial Report 2014 of NRW.BANK

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This is an unofficial translation of the Finanzbericht 2014 (German Financial Report 2014) and is provided for convenience purposes only. In the event of any ambiguity, the German text will prevail.

Corporate Responsibility

As the development bank for North Rhine-Westphalia, NRW.BANK is committed to the principles of corporate responsibility. The Bank believes that the social, environmental and economic aspects associated with this responsibility are inseparably linked. Responsibility is a conscientious, transparent and ongoing process geared to its employees, its customers and society for NRW.BANK.

For the past ten years each of NRW.BANK's Annual Reports has included a report on corporate responsibility and how it is put into practice. The performance indicators presented in this chapter relate to 2012, 2013 and 2014 and cover NRW.BANK's two head offices in Düsseldorf und Münster.

The "Principles of Corporate Responsibility at NRW.BANK" contain rules as to how the Bank deals with its general processes, its client groups, its employees, climate and environmental protection as well as corporate citizenship within its approach to sustainability. These principles and the five areas also form the basis for the annual sustainability report, thereby defining the relevant contents for the Bank.

1 Living up to Our Corporate Responsibility

- 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.
- 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.

- 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.
- To safeguard its competition-neutral status, NRW.BANK complies with the principle of non-discrimination.
- 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.
- 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 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.
- 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.
- 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.

The NRW.BANK's statutes (section 5, para. 1) and the Act on NRW.BANK (section 3, para. 1) oblige the Bank to follow the principle of sustainability in the performance of its tasks which underlines the importance of this topic for the development bank. Sustainability is also a general principle of overriding importance in the Bank's strategy.

1.1 Statutory Framework and Internal Regulations

The Bank complies with the statutory provisions applicable in Germany. NRW.BANK has additionally formulated internal guidelines addressing various aspects of sustainability to put corporate responsibility into practice in the context of its own business activity.

1.1.1 Labour Standards and Human Rights

Compliance with human rights and with the labour standards that are applicable in Germany as well as the rejection of child and forced labour are a matter of course for the Bank as laid down in NRW.BANK's Principles of Corporate Responsibility.

1.1.2 Equal Opportunities and Principle of Non-discrimination

NRW.BANK is committed to promoting mutual respect and avoiding discrimination in order to offer its employees a fair and good working environment. This is why equal opportunities and the principle of non-discrimination are laid down in the Principles of Corporate Responsibility and in special internal guidelines.

1.1.3 Compliance and Money Laundering Prevention

The business model of NRW.BANK relies on the confidence placed in the Bank's expertise, performance and integrity by its customers, business partners, employees, owner and the public. Compliance with regulatory and statutory provisions as well as with internal requirements forms an important basis for this.

Such compliance is an integral element of all workflows and processes within NRW.BANK. The "Compliance" department works independently of the Bank's operations in order to ensure compliance with all Bank-wide rules and regulations, which are primarily based on the requirements of the Securities Trading Act and the Minimum Requirements for Risk management. It also supports all measures aimed at preventing money laundering, terrorist financing and other criminal acts.

Its tasks primarily include:

- development, communication and review of the Bank-wide Compliance framework,
- managing the compliance risk whilst taking other risk types into account, especially reputational and operational risks,
- preparation and further development of Bank-specific risk analyses to assess the appropriateness and effectiveness of the principles, resources and processes,
- advising and supporting the management and the business units of the Bank,
- implementing risk-oriented controls of the security processes and procedures,
- ongoing reporting to the Managing Board and the Bank's bodies,
- reporting suspicions to the prosecuting authorities,
- organisation of regular training and raising employees' awareness as well as
- exchange with the regulatory authorities.

1.1.4 Data Protection

NRW.BANK has regulated all activities in the area of data protection and banking secrecy regulations in a set of written policies and instructions to ensure that information is handled responsibly and confidentially. Compliance with these policies and instructions is mandatory for all employees.

The Bank meets its statutory training obligations relating to data protection and information security towards its staff.

1.1.5 Sustainable Procurement

Material sustainability aspects are mandatory also in the context of NRW.BANK's procurement processes for construction, delivery and other services. Based on the Act against Restraints of Competition (GWB) and the prevailing wage law for public procurement (TVgG-NRW), aspects of environmental protection, energy efficiency, female promotion, the balance of work and family life or the prohibition of child labour are mandatorily binding within NRW.BANK.

Accordingly, the Bank places orders which exceed the EU limits in accordance with the Construction Contract Procedures (Part A) as well as the Regulations on Contract Awards for Public Supplies and Services (Part A)

and the Regulations on Contract Awards for Independent Professional Services. Before placing orders worth € 25,000 or more, the Bank additionally performs an audit in accordance with section 8 of the North Rhine-Westphalian Anti-Corruption Act (KorruptionsbG). This way, the Bank can rule out bribery, fraud, influence peddling, restrictive agreements and other forms of corruption.

The integration of environmental aspects into the procurement of office materials is an important element of NRW.BANK's procurement policy. The focus is placed not only on the use of sustainable office materials but also on sustainable ordering and logistic processes.

NRW.BANK supports the employment of people with disabilities at its locations in Düsseldorf and Münster. In the past fiscal year, the Bank again commissioned workshops for disabled to provide such services as washing and cleaning. This is yet another way in which the Bank ensures its corporate responsibility towards society.

1.1.6 Public Corporate Governance Code

The Bank's amended Public Corporate Governance Code came into force on January 1, 2014.

For many years, the Bank has implemented transparency and responsibility in its dealings with its target groups. In early 2006, NRW.BANK was one of the first public-sector companies in Germany to adopt a Public Corporate Governance Code and to officially commit itself to this standard of corporate governance.

1.1.7 Freedom of Association and Right to Collective Bargaining

The Bank's staff council represents the interests and needs of the employees of NRW.BANK based on the North Rhine-Westphalian State Staff Representation Act. The staff council is responsible for monitoring compliance with applicable laws, regulations, collective bargaining agreements and labour agreements and informing the employees of both head offices at the annual staff assembly.

As a public-law institution NRW.BANK is subject to the collective bargaining agreement for the private sector and public banking industry. It implements the collectively agreed results for its employees under collective agreements. For the majority of employees not covered by collective agreements they are voluntarily implemented.

1.2 Initiatives and Memberships

In accordance with its Principles of Corporate Responsibility, NRW.BANK also contributes to tasks identified outside its own business activity. Since 2009, the Bank has been a member or signatory of the following initiatives:

- German Diversity Charter
- UNEP Finance Initiative
- UN Global Compact

In 2014, NRW.BANK was additionally active in various associations, e.g. as an ordinary member of the Association of German Public Sector Banks and the European Association of Public Banks and as a guest of the North Rhine-Westphalian Banking Association (Bankenvereinigung NRW) and the Cooperative Association of the Rhineland and Westphalia (Rheinisch-Westfälischen Genossenschaftsverband).

1.3 Sustainable Products

In accordance with its principles, NRW.BANK continuously optimises its business activities with regard to sustainability. In this context, the Bank focuses on incorporating sustainability aspects in its promotion products.

In the context of the established internal "Launch of New Products" process, each of NRW.BANK's promotion products was again checked for sustainability-related risks as well as for compliance with the Principles of Corporate Responsibility before being launched or expanded in 2014.

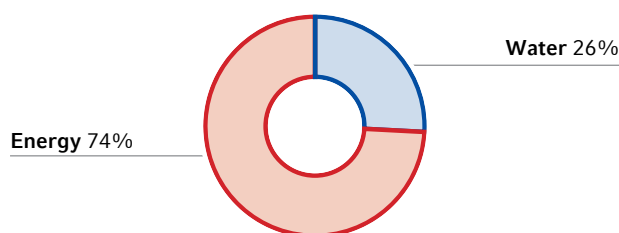
1.3.1 NRW.BANK.Green Bond 2014

To establish a close link between its environmentally oriented promotion programmes and its own funding in the international capital market NRW.BANK launched a special product, the "Green Bond", in 2013.

While the proceeds from the Bank's regular bonds are used also to support social and economic aspects of its promotion business, the funds raised under the Green Bond programme are exclusively used to refinance previously defined environmental promotion projects from North Rhine-Westphalia.

Following its debut in 2013, NRW.BANK successfully issued its second Green Bond, a € 500 million 4-year transaction in October 2014. While "Water" and "Energy" were again chosen as the topical fields,

this year's focus was placed on "Energy", with approx. € 370 million being earmarked for investments in this area.



In an internal selection process, the Bank identified suitable promotion projects from both fields and clearly marked them as designated investment targets for its 2014 Green Bond. This approach ensures that the idea of sustainable investments is implemented in a responsible manner.

To be selected and designated for funding from the Green Bond 2014, projects needed to fulfil a specific profile including a commitment date in the current calendar year and the relevance in terms of the themes defined for the Green Bond. The funded measures serve to reduce and avoid adverse environmental impacts on the climate (mitigation) and to deal with the consequences of climate change (adaptation).

NRW.BANK assured investors that the proceeds from the Green Bond would be used to fund loans granted in 2014 for projects in the fields of water management, energy efficiency, renewable energy and electric mobility.

Development projects totalling € 500 million were financed with the help of NRW.BANK's Green Bond:

Field	Topic	Number of Projects Funded	Promotion Volume
Water	River renaturation	1	130,000,000 €
Energy	Construction/renovation of public buildings	1	250,000,000 €
Energy	NRW.BANK.Effizienzcredit	21	37,164,000 €
Energy	NRW.BANK.Energieinfrastruktur	7	82,836,000 €

The objective was to make a contribution to reducing carbon emissions and improving water quality. The Bank used the proceeds from the Green Bond to facilitate the construction of more than 20 wind turbine generators, for the replacement of local transport vehicles by more environmentally-friendly models as well as for investments in more energy-efficient and resource-efficient production plants to list a few.

The proceeds from the bond were also used to fund the construction of new, as well as the renovation of existing, North Rhine-Westphalian universities and buildings of Bau- und Liegenschaftsbetrieb NRW. These projects included the construction of the Energy Campus Lab of the Ruhr West University in Bottrop and the complete refurbishment of buildings contaminated by PCB and asbestos at Düsseldorf's Heinrich-Heine University and Bochum's Ruhr University.

In view of the regional economic and ecological importance for North Rhine-Westphalia, NRW.BANK additionally decided to again support the renaturation of the River Emscher. Therefore, proceeds of € 130 million from the 2014 Green Bond were used to support various measures implemented by Emschergenossenschaft. The Bank thus helped to create a modern and effective sewage system and to considerably improve the water quality and biodiversity and, hence, the environmental quality in general. The NRW.BANK.Green Bond 2014 contributed to financing the construction of 31 km new, modern sewage canals and renaturation of another 10 km of river sections based on the progress made in rebuilding the sewage canals.

For the first time, the Bank had the environmental benefit and the quality of the projects chosen for the 2014 Green Bond were analysed and assessed by an

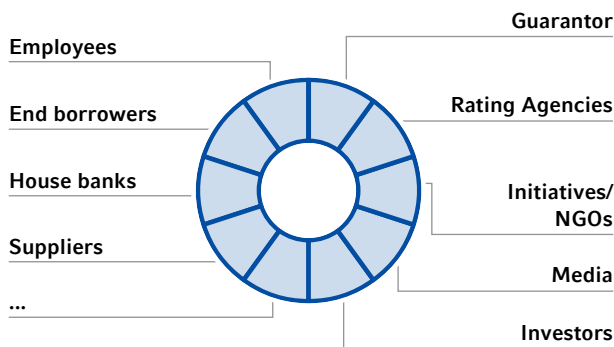
external rating agency. In its "Second Opinion", oekom research confirmed the thoroughly sustainable concept of the second bond.

Project examples funded by the bond, background information and the documentation for the NRW.BANK.Green Bond 2014 are published by the Bank at www.nrwbank.de/greenbond.

1.4 Stakeholder Dialogue

NRW.BANK has defined its key stakeholders with regard to corporate responsibility and maintains a transparent and regular exchange with them.

Stakeholders



By developing new and expanding existing promotion products, the Bank supports the North Rhine-Westphalian government's social and infrastructural measures as well as its energy and climate protection targets. The cooperation is based on trusting communication and coordination with the state of North Rhine-Westphalia.

The annual financial report is the most important communication tool used by NRW.BANK to supply its stakeholders with transparent information about its corporate responsibility. The sustainability portal on the Bank's website provides additional information. NRW.BANK continuously expands the information offered and in 2013 added a new page about its Green Bond programme.

1.5 Responsible Marketing

In keeping with its sustainable procurement policy and conforming with the provisions of the TVgG-NRW the Bank considers important aspects of corporate responsibility. This also applies when purchasing supplies and awarding contracts for marketing services.

The Bank's advertising materials are also geared to sustainability. Thus, since many years the bank uses environmentally-friendly items made from recycled or renewable, biodegradable materials.

Sustainability is also considered in the events organised and offered by NRW.BANK. In the past fiscal year, the Bank held two seminars especially for environmentally interested target groups on "Energy-efficient production – from energy management to process optimisation" and "Energy-efficient construction – practical knowledge for builders".

Responsible marketing for NRW.BANK also means confidential treatment of customer information. The Bank therefore decided and stipulated in writing not to use typical sales-oriented advertising measures based on customer data such as letters or mailings. Customers may only be addressed individually by their account manager within the scope of the regular customer service. The Bank's Data Protection Officer is involved in all dialogue-based marketing measures based on customer data.

1.6 Sustainability Ratings

Since a number of years NRW.BANK's sustainability performance has been rated by specialist agencies. The ratings focus on "Environmental, Social, Governance". The Bank again obtained good sustainability ratings in the past fiscal year.

Rating agency oekom research AG rates the sustainability of issuers on a scale from A+ to D-. NRW.BANK scored a "C" rating, with the additional "Prime" rating classifying the Bank as a sustainable investment. In the Sustainalytics rating, NRW.BANK scored 64 points out of 100 possible points. The imug sustainability assessment rates NRW.BANK in the upper quartile of the six rated national development banks.

Sustainability Ratings

Rating

imug	oekom research	Sustainalytics
positive	Prime	No. 72 of 350*

* Above the peer group average.

2 Designing Sustainable Promotion for Clients

- 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.
- 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.
- 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.

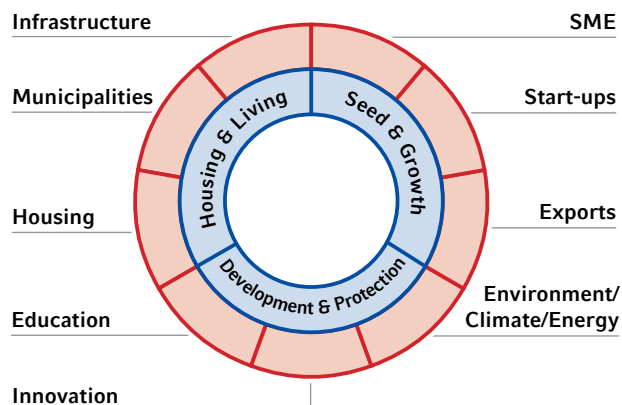
Sustainable behaviour is a central objective of NRW.BANK's business model. The sustainability objective essentially determines the structure and scope of the Bank's promotion and development products.

In terms of contents, NRW.BANK's promotion offerings are divided into three fields of promotion: "Seed & Growth", "Development & Protection" and "Housing & Living".

They form the basis of NRW.BANK's promotion strategy and denote the target areas in which NRW.BANK's promotion activities are to take effect. Each field of promotion comprises specific promotion themes which outline the promotion focal points of the Bank. They are elaborated in NRW.BANK's promotion strategy. Each promotion product is assigned to a promotion theme.

The expansion and refinement of the product portfolio are driven by the promotion policy principles. They are adopted by the Board of Guarantors and NRW.BANK's promotion strategy which builds on these principles. Together they facilitate the consistent and sustainable development of the promotion business taking into account the political guidelines of the North Rhine-Westphalian government. The shared fundamental objective of the Bank and the state government is to develop sustainable promotion solutions for the economy, the municipalities and the people in North Rhine-Westphalia.

Promotion Services Provided by NRW.BANK

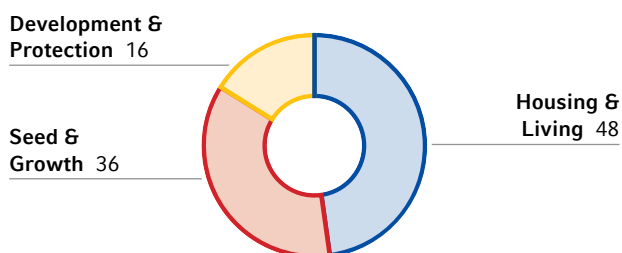


The free provision of monetary and non-monetary resources for the promotion business – referred to as “Förderleistung” – is an integral element of the Bank’s promotion strategy. Interest waivers are a central component of NRW.BANK’s “Förderleistung”. These may result from “margin waivers” by the Bank in the form of reduced interest rates charged for promotion loans. They may also result from “investment waivers” where the Bank uses equity capital to extend non-interest-bearing or low-interest promotion loans and thus refrains from using this equity capital for alternative interest-bearing investments. Other components of the “Förderleistung” include risk assumptions and free services and provisions, for example advisory services for customers and support services for multipliers and house banks.

To fund its promotion activities, NRW.BANK uses funds made available to it by KfW Bankengruppe, Landwirtschaftliche Rentenbank, the European Investment Bank as well as the Council of Europe Development Bank (CEB). The Bank serves as a conduit for the federal promotion programmes of KfW Bankengruppe and Landwirtschaftliche Rentenbank in its capacity as the central institution of the North Rhine-Westphalian savings banks.

In spite of the challenging economic environment, NRW.BANK’s new promotion business continued the positive trend of the previous years in 2014. New promotion business remained high, with NRW.BANK committing promotion funds totalling € 8.9 billion. This means that the result for the year 2014 was down by only 3.7% on the previous year’s € 9.2 billion. The chart below shows a breakdown of the total promotion volume by fields of promotion:

Promotion Volume by Fields of Promotion in %



2.1 Seed & Growth

Small and medium-sized enterprises are considered a key driver of the dynamic economic development in North Rhine-Westphalia. With a view to strengthening the framework conditions for competitiveness and employment in the SME sector, NRW.BANK offers an extensive range of promotion products and services tailored to the needs of small and medium-sized enterprises.

The previous year’s very good promotion result of € 2.9 billion was once again exceeded. It stood at € 3.2 billion in this field of promotion in the past fiscal year. The new credit volume rose over the respective prior year figures in all three promotion themes of this field of promotion. In view of companies’ relatively low spending propensity and their high internal financing strength, this result is especially positive and confirms, in particular, the attractiveness of promotion loans for SMEs. As of October 2014, however, demand for promotion loans declined which had been anticipated for quite some time in view of the overall economic environment.

The various promotion solutions in this field of promotion primarily aim to compensate for the financing obstacles typically encountered by small and medium-sized enterprises because of their size. NRW.BANK uses a wide range of financing instruments for the promotion of SMEs such as low-interest promotion loans, risk assumptions and equity strengthening solutions. The different promotion products cover the entire lifecycle of a company – from seed finance to the supply of capital for growth projects and support in difficult situations.

2.1.1 Start-up

NRW.BANK supports business start-ups in North Rhine-Westphalia with a wide range of financing solutions and advisory services within the “Seed” promotion theme.

In terms of volume, the *NRW.BANK.Gründungskredit* is the most important promotion product in this promotion theme. It offers interest-subsidised loans for start-up projects and newly established companies to cover working capital requirements and investment projects with a minimum volume of € 25,000. In 2014, NRW.BANK supported a total of 1,981 start-up and

consolidation projects with loans totalling € 431.5 million (2013: 2,026 projects; € 398.3 million) under this programme. Since December 2014, the programme has been open to companies in the consolidation phase for up to five years after the start of business which means that a larger group of eligible applicants can now benefit from its especially favourable terms and conditions. As part of the expansion of the group of eligible applicants, the Bank also introduced the option to apply for a release from liability for companies that have successfully operated in the market for two years and whose credit requirements exceed € 125,000.

Micro start-ups with credit requirements of up to € 25,000 are supported by the Bank via the *NRW/EU.Mikrodarlehen*, which is funded by the European Regional Development Fund (ERDF) and the state of North Rhine-Westphalia. Applications for promotion funds under the latter programme are channelled through the STARTERCENTERS in North Rhine-Westphalia which, acting as NRW.BANK's cooperation partners, provide promotion advice to potential company founders and accept their loan applications. As no collateral is required for the micro loans, they also allow unemployed people to set up self-employed businesses, thereby facilitating their return to working life. To increase the attractiveness of this programme, the fixed standard interest rate was reduced significantly in the third quarter of 2014.

Enterprises launching innovative and technically new products and services in the market are of special importance for the competitiveness and innovative strength of an economy. Usually, however, loans are not a suitable financing option for such high-tech start-ups because of the usually high and unpredictable risks in combination with high capital requirements. Instead, these businesses need equity capital as well as entrepreneurial support for their management. The German seed capital market is, however, characterised by high inefficiencies. To stimulate this market, the *NRW.BANK.Seed Fund* is available as a fund investor to regional seed funds in North Rhine-Westphalia. NRW.BANK invests in these regional funds alongside private investors.

Besides investment companies, "Business Angels", for instance wealthy individuals with comprehensive entre-

preneurial experience, represent an important source of finance for high-tech start-ups. They not only provide capital but usually also give active support to the management in order to avoid or manage typical issues encountered by start-up businesses. Business Angels already assist in phases that are usually ignored by early-phase investment companies, which often makes them the only available source for raising equity capital in the immediate start-up phase. In the context of the *win NRW.BANK Business Angels Initiative*, NRW.BANK brings together capital-seeking innovative firms and Business Angels. The Bank also advises company founders in the effective preparation of their talks with Business Angels.

In summer 2014, NRW.BANK introduced another instrument for the effective support of innovative business start-ups in the form of the *NRW.BANK.Venture Center*. This specialist advisory unit for technology-oriented up-and-coming business founders from universities and research institutions as well as innovative start-ups serves as a one-stop agency and pools the advisory services of NRW.BANK for research and development teams, potential company founders and start-ups and combines them with other promotion and advisory offerings in the market. For a 2-year pilot phase, additional advisory activities at universities and research institutions are planned in order to raise awareness among potential company founders in innovation-driven disciplines. Additionally, they strive to identify innovative projects that are suitable for university spin-offs. Up-and-coming company founders and founder teams benefit from additional support for their specific spin-off plans in the form of expertise in the field of technological start-ups and financing as well as a well-positioned network.

2.1.2 SMEs

Ensuring access to low-interest loans for established SMEs is one of the key objectives of the promotion theme "SME". The *NRW.BANK.Globaldarlehen "Mittelstand"* programme provides favourably priced refinancing for local banks. The latter are contractually obliged to pass on the benefits from this global loan to their SME borrowers in the form of favourable terms on business loans. Local banks' demand for this promotion product increased appreciably compared to the prior year. However, standardised low-interest loans for

working capital and capital expenditure are the main promotion instrument under this promotion theme, in particular the *NRW.BANK.Mittelstandskredit* and *NRW.BANK.Universalkredit* programmes.

The *NRW.BANK.Mittelstandskredit* remained NRW.BANK's highest-volume promotion programme in 2014, even though the exceptionally high result of the previous year was not matched. In 2014 some 4,453 companies availed themselves of low-interest loans for their capital expenditure and working capital needs, with the total volume amounting to € 1.4 billion (previous year: 5,204 companies, € 1.5 billion). The *NRW.BANK.Universalkredit* consolidated its position as the second pillar of the development bank's SME promotion activities, recording an exceptional expansion by 28.9%. This positive development was driven by the advantages of the *NRW.BANK.Universalkredit* in the form of a streamlined application procedure and great flexibility with freely selectable maturities between three and ten years. The Bank's total lending under this programme amounted to € 710.7 million (previous year € 551.2 million).

NRW.BANK continued to expand its range of releases from liability for borrowers' local relationship banks (referred to as "house banks" in German) in order to give access to promotion loans to SMEs with a limited ability to post collateral. As a result, NRW.BANK today offers house banks 50% releases from liability for loans to commercial companies upwards from certain minimum loan amounts. This optional promotion element is available for loans to companies which can demonstrate a successful two-year track record in the market. As an alternative to the release from liability, most of the promotion programmes offer the option of applying for an indemnity bond from Bürgschaftsbank NRW. In the case of higher-volume loans to companies, the *NRW.BANK.Konsortialkredit – Gewerblicher Mittelstand* programme offers local relationship banks the possibility to partner with NRW.BANK, with the latter underwriting risk sub-participations of up to 50% and making cash contributions upwards from € 1 million. Totalling € 166.5 million in 2014, this offering recorded an impressive increase of 27.4% over the previous year.

To strengthen the equity capital of well-established SMEs, the *NRW.BANK.Mittelstandsfonds* offers external mezzanine capital in the form of dormant shareholdings worth between € 1 million and 7 million. This source of external capitalisation is aimed at companies where the focus is on flexible adjustment to the internal cash flows and a more effective orientation towards the characteristics of classical equity capital. When the first generation of the fund was fully invested, a follow-up fund with a committed capital of € 75 million was launched in March 2014 in order to ensure the continued availability of funds under this scheme.

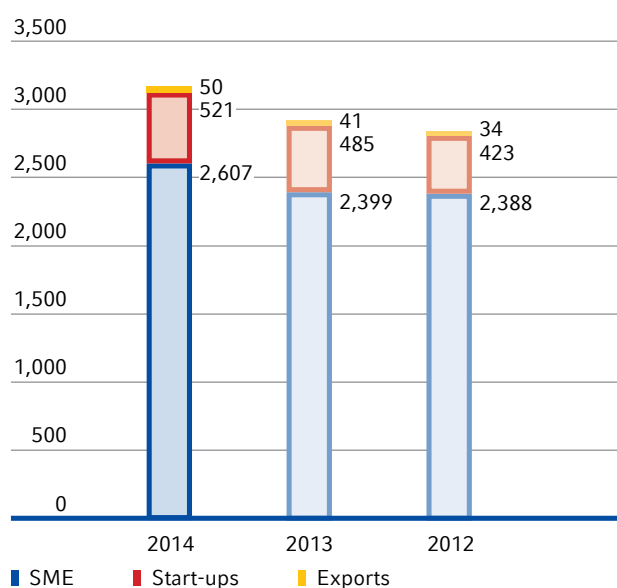
Apart from the provision of funding, the complexity of economic contexts puts a premium on targeted information on promotion funds as well as specific advice for prospective recipients of promotion funding. In recent years NRW.BANK has therefore increasingly developed its advisory services into a complementary pillar of its spectrum of services. The existing offerings for SMEs in general – the promotion and finance consulting service and the Service Centers – attracted lively demand in 2014 as well. Given the good availability of credit in the marketplace, consulting sessions focused on forward-looking and cost-oriented company finance solutions with promotion components as well as borrowers' potential for improved communication with external providers of capital.

2.1.3 Exports

Foreign investments aimed at tapping into the growth prospects of international markets and raising a company's competitiveness in the globalised marketplace are of great importance also to SMEs. The same is true for the export of goods and services. For several years, the Bank has funded capital investment projects abroad through its *NRW.BANK.Auslandskredit* programme under its promotion theme "Exports". In May 2004 this programme was complemented by aid-free working capital loans which enable the Bank to support export-related activities such as the creation of an international distribution network. The *NRW.BANK.Ausland Export* programme offers NRW.BANK back-up guarantees for banks which issue export guarantees for SMEs and their export activities.

To support the export activities of North Rhine-Westphalian mid-sized companies, NRW.BANK has teamed up with ZENIT GmbH to sponsor *NRW.Europa*, the North Rhine-Westphalian node in the European Commission's Enterprise Europe Network. Working on behalf of NRW.Bank, *NRW.Europa* provides general information and case-specific advice on available EU funding and other public promotion instruments for exporters. This includes, in particular, information and advice on funding options for foreign investments undertaken by North Rhine-Westphalian companies.

Promotion Volume "Seed & Growth" by Promotion Themes and in € Million



2.2 Development & Protection

The Bank's products in the field of promotion "Development & Protection" support investments in the protection of resources, in the implementation of innovation and in educational projects. NRW.BANK has successively expanded its offering in this field of promotion in recent years. The year 2014 saw the excellent result of the previous year (€ 1.5 billion) almost repeated at

€ 1.4 billion, with the bulk of the promotion volume, € 1.3 billion, remaining allocated to the promotion theme "Environment/Climate/Energy".

2.2.1 Environment/Climate/Energy

The *NRW.BANK.Effizienzcredit* programme supports energy saving and energy efficiency projects undertaken by commercial companies. To qualify for access to these particularly low-interest loans, companies must demonstrate that the new facilities will meet certain minimum requirements in terms of energy savings or efficiency. Low-interest loans for raising the energy efficiency of privately owned buildings are available to property owners under the *NRW.BANK.Gebäude-sanierung* programme. The latter can also be used for projects aimed at improving the environmental or barrier-free standards of such properties.

Research and development projects undertaken within the framework of the "Masterplan Elektromobilität Nordrhein-Westfalen" are eligible for low-interest loans under the *NRW.BANK.Elektromobilität* programme.

Investments in energy infrastructure, e.g. in power generation plants, the construction of energy storage capacities and the construction and maintenance of networks can qualify for promotion loans under the *NRW.BANK.Energieinfrastruktur* programme. The latter targets both commercial companies, municipally owned companies and private investors.

Companies which invest in cogeneration technology by converting or expanding existing plants or constructing new cogeneration plants can qualify for promotion funding under the *NRW/EU.KWKInvestitionskredit* programme. This programme can offer particularly attractive terms because it is refinanced using funds from the ERDF and the state of North Rhine-Westphalia.

The *NRW.BANK.Hochwasserschutz* programme is a recent addition to NRW.BANK's environmentally themed promotion offering. This programme offers attractive complete financing packages for capital projects in the

field of water management and flood control. These low-interest loans complement the grants available from the state of North Rhine-Westphalia. Eligible borrowers include local and regional governments as well as water management boards constituted by special statute and associations formed under the Water Association Act.

2.2.2 Innovation

Loans from the *NRW.BANK.Innovationskredit* programme are available under the promotion theme "Innovation". These loans are meant to support medium-sized companies' investments in adding new, technologically advanced products to their product ranges or in the adoption of high-tech production processes. In the year 2014, very low-interest loans totalling € 47.2 million were approved, partly combined with an optional release from liability for the borrower's local relationship bank handling and processing the loan application.

For many years, young and innovative companies based in North Rhine-Westphalia have benefited from successful co-investments by NRW.BANK. Made through the two *NRW.BANK.Venture Fonds* investment vehicles, these equity investments are predominantly open minority stakes between € 0.5 million and € 5 million, with the Bank envisaging a maximum investment period of seven years. NRW.BANK committed funds totalling € 10.6 million during the reporting period. In terms of the lifecycle of a company, this type of investment covers the period following the early start-up phase during which entrepreneurs are eligible for seed funding from the regional seed funds supported by the *NRW.BANK.Seed Fonds* programme.

This promotion theme places a special focus on firms in the creative and arts sectors of the economy. The *NRW.Kreativkredit* and the *NRW.BANK.Kreativwirtschaftsfonds* are two sector-specific promotion programmes designed to provide targeted support to the creative and arts sectors and to strengthen the profile of North Rhine-Westphalia as a location for this sector.

The new *NRW.Kreativkredit* programme was launched in October 2014 to provide promotion funding for small firms or sole traders in the creative and arts sectors of the economy. Funding is available either for concrete orders (order funding) or for activities performed without a concrete order or contract, with the maximum duration of the order or project being limited to 12 months.

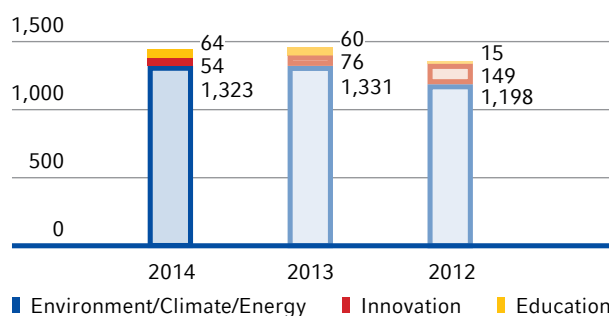
While order funding loans are repayable at maturity, project funding loans are repayable in instalments. Loan volumes can range between € 5,000 and € 25,000 for both types of loan. In order to accommodate the particular financing needs of this target group, borrowers are not required to post collateral. Due to the unique nature of this promotion funding programme, applications for these loans are accepted by NRW.BANK directly, which is in contrast to most other promotion loans which are accepted and processed by borrowers' local relationship banks.

The *NRW.BANK.Kreativwirtschaftsfonds* focuses on particularly profitable growth markets within the creative and arts sectors where firms are using innovative and simple concepts to disrupt existing market structures. Consumer Internet, e-commerce and software are three examples. The fund concentrates on seed and early-phase finance, making available equity or mezzanine capital between € 250,000 and € 3 million to creative and arts firms with promising growth prospects. To make the fund even more attractive, the investment criteria were expanded during the year 2014.

2.2.3 Education

In March 2014 NRW.BANK launched the *NRW.BANK.Moderne Schule* programme in its field of promotion "Education". Aimed at municipal school operators and municipal school associations, this programme offers long-term loans at highly attractive terms with maturities of 20 or 30 years for the construction and refurbishing of school buildings. Loan applications are received directly by NRW.BANK. Promotion funds worth € 53.2 million have been committed since the launch of the programme.

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



2.3 Housing & Living

The activities of NRW.BANK in this field of promotion are designed to improve housing and living standards and encourage forward-looking urban development. Key elements needed to reach these goals include the promotion of (social) housing to ensure high-quality and affordable living. Comprehensive promotion in this area depends on comprehensive public services provided by solidly funded municipalities as well as on an appropriate infrastructure which is in line with requirements. Moreover, the promotion efforts in the individual promotion themes "Housing", "Municipalities" and "Infrastructure" need to be coordinated and related in order to contribute effectively to the structural development of a city and its neighbourhoods.

In the year 2014 the promotion volume in the field "Housing & Living" amounted to € 4.3 billion, slightly down on the previous year's figure of € 4.8 billion. This mainly reflected lower demand in the promotion theme "Municipalities", owing to the fact that banks and savings banks offered local authorities clearly improved funding terms. Even so, this remains the largest promotion theme at € 2.3 billion, followed by "Housing" at € 1.4 billion.

2.3.1 Municipalities

During the reporting period NRW.BANK remained a reliable partner to municipalities in North Rhine-Westphalia. A promotion volume of € 2.1 billion once again made the *NRW.BANK.Kommunalkredit*, whose purpose is to ensure and strengthen municipalities' ability to act, the main product in the promotion theme "Municipalities". In addition, the Bank offers two coordinated programmes, *NRW.BANK.Kommunal Invest* and *NRW.BANK.Kommunal Invest Plus*, which are designed to finance municipalities' investments in their municipal infrastructure, in their operating companies and in their municipal associations.

Apart from providing funds, NRW.BANK supports municipalities through its advisory offering. The Bank regularly informs municipalities and municipally owned companies on their eligibility for certain types of promotion funding. In addition, it supports them on questions of inter-municipal cooperation, the development and implementation of municipal action plans as well as the management of public buildings and facilities with a view to ensuring their financial sustainability. During 2014 NRW.BANK also made available pro-

fessional and human resources to support cooperation between public and private investors in the context of public private partnership projects.

2.3.2 Infrastructure

A well-functioning infrastructure is an essential prerequisite for economic growth in a region. NRW.BANK's financing products for the expansion of general infrastructure grouped in the promotion theme "Infrastructure" amounted to € 569.1 million in the reporting period.

The capital expenditure needed to maintain and expand North Rhine-Westphalia's infrastructure frequently requires private capital to be mobilised. This is the purpose of the *NRW.BANK.Infrastruktur* programme which offers private investors opportunities to fund social and public infrastructure projects at favourable terms. The Bank also supports infrastructure projects through customised structured finance solutions as well as a range of special programmes. The latter are designed to stimulate selected partial areas of infrastructure.

At the end of 2013 the Bank launched *NRW.BANK.Baudenkmäler*. This promotion programme provides low-interest promotion loans to fund capital expenditure on maintaining and refurbishing buildings listed as public monuments and buildings listed as being particularly worthy of preservation because of their fabric and/or structure. Compared to the previous grant regime operated by the state government, the net benefit of the new loan-based promotion scheme for applicants is several times higher, given that their entire project is now eligible for a low-interest loan. This probably explains why demand for this promotion programme, at € 39.6 million, clearly surpassed the original projections.

Through its *NRW.BANK.Breitband* programme, NRW.BANK funds investments in the creation of a technology-neutral state-wide broadband network in North Rhine-Westphalia. The focus is on the purchase and laying of fibre-optic cables. The maximum sales revenues cap was dropped in 2013, thereby giving larger companies, too, access to the promotion programme for the expansion of the broadband network. In addition, the fixed-interest period can be extended to a maximum of 30 years in individual cases. This means that NRW.BANK offers support also for projects

with long investment horizons and loan maturities which are frequently not available from commercial banks. To analyse the status quo of broadband availability in North Rhine-Westphalia and draft recommendations for future action, NRW.BANK commissioned a study in conjunction with the North Rhine-Westphalian government. Expected to become available in spring 2015, the results of this study will also inform the further development of the Bank's promotion activities for broadband expansion.

Conflicts in the Middle East led to a strong rise in the number of asylum seekers during the reporting period. This development has increased the need for functional and dignified refugee accommodation. Against this background, NRW.BANK launched the promotion programme *NRW.BANK.Flüchtlingsunterkünfte* in December 2014, offering very low-interest promotion loans with 20-year maturities to local authorities obliged to house refugees under the Flüchtlingsaufnahmegesetz (FlüAG) Act. The loans can be used to purchase, build or modernise refugee housing. Under the terms of the programme, applications can be made also by legally independent operating companies owned by eligible local authorities. These loans are processed and disbursed directly by NRW.BANK.

2.3.3 Housing

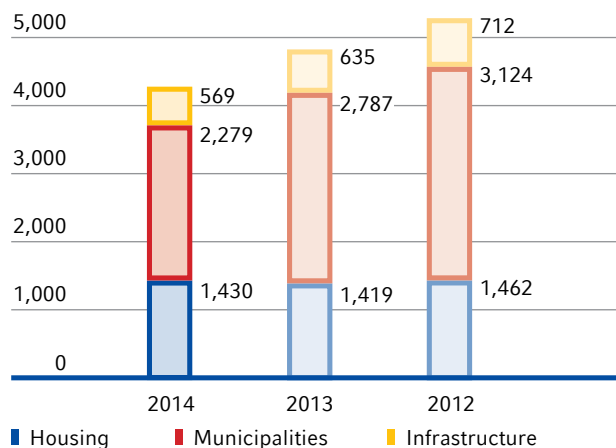
Social housing promotion programmes have special importance in the context of the promotion theme "Housing". The relevant promotion loans are applied for with the approval authorities of the local governments and disbursed directly to the recipients. The promotion activities reflect the state of North Rhine-Westphalia's annual housing promotion plan (Wohnraumförderungsprogramm, WoFP) which operationalises the general lines of the state promotion policy into concrete promotion rules and regulations.

NRW.BANK's social housing promotion programmes are designed to support, in particular, the creation of affordable, high quality housing for lower-income households. Especially for households with children and handicapped persons, this ensures continued access to sensibly priced housing even in conurbations with rising rents. As part of its work towards this promotion objective, NRW.BANK made available

loans worth € 63.3 million for the acquisition and construction of owner-occupied housing plus more than € 393.3 million for the new construction of rent-controlled and occupancy-controlled flats. Newly launched promotion measures raised the attractiveness of the rented housing promotion programme by 17.2% compared to the previous year.

Demographic change is leading to an increased need for high quality housing concepts for seniors. NRW.BANK's promotion offerings make an important contribution to the creation of a housing stock which ensures the continued provision of housing for a population whose age structure and composition is subject to change. Under the state government's WoFP plan, NRW.BANK makes available low-interest loans both for the construction of care homes and the creation of care places and for the reduction of barriers in the existing housing stock. The year 2014 saw demand for loans to fund the removal of barriers almost double compared to the previous year. Complementing the Bank's activities in the area of social housing promotion, the *NRW.BANK.Pflege und Betreuung* programme offers low-interest capital expenditure loans for care homes and facilities operated by not-for-profit entities. These loans can be used, for instance, to finance modernisation and refurbishment projects. In addition, promotion loans are available to fund the conversion of conventional care facilities into alternative nursing and care concepts.

Promotion Volume "Housing & Living"
by Promotion Themes and in € Million



3 Assuming Social Responsibility for Employees

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

- 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".

The knowledge, commitment and performance of the staff are important factors which underpin the long-term success of the Bank's business activity. The strategic objectives of the Bank's Human Resources activities therefore include winning and retaining qualified employees and preserving their skills and performance to ensure that NRW.BANK can successfully fulfil its tasks as the development bank of North Rhine-Westphalia now and also in future.

From this overriding goal, the Bank derives three fields of action which ensure that all activities and measures support the accomplishment of the strategic objectives: securing junior staff, facilitating development and maintaining performance.

3.1 Securing Junior Staff

"Securing junior staff" sums up NRW.BANK's commitment to training young people and improving their qualifications. In accordance with this goal, permanent employment contracts are offered to all trainees who complete their training programmes with good results. To ensure that junior staff can integrate smoothly into the Bank's existing workforce, their training is carefully aligned with the Bank's needs in general and the

individual business units' needs in particular. This constant balancing leads to changes in the number of apprenticeships and traineeships as well as to amendments in terms of the course curricula and the job roles the young people are trained for. For example, NRW.BANK will convert its clerical apprenticeship programme from "office communication assistants" to "banking clerks" effective August 1, 2016. The dual-track study courses "Bachelor of Arts, Banking & Finance" and "Bachelor of Science, Business IT" organised in conjunction with Hochschule für Oekonomie & Management in Düsseldorf have repeatedly been adjusted to changed market conditions and changes in internal qualification requirements, thereby demonstrating the Bank's effective cooperation with this academy.

Both the attractiveness of the training courses offered and the Bank itself benefit from these developments. As a result, NRW.BANK was able to meet its goal of securing motivated and qualified junior staff for the Bank also in the year 2014. In summer 16 young people started their apprenticeships and traineeship programmes at NRW.BANK, including nine for the office management course and five for the Bachelor of Arts programme and two for the Bachelor of Science programme.

Most of the graduates who completed their courses and programmes during the reporting period once again decided to stay with NRW.BANK, with 21 out of a total of 25 accepting the offer of permanent employment. Moreover, seven of the 14 apprenticeship graduates from the office communication assistant course were among the year's best graduates in their respective districts and received honourable commendations from the Düsseldorf and North Westphalia chambers of commerce.

These results would not have been possible without the commitment shown by the almost 200 trainers in the Bank's individual business units. Their enthusiasm for vocational training is catching – every year the circle of trainers is joined by internally trained graduates

who are happy to pass on their knowledge and their experience with current and future trainees and apprentices.

Given NRW.BANK's current age structure, the aim of "securing junior staff" will remain in the Bank's focus. The Bank wants its trainees to replace at least part of the employees who will retire from the Bank in the coming years. The high quality of vocational and professional training at NRW.BANK is reflected not only in the excellent results scored by its graduates – as can be seen from the fact that the best graduates at state and federal level repeatedly came from NRW.BANK in recent years – but also in the multiple awards garnered by NRW.BANK for being the best corporate apprenticeship and traineeship sponsor according to the Düsseldorf and North Westphalia chambers of commerce. While such accolades frequently encourage young people to opt in favour of a traineeship or apprenticeship with NRW.BANK, their decision to remain with the Bank even after completion of the training programme strongly depends on the career prospects on offer.

3.2 Facilitating Development

Personal career prospects make a key contribution to successful staff retention at NRW.BANK. This includes challenging tasks which encourage professional and personal growth as well as the possibility to get to learn new topics and to assume responsibility. Of course this needs to be complemented by the prospect of earning higher salaries in the future.

NRW.BANK offers its employees a wide range of development opportunities by filling vacant positions according to the motto "internal promotion is preferable to external hiring"; this means that vacant positions are advertised publicly only if and when no suitable candidates can be found among the employees or the trainees.

A large part of the positions which became vacant during 2014 were once again filled from the Bank's own internal human resources. Following several years of largely identical headcount, the number of permanent employees recorded a slight rise in 2014. Part of this

growth and the required balancing of fluctuation was achieved by offering permanent employment to apprenticeship graduates and by reintegrating employees returning from parental leave. Less than half of the 86 new hirings resulted from the conversion of temporary employment to permanent employment, external hiring as well as transfers of employees from Portigon AG. In addition, NRW.BANK also continues to support efforts being made as part of the restructuring of Portigon AG with a view to identifying employment prospects for Portigon employees outside of NRW.BANK and its subsidiaries.

As in the previous years, staff fluctuation at NRW.BANK remained low at 2.5%. Of the 32 employment relationships ending during the period, 10 were terminated and 22 occurred for age-related reasons.

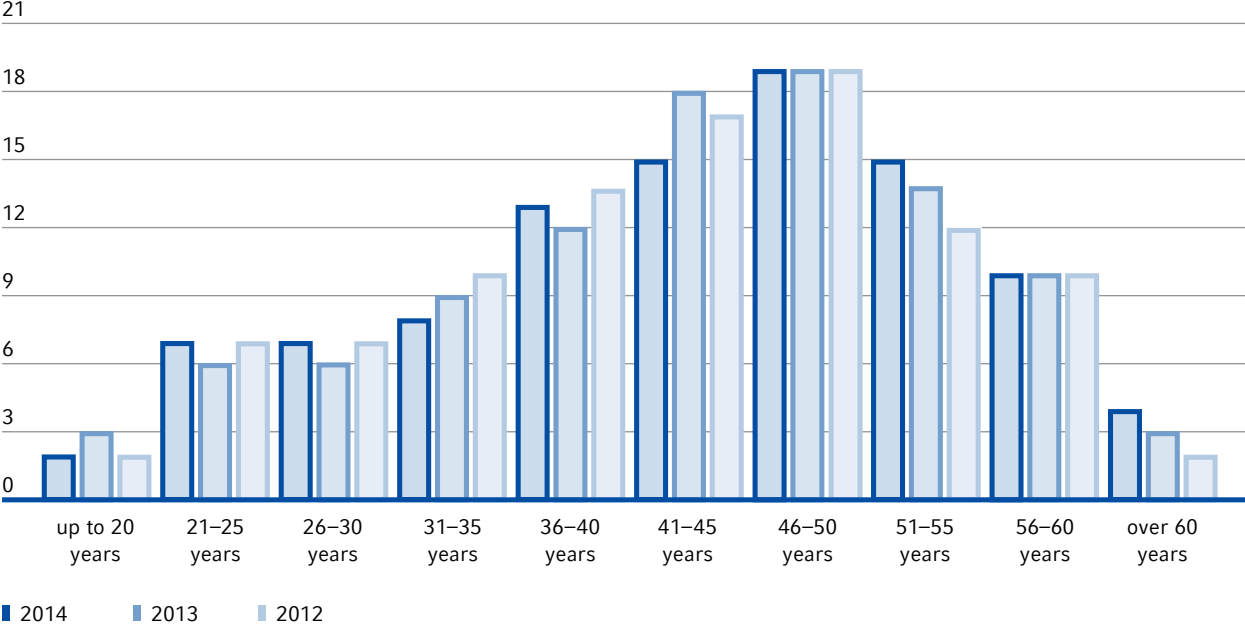
While employees are no longer entitled to the collectively agreed pre-retirement scheme, NRW.BANK has decided to introduce a company-specific pre-retirement scheme in order to manage the Bank's age structure and the rising share of older employees. The company-specific scheme offers the same terms and conditions

as the previous collectively agreed scheme. The objective is to avoid a blockage in the career pipeline for the Bank's younger employees which would lead to increased fluctuation in this group of employees. As in previous years, the pre-retirement option accounted over a third of the age-related resignations.

The number of age-related resignations will stay at a high level also in the coming years. Forward-looking planning ensures that measures to retain know-how within the Bank are taken at an early stage and that the development opportunities arising from the retirements for junior staff are used effectively in accordance with the Bank's strategic objective.

This future-oriented planning also includes employee interviews within the performance review process: at least once a year, all executives of the Bank hold an interview with each of their employees to provide feedback on their accomplishments and performance in the past year and to plan the tasks for next year. Building on these interviews, future development opportunities and the steps required to implement them are discussed as well.

Age Structure in %



3.2.1 Life-long Learning

Knowledge and experience are indispensable when it comes to grasping and mastering new challenges. NRW.BANK supports its employees through a wide variety of HR development measures. Apart from classical seminars and support in completing degree (bachelor or master) courses, this also includes job rotation schemes and other temporary assignments.

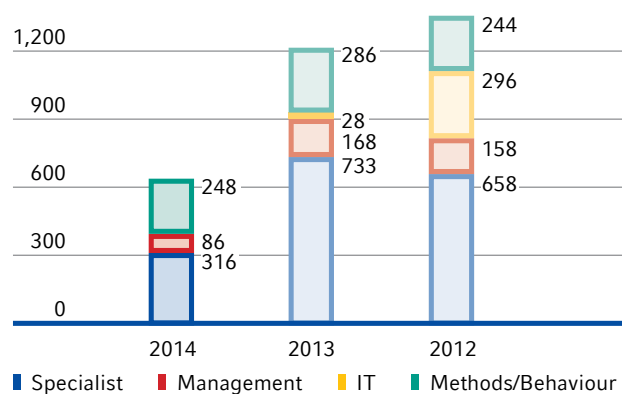
NRW.BANK assists employees in obtaining the above-mentioned qualifications and degrees by bearing (part of) the study and examination fees and releasing employees from work for exams and their preparation but also by organising networks and learning groups. There is great interest in this programme especially among former trainees, who represent 55 of the currently 74 participants. Accordingly, the highest demand is for Bachelor and Master degrees. The Bank regularly reviews the qualifications offered in the context of the development programme with regard to the requirements of the specialist business units and the market situation and adjusts them where necessary. In 2014 the Bank added two degree courses, namely "Business Management & Business Psychology" (Bachelor of Science) and "Risk Management & Treasury" (Master of Science) to the career development portfolio.

In addition, NRW.BANK offers its employees a comprehensive range of seminars for professional and personal growth. Most of these seminars are held internally.¹⁾ Over time this form of training has proven to be a great success and has met with a very positive response from all employees due to the high quality of courses offered and how pertinent they are to the Bank's needs and requirements. For several years e-learning and blended learning courses have been offered not only for statutory and compliance related subjects but also for foreign language and IT skills as well as behavioural and methodological competence.

NRW.BANK's comprehensive catalogue of regular seminars covers a range of professional subjects both at basic and specialist level, aspects of methodological and behavioural competence as well as structured and multi-layered leadership skill acquisition. This catalogue has been developed and refined in recent years, with current professional subjects being added in response to actual demand on an ongoing basis.

While the introduction of new IT applications and the topicality of numerous new banking-related subjects led to a notable increase in seminar attendance in the years 2012 and 2013, overall seminar enrolment figures returned to their prior level in 2014.

Internal Seminar Attendance by Topics



Consequently the 56.9% decline in enrolment figures for internal seminars is due to saturation and transfer effects from the previous years. This demonstrates how appropriately NRW.BANK timed its employees' professional preparation for the numerous complex regulatory challenges which required a great amount of work during the year 2014.

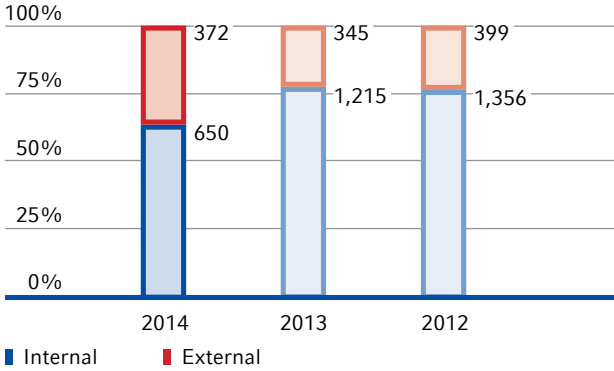
¹⁾ Internal seminars are all events organised exclusively for the Bank's employees at NRW.BANK's special request and whose contents and concepts thus closely meet the Bank's concrete requirements and needs; such seminars may be held by in-house or external trainers.

The year-on-year decline in enrolment figures for methodological and behavioural seminars amounted to 13.3%.

While the year 2014 also saw a decline in the number of executive seminars organised, the number of seminar days remained close to the previous year's high level at 350. This reflects the fact that the programmes for executives with initial and long-standing leadership experience were maintained at the prior years' level. Given that relatively few new executives joined the Bank in 2014, there was less demand for the typically shorter seminars attended by junior executives.

Employees enrolled in a total of 372 external seminars. A similar percentage of these events as in the previous years, 84.1%, were professional seminars dealing with specific topics. Organising these internally would not make sense, given that the subject matters addressed by these seminars are only relevant for individual employees.

Ratio of Internal and External Seminar Attendance



Seminar attendance in 2014 revealed an almost perfectly balanced gender distribution, with female employees accounting for 510 and men for 512 enrolments. This also reflects the respective gender shares in the workforce.

While NRW.BANK's seminar programme is essentially open to all employees on an equal basis, individual offerings are tailored to the needs of specific groups of employees. In late 2013 the Bank started a series of workshops specifically for women who, in their majority, still have to shoulder the dual burden of managing a household with children while filling a job role at the same time, often resulting in them missing out when it comes to taking important career steps. Designed to show participants new ways of organising their job and private lives in an efficient way which is conducive to a good work-life balance, this series is being continued. So is another series of events launched in 2013. These workshops target more experienced and older employees, highlighting topics such as knowledge, relationship, conflict and change management.

3.2.2 Equal Opportunities and Fair Working Conditions

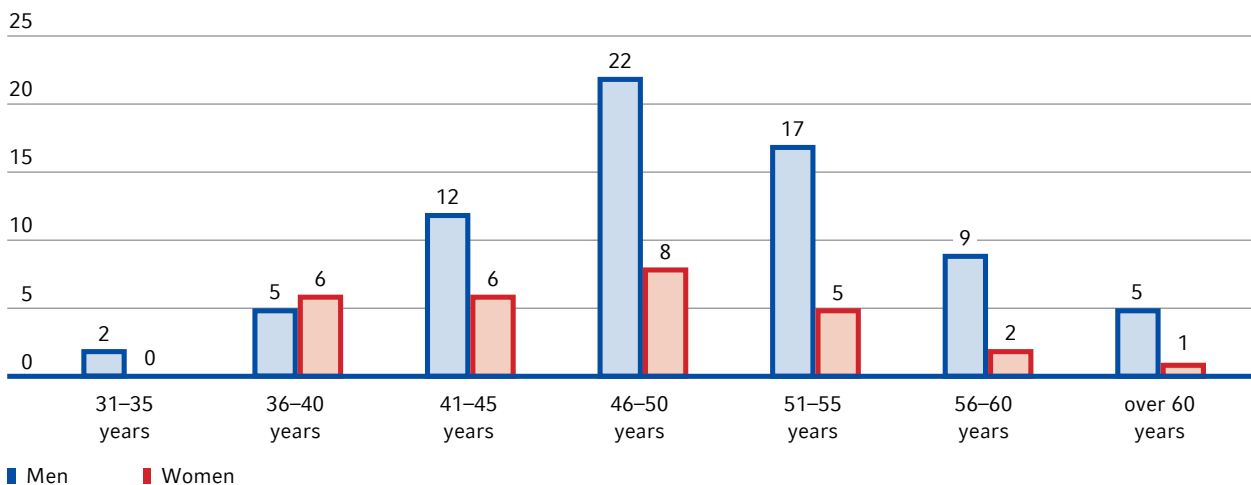
Two human resources issues received particular attention at NRW.BANK during the year 2014, namely the targeted increase in the number of women in higher-salary positions and executive positions as well as employees' satisfaction with the possibilities to balance work and family life.

The Bank laid the foundation for this balance back in the year 2008 when the labour agreement "Job and Family" was signed. Since then NRW.BANK has steadily expanded its varied range of available support measures. Its working time arrangements include variable working hours, flexible and personalised part-time working models and alternating home work schedules as well as a diverse range of optional leaves of absence. These arrangements assist employees in meeting both their professional and their family-related obligations. Additional support is available in the form of subsidised child care as well as advice and support from an external service provider for employees with child and dependent care needs. NRW.BANK also has framework agreements in place with child care facilities in the respective neighbourhoods of its dual head offices. The Bank's offering on job and family balance is complemented by information events, articles and lectures. In addition, lectures on long-term care issues were held at both NRW.BANK head offices in the year 2014.

The key figures for the reporting period reflect the acceptance, and thus the success, of these offerings and measures. The number of employees working part time has increased significantly overall. The part-time percentage of women in specialist and project management roles has risen to 50.8%. At the same time, 9.2% of all NRW.BANK managers have availed themselves of the option to reduce their working hours by up to 40%. Young fathers are making active use of parental leave, in some cases also taking more than the standard two months or by way of reducing their regular working weeks. An increasing number of mothers are taking a maximum of 12 months parental leave and return to the Bank early.

The year 2014 saw a slight rise in the number of women in management positions. This development was driven by two factors. First, selected female employees were encouraged to take specific career steps. Second, consistent compliance with the Bank's internal guidelines on filling management positions led to a further increase in the number of female employees in management positions. During the reporting period, women therefore accounted for 47.1% of all newly created or newly filled management positions at NRW.BANK. As at December 31, 2014, the number of women in management and executive positions up to Managing Board level stood at 27.2%.

Women and Men in Management Positions in %



Laying out the excellent framework conditions for the promotion of women and the achievement of a job-family balance, NRW.BANK's revised Equal Opportunities Plan presents the objectives attained to date. The Plan references the instruments and agreements published by NRW.BANK including the "Principles for Collaboration, Communication and Leadership", the mission statement, the "Fairness at Work" labour agreement as well as the human resources planning and development strategy.

In addition, the Plan describes all measures and offerings used by the Bank to raise the share of women in higher paid specialist and management roles. Progress is also measured by way of the regular publication of key equal opportunities statistics on NRW.BANK's Intranet.

In 2014 the Managing Board and the business unit heads confirmed the 2006 "Principles for Collaboration, Communication and Leadership" as well as the mission

statement of NRW.BANK following an in-depth discussion. This endorsement confirms that, apart from their responsibility for the Bank's economic success, the executives of NRW.BANK and all employees place great importance on fair and open-minded collaboration in the spirit of partnership. It is for this reason that the "Fairness at Work" labour agreement was concluded already back in 2007; drafted along the lines of Germany's Allgemeines Gleichbehandlungsgesetz (AGG) act, this internal agreement is designed to prevent discriminatory and unfair practices. The Equal Opportunities Officer serving as the designated complaint recipient under the AGG did not receive any relevant reports during the year 2014. NRW.BANK views this fact as a positive confirmation of its internal culture which is characterised by respect and mutual esteem.

3.3 Maintaining Performance

3.3.1 Occupational Safety and Strategic Health Management

Good working conditions and exemplary health and safety policies 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. Services range 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.

For NRW.BANK, health means much more than just the absence of illness. Its health promotion activities therefore aim to encourage healthy behaviour and reduce avoidable strains in the workplace. Therefore, the focus is on the question "what keeps people healthy"?

An important tool to identify strains in good time is a systematic hazard analysis. All employees are regularly asked about potentially hazardous circumstances and stress factors at work. Thanks to the collaboration between the responsible persons – especially the occupational safety officer, the company doctor, the

staff council, the social officer, building management as well as the managers and executives – any strains identified by the survey are usually eliminated in an unbureaucratic way.

NRW.BANK has established two working groups to address the health protection issue to the benefit of all employees:

- The Occupational Safety Committee advises the Bank on all matters of occupational safety as well as accident prevention. Its members comprise representatives of the Bank, the staff council, the company doctor, the representatives of the severely disabled, a safety officer and the occupational safety officer.
- The Health Working Circle meets twice per year. It is comprised of the HR executive in charge of health management, the company doctor, the social counsellor, the occupational safety officer, the representatives of the severely disabled as well as a representative of the staff council. Its mission is to further develop the strategic health management and to decide and implement concrete measures.

"Mental Health – a Life in Balance" was the main annual theme chosen by the Working Circle for the year 2014. Following the very well attended launch lectures, NRW.BANK offered its employees a year-long programme of free measures and activities addressing a variety of topics related to nutrition, exercise and relaxation.

All current occupational health and safety measures as well as NRW.BANK's future plans are detailed in the annual health report which is available to all members of the workforce.

Preventive check-ups, no matter how expertly planned and performed, cannot entirely prevent illnesses. This is why NRW.BANK started to optimise its post-illness reintegration management system already in 2013. The purpose of this optional and voluntary service for employees returning after a prolonged illness is to develop a set of personalised support and reintegration measures

which take their working environment into account. These measures are meant to support their reintegration after a long absence and help stabilise their health. The Bank is very much aware of the sensitive personal issues touched by this process and attaches the utmost importance to ensuring absolute confidentiality and data protection.

3.3.2 "Leave of Absence for Special Reasons"

Good working conditions are important but sometimes one needs to take time off from work in order to recharge one's physical and emotional batteries. Such sabbaticals

are becoming increasingly important especially since people are entering the work place at an earlier age due to the education reforms that have shortened the school and university tenure and the higher statutory retirement age. NRW.BANK offers its employees a sabbatical concept which allows for up to two months' unpaid leave of absence in addition to the paid vacations. The concept ensures that employees remain fully covered for social security purposes. Ten employees availed themselves of this possibility during the year 2014 and another five have already applied for a sabbatical in 2015.

3.4 NRW.BANK Personnel in Figures

	2014		2013		2012	
	absolute	in %	absolute	in %	absolute	in %
Total number of permanent employees¹⁾	1,283	100.0%	1,256	100.0%	1,258	100.0%
by sex						
– women	660	51.4%	642	51.1%	642	51.0%
– men	623	48.6%	614	48.9%	616	49.0%
by company location						
– Düsseldorf	871	67.9%	847	67.4%	841	66.9%
– Münster	412	32.1%	409	32.6%	417	33.1%
by type of employment						
– full time	989	77.1%	991	78.9%	1,005	79.9%
– part time	294	22.9%	265	21.1%	253	20.1%
by function group						
– management (incl. Managing Board)	232	18.1%	232	18.5%	228	18.1%
– specialists/project workers	428	33.3%	395	31.4%	384	30.5%
– case workers	471	36.7%	467	37.2%	477	37.9%
– secretaries	45	3.5%	46	3.7%	48	3.8%
– non-commercial functions	51	4.0%	55	4.4%	55	4.4%
– special functions ²⁾	6	0.5%	6	0.5%	6	0.5%
– apprentices	50	3.9%	55	4.4%	60	4.8%
by remuneration						
– collective pay (incl. apprentices)	862	67.2%	847	67.4%	861	68.6%
– non-collective pay (incl. Managing Board)	421	32.8%	409	32.6%	397	31.6%
Total number of apprentices	50		55		60	
– new apprenticeships	16		20		22	
– completed apprenticeships	25		18		20	
– hiring ratio (unlimited)	84.0%		72.2%		80.0%	
Average age, total	43.4		43.1		42.5	
Average service life	16.0		16.2		15.8	
Departures, total (excl. apprentices)	32	2.5%	30	2.4%	55	4.4%
– due to termination	10	0.8%	10	0.8%	19	1.5%
– due to age	22	1.7%	20	1.6%	36	2.9%

¹⁾ excluding employees on parental leave

²⁾ exempted staff representatives, Equal Opportunities Officer, Occupational Safety Officer.

4 Climate and Environmental Protection

- 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.
- 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.
- 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.

In its capacity as the development bank for North Rhine-Westphalia, NRW.BANK is committed to implementing the North Rhine-Westphalian government's guiding principle of "sustainability". When it comes to using resources and producing carbon emissions, NRW.BANK therefore pursues an "avoidance before reduction" policy.

In spite of this great commitment, it is impossible to entirely avoid emissions. In the past fiscal year, the Bank therefore decided to neutralise the emissions produced in 2013 for the first time through climate protection projects in developing and emerging countries with the help of certificates from the NRW.BANK.Klima certificates programme. This strategy will be continued for the emissions produced in 2014.

Eight years ago NRW.BANK started to collect and assess its environmental performance indicators according to the VfU¹⁾ standard. The resulting figures provide a reliable data basis for NRW.BANK's ongoing commit-

ment to putting sustainable operation and resource efficiency into practice in its day-to-day business. The Bank constantly aims to improve this data basis; as a result, the 2014 eco-balance is the first to include all marketing materials and also provides a more stringent breakdown into short-haul and long-haul flights.

The development bank reports its performance indicators in an open and detailed manner in order to ensure transparency towards its different stakeholders.

4.1 Basis for Reporting

4.1.1 Scope and Period of Reporting

The performance indicators presented here have been taken from the eco-balance²⁾ which shows and assesses the ecological data of NRW.BANK and the resulting environmental impact for the year 2014. The Bank operates at two locations in Düsseldorf and a building complex in Münster.

To ensure maximum data quality, NRW.BANK has collected the consumption and flow data (input and output) for the period from November 1, 2013 to October 31, 2014. The data for the spaces, vehicles and employees are published in the environmental report for the period ended October 31, 2014.

4.1.2 Data Collection and Reference Values

As the data are collected in accordance with the VfU standard, they can be compared with data of companies applying the same standard. The basis is formed by the VfU's revised guidelines in conjunction with the conversion factors of the 2013 update.

The number of employees provides the basis for the formation of relative environmental performance indicators (per-capita consumption). Part-time employees are added up to full-time employees, and temporary employees are covered for the duration of their employment. Staff numbers of 1,348 for 2012, 1,347 for 2013 and 1,353 for 2014 were taken as the basis.

¹⁾ Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten.

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

To calculate water consumption per employee, the number of working days was fixed at 250 days. As units of measurement Kg or t, kWh, km or m³ were used for all accounts of the eco-balance.

4.2 Building Energy

In the field of building energy, NRW.BANK continues to rely heavily on resource-efficient energy sources. All of the Bank's buildings are heated using district heat which is particularly environmentally friendly.

Moreover, 100% of the electricity purchased by the Bank in 2014 was green electricity generated by run-of-river hydropower plants.

Energy Consumption	2014	2013	2012
	kWh	kWh	kWh
Heating energy			
– total	4,433,420	4,733,010	4,892,730
– per employee/year	3,276	3,515	3,629
Electricity consumption			
– total	5,802,897	5,739,099	5,672,010
– per employee/year	4,287	4,262	4,207

Total heating energy consumption again reflects the weather-related reduction. Absolute consumption declined by 6.3%, while per-capita consumption was reduced by 6.8%.

Electricity consumption remained almost stable at a low level compared to the previous year with absolute consumption rising by a moderate 1.1% and per-capital consumption by 0.6%.

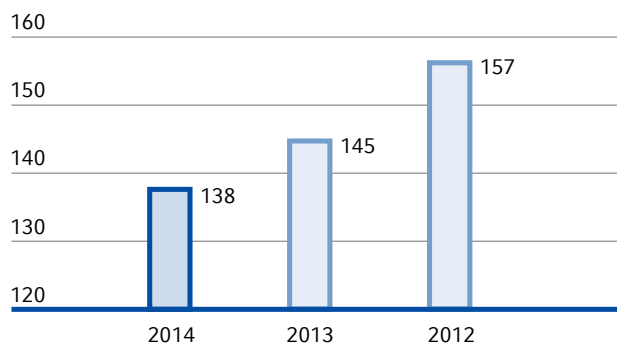
4.3 Business Travel

Maintaining business relationships and ensuring smooth and effective coordination between different branches of locations is of great importance for a company. But today's high mobility requirements also entail considerable environmental problems. Business trips are therefore an important aspect in assessing a company's environmental performance.

NRW.BANK is aware of these problems and has issued clearly defined travel guidelines aimed at reducing employees' business trips to a minimum. The travel guidelines ensure that preference is given to video and telephone conferences, local public transport and rail travel.

The fact that average carbon emissions of the Bank's vehicle fleet continue to be reduced successfully is not least due to the fact that the Bank seeks expert advice when it comes to selecting new company cars. Average emissions were reduced by 4.8% from 144.7 g/km in 2013 to 137.7 g/km in 2014.

Average Fleet CO₂ Emissions in g/km

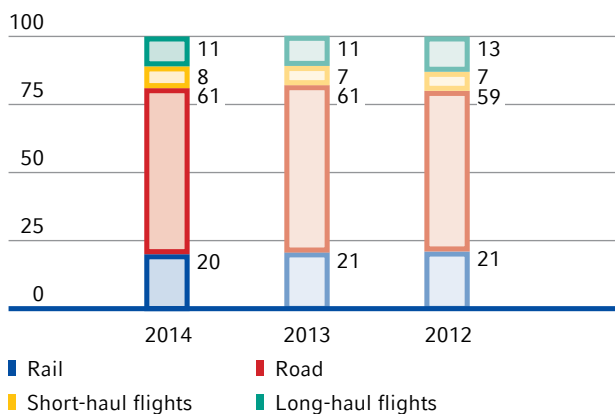


Total kilometres travelled by NRW.BANK's employees were again reduced in 2014 and declined by 6.6% to 4,324,270 km. This is equivalent to 3,195 km travelled per employee which is 6.0% below the prior year level.

Business Travel	2014	2013	2012
	km	km	km
Rail	870,804	955,831	985,682
Road*	2,660,988	2,785,373	2,811,009
Short-haul flights	328,557	339,565	330,178
Long-haul flights	463,921	496,806	658,344
Total	4,324,270	4,577,575	4,785,213
km per employee	3,195	3,399	3,549

* All kilometres travelled by the Bank's company cars, rental cars and private vehicles.

Business Travel in %



The reduction in business travel was achieved evenly across all means of transport consequently their relative shares remained almost stable compared to the previous years. Car travel continues to account for the biggest share of total business travel, followed by rail travel with 20.1% (2013: 20.9%) and air travel with 18.3% (2013: 18.2%).

91.2% of the rail travel was provided carbon-free by Deutsche Bahn AG meaning that the calculation of carbon emissions covered only 71,406 km travelled on local transport.

The reporting of short-haul and long-haul flights was improved by breaking down multi-leg flights into segments, thereby achieving a more accurate presentation.

4.4 Paper

The eco-balance covers all paper used for office purposes including printed matter such as letterheads and envelopes. For the past fiscal year, the eco-balance for the first time also comprises marketing materials such as annual reports, brochures, and flyers.

Total paper consumption in the fiscal year amounted to 65 t or 48 kg per employee. Given that marketing materials were included for the first time, it does not make sense to compare total paper consumption with that of the previous year. The comparison with the prior year figures therefore exclusively covers printing and copier paper, as in the previous years. This comparison again shows a reduction in paper consumption by 2.6%.

Paper Consumption*

	2014	2013	2012
	kg	kg	kg
Total	46,620	47,840	49,239
kg per employee	34.4	35.5	36.5

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

Besides the quantity consumed, the quality of the paper used is also an important item in the eco-balance. The table below shows the paper used excluding envelopes, printed matter and marketing materials:

Paper Grades

	2014	2013	2012
	%	%	%
Recycled paper	53.0	4.6	6.0
Primary fibre paper, ECF ¹⁾	24.0	83.7	79.0
Primary fibre paper, TCF ¹⁾ , wood-free	0.1	0.0	0.1
Primary fibre paper, FSC ²⁾	22.9	11.7	14.9

¹⁾ Elemental chlorine-free (ECF), totally chlorine-free (TCF).

²⁾ Forest Stewardship Council (FSC).

The figures show that the decision to no longer use virgin fibre paper for printers and copiers taken at the end of 2013 has successfully been put into practice. The percentage of recycled paper has increased more than tenfold which means that over half of the total paper used in 2014 was recycled paper. NRW.BANK intends to further accelerate this positive trend going forward.

4.5 Water

Water is an important and valuable resource whose protection is actively supported by NRW.BANK. Grey water from the air scrubbers and recooling systems is used for the Bank's sanitary facilities, and water-efficient technologies are specified for retrofits and new installations.

Process and

Drinking Water

	2014	2013	2012
Total consumption	21,281 m ³	19,206 m ³	19,895 m ³
Daily consumption per employee	62.9 l	57.1 l	59.0 l

Water consumption nevertheless rose by 10.8% in absolute terms and by 10.1% per employee compared to the previous year. This increase applies to both head offices and is due, among other things, to an increase in the space occupied.

4.6 Waste

The 2014 eco-balance covers the following waste types: paper (incl. documents shredded), mixed packaging, food residues, waste fats, green waste, used electronic devices, glass, residual waste, sludge from the company's own water treatment and fluorescent lamps.

Taking all waste types into account, the Bank produced a total of 371.6 t of waste in 2014. This is equivalent to 274.6 kg of waste per employee and represents a reduction of 6.1% in total waste and by 6.6% in waste per employee compared to the previous year.

The following table shows the amounts of waste produced exclusively as a result of the banking activity and excluding waste primarily produced in conjunction with the operation of the kitchen.

Waste Volume	2014	2013	2012
	t	t	t
Waste paper	55.4	53.6	56.1
Document shredding	43.0	82.3	56.6
Residual waste	108.9	108.6	113.1
DSD ("Green Dot")	3.2	3.4	3.0
Total*	210.4	247.9	228.9
kg per employee	155.5	184.1	169.8
Recycling ratio*	48.3%	56.2%	55.4%

* excl. other and kitchen waste, differences due to rounding.

With regard to the waste from banking activities, the much lower level of document shredding in the fiscal year led to a reduction of 15.1% in total waste, of 15.5% in waste per employee and of 7.9% in the recycling ratio compared to the previous year.

4.7 Greenhouse Gas

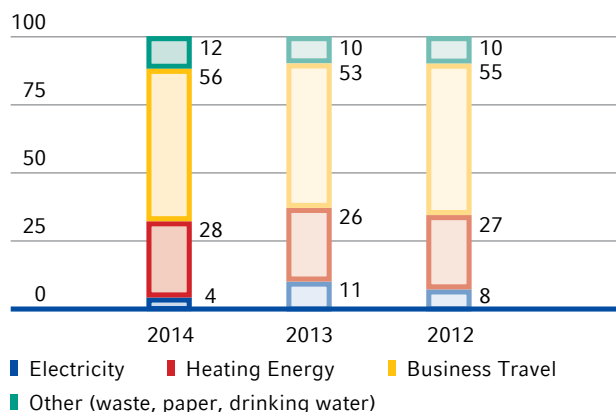
Greenhouse gas emissions are an important indicator for assessing a company's environmental performance. The calculation of this performance indicator covers all the above-mentioned environmentally relevant consumption figures and wastes of NRW.BANK as well as the quantity of emergency power diesel used.

CO ₂ Emissions	2014	2013	2012
	kg CO ₂	kg CO ₂	kg CO ₂
Electricity	68,474	193,060	132,521
Heating energy incl. emergency power diesel	444,602	473,726	488,503
Business travel	876,431	938,595	984,397
Paper	77,951	68,606	74,244
Drinking water	15,939	14,386	14,901
Waste	96,746	88,418	85,978
Total emissions¹⁾	1,580,143	1,776,790	1,780,544
CO ₂ per employee	1,168	1,319	1,321
Offset by climate certificates ²⁾	1,580,143	1,776,790	0
Total	0	0	1,780,544

¹⁾ Differences due to rounding

²⁾ Wind power.

CO₂ Emissions by Producers in %



In 2014, NRW.BANK's carbon emissions totalled 1,580.1 t which is equivalent to 1,167.5 kg per employee. This represents an 11.0% reduction in total carbon emissions which is primarily due to the fact that electricity from renewable sources is now used at all NRW.BANK locations in Düsseldorf.

Direct and Indirect CO₂ Emissions at NRW.BANK in 2014

Greenhouse Gas Sources	Scope 1 ¹⁾	Scope 2 ¹⁾	Scope 3 ¹⁾	Total ²⁾
	kg CO ₂	kg CO ₂	kg CO ₂	kg CO ₂
Electricity				68,474.2
– renewable			68,474.2	
Heating energy				444,602.1
– District heat		434,475.2		
– Emergency power diesel	8,539.6		1,587.3	
Travel				876,430.7
– rail			3,413.2	
– road	521,553.6		236,827.9	
– short-haul flights			64,068.6	
– long-haul flights			50,567.4	
Paper				77,950.6
– ECF, TCF, FSC			38,868.9	
– recycled			39,081.7	
Water			15,939.2	15,939.2
Waste				96,746.2
– waste incineration			95,116.2	
– special waste			1,630.0	
Total²⁾	530,093.2	434,475.2	615,574.7	1,580,143.1
kg CO₂ per employee				1,167.5

¹⁾ 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:

- Scope 1: all direct emissions
- Scope 2: all indirect emissions produced, for instance, in the generation of electricity, steam or thermal energy sourced by NRW.BANK from external sources
- Scope 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.

²⁾ Differences due to rounding.

The 1,580.1 t of carbon emissions produced as a result of the business operations were voluntarily offset by the Bank through the purchase of certificates from two wind farm projects in India.

5 Showing Commitment to Society

- 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.

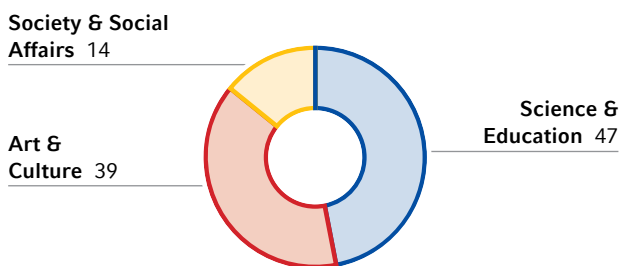
- NRW.BANK's efforts are guided by its resolve to foster creativity and ideas as well as responsible action. In this context, the Bank focuses on sponsorships related to education (academic, cultural and economic) in North Rhine-Westphalia for a young target group.
- In accordance with the guidelines 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.

NRW.BANK also lives up to its corporate responsibility through its contributions to public and community life in North Rhine-Westphalia. Suitable measures are supported in accordance with the Bank's "Guidelines for Corporate Citizenship and Other Services".

The Bank is committed to making its decisions on grants and sponsorships transparent and comprehensible and has established a formal internal process for this purpose. All requests received regarding the sponsorship of projects are documented centrally by the Bank and voted on using standardised assessment criteria. One essential precondition for approval is that the resources made available by NRW.BANK exclusively benefit projects in North Rhine-Westphalia. Proposed sponsorships and grants are voted on by the Managing Board on a quarterly basis.

In 2014 the Bank approved grants and sponsorships totalling € 0.7 million in its three defined fields "Society & Social Affairs", "Arts & Culture" and "Science & Education". The following chart illustrates the breakdown of the budget in line with the number of requests received during the year:

Sponsorship by Fields in %



5.1 Science & Education

The Bank's concept of corporate citizenship calls for the promotion of creativity and ideas as well as responsible action. The Bank consequently focused on sponsorships related to education in North Rhine-Westphalia in 2014. The following projects from the field of "Science & Education" were sponsored by the Bank:

5.1.1 ROCK YOUR LIFE! MÜNSTER

ROCK YOUR LIFE! assists young people from socially disadvantaged backgrounds for a successful career start. Participating school children benefit from comprehensive career choice information and advice backed up by personalised support as they work towards an apprenticeship or seek admission to a secondary school. The project was initiated by young people and students who now act as mentors for the school children.

5.1.2 Project "Wir haben Energie!"

Innovative teaching ideas and projects on the use of renewable energies and environmental protection were promoted by the project "Wir haben Energie! Ideen. Unterricht. Innovationen.". This competition was organised jointly by NRW.BANK and Stiftung Partner für Schule NRW. school children at twelve schools in North Rhine-Westphalia dealt with the "Energiewende", Germany's transition to a renewable energy regime, in the following categories:

- High-voltage learning – "Energiewende" at school
- "Energiewende" – What's in it for me personally – Jobs and professions in the energy sector
- So what colour is electricity really? Yellow? Green? COLOURFUL! – An artistic look at the "Energiewende"

Minister for School and Further Education of the State North Rhine-Westphalia Sylvia Löhrmann presented the awards to the project teams chosen by a professional jury. The winners came from the Ingeborg-Drewitz comprehensive school in Gladbeck, the Mechernich secondary modern school and the Im Vestern secondary modern school in Ahaus.

5.1.3 Universities

The year 2014 saw the Bank continue its support for academic institutions focusing on the finance and housing sectors. Annual basic grants were received by:

- Institut für Kredit- und Finanzwirtschaft at Ruhr-Universität Bochum
- Centre for Financial Research at University of Cologne
- European Center for Financial Services at Universität of Duisburg-Essen
- Institut für Raumplanung at TU Dortmund University
- Institut für Kreditwesen at University of Münster

Since 2013 NRW.BANK has also funded 3-year grants for two students at the above universities under the Deutschlandstipendium scheme.

In 2014 the Bank committed to funding a 3-year grant at the Ruhr Graduate School in Economics in Essen.

5.1.4 Additional Measures in the Field of “Science & Education”

Organisation/Project	Measures Supported	Target Group
Vocational training sponsorships since 2009	Bearing the cost of vocational training for ten apprenticeships in service companies working for NRW.BANK	Secondary school graduates
Arbeiterkind.de, Berlin, Landesgruppe NRW	Honorary mentoring programme to encourage children to study by supporting them from the start of study to graduation	School children from families with no or only few university graduates
Die Stiftung Erinnern Ermöglichen, Düsseldorf	Support of the foundation which arranges visits to the Auschwitz memorial for schools in North Rhine-Westphalia	School children
School cooperation with two secondary schools and two grammar schools in Düsseldorf and Münster	Initiation of career guidance projects	School children
ESE Ethnologie in Schule und Erwachsenenbildung e. V., Münster	Project “Support diversity – live diversity: promote cultural identity in inclusive school classes” for years 5, 6 and 7	School children
Schutzgemeinschaft Deutscher Wald, Landesverband NRW e. V., Oberhausen	Sponsorship of the Youth Forest Games which are meanwhile attended by more than 40,000 primary school children annually; contribution to the funding of the “Waldmobil” in the Ruhr region	School children
Wellenbrecher e. V., Dortmund	A school class project on the prevention of violent behaviour	Children and youths
Deutsches Jungforscher Netzwerk juForum e. V., Karlsruhe	Promotion of productive exchange between science-minded young people from different disciplines of the natural and engineering sciences with a focus on North Rhine-Westphalia	School children, students and postgraduates
Tilbury House, Cologne	Support of Cologne’s junior academics at the international debating tournament	Students
Münsteraner Willem C. Vis International Commercial Arbitration Moot	Support of junior academics during a simulated legal negotiation	Students
NRW.BANK.Studienpreis “Wohnen & Stadt”	Award for diploma, master and PhD theses outlining feasible recommendations for action or helping to advance the promotional and structural policy concepts in North Rhine-Westphalia	Students
MUIMUN Arbeitsstelle Forschungstransfer, Münster	English-language conference “Münster University International Model United Nations (MUIMUN)” in Münster for students from all over the world	Students

Organisation/Project	Measures Supported	Target Group
4th Schlaun competition, Münster	Sponsorship of the competition on "Standort Oberhausen" designed to find solutions for urban planning and development	Master students/graduates of urban planning, architecture, landscape planning and civil engineering
WWU Münster, Institute for Business Management in the Chemistry and Pharmaceuticals Department	The "Global Entrepreneurship Summer School" project is designed to inspire students from the Westphalia region and students from other countries to start their own businesses while at the same time encouraging international networking	Master and postgraduate students of natural sciences, business administration and economics
Die Gaste, Turkish newspaper, Düsseldorf	Symposium on "Language ability of children from migrant backgrounds and problems of language acquisition and language teaching"	Academics and scientists

5.2 Arts & Culture

In 2014 NRW.BANK's sponsoring activities in the field "Arts & Culture" continued to focus on the promotion of young talent.

5.2.1 Concerts by Young Artists and Corporate Volunteering

The bank continued to support cultural events at its two locations by making available its premises as concert venues:

As part of the biennial "summerwinds" festivals for woodwind music, the "Signum FIVE" sextet performed in NRW.BANK's staff cafeteria in Münster.

In November the same venue hosted the fourth classical music concert in the "CHAPEAU classique" series. Cello player Konstantin Manaev joined the Berlin-based Camerata chamber orchestra comprised of six international soloists with European credentials, for two well-received concerts. Both events were organised by the Bank jointly with the Gesellschaft zur Förderung der Westfälischen Kulturarbeit e. V.

2014 was the sixth year of NRW.BANK's sponsorship of the "Düsseldorf Festival", with concerts by the "Grand brothers" duo and the "Tobias Preisig Quartett" being staged in the foyer of its Düsseldorf building on two nights.

NRW.BANK employees volunteered at all four concerts, serving beverages and snacks to the guests. The proceeds amounting to € 2,600 were donated to the

programme "JeKits – Jedem Kind Instrumente, Tanzen, Singen". The purpose of JeKits is to provide access to musical instrument playing, dancing or singing as an aesthetic experience for groups of kids.

5.2.2 NRW.BANK.Kunstkalender

For the tenth time in the series, NRW.BANK invited young photographers to submit their application for the design of the NRW.BANK.Kunstkalender. The theme chosen for the 2015 edition of this annual calendar was "Humanity's Companions – Trees in NRW" and numerous impressive entries were received. The first place was awarded to Joshua Alexander Hoffmann from Kürten, with Jennifer-Christin Wolf from Hennef and Claudia Hettwer from Hamburg finishing second and third, respectively.

The theme of the 2016 calendar will be "Departure and Destination – Bridges in NRW".

5.2.3 Promotion of the Arts

In 2013 the Bank started two cooperative schemes with the Düsseldorf and Münster arts academies as part of which two-year exhibitions were staged on the Bank's premises in both cities. During 2014 a number of guided tours of these arts exhibitions were held for members of the general public:

- The class of professor Rita McBride developed several location-specific arts projects, partly involving objects and members of NRW.BANK in Düsseldorf. "Group Effect" was the title of an exhibition staged by 15 of her students whose

work looked at the relationship between reality and fiction, work and play, material and idea.

- In Münster 23 students from the class of Professor Julia Schmidt explored the architectural, economic and social structures of NRW.BANK during a full semester. The results were presented in the exhibition “Flamingo” in 2014.

- Two exhibitions which will remain on show in Münster until year-end 2015 present a work titled “Zusammenspiel von Reflexion und Durchlässigkeit” by Melanie Bisping and Clara Napp as well as Sujin Seo’s work “Leuchttreppe”. Both works were created as part of an NRW.BANK-sponsored competition at the Münster Arts Academy.

5.2.4 Additional Measures in the Field of “Art & Culture”

Organisation/Project	Measures Supported	Target Group
Städtischer Musikverein zu Düsseldorf e. V.	Support for the “SingPause” (singing break) at primary schools	Primary school children
lit.COLOGNE	lit. COLOGNE event in general and the children and youth programme offering readings for school classes in particular	Children and youths
Kunst gegen Sucht e. V., Düsseldorf	Project “Mobiles Theater”: performance of a play on dependency prevention at schools and follow-up work with school children	School children
Förderverein JO! Junge Oper e. V., Detmold	Teams of young singers fresh out of training visit schools to perform operas in age-appropriate formats	School children
Gesellschaft zur Förderung der Westfälischen Kulturarbeit e. V., Münster	Promotion of promising young artists as well as concept development and organisation of cultural events in the fields of art, music and literature in Westphalia	Up-and-coming artists
Stiftung Klavier-Festival Ruhr, Essen	Grants for young pianists, competition winners and first-time performers	Up-and-coming artists
Ruhrtriennale, Gelsenkirchen	Support of innovative mediation formats at the international arts festival which focuses on promoting young talent and aims to establish the Ruhr area as an important cultural location	Up-and-coming artists
pro Gitarre e. V., Münster	Proficiency classes for young guitar players	Up-and-coming artists
“NEW DÜSSELDORF POP” (music fair)	Workshops at the fair	Up-and-coming artists
Beethoven Bonn, Creativity and Innovation, Bonn	Cultural project “Rhein Jam Hip-Hop-Festival 2014”: hip-hop competition	Up-and-coming artists
Kunsthalle Düsseldorf gGmbH	“TAU” exhibition organised by the Düsseldorf art academy in the KIT (Kunst im Tunnel)	Up-and-coming artists
Landesmusikakademie NRW	Support of musical (further) training and the promotion of young talent	Lay musicians, music teachers, school and up-and-coming musicians
Project “kunst:dialoge at Museum Ludwig”, Cologne	Project in the context of which students of art history introduce visitors to modern and contemporary art in a dialogue as part of their own education	Students/Artists

Organisation/Project	Measures Supported	Target Group
Internationale Kurzfilmtage Oberhausen gGmbH	Sponsorship of the short film festival and support of the NRW competition especially for productions from up-and-coming filmmakers from North Rhine-Westphalia	Up-and-coming filmmakers
Kino Gesellschaft Köln	NRW KINOTAG, where movies from NRW are presented to a broad audience in special features	Diverse

5.3 Society & Social Affairs

5.3.1 Eine Welt Netz NRW, Münster

In 2014 NRW.BANK continued to support the "Eine Welt Netz NRW" initiative which organises projects to strengthen kids' and youths' awareness of our world. The "Eine Welt Mobil", a white van packed with teaching materials for school children from year 3 and older, responds to strong demand from schools for on-site support. The teaching units introduce school children to such topics as climate change, energy consumption, fair trade, the rain forest and responsible garment production.

5.3.2 Christmas Activity and Donation

Marking the seventh year of this Christmas activity, NRW.BANK employees once again supported charitable institutions looking after children and youths. Two large Christmas trees at the Bank's dual head offices in Düsseldorf and Münster were decorated with stars inscribed with suggestions for presents and donations for the benefit of the Regenbogen and Königskinder children's hospices, the Düsseldorf and Münster cancer support charities, the "Raum_58" project in Essen as well as the Düsseldorf and Münster food banks. Apart from the presents to individual children, employees donated a total of € 11,693 to the aforementioned charities; this sum was doubled by NRW.BANK.

In addition, the Bank's annual Christmas donation benefited the following charities:

- The "Schmetterling e. V." charity in Emsdetten is renovating the climbing scaffold in the garden on the inclusive Montessori children's house. Up to 90 children aged two and older, including children with special needs, visit this preschool which also runs inclusive parent-child groups for one to two year-olds.
- The Max Ernst Museum Brühl of the Landschaftsverband Rheinland received support for its "Kunstcafé" and "Kunstcafé aktiv" events for people with dementia who are given tours of the museum once a month. In addition, workshops held in a "fantasy lab" encourage dementia sufferers to remember hidden feelings through the experience of art.

5.3.3 Storm Relief Donations

On June 9, 2014, hurricane Ela damaged or destroyed far in excess of 40,000 trees in Düsseldorf. NRW.BANK has made a donation to support the restoration and replanting efforts. In addition, the Düsseldorf branch of the DLRG (German lifeguard association) received a grant towards the reconstruction of its local centre which was heavily damaged by the hurricane.

The greater Münster area was ravaged by an exceptional series of storms in the night from July 28 to 29, 2014. A donation from NRW.BANK contributes to the renovation of the library in the Kinderhaus district of the city.

5.3.4 Additional Measures in the Field of “Society & Social Affairs”

Organisation/Project	Measures Supported	Target Group
Gewerkschaft der Polizei	Colouring books on the topic of “road safety”	Kindergarten kids/ Elementary school children
Kalker Kindermittagstisch e. V., Cologne	Funding lunches and other aids for up to 150 children	Children
SOS-Kinderdorf e. V.	Extension of a family house in the SOS-Kinderdorf Lippe for a Kinderdorf family with six boys and girls	Children
Bundesstiftung Kinderhospiz (institutions in North Rhine-Westphalia)	Dissemination and publication of the children’s hospice concept	Terminally ill children
TrauBe Köln e. V.	Grieving support	Children, youths and young adults
Bundesverband Deutsche Tafel e. V.	Food banks in North Rhine-Westphalia which collect excess food of immaculate quality and distribute it to people in need. Special support for children’s food banks and projects for senior citizens	Children, senior citizens
Düsseldorfer Drogenhilfe e. V.	Support of charitable, economic and social projects	Drug addicts and groups threatened by dependency
draußen! e. V., Münster	Creation of life improvement prospects through the “draußen!” street magazine	Homeless and unemployed people
Asphalt e. V./fiftyfifty, Düsseldorf	Support offerings for the homeless	Homeless people
muTiger-Stiftung, Gelsenkirchen/Düsseldorf	Prevention of violence through education, enlightenment and training for greater confidence and courage in everyday situations	Adults
Bundesanstalt Technisches Hilfswerk, Landesverband NRW (THW)	Support of the THW, 99% of whose members volunteer to provide disaster relief	Diverse

Report on Public Corporate Governance in the Year 2014

The fiscal year 2014 and, hence, the Bank's corporate governance activities were strongly influenced by the implementation of the directives and regulations adopted by the European Parliament in 2013, namely CRD IV (Capital Requirements Directive IV) and CRR (Capital Requirements Regulation), which are relevant for NRW.BANK. Among other things, they led to the amendment of the German Banking Act (KWG), the Remuneration Ordinance for Institutions (Instituts-VergV) and the Minimum Requirements for Risk Management (MaRisk). This, in turn, had an impact on NRW.BANK's corporate governance structure. In addition, the Public Corporate Governance Code (PCGK) of NRW.BANK was revised against the background of the adoption of the Public Corporate Governance Code of the State of North Rhine-Westphalia and put into force on January 1, 2014.

1 General Information

As the development bank for the State of North Rhine-Westphalia, NRW.BANK has been commissioned by the government to support the state and its municipal corporations in meeting their public tasks, particularly in the fields of structural, economic, social and housing policy. It is not least against this background, that NRW.BANK is fully committed to responsible and transparent corporate governance and supervision vis-à-vis the public and the guarantor as well as investors, customers and employees.

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

For the past fiscal year, the Managing Board and the Supervisory Board declare, for the first time, that the

Bank has complied with the recommendations of the Public Corporate Governance Code. In accordance with Clause 1.3.2 of the Public Corporate Governance Code, deviations from these recommendations are disclosed and explained in the following Declaration of Conformity. The duty to issue this declaration is laid down in Section 30 para. 8 of NRW.BANK's statutes.

As part of a reorganisation, the function of the Public Corporate Governance Adviser was transferred to the Head of Strategy/Communications/Board Office in the past fiscal year. The PCG Adviser and his predecessor, respectively, were involved in all public corporate governance issues throughout the past fiscal year.

2 Guarantor and Board of Guarantors

The State of North Rhine-Westphalia is the guarantor and sole shareholder of NRW.BANK. The guarantor ensures that NRW.BANK can fulfil its tasks (institutional liability) and is liable for the obligations of NRW.BANK (guarantor liability).

The guarantor exercises its ownership and voting rights by way of the Board of Guarantors. The Board of Guarantors is composed of members in virtue of their office – according to the statutes of NRW.BANK these are the Minister for Economics of the State of North Rhine-Westphalia, the Minister for Finance of the State of North Rhine-Westphalia as well as the Minister for Housing of the State of North Rhine-Westphalia – and of members appointed by the guarantor. One appointed member of the Board of Guarantors resigned from office and went into retirement with effect from September 30, 2014. As of December 31, 2014, no new member had been appointed by the guarantor.

The voting rights of the sole guarantor, the State of North Rhine-Westphalia, on the Board of Guarantors are exercised unanimously by the "voting agent". The voting agent and the chairperson of the Board of Guarantors are members appointed by the guarantor.

The Board of Guarantors discusses the overall strategy of NRW.BANK presented by the Managing Board and adopts the principles of the business, promotion and risk policies contained therein at the recommendation of the Supervisory Board.

The Board of Guarantors held two meetings during the fiscal year. In March 2014 it adopted a set of revised statutes, which came into force on March 13, 2014. Besides the implementation of the requirements of Section 25d KWG, Section 10 No. 12 of the statutes stipulates that the Board of Guarantors is responsible for amendments to the Public Corporate Governance Code of NRW.BANK. The amendment of the statutes was approved by the regulatory authority, the Ministry of Interior and Municipal Affairs. A decision by the Board of Guarantors regarding the benchmarks pursuant to Section 6 para. 1 of Law on the Promotion and Use of Housing for the State of North Rhine-Westphalia (WFNG) was not required in 2014, as a multi-year benchmark decision for the years from 2014 to 2017 was made by the Board of Guarantors in 2013.

In addition, the Board of Guarantors decided to continue the existing directors' and officers' liability insurance policy (D&O insurance) for the members of the Managing Board, the Supervisory Board and the Board of Guarantors. A deductible of 10% of each damage but of no more than 1.5 times the fixed annual remuneration was agreed for the first time in the past fiscal year.

Increasing requirements in the banking environment and constant regulatory amendments make regular further training indispensable for the members of the Board of Guarantors. Back in 2011, NRW.BANK already adopted a qualification budget for mandate holders, which originally applied only to the members of the Supervisory Board and was later extended to the members of the Board of Guarantors. In agreement with the PCG Adviser, the members of these bodies may individually take part in further training offerings at the expense of the qualification budget. Moreover, NRW.BANK has developed a further training concept and organised a customised proficiency seminar on "bank management and bank regulation" for the members of the Board of Guarantors in spring 2014. A joint advanced seminar on "credit risk management" was offered to the members of the Supervisory Board and the Board of Guarantors in autumn 2014. The seminar series will be continued in 2015.

3 Managing Board

The Managing Board is responsible for independently managing NRW.BANK according to commercial principles. In doing so, the Managing Board observes all relevant legal provisions, the statutes of NRW.BANK, the Public Corporate Governance Code of NRW.BANK and the directives adopted by the Supervisory Board as well as the rules of procedure for the Managing Board. The Managing Board also ensures that legal provisions and the Bank's internal directives are observed and complied with by the Bank's investments.

The Chairman of the Managing Board, Mr Dietmar P. Binkowska, resigned from office with effect from April 30, 2014. This resulted in a reorganisation of the Managing Board, as part of which Mr Klaus B. Neuhaus, member of the Managing Board, was appointed Chairman of the Managing Board with effect from May 1, 2014. Especially against the background of the required organisational separation between front office and back office as required under MaRisk, the reduction of the Managing Board to three members led to an adjustment of the organisational structure and a modification of the powers and responsibilities of the Managing Board members. In accordance with the MaRisk requirements, the former business unit "Risk Management" was split up into the business unit "Risk Control" and the business unit "Credit Management". As a result of these modifications, the rules of procedure for the Managing Board were revised in the fiscal year.

In the second half of the year, the appointment of Mr Dietrich Suhlrie as member of the Managing Board was renewed for another five years. With regard to the senior management positions, the Managing Board adopted principles, in the past fiscal year, which are based on the requirements of Section 32 KWG regarding the suitability assessment of managers. In accordance with Clause 3.3.4 of the Public Corporate Governance Code, the objectives of the State Equal Opportunities Act as well as an appropriate representation of both genders are observed when it comes to filling management positions. The process for filling vacant positions is supported by the Equal Opportunities Officer of

NRW.BANK. Where candidates have the same professional and personal qualifications, preference is given to women. As of December 31, 2014, women held 27.2% and men 72.8% of the management positions of the 1st to 5th level of the Bank. 47.1% of all new management positions or management positions to be refilled were filled with women in 2014.

After a hearing by the Supervisory Board, a Remuneration Officer and a Vice Remuneration Officer were appointed by the Managing Board in the past fiscal year. According to the Remuneration Ordinance for Institutions, it is a key task of the Remuneration Officer to monitor the appropriateness of the remuneration systems of the workforce. In doing so, he liaises closely with the Chairman of the Remuneration Committee and reports to the Managing Board and the Supervisory Board of NRW.BANK.

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

In the fiscal year, for the first time, an external management consultancy was commissioned to carry out an evaluation of the managing bodies as defined in Section 25d para. 11 KWG. The Nomination Committee dealt with the evaluation of the Managing Board and presented the results to the Supervisory Board. The management consultancy commissioned at the initiative of the committee conducted a survey using anonymous questionnaires. In addition, data was collected by way of a document analysis and a benchmark comparison. The self-evaluation of the Managing Board members, the external valuation by the members of the Supervisory Board, the document analysis and the benchmark comparison arrived at the conclusion that the members of the Managing Board are able and sufficiently experienced to effectively and efficiently conduct the Bank's business activities. The evaluation also confirmed that the members of the Managing Board fulfill their tasks in an independent, unbiased and selfless manner. Decisions by the Managing Board are taken efficiently, effectively and free from personal interests. The co-

operation between the Managing Board members, with the Bank's bodies and its employees is characterised by trust and openness.

The Managing Board members avoid situations that may lead to personal conflicts of interest. In the event of a conflict of interest, they immediately disclose it to their fellow Board members and the Supervisory Board. This requirement was met in the fiscal year.

The members of the Managing Board are committed to integrity in office. They strictly comply with the prohibition of accepting benefits. Invitations to events are accepted exclusively in the interests of the Bank.

Secondary activities on Supervisory Boards or comparable controlling bodies of enterprises are performed only after they have been approved by the Supervisory Board. The Supervisory Board mandates of the incumbent Managing Board members are confined to companies in which NRW.BANK holds an interest. The respective approvals of the Supervisory Board have been obtained. The remuneration received has been disclosed to the Bank and is shown in the Annual Report.

Similar to the Supervisory Board and the Board of Guarantors, D&O insurance has been taken out for the members of the Managing Board. A deductible of 10% of each damage but of no more than 1.5 times the fixed annual remuneration was agreed for the first time in the past fiscal year.

The members of the Managing Board undergo continuous further training in order to keep their knowledge, especially with regard to the regulatory framework and risk management, up to date.

4 Supervisory Board

The Supervisory Board oversees 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, the integrated business, promotion and risk strategy is discussed with the Supervisory Board – following preliminary consultation in the Promotion and Risk Committee. With regard to the principles of the business, promotion and risk policy, which defines the framework of the strategic activity, the Supervisory

Board submits a resolution proposal to the Board of Guarantors.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board and chairs its meetings. He regularly liaises with the Managing Board, notably the Chairman of the Managing Board, also outside the meetings during regular talks. Where necessitated by urgent events, the Chairman of the Supervisory Board informs the Supervisory Board and convenes an extraordinary meeting if required. Two extraordinary meetings of the Supervisory Board were held in the fiscal year 2014. The Chairman of the Supervisory Board also ensures that all Supervisory Board members comply with the confidentiality obligation.

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.

In accordance with the legal requirements of Section 25d KWG, two new committees of the Supervisory Board – the Nomination Committee and the Remuneration Committee – were established with effect from January 1, 2014. The work of the Nomination Committee focuses on the selection and appointment of members of the Managing Board and the Supervisory Board and their evaluation. The Remuneration Committee primarily addresses tasks relating to the remuneration systems of the Managing Board and the workforce. Prior to this date, the Supervisory Board had already established a Risk Committee and an Audit Committee in accordance with legal requirements. The required cooperation between the Remuneration Committee and the Risk Committee has been laid down in the committees' rules of procedure and an active process has been implemented. In addition, there is a Promotion Committee, which primarily addresses various aspects of the promotion policy and the promotion business. The Executive Committee prepares the meetings of the Supervisory Board, among other things, and decides on the budget for the Bank's corporate

citizenship activities. The number and the duration of the meetings held by the Supervisory Board and the committees in the fiscal year were in line with the Bank's requirements. No member of the Supervisory Board attended less than half of the meetings.

In conjunction with the evaluation of the Managing Board, the Nomination Committee also, for the first time, dealt with the evaluation of the Supervisory Board and presented the results to the Supervisory Board. According to the assessment, which was conducted in analogy to the evaluation of the Managing Board, the Supervisory Board rated its own performance mostly positively. The document analysis did not arrive at a different result. In view of the increasing requirements and amendments of banking supervisory law, individual recommendations were made, e.g. in conjunction with the better use of the existing offerings for further training.

No business or personal relations that give rise to a material and no temporary conflict of interest exist between the members of the Supervisory Board and NRW.BANK. No relevant conflicts of interest were disclosed to the Supervisory Board in the fiscal year.

Similar to the Managing Board and the Board of Guarantors, D&O insurance has been taken out for the members of the Supervisory Board. A deductible of 10% of each damage but of no more than 1.5 times the fixed annual remuneration was agreed for the first time in the past fiscal year.

The members of supervisory bodies must have the knowledge, skills and experience that are required to exercise their control function and to assess and supervise the Managing Board. In this context, financial institutions are put under an obligation to use appropriate human and financial resources to assist the members of the Supervisory Board to take up their mandate and to allow them to undergo further training in order to keep the required expert knowledge up to date (Section 25d para. 4 KWG). As outlined in the paragraph on the Board of Guarantors, a qualification budget exists for this purpose, which may be used by each member of the Supervisory Board, in agreement with the Public Corporate Governance Adviser. 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, an advanced seminar on “credit risk management” specifically tailored to the Bank’s requirements was offered to the members of the Supervisory Board and the Board of Guarantors in autumn 2014.

5 Cooperation between the Managing Board and the Supervisory Board

The cooperation between the Supervisory Board as the controlling body and the Managing Board as the managing body 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 at the meetings is complemented by an ongoing exchange, especially between the Chairmen of the Supervisory Board and the Managing Board but also between the Managing Board and the Chairmen of the individual committees.

The Managing Board informs the Supervisory Board regularly, promptly and comprehensively about all aspects of planning, business development, risk situation, risk management and compliance that are relevant for NRW.BANK as well as about important changes in the economic environment. In the past fiscal year, this was done by additional memorandums that complemented the documents used to prepare the meetings. In the second half of the year, the documents were, for the first time, provided electronically via a secure data room. This is expected to make the cooperation between the Managing Board and the Supervisory Board even more efficient going forward.

6 Transparency

Creating transparency towards the public, its owner, the supervisory body, investors, customers and employees is of particular importance to NRW.BANK. Transparency forms the basis for open communication, trusting cooperation and sustainable corporate governance.

NRW.BANK publishes the Annual Report, the Disclosure Report and the financial calendar on its website. In the context of its investor relations activities, the Bank regularly reports the latest corporate news. The Report on Public Corporate Governance and the Declaration of Conformity of NRW.BANK are published as part of the Financial Report and as a separate document on the Internet.

7 Accounting

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

At the recommendation of the Audit Committee and the proposal of the Managing Board and in consultation with the North Rhine-Westphalian Court of Audit, the Board of Guarantors appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as auditors of NRW.BANK’s financial statements for the period ended December 31, 2014 at its March 2014 meeting.

8 Governmental Control

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

9 Remuneration Report

NRW.BANK reports on the key elements of the remuneration systems for its executive and controlling bodies and its employees. This report is in keeping with the requirements of the Bank’s internal Public Corporate Governance Code, the North Rhine-Westphalian Transparency Act, the Management Remuneration Act and the Remuneration Ordinance for Institutions (InstitutsVergV) of December 16, 2013 in conjunction with Article 450 of Regulation (EU) No. 575/2013.

9.1 Remuneration of the Members of the Supervisory Board

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

Guarantors, the work remuneration and the meeting attendance fee are identical within the Supervisory Board and its 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.

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

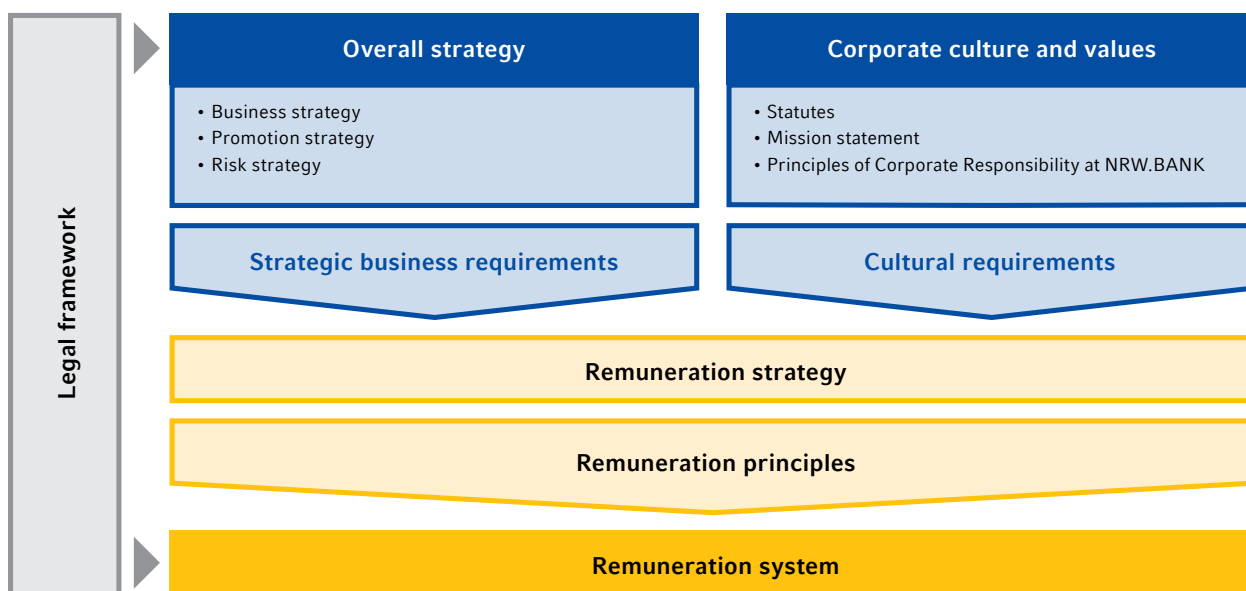
An itemised disclosure of the remuneration received by the individual members of the Supervisory Board, the Board of Guarantors and the Advisory Boards can be found in the notes to the Financial report (page 116 et seq.).

9.2 Remuneration Strategy and Control

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

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

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



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

■ **Target-oriented incentives implementing the strategy**

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

■ **Risk orientation**

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

■ **Resource efficiency**

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

■ **Long-term motivation**

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

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

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

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

of the Remuneration Commission have been laid down in NRW.BANK's internal written instructions.

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

The Supervisory Board of NRW.BANK is the responsible main controlling body with regard to the remuneration systems. It decides on the contents and the appropriateness of the remuneration systems for the members of the Managing Board based on a review and recommendation by the Remuneration Committee, which, in turn, is supported by the Remuneration Officer. The same applies to the supervision of the appropriateness of the remuneration systems for the Bank's employees and to the assessment of the effects of the remuneration systems on the Bank's risk, capital and liquidity situation. The latter was also reviewed by the Risk Committee on November 27, 2014 in accordance with Section 25d para. 8 KWG.

At four meetings in the fiscal year 2014, the Supervisory Board addressed remuneration-related issues including the hearing of the Remuneration Officer and the Vice Remuneration Officer prior to the appointments. The Remuneration Committee as defined in Section 15 InstitutsVergV and Section 25d para. 12 KWG held two meetings. This committee is composed of the following members:

- Minister Garrelt Duin (Chairman), Ministry of Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia
- Minister Michael Groschek (Deputy Chairman), Ministry of Building, Housing, Urban Development and Transport of the State of North Rhine-Westphalia
- Minister Dr. Norbert Walter-Borjans (Deputy Chairman), Ministry of Finance of the State of North Rhine-Westphalia
- Lutz Lienenkämper, member of the Assembly of North Rhine-Westphalia / Parliamentary State Secretary of the CDU Parliamentary Group in North Rhine-Westphalia
- Director Frank Lill and Director Thomas Stausberg (representatives of the employees of NRW.BANK)

9.3 General Conditions for Appropriate Remuneration

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

- The fixed salary for employees under collective agreements is based on the "Manteltarifvertrag für das private Bankgewerbe und die öffentlichen Banken" (basic collective agreement for private-sector and public-sector banks). Two consecutive wage groups are allocated to each position under collective agreement. The lower group represents the entry into the position, while the upper group represents the final target position. In addition, individualised extra pay is possible for each position, which is capped at € 1 below the next higher group. This means that in individual cases, the fixed remuneration may be up to approx. 10% above the respective collective wage group.
- For positions not covered by collective agreements, remuneration comparisons of two consultancy firms, Towers Watson, Frankfurt am Main, and hkp, Frankfurt am Main, are used to determine market indicators for NRW.BANK, which supply benchmarks for the remuneration possibilities. These benchmarks are based on the median of a peer group of German banks previously defined by the Managing Board. The market data obtained are adjusted for obvious extremes, checked against comparable positions within the Bank and reviewed for adequate differentiation from the next higher and lower reporting levels. Salary increases may be decided by the managers only within the limits of these benchmarks. Salaries exceeding these limits are decided by the Managing Board on a case-to-case basis. In accordance with NRW.BANK's Company Car Directive, business unit and department heads of the Bank may be granted a company car (also for private use).

9.4 Features and Success Factors for the Variable Remuneration

In accordance with Section 18 para. 2 InstitutsVergV, NRW.BANK has, on the basis of Regulation (EU) No. 604/2014 dated March 4, 2014, conducted a risk analysis of employees with material influence on the overall risk profile; as of December 31, 2014, the Bank has identified 63 "risk takers" – in addition to the three Managing Board members and the 14 unit heads – based on their function and/or the amount of their remuneration. These persons are believed to have "material influence on the risk profile of the Bank", according to the definition under regulatory law. The disclosure duties pursuant to Section 16 InstitutsVergV in conjunction with Art. 450 of Regulation (EU) No. 575/2013 exclusively relate to these persons, all of whom are not covered by collective agreements. The information provided below therefore focuses on the Managing Board remuneration and on the remuneration systems for employees not covered by collective agreements, although large parts of the description also apply to employees covered by collective agreements.

The necessary connection between the strategic corporate objectives agreed with the owner and the remuneration system of NRW.BANK is ensured by a systematic planning and assessment process. A consistent top-down process ensures that the corporate objectives are communicated to employees at the down-stream levels. For this purpose, the individual requirements derived from the strategic corporate objectives are documented in writing in the context of a tasks and objectives planning process at the beginning of the year. The achievement of these objectives is reviewed in an annual feedback process and documented in a performance assessment. The short, medium and long-term objectives of the Bank are laid down in the "Objectives agreement and results assessment" between the Supervisory Board and the Managing Board, in which not only the quantitative objectives but also the material qualitative and content-related objectives of the Bank are agreed. The Managing Board uses the Bank's planning and assessment system to transfer the objectives agreed with the Supervisory Board to the business units. The business unit heads and all senior

managers are responsible for transferring these strategic objectives to the employees in an adequate manner using the "PUR" (planning and feedback) appraisal system. Relevant changes occurring in the course of a year must be updated in this system. This way, it is ensured that the assessment-relevant and bonus-relevant planned objectives and tasks of all employees are adjusted in the event of strategy changes.

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

The income statement (to HGB) of the past reporting year forms the basis which justifies the creation of appropriate variable remuneration for the members of the Managing Board and all employees of the Bank.

Since 2011, NRW.BANK has used a key performance ratio system including an assessment matrix to ensure that the total amount of the variable remuneration is in line with the performance. When measuring the total performance, such ratios are used which reflect the goal of sustainable performance of a development bank while considering the risks taken as well as the capital and liquidity costs (total performance ratio: GEK I-III). The actual economic performance achieved is to be used as a benchmark. The income statement shows a result for the year that reflects all realised gains and losses as well as all discernible anticipated losses (impairity principle). Accordingly, a result in the HGB income statement is always conservative, includes all risk allowances and provisions that are necessary for loss-free valuation (individual allowances, general

allowances, provisions) and may thus serve as the basis for the measurement of the total performance in the meaning of the InstitutsVergV. As the net profit for the year to HGB may additionally include reserves for future special risks arising from the banking business, these allowance reserves in the income statement must first be neutralised to calculate the economic performance, as they are not based on any specific discernible risks and thus distort the actual result for the period. The opposite applies when reserves are released. In addition, the promotion and development funds, which are booked in the commercial balance sheet of NRW.BANK, must be neutralised. These also act as a burden on the bottom line but are at the same time an important performance feature of a development bank (in contrast to a commercial bank). This means that changes in reserves occurring in the course of a year, promotion and development funds spent as well as extraordinary one-time effects outside the regular banking business must be taken into account as adjustment items. The result is a total performance ratio of the Bank which includes all income and expenses of the period including income and expenses from the risks that have actually materialised or are anticipated in the respective period (GEK I).

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

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

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

According to Section 10 para. 2 InstitutsVergV, the variable remuneration received by executives shall be based on a multi-year assessment period. NRW.BANK applies this requirement to all employees, as it makes more sense for a development bank that operates sustainably to assess the remuneration-relevant performance on the basis of a multi-year period instead of

the result for an individual year. When weighting the individual annual results, the current assessment period should have the highest relevance, which subsides over time. A weighted three-year average is thus calculated as follows:

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

The Interpretation Guide to the Ordinance on the Supervisory Requirements for Institutions' Remuneration Systems for Section 7 InstitutsVergV stipulates that "In the case of a negative overall performance of the institution, the determination of the total amount of the variable remuneration within the meaning of section 45 (2) sentence 1 no. 5a KWG is generally not permissible". NRW.BANK defines negative overall performance as follows: When all three total performance ratios are negative, no volume or only a very low volume is made available. If the withdrawal from the reserve has increased compared to the previous years, it is possible to make available a bonus volume of no more than 25% of the sum total of the base rates for the variable remuneration only on the basis of a detailed qualitative analysis of the reasons for the losses incurred in conjunction with a positive outlook. Regardless of all performance ratios, the total performance of the Bank is defined as negative if the 340f reserves are used up entirely, which means that no variable remuneration is fixed for the fiscal year.

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

The total available volume is allocated to the Bank's business units based on a decision by the full Managing Board, which takes into account the achievement of the qualitative and strategic objectives as well as base rates for the variable remuneration. As a general rule, the available volume is not broken down further to sub-

pools of the business units. Within the department pools, the relative share of each individual is calculated on the basis of their fixed salary and the assessment of the achievement of objectives and their personal performance-relevant behaviour in the context of the annual planning and assessment process described above. This pool model ensures that the maximum volume defined by the Managing Board for the variable remuneration is not exceeded.

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

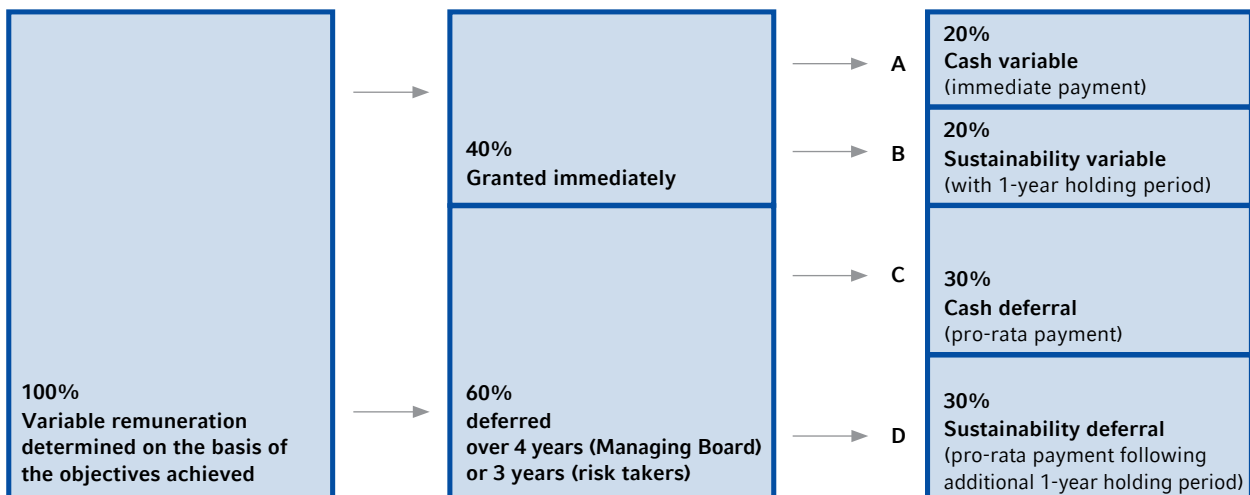
As in the two previous years, the average variable remuneration of the employees not covered by collective agreements amounted to 21% of the total annual salary. Given NRW.BANK's function as the development bank of North Rhine-Westphalia, there is an appropriate relation between the fixed salary and the variable remuneration. The amount of the variable remuneration rules out a significant dependence of employees on this payment. Nevertheless, the individual amounts are high enough to provide the required effective incentives as defined in the bank strategy.

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

9.5 Deferral and Payment Conditions

NRW.BANK has,

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



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

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

9.6 Composition of the Managing Board Remuneration

The remuneration of the Managing Board is regularly reviewed for appropriateness. For this purpose, NRW.BANK participates in an annual comparison of Managing Board salaries performed by an external remuneration consulting firm. This comparison covers the market data of Germany’s top 30 banks, with the data of the banks directly participating in the remunera-

tion comparison complemented by additional information taken from the annual and remuneration reports. Based on the total remuneration received by the Managing Board members of this peer group, the remuneration received by the Managing Board of NRW.BANK is below the median, in some cases even materially. Compared to other large development banks the Managing Board remuneration of NRW.BANK is at a medium level, although NRW.BANK was the only bank within this group having to meet the requirements of a “significant institution” by the fiscal year 2014.

In accordance with the InstitutsVergV, the actual variable remuneration of the Managing Board – similar to the variable remuneration of the risk takers – for the past reporting year is defined on the basis of the Bank’s total performance ratios, a qualitative overall risk assessment and the achievement of the complementary objectives agreed with the Executive Committee (as of the fiscal year 2015: Supervisory Board) and limited by a cap for variable payments defined by the Bank.

The objectives agreed with the Executive Committee (as of the fiscal year 2015: Supervisory Board) reflect the special demands made on a development bank and take into account that the generation of profits is not the main business purpose. In accordance with the corporate policy, which is geared to the sustainable development of the North Rhine-Westphalian economy, the local municipalities and the people in the state, the agreed objectives are divided into superordinate objectives to be achieved over a long to medium term and objectives to be achieved within one year. Both the long/medium-term objectives and the short-term objectives are derived from the bank strategy. They reflect the “principles of the business, promotion and risk policy” adopted by the Board of Guarantors and the regulatory requirements.

In the past reporting year, the variable payments for the previous year were, in accordance with Section 20 InstitutsVergV, again subject to the Bank’s sustainable total performance. Payment of these amounts will be deferred over a period of four years (deferral and sustainability component). In implementation of the differentiated interpretation aid dated January 1, 2014 for the amended Remuneration Ordinance for Institutions (InstitutsVergV), the deferral period will be extended to four years starting with the bonus for the fiscal year 2014, which will be paid out in 2015; as a result, the

payment including the sustainability component extends over a total of five years.

The partial amounts of the variable remuneration for the reporting years 2011, 2012 and 2013 that are subject to the sustainability and malus arrangement reserve and due in April 2015 will be paid out following the respective review and decision by the Bank's responsible bodies in the first quarter of 2015.

For a detailed presentation of the remuneration received by the individual Managing Board members, refer to page 113 in the notes.

After Managing Board Chairman Dietmar P. Binkowska resigned from office with effect from April 30, 2014, Mr Klaus B. Neuhaus was appointed Chairman of the Managing Board in April 2014 with effect from May 1, 2014.

On November 27, 2014, the Supervisory Board decided – at the recommendation of the Executive Committee – to reappoint Mr Dietrich Suhlrie member of the Managing Board with effect from June 1, 2015, with his contractual terms remaining unchanged.

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

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

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

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

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

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

Mr. Suhlrie benefits from a contribution-linked pension commitment. In the context of this pension commitment, a personal pension account with a starting component has been set up for him, into which annual pension components are paid. The pension component is calculated at an individual contribution rate on the basis of 69% of the fixed annual salary. The pension account carries an interest rate of 6%. At the time the insured event occurs, the pension capital built-up in the account – in the event of invalidity, plus additional components, if applicable – is actuarially converted into a pension.

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

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

As Mr. Neuhaus and Mr. Stölting benefit from commitments that are similar to those for civil servants, they are exempted from statutory pension insurance but receive benefits as defined in the North Rhine-Westphalian "Beihilfeverordnung" in the event of illness. The expenses for the pensions of the Managing Board members and the present values of the obligations are shown in the notes on page 115.

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

Quantitative information regarding the Managing Board remuneration

Composition of the Remuneration for the Year 2014

Number of beneficiaries ¹⁾	Non-performance-linked remuneration		Performance-linked variable remuneration committed in 2014	Total remuneration	Remuneration for mandates ³⁾
	Fixed remuneration	Other benefits ²⁾			
4	€ 1,878,830	€ 2,773,997	€ 564,000	€ 5,216,827	€ 165,750

¹⁾ Pro-rated remuneration up to the departure of the former Managing Board Chairman on June 30, 2014.

²⁾ Severance payments and non-monetary benefits in money's worth (primarily company car for private use).

³⁾ Remuneration received in 2014 for mandates / shown incl. VAT.

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

Complementary Information Regarding the Variable Remuneration

	Amount	Number of beneficiaries
Variable remuneration for the year 2013, committed in 2014	€ 564,000	4
– thereof paid out in 2014	€ 112,800	4
– thereof deferred	€ 451,200	4
Deferred variable amounts from the years 2011 – 2012	€ 732,700	4
– thereof vested and paid out in 2014	€ 281,800	4
– thereof vested in 2014 but not paid out because of sustainability arrangement	€ 112,700	4
– thereof not yet vested in 2014	€ 338,200	4
– thereof reduced in 2014	€ –	0

Information Regarding Other Remuneration Benefits

	Amount	Number of beneficiaries
Sign-on bonuses paid or guaranteed payments made in 2014	€ –	0
Severance payments made in 2014	€ 2,679,000	1
– thereof single highest amount	€ 2,679,000	
Persons whose remuneration in 2014 exceeded € 1.0 million	€ 3–3.5 million	1

For a breakdown of the payments to the Managing Board members by names, please refer to page 113 of the notes.

Quantitative information regarding the remuneration of the risk takers

Composition of the Remuneration for the Year 2014

Segment	Number of beneficiaries ¹⁾	Non-performance-linked remuneration		Non-performance-linked variable remuneration committed in 2014	Total remuneration	Remuneration for mandates
		Fixed remuneration	Other benefits ²⁾			
Programme-based Promotion	16	€ 2,050,812	€ 175,862	€ 634,300	€ 2,860,974	€ 16,835
Other Promotion/ Liquidity						
Management	26	€ 3,122,344	€ 35,375	€ 1,311,600	€ 4,469,319	€ –
Staff/Services	36	€ 4,394,703	€ 247,554	€ 1,296,900	€ 5,939,157	€ –

¹⁾ employees who were identified as risk takers in 2014, incl. new entries / departures in the course of the year (excl. Managing Board).

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

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

Complementary Information Regarding the Variable Remuneration

	Amount ¹⁾	Number of beneficiaries ³⁾
Variable remuneration for the year 2013, committed in 2014 ¹⁾	€ 3,242,800	77
– thereof paid out in 2014	€ 2,644,000	77
– thereof deferred	€ 598,800	15
Deferred variable amounts from the years 2011 – 2012 ²⁾	€ 1,070,610	18
– thereof vested and paid out in 2014	€ 411,490	18
– thereof vested in 2014 but not paid out because of sustainability arrangement	€ 163,860	18
– thereof not yet vested in 2014	€ 495,260	18
– thereof reduced in 2014	€ –	0

¹⁾ Relating to employees who were identified as risk takers in 2014, incl. new entries / departures in the course of 2014.

²⁾ Incl. deferred amounts for risk takers who have left the Bank in the meantime.

³⁾ One new entry as of October 1, 2014 without variable remuneration in 2014.

Deferred amounts only for risk takers identified up to and including December 31, 2013.

Information Regarding Other Remuneration Benefits

	Amount	Number of beneficiaries
Sign-on bonuses paid or guaranteed payments made in 2014	€ –	0
Severance payments made in 2014	€ –	0
– thereof single highest amount	€ –	
Persons whose remuneration in 2014 exceeded € 1.0 million	€ –	0

Declaration of Conformity

The amended Public Corporate Governance Code of NRW.BANK came into force on January 1, 2014. The Managing Board and the Supervisory Board of NRW.BANK jointly declare that the Bank essentially complied with the recommendations of the Public Corporate Governance Code of NRW.BANK in 2014. Deviations from the recommendations which make sense and are necessary are made transparent and justified below in accordance with Clauses 1.3.5 and 1.4 of the Code.

Target Agreement between the Managing Board and the Supervisory Board

According to Clause 3.4.2 of the amended Public Corporate Governance Code, targets should be agreed between the Managing Board and the Supervisory Board before the beginning of each fiscal year. As the amended Code came into force on January 1, 2014, the targets for the fiscal year 2014 were – in keeping with the previous years' practice – addressed and agreed at the meetings in March 2014 based on the 2014 financial statements. As the process has been revised in the meantime, the targets for the fiscal year 2015 were agreed at the meetings in November 2014. This means that the recommendation of the Public Corporate Governance Code will be complied with in the future.

Employment Contract of Dietrich Suhlrie

When Dietrich Suhlrie was reappointed as member of the Managing Board, a new employment contract was signed because of the term of the previous contract. The new contract does not contain a provision regarding a severance pay cap as defined in Clause 3.4.2, as such a provision was not contained in the previous employment contract.

Diversity in the Composition of the Supervisory Board

In the fiscal year 2014, women represented 13.3% of the Supervisory Board members, while men represented 86.7%. This means that the 30% minimum requirement for both genders stipulated in Clause 4.5.1 was not met. It is a key task of the newly established Nomination Committee to support the Supervisory Board in developing an objective to promote the representation of the underrepresented gender on the Supervisory Board as well as a strategy to achieve this objective. Going forward, the Nomination Committee and the Supervisory Board will do what is possible to ensure that the

requirements of the Code are met. Against the background of the statutory regulations regarding the composition of the Supervisory Board, which provide, for instance, for members by virtue of office and the appointment of additional members by the guarantor, the possibilities of the Supervisory Board in this context are limited, however. It should also be noted that the employee representatives on the Supervisory Board are elected directly by the workforce, which means that the composition of the elected representatives cannot be influenced by the Supervisory Board.

Submission of Resolution Proposals to the Supervisory Board

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

Succession Planning for the Managing Board

The long-term succession planning for the Managing Board defined in Clause 5.1.8 will be developed by the Managing Board and the Nomination Committee on the basis of the evaluation performed in 2014 and be submitted to the Supervisory Board in 2015.

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

NRW.BANK
March 2015

The Managing Board
The Supervisory Board

Report of the Supervisory Board

In accordance with the tasks imposed on it by law, the statutes and the Public Corporate Governance Code, the Supervisory Board held six meetings including two extraordinary meetings in the fiscal year 2014. Another 21 meetings were held by the Committees composed of the members of the Supervisory Board: five meetings of the Executive Committee, four meetings of the Promotion Committee, two meetings of the Audit Committee and five meetings of the Risk Committee including one extraordinary meeting. Due to amendments to the German Banking Act, which were caused by the CRD IV Implementation Act and came into force on January 1, 2014, a new Nomination Committee and a new Remuneration Committee were established. The Nomination Committee held one meeting. Moreover, one resolution by the Nomination Committee was adopted by way of a written vote. The Remuneration Committee held one meeting. In addition, one joint meeting each was held by the Executive and the Nomination Committee, the Executive and the Remuneration Committee and the Nomination and the Remuneration Committee.

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 this context, the consultations also focused on the change in the Managing Board chairmanship as well as the renewal of the employment contract of Mr Suhlrie and his appointment as member of the Managing Board for another five years.

In accordance with regulatory requirements and the provisions in the statutes, the Supervisory Board addressed the business, promotion and risk strategy for the years 2015 to 2018, 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 11, 2014.

KPMG AG Wirtschaftsprüfungsgesellschaft carried out the audit of the financial statements for 2014 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 27, 2015, 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 2014. As in the previous years, no consolidated financial statements were prepared, as the Bank is not obliged to do so under commercial law.

Düsseldorf/Münster, March 27, 2015



Garrelt Duin
Chairman of the Supervisory Board

Management Report

of NRW.BANK for the Fiscal Year 2014

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

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

1.1 Business Model

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

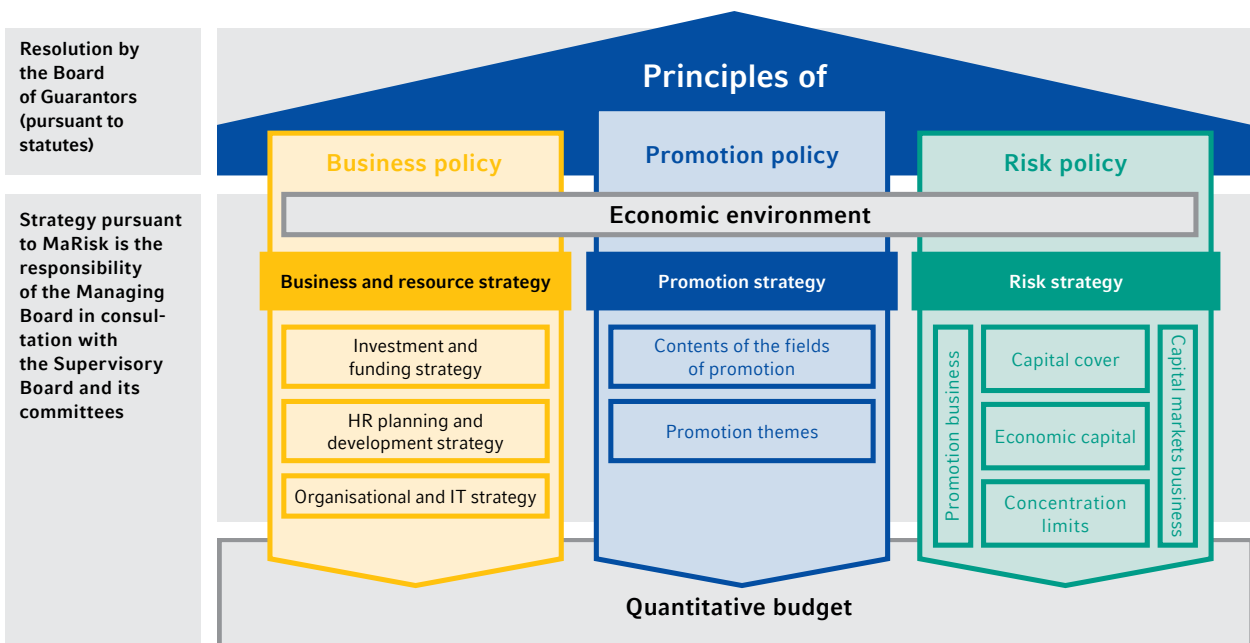
market, where the Bank has established itself as a reliable market participant. NRW.BANK generates its own income within the parameters of its conservative investment strategy. This income is used to finance its development and promotion activities, to secure the long-term viability of the Bank, also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

1.2 Objectives and Strategies

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

NRW.BANK liaises closely and constantly 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: The first level consists of principles, which, according to the statutes, are adopted by the Board of Guarantors; the second level is the strategy level, which, according to the Minimum Requirements on Risk Management



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

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

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

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

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

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

With regard to the capital market business, NRW.BANK 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 the buy-and-hold strategy continues to be pursued for portfolio investments, the capital market business is being scaled down primarily through maturing investments as well as through portfolio-enhancing and risk-reducing measures.

1.3 Internal Management System

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

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

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

Reflecting the public development mission, net volume of new commitments represent a key performance indicator used for controlling purposes. Other banking performance indicators include operating income, administrative expenses, total assets and the business

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

Net volume of new commitments comprises the commitments for promotion funds made in the current fiscal year. Operating income comprises net interest income and net commission income as well as net income from trading operations and the other operating result. Internal management is performed at Business Unit level. Due to its status as a development bank, generating profits is not the key objective of NRW.BANK. Profits generated are used to finance the development and promotion activities and to maintain the banking operations as well as to establish allowance reserves. Administrative expenses comprise personnel expenses as well as operating expenditure. The business volume comprises total assets, contingent liabilities, other commitments as well as administered funds.

A Bank-wide limit is defined each year for economic capital as determined in the context of the calculation of the risk-bearing capacity under the going concern perspective and allocated to the key risk types and Business Units.

2 Report on Economic Position

2.1 Economic Climate

2.1.1 The German Economy

Growing by 1.5% on an annual average, the German economy proved surprisingly robust in 2014. Benefiting from a very mild winter, much of this growth was achieved in the first quarter, however. Expectations of a sustainable economic recovery, which had prevailed until mid-year, were dashed in the summer months. The economy stabilised towards the end of the year. This development was primarily attributable to the difficult global economic environment, which led to growing uncertainty in the Germany economy. The sanctions imposed on Russia and the weak economic activity in the eurozone had a particularly adverse impact. Although world trade lost momentum, exports made a positive contribution to growth; at 0.4 percentage points of GDP, this contribution was relatively low, however.

Order intake in the manufacturing sector also suffered from the weaker world economy and stagnated over the year as a whole. Capacity utilisation was only average. Against this background, spending on plant and equipment increased only moderately in spite of low interest rates and good access to loans.

Thanks to the mild winter at the beginning of the year, the construction sector was characterised by special economic activity, which lost momentum as the year progressed, however. The overall trend in the construction sector remained upward in 2014. The services sector also exhibited a more positive performance than in the previous year. This reflects robust consumer spending (+1.1%). Government spending also picked up by 1.0%. The public sector primarily benefited from the lower interest rates and high employment. The resulting financial scope was partly used to increase investments. Government net lending/borrowing (including social insurance) was balanced in 2014. At 0.9%, Germany's rate of inflation was low, primarily due to the fact that the euro was strong for quite some time as well as to the decline in the prices of mineral oil products.

2.1.2 The North Rhine-Westphalian Economy

Similar to Germany's gross domestic product, North Rhine-Westphalia's GDP showed an upward trend compared to the previous year, although the increase lagged behind nationwide GDP growth. This is mainly due to North Rhine-Westphalia's stronger orientation towards the eurozone and Russia as well as to its specific sectoral structure. As a result, NRW was hit harder by the moderate growth in the eurozone economy than the other federal states. The increasing slowdown in the economy due to geopolitical tensions was also reflected in the NRW.BANK.ifo Business Climate Index. Having improved at the beginning of the year, the index dropped sharply until mid-year and then moved mostly sideways.

The North Rhine-Westphalian construction sector showed a much better performance than in the previous year, with private housing construction growing particularly strongly. In terms of building permits, multi-family houses showed the best results. Current construction projects mainly focus on densely populated areas. The dynamic construction activity is not fully reflected in social housing promotion, however.

2.1.3 Financial Markets

Tensions in the financial markets continued to subside in 2014. This was primarily reflected in the lower yields on eurozone government bonds and the reduced spreads between periphery bonds and core bonds. Much of this was attributable to the monetary policy pursued by the European Central Bank (ECB), which was very expansionary and included unprecedented non-standard measures. In June 2014, the ECB decided to reduce the deposit facility to below zero and to launch conditional long-term refinancing operations. In September, the ECB additionally launched a purchase programme for covered bonds and asset-backed securities. The main refinancing rate was cut to 0.05% and the medium-term outlook of very low interest rates was confirmed.

In addition, the ECB's tasks were expanded significantly as the central bank became the supervisory body for the banks in the eurozone, which marked an important milestone in the implementation of the banking union. In November 2014, 120 leading European banking groups – including 21 from Germany – were placed under the supervision of the ECB; these represent 82% of the assets of the eurozone banking sector. NRW.BANK is one of these banks. Save for one exception, all German banks fully passed the Comprehensive Assessment, which had been carried out previously and included an asset quality review, a risk assessment and a stress test. NRW.BANK's results in the Comprehensive Assessment are described in chapter 5.1 of the Risk and Opportunity Report.

The continued low interest rates are increasingly weighing on the profitability of the German banking sector. In phases when interest rates are low, the interest margin tends to decline. A low interest environment may have an impact on the promotion business of a development bank, especially with regard to interest rate subsidies. The relative attractiveness of a development loan over a non-subsidised loan is based on an interest rate advantage over the standard market rate. The attractiveness of promotion loans would decline if market rates were to sink below a level which no longer allows to pass on a full interest rate advantage to lenders, as would obviously be the case in a situation where market rates decline to zero percent. If current interest rates drop further, such a situation could theoretically

occur for individual promotion programmes, starting with those offering especially high interest rate subsidies.

Besides subsidised interest rates for loans, NRW.BANK offers promotion instruments on which low interest rates have no adverse impact. It takes over risks from borrowers' local relationship banks, makes available equity financings and provides advice on the effective use of promotion possibilities.

Just like the low-interest environment, other factors influence the promotion business. For instance, expectations of a weaker economy and increased geopolitical uncertainty have a dampening effect on the propensity to invest, which can be stimulated by promotion tools only to a limited extent.

2.2 Course of Business

2014 was a successful fiscal year for NRW.BANK.

Demand for promotion products remained strong. At € 8.9 billion (2013: € 9.2 billion), net volume of new commitments remained below the prior year level but slightly exceeded the Bank's expectations.

Among the promotion loans extended in accordance with the house bank principle, the standardised credit programmes such as NRW.BANK.Mittelstandskredit and NRW.BANK.Universalkredit were met with particularly high demand.

The situation in the social housing promotion segment was more differentiated, with demand for the promotion of rented dwellings picking up, while demand for promotion funds for owner-occupied housing declined.

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

In the context of the business, promotion and risk strategy, NRW.BANK continued to consolidate its capital market portfolio. While the buy-and-hold strategy continues to be pursued for portfolio investments, the portfolio was reduced primarily in the context of maturities as well as through portfolio-enhancing and risk-reducing measures.

Total assets amounted to € 143.8 billion on December 31, 2014 (2013: € 145.3 billion). The business volume stood at € 162.5 billion (2013: € 164.0 billion). These figures were in line with expectations.

In the fiscal year 2014, NRW.BANK posted operating income before risk provisions/valuation adjustments of

€ 381.4 million (2013: € 400.7 million), which exceeded the Bank's expectations. The Bank used its very good operating result to strengthen its regulatory equity capital and its risk-bearing capacity.

The table below shows NRW.BANK's results of operations from January 1 to December 31, 2014 broken down by segments:

	Programme-based Promotion		Other Promotion/ Liquidity Management		Staff/Services		NRW.BANK Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Net interest income	211.2	209.7	268.9	255.1	-15.1	28.3	465.0	493.1
Net commission income	20.2	18.6	83.5	51.0	-0.4	-0.6	103.3	69.0
Net income from trading operations	0.0	0.0	5.4	6.1	0.0	0.0	5.4	6.1
Other operating result	9.7	12.4	0.1	0.1	13.1	17.6	22.9	30.1
Administrative expenses	-81.0	-76.7	-29.2	-27.7	-105.0	-93.2	-215.2	-197.6
- Personnel expenses	-41.6	-39.9	-6.6	-6.3	-75.4	-69.8	-123.6	-116.0
- Operating expenditure	-39.4	-36.8	-22.6	-21.4	-29.6	-23.4	-91.6	-81.6
Operating income before risk provisions/ revaluation adjustments	160.1	164.0	328.7	284.6	-107.4	-47.9	381.4	400.7
Risk provisions/ revaluation adjustments	-108.1	-104.6	-125.3	-109.3	-125.8	-161.7	-359.2	-375.6
thereof: allocation to fund for general banking risks	0.0	0.0	0.0	0.0	-80.0	-135.0	-80.0	-135.0
Taxes on income and revenues	-0.8	-1.4	0.0	0.0	-5.7	-7.0	-6.5	-8.4
Net income/ loss for the year	51.2	58.0	203.4	175.3	-238.9	-216.6	15.7	16.7
Active Employees (number)	539	529	48	47	696	680	1,283	1,256

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

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

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

2.3 Net Assets, Financial Position and Results of Operations

2.3.1 Results of Operations

Net Interest Income

At € 465.0 million, net interest income was slightly lower than in the previous year (2013: € 493.1 million). Due to more favourable funding conditions and high income from money-market transactions, however, the decline was not as strong as had been expected in view of the reduced capital market investments and the much lower interest rates.

Net Commission Income

Net commission income increased by € 34.3 million to € 103.3 million (2013: € 69.0 million), primarily because of the previous year's accounting change for collateralised debt obligations (CDO). The changes had an adverse effect on the bottom line in fiscal 2013, which will be offset by positive effects from the systematic release of the deferred item on the liabilities side. The accounting changes only related to the presentation according to the accrual principle, while the risk profile of the transactions remained unchanged and stable.

Net Income from Trading Operations

NRW.BANK's trading book contains short-term trading transactions with interest rate products. In the fiscal year 2014, net income from trading operations amounted to € 5.4 million (2013: € 6.1 million).

Other Operating Income

Other operating income amounted to € 22.9 million (2013: € 30.1 million). The decline is primarily attributable to higher allocations to pension provisions for employees and pensioners of Portigon AG who are entitled to a pension under the laws relating to civil servants. In the fiscal year 2013, responsibility for managing and handling pension payments passed to NRW.BANK according to a contractual arrangement with Portigon AG.

Thanks to the positive trend in net interest income, the projected sharp decline in operating income failed to materialise.

Administrative Expenses

At € -215.2 million, NRW.BANK's administrative expenses exceeded the prior year level (2013: € -197.6 million) but remained in line with the projections.

Personnel expenses increased by € 7.6 million to a total of € -123.6 million in 2014 (2013: € -116.0 million).

On the one hand, the increase is due to one-time expenses in conjunction with changes on the Managing Board. On the other hand, collective bargaining agreements led to a 2.4% rise in wages and salaries with effect from July 1, 2014 for a slightly higher headcount.

Operating expenditure rose by € 10.0 million to € -91.6 million (2013: € -81.6 million) primarily because of audits performed by the ECB in the context of the Comprehensive Assessment, increased regulatory levies and higher IT infrastructure costs.

Risk Provisions/Revaluation Adjustments

Risk provisions/revaluation adjustments amounted to € -359.2 million in the fiscal year 2014 (2013: € -375.6 million).

NRW.BANK again used its good operating result to strengthen its risk-bearing capacity in accordance with its strategy. An amount of € 300.3 million (2013: € 345.1 million) was allocated to allowance reserves. Of this amount, € 220.3 million (2013: € 210.1 million) related to allowance reserves as defined in section 340f HGB, while € 80.0 million (2013: € 135.0 million) related

to the fund for general banking risks pursuant to section 340g HGB. Part of the allocation to allowance reserves pursuant to section 340f HGB in an amount of € 175.6 million (2013: € 190.6 million) was calculated for credit risks from loan and securities transactions based on statistical assumptions.

The remaining net expenditure of € 58.9 million (2013: € 30.5 million) breaks down into € 20.6 million (2013: € 20.1 million) relating to risk provisions in the lending and equity investment business and € 38.3 million (2013: € 10.4 million) relating to the results of sales and revaluations in the securities and foreign exchange business.

Net Income

NRW.BANK posted net income of € 15.7 million for the fiscal year 2014 (2013: € 16.7 million), which will be paid out towards federal interest expenses pursuant to section 14 of the Act on NRW.BANK (NRW.BANK G).

Segment Results

Net interest income in the Programme-based Promotion segment comprises the results of the promotion segments and remained stable in comparison with the previous year at € 211.2 million (2013: € 209.7 million).

At € 183.1 million (2013: € 187.4 million), the Housing Promotion Business Unit made the biggest contribution to the segment's result. Due to the low interest rates, many borrowers took advantage of their contractual right to repay their loans in full or in part at any time without having to pay a prepayment penalty. These unscheduled repayments led to a decline in interest income. As in the previous year, the liquidity received was used for the early repayment of internal long-term funding liabilities with the aim of further reducing the Bank's interest expenses. In 2014, total interest expenses declined as the liabilities repaid in the previous year led to reduced interest payments.

The business trend in the other promotion segments was positive, with net interest income up by € 5.8 million

on the previous year primarily because of the good result from infrastructure and corporate finance.

Net commission income remained largely constant at € 20.2 million (2013: € 18.6 million).

At € -108.1 million (2013: € -104.6 million), risk provisions/revaluation adjustments were slightly higher than in the previous year.

At € -20.0 million, risk provisions for the lending business exceeded the prior year level (2013: € -14.1 million), primarily because of individual allowances in the Corporate Finance Business Unit.

In 2014 NRW.BANK allocated a total amount of € 84.1 million (2013: € 90.3 million) to allowance reserves for the promotion segments.

At € 268.9 million (2013: € 255.1 million), net interest income in the Other Promotion/Liquidity Management segment was up by € 13.8 million on the previous year. Higher earnings than in the previous year were generated thanks to more favourable funding conditions and money-market transactions as well as to one-time effects related to liquidity management.

The segment's net commission income increased by € 32.5 million to € 83.5 million (2013: € 51.0 million), which is mainly attributable to the previous year's accounting changes for CDO transactions and the resulting systematic release of a deferred item on the liabilities side.

Risk provisions/revaluation adjustments amounted to € -125.3 million (2013: € -109.3 million) and were primarily influenced by the allocations to allowance reserves for the capital market business in the amount of € 91.1 million (2013: € 99.5 million).

In addition, a net result from the securities and derivatives business in the amount of € -34.2 million (2013: € -9.8 million) million was posted as a result of the following effects. As in the previous years,

NRW.BANK withdrew and repaid certain outstanding securities at the request and the initiative of the final investors. Reasons for investors to return the securities include, for instance, maturity extensions, the exchange for coupons at the current market interest rate and the optimisation of existing lines. In the long term, this will improve the Bank's funding base and strengthen its profitability, as the Bank may make new issues at current conditions. The withdrawal resulted in net losses on securities sales of € -127.9 million (2013: € -118.1 million).

In the past fiscal year, NRW.BANK changed the accounting for securities which are acquired together with a hedge (so-called asset swap packages). As a result, the balance sheet increased by € 0.5 billion and a revaluation result of € -27.3 million was posted. Due to the corrected accounting periodisation of expenses and income, the release of the balance sheet items affected (swap premiums, premiums, discounts) will lead to additional interest income in the following years. The risk profile of the transactions is unchanged, which means that the Bank incurred not additional charges.

There were contrary developments in the prices and valuations of securities and (hedge) derivatives from the total portfolio in the amount of € 121.0 million (2013: € 108.3 million).

List of current ratings

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

The Other Promotion/Liquidity Management segment is responsible for the funding of NRW.BANK. As a development bank benefiting from a state guarantee, NRW.BANK continued to experience strong demand for its debt. NRW.BANK catered to investors' need for state-guaranteed, liquid bonds and again consolidated its market presence with further benchmark issues in 2014. During the fiscal year NRW.BANK placed debt in a net amount of € 9.6 billion (2013: € 9.9 billion) with a wide international investor base. To optimise its funding, NRW.BANK continues to use its funding

The Staff/Services segment's net interest income declined to € -15.1 million (2013: € 28.3 million). This was due to a lower discount rate for pension provisions on the one hand and to lower income from strategic investments on the other hand.

Risk provisions/revaluation adjustments of € -125.8 million (2013: € -161.7 million) were influenced by allocations to the fund for general banking risks and additional allowance reserves.

2.3.2 Financial Position

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

As in the previous years, Fitch Ratings, Moody's and Standard & Poor's reviewed NRW.BANK's credit ratings in 2014. Moody's upgraded NRW.BANK's outlook to "stable" in March 2014. This upgrade followed the adjustment of the outlook for the Federal Republic of Germany and its federal states. The Bank's good ratings were once again confirmed by all three agencies.

programmes, which essentially consist of the Global Commercial Paper Programme to cover maturities of up to twelve months and the Debt Issuance Programme to cover medium and long maturities as well as tap issuance programmes. Euro-denominated issues attracted the highest demand, followed by the US dollar and the British pound. Short-term funding under the Global Commercial Paper Programme, especially in US dollars, again met with high demand in 2014 and was again the most favourable source of funding for NRW.BANK over the course of 2014.

The liquidity ratio as of the reporting date was 3.7 (2013: 3.6) and thus well above the regulatory required minimum of 1.0, which was met at all times throughout the year. As of December 31, 2014, the Liquidity Coverage Ratio to be determined in accordance with the Capital Requirements Regulation (CRR) stood clearly above 1 and thus above the minimum of 0.6 required as of January 1, 2015.

2.3.3 Net Assets

As of December 31, 2014, NRW.BANK's total assets were down, as planned, by € 1.5 billion to € 143.8 billion (2013: € 145.3 billion). The table below shows the condensed balance sheet.

Assets

	Dec. 31, 2014	Dec. 31, 2013
	€ billions	€ billions
Receivables from banks	33.7	34.3
Receivables from customers	60.2	60.9
Bonds and other interest-bearing securities	42.9	43.9
Investments in non-affiliated and affiliated companies	2.4	2.4
Other assets	4.6	3.8
Total assets	143.8	145.3

Liabilities

	Dec. 31, 2014	Dec. 31, 2013
	€ billions	€ billions
Liabilities to banks	39.7	40.7
Liabilities to customers	19.3	20.4
Certificated liabilities	58.2	58.1
Provisions	2.1	2.0
Subordinated liabilities	2.2	2.4
Fund for general banking risks	0.7	0.6
Equity capital	17.9	17.9
Other liabilities	3.7	3.2
Total liabilities	143.8	145.3

At € 33.7 billion, receivables from banks were down by € 0.6 billion on the previous year (2013: € 34.3 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. In 2014, the NRW.Bank. Mittelstandskredit loan remained

NRW.Bank's highest-volume development programme handled according to the house bank principle.

Receivables from customers decreased by € 0.7 billion to € 60.2 billion (2013: € 60.9 billion). In the securities business, the portfolio of registered securities increased by € 1.1 billion to € 7.9 billion, while the portfolio of note loans was reduced by € 0.8 billion to € 11.0 billion. Social housing promotion loans amounted to

€ 19.8 billion. As a result of the unscheduled repayments, they were € 1.0 billion lower than in the previous year (2013: € 20.8 billion).

The balance sheet item “bonds and other interest-bearing securities” declined by € 1.0 billion to € 42.9 billion (2013: € 43.9 billion).

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

Liabilities to banks declined by € 1.0 billion to € 39.7 billion (2013: € 40.7 billion), primarily due to lower money market borrowings. The promotion loans mostly funded through KfW Bankengruppe, which are paid out on the assets side primarily in the form of the NRW.BANK.Mittelstandskredit and NRW.BANK.Gründungskredit according to the house bank principle, showed a very positive trend and increased by € 0.4 billion on the previous year to € 22.6 billion. The largely programme-driven lending business is also

funded to a lesser degree through Landwirtschaftliche Rentenbank, the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).

Liabilities to customers decreased by € 1.1 billion to € 19.3 billion (2013: € 20.4 billion). This item primarily comprises registered instruments and note loans. At € 17.1 billion, the portfolio of registered instruments was down by € 1.1 billion on the previous year (2013: € 18,2 billion). At € 1.4 billion, note loans remained unchanged.

Certificated liabilities of € 58.2 billion (2013: € 58.1 billion) were more or less on a par with the previous year.

Equity capital as defined in the German Commercial Code (HGB) was almost unchanged at € 17.9 billion.

The table below shows equity and risk position amounts under the CRR as of December 31, 2014:

Risk exposure amounts and capital ratios

	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Risk weighted exposure amounts (standardised approach)	43,008.9	45,984.5
Risk exposure amount for position and foreign exchange risks	24.1	37.5
Operational risk (basic indicator approach)	1,128.4	1,137.5
Risk exposure amount for credit valuation adjustment	1,367.0	938.0
Total risk weighted assets	45,528.4	48,097.5
Common Equity Tier 1 capital	18,254.4	17,973.2
CET1 capital ratio	40.09%	37.37%
Own funds	19,991.7	19,809.2
Total capital ratio	43.91%	41.19%

The regulatory capital requirements were complied with at all times in the fiscal year 2014. The CET1 capital ratio reflects the Bank’s high capitalisation, which is indispensable for the development and promotion business and serves to fund the development and promotion loans.

3 Report on Post-Balance Sheet Date Events

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

4 Report on Expected Developments

4.1 General Information

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

4.2 Development of the Economic Environment

Once the temporary weakness is out of the way, the upward trend in the German economy and the favourable framework conditions should increasingly prevail in 2015. Against this background, GDP growth should show a moderately positive trend in 2015. This is suggested by both export-related and domestic economic reasons. The export outlook should improve as the economy recovers, the euro continues to depreciate and the oil price declines, all the more so as the low oil price should also stimulate the economy in other oil-importing countries.

Private consumption is expected to have a particularly positive impact on growth. Households' purchasing power benefits from rising incomes and is additionally being stimulated by the slump in the oil price. The stable labour market situation and the pay rises agreed for 2015 so far suggest that wages and salaries will increase notably.

Due to the economic uncertainty, investments in 2014 were lower than originally expected. There have been no signs yet that the geopolitical tensions will subside materially in 2015. Provided, however, that no additional disruptions occur which may affect the spending climate, the projected slight recovery in the world economy will lead to moderately higher spending propensity, especially among export-oriented companies. Given

that unused production capacity is a little above average, capital spending should be predominantly driven by replacement and rationalisation of the capital stock rather than by capacity expansion. Against this background, commercial construction will probably accelerate only little. The normalisation of spending activity is supported by the attractive financing environment, which is characterised by very low interest rates and good access to lending. Low interest rates alone will not be sufficient, however, to cause a strong expansion of production capacity in Germany. Demand for investment loans is therefore not very likely to pick up significantly.

By contrast, housing construction should provide stronger stimulation as a result of high employment and low interest rates. Compared to 2014, however, momentum may slow down somewhat because of the extended low-interest phase, the discussion about real estate bubbles in densely populated areas and the partly very high property prices.

The generally good domestic development should be reflected in rising government revenues. In view of the anticipated increase in wages and salaries, income tax revenues are expected to grow, in particular. A moderate increase is on the cards also on the spending side, due, among other things, to the additional funds for the transport infrastructure, urban development and social housing construction as well as the effects of the German "Pflegestärkungsgesetz" ("Care Sector Strengthening Act"). Relief on the spending side should come from the further reduction in interest expenses. A balanced government budget is projected for 2015.

NRW.BANK projects a real GDP growth rate of approx. 1.25% for 2015. The economy should pick up somewhat more strongly in 2016 with growth expected to reach approx. 1.5%. The increased geopolitical tensions and the latest political developments in Greece mean that the downside risks to the forecast predominate, all the more so as the economic recovery in the eurozone is likely to remain fragile and requires further support from economic policy reforms.

Due to the sharp drop in energy prices, Germany's rate of inflation should remain far below the 2% mark in

2015. The introduction of the statutory minimum wage in Germany means, however, that stronger price increases, especially for services, are on the cards. Consequently inflation is expected to be only slightly lower than in 2014. By contrast, reduced inflation expectations for the common currency area as a whole suggest that eurozone inflation will be much lower. In conjunction with increasing discussions about deflation, this was probably one of the reasons why the European Central Bank decided to make comprehensive government bond purchases already in late January 2015.

The performance of the North Rhine-Westphalian economy should be more or less in line with the Germany-wide trend. According to the NRW.BANK.ifo Business Climate, however, expectations in the manufacturing sector are subdued. Of the three sectors that are of special importance for North Rhine-Westphalia – mechanical engineering, chemicals and metals – the chemicals industry is the only to post improved expectations at the beginning of the year. As in the previous year, growth in the North Rhine-Westphalian economy should remain slightly below the Germany-wide average in 2015. On the other hand, the state may benefit disproportionately from a potential economic recovery.

The newly established banking union should gradually increase the stability of the eurozone financial market. Banks should continue to focus on the weak economy in the common currency area, however. A stronger orientation of banks towards the SME/Midcap business could lead to an oversupply of loans carrying barely profitable margins, especially in Germany. As in the previous year, the low interest rates and regulatory requirements should also present a heavy burden for German banks.

Funding possibilities should remain very positive for both the state of North Rhine-Westphalia and NRW.BANK in 2015.

4.3 Development of the Bank

By developing and marketing efficient development and promotion products, NRW.BANK will continue to support the economic and structural development of North Rhine-Westphalia.

Under the framework conditions projected above, net new commissions of NRW.BANK are expected to be somewhat less dynamic in 2015 compared to the previous years.

The Bank expects to increasingly participate in larger financings to support, for instance, growth investments by larger midcaps as well as infrastructure projects in North Rhine-Westphalia.

NRW.BANK is the largest provider of municipal finance in North Rhine-Westphalia. In keeping with its mission, the Bank will continue to focus on financing and promoting the municipalities and communities in North Rhine-Westphalia and thus remain a strong partner of the municipalities.

In view of the continued positive funding conditions and stable promotion and money market business, NRW.BANK expects net interest income and net commission income in 2015 to stay at the prior year level. A further decline in the discount rate for pension provisions will have an adverse impact, which means that the operating results will probably decline notably.

NRW.BANK expects administrative expenses to increase moderately in 2015 compared to the past fiscal year.

On the one hand, personnel expenses will increase due to planned hirings, especially because of new regulatory requirements. On the other hand, operating expenses will be adversely affected by externally induced projects and special measures resulting from new statutory and regulatory requirements. In addition, (special) levies collected by the European supervisory authorities will be incurred in addition to the national levies.

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

The European bank levy may additionally weigh on the operating result.

NRW.BANK therefore expects its operating income before risk provisions/revaluation adjustments in 2015 to be much lower than in the past fiscal year.

In 2015, risk provisions/revaluation adjustments should again be influenced by the allocation of general allowance reserves.

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 potentially remaining net income for the year will be allocated to the reserves. Further profit distributions are not permitted under NRW.BANK's Statutes.

NRW.BANK assumes that total assets and the business volume will again decline moderately in 2015 as the consolidation of the international capital market business continues as planned.

The ongoing allocations to allowance reserves will further strengthen the Bank's risk-bearing capacity, provided that the market environment remains stable and barring any unforeseen events that would require a completely new risk assessment.

NRW.BANK expects the Bank-wide limit for economic capital to be met under the going concern perspective also in 2015.

5 Risk and Opportunity Report

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

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

5.1 Organisation of Risk Management

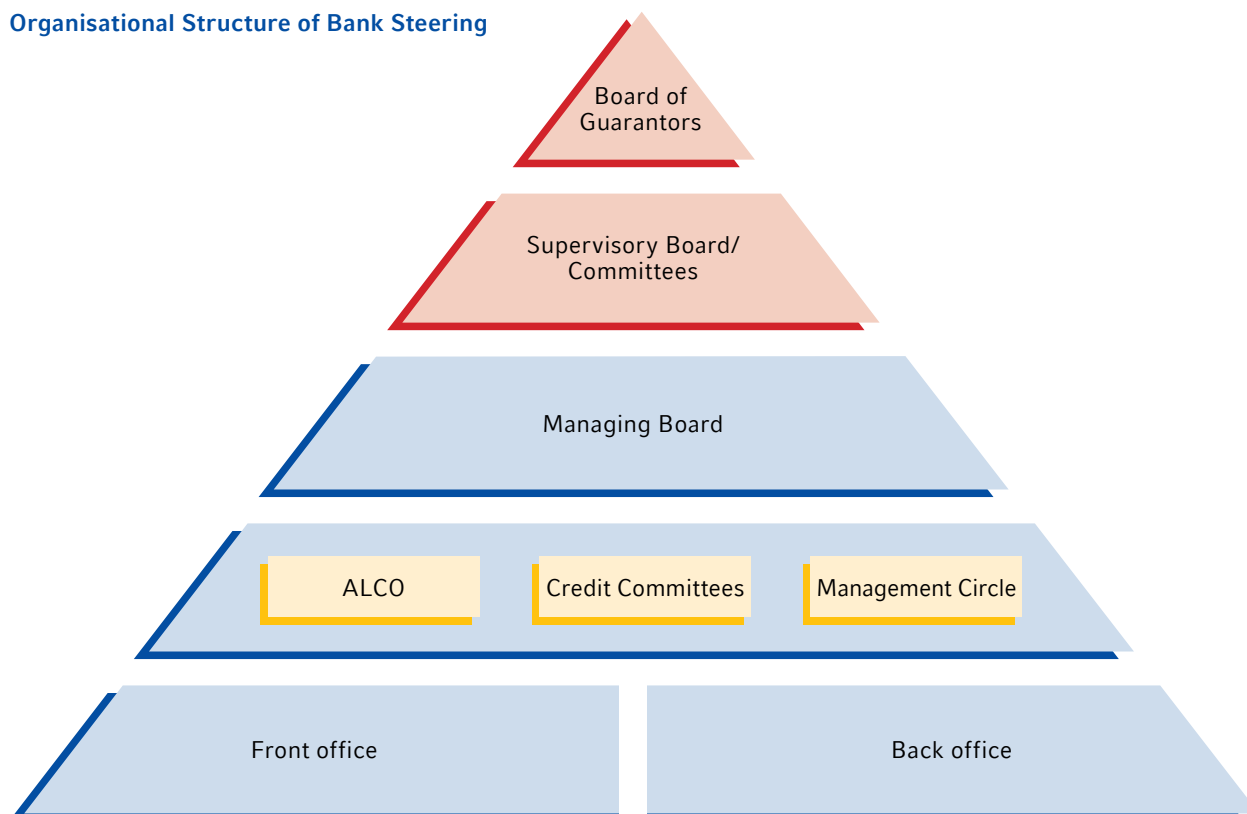
The full Managing Board of NRW.BANK is responsible for the risk management system. This includes, in particular, the proper organisation of risk management, the risk strategy, the risk-bearing capacity concept as well as risk monitoring. In the context of the general reporting process, the Managing Board 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, regularly addresses the Bank's risk situation. The committee receives reports on the risk profile for the various risk categories on a quarterly basis minimum.

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

The Asset Liability Committee (ALCO), which is composed of all members of the Managing Board and four Business Unit Heads, is responsible for issues relating to market risks and liquidity risks. It also addresses general topics such as capital allocation, profit management and balance sheet structure management. Through active capital management, the ALCO ensures that the Bank-wide risk limit is met at all times.

Organisational Structure of Bank Steering



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

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

In accordance with the MaRisk requirements, risk monitoring and risk reporting are managed independently of the front-office Business Units. While the front-office Business Units are responsible for managing risks within the defined limits, Risk Control and Credit Management (which emerged from the former Risk Management Business Unit with effect from October 1, 2014) are in charge of risk monitoring, especially

compliance with the limits defined by the Managing Board. Functional separation between the Business Units is ensured up to Board level.

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

The Risk Control Business Unit – which comprises the Departments Bank-Wide Risk & Credit Portfolio Management, Market Price & Liquidity Risk and Compliance – performs all tasks of the risk control function. These primarily include the development of the risk strategy, the determination of the risk-bearing capacity (incl. Bank-wide stress tests), the Bank-wide monitoring of limits, risk reporting, the daily valuation of trades, responsibility for compliance, money laundering prevention and operational risks as well as the coordination of the processes for the launch of new products. The Credit Management Business Unit – which comprises the

Credit Risk, Municipal and Midcap Financing and Restructuring Departments – performs the traditional back-office functions together with other departments, especially voting and loan processing in the promotion and capital market business and the preparation of the watchlist (for high-risk exposures).

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

On balance, NRW.BANK's risk management instruments and processes again proved their worth in the past fiscal year. This is also confirmed by NRW.BANK's positive results in the Comprehensive Assessment performed by the European Central Bank (ECB), which comprised a regulatory risk assessment as well as a detailed asset quality review across all asset classes and a stress test. All in all, the asset quality review did not indicate a need for material adjustments. NRW.BANK also successfully passed the ECB stress test in both scenarios. Equity capital remained largely constant also in stress scenarios. Based on simulated rating downgrades and defaults, the sum total of the risk positions increased only moderately. The Common Equity Tier 1 capital ratio (33.8% in the baseline scenario and 31.5% in the adverse scenario) remained far above the minimum in both scenarios (minimum of 8% in the baseline scenario and of 5.5% in the adverse scenario). The operating result and the pre-tax profit remained positive even under stress assumptions and net income for the year remained stable. A comfortable leverage ratio of approx. 11% was determined for NRW.BANK in the context of the Comprehensive Assessment.

The ECB intends to define provisional minimum capital ratios for the banks under its supervision for the interim phase until completion of the risk analysis and categorisation work using common procedures and methodologies for the Supervisory Review and Evaluation Process (SREP). These were determined on the basis of the results of the Comprehensive Assessment as well as the individual business activity and risk situation using methods of the national banking supervisory authorities. Equity capital and core capital ratios in excess of 40% mean that NRW.BANK's capitalisation exceeds the expected requirements by far.

5.2 Risk Policy and Strategy

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

Together with the promotion and business strategy, the risk strategy is part of the overall strategy of NRW.BANK. It builds on the promotion and business strategies and aims to ensure balanced risk management within NRW.BANK. 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 submits it to the responsible bodies. The Risk Committee consults on the risk strategy, which is finally discussed at the year-end meetings of the Supervisory Board and the Board of Guarantors.

5.3 Risk Inventory

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

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

Complemental to the risk inventory, new products to be added to the product portfolio of NRW.BANK are sub-

jected to a cross-divisional process for the introduction of new products. This ensures that the risks of new products are identified, measured and limited.

5.4 Risk-bearing Capacity

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

The going concern perspective is taken for the direct management of the risk-bearing capacity. It is based on the German Commercial Code (HGB) in accordance with the Bank's accounting policy. The focus is on avoiding losses in the balance sheet in order to protect creditors and owners. Accordingly, those risks that could adversely affect a balance sheet under HGB are considered in economic capital. In this context, the liability instruments of institutional liability, guarantor liability and the explicit funding guarantee granted to NRW.BANK by its guarantor for performing its promotion tasks are not taken into account as risk-mitigating factors in either of the two perspectives.

Risk-bearing capacity is additionally analysed from a gone concern perspective. Against the background of the above-mentioned liability instruments, this is merely a fictitious analysis, though.

This approach has been defined in accordance with regulatory requirements (especially with the BaFin publication "Aufsichtliche Beurteilung bankinterner Risikotragfähigkeitskonzepte" (supervisory assessment of banks' internal risk-bearing capacity concepts)).

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

Both perspectives reflect the risks identified as being material in the risk inventory as well as complementary business and cost risks.

The credit risk is a Bank-wide key risk. Differences between the going concern and the gone concern

perspective primarily result from the confidence level used in the Credit VaR model.

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

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

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

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

For the business and cost risk, a general risk amount is determined on the basis of a simplified method. Differences between the going concern perspective and the gone concern perspective result exclusively from the scaling to the confidence level used.

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

Under the going concern perspective, 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 credit risk, which means that no material diversification effects exist. Under the gone concern perspective, material diversification effects exist between the credit risk and the market risk, therefore 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 table below shows the composition of economic capital from the going concern perspective.

Bank-wide Economic Capital under the going concern perspective

	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Credit risk	1,243	1,453
Market risk	63	124
Liquidity risk	11	13
Operational risk	35	35
Pension risk	60	50
Business and cost risk	50	50
Diversification effect	–	–
Total economic capital	1,462	1,724

Rating improvements and the reduction of risk assets led to a reduction in the credit risk, which was partly offset by the improved methodology for the more far-reaching identification of economic groupings in calculating the concentration surcharge. As of the reporting date, economic capital under the gone concern perspective amounted to € 10,997 million (2013: € 9,260 million). This includes diversification effects of € –890 million (2013: € –759 million).

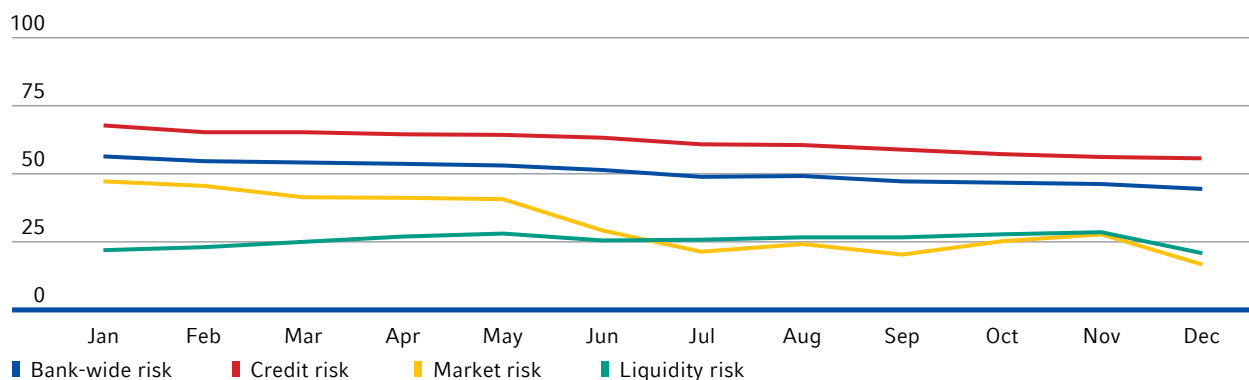
The economic capital is compared with the maximum capital cover that is available to cover risks. Just like the economic capital, the capital cover is calculated in accordance with the respective perspective taking into account regulatory and balance sheet equity components, adjusted for specific corrections.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

Requirements Regulation (CRR) are deducted. Under the gone concern perspective, hidden charges and reserves, in particular from securities, are deducted if they are negative when balanced. Positive own credit-worthiness effects on the liabilities side are not accepted as mitigating factors. As of the reporting date, the capital cover amounts to € 15.9 billion (2013: € 13.9 billion) and to € 18.2 billion (2013: € 15.0 billion) on the gone concern perspective. These amounts include the allocations to allowance reserves made in the fiscal year. In both perspectives, the capital cover was strengthened by the creation of reserves. In addition, the increase in the capital cover under the going concern perspective resulted from a decline in the deductible item for regulatory equity requirements in accordance with changed requirements for the calculation of investments; in the gone concern it resulted from lower interest rates.

For the direct management of risks under the going concern perspective, a Bank-wide economic capital limit is defined, which is much lower than the available capital cover. The limit is allocated to the material risk types and Business Units. 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 monthly on the basis of the economic capital. As a side condition, the economic capital shall not exceed the capital cover under the gone concern perspective.

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

Limit utilisation in the course of 2014 in %



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

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

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

5.5 Stress Tests

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

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

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

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

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

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

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

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

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

5.6 Credit Risk

5.6.1 Definition

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

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

Counterparty risk means that the default of a contractual partner under a derivatives contract makes it impossible for the Bank to realise an unrealised gain from pending transactions (i.e. up to contractual maturity) 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 comprise investments which are primarily held on behalf of the federal state of North Rhine-Westphalia and were transferred to the Bank upon its inception as well as investments entered into as part of the Bank's mission as a development bank.

5.6.2 Methods

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

- The amount of the exposure is the sum total of all relevant amounts that are subject to a risk of default. In the case of loans, this is the remaining capital plus binding payment obligations; in the case of securities, it is the higher of the cost price and the nominal value. Credit equivalents are recognised to calculate counterparty risks from derivatives, taking netting and collateral pursuant to standardised framework agreements into account. In addition, credit derivatives are recognised at their nominal value; thereby the purchase of protection reduces the exposure of the respective reference counterparty, while the sale of protection increases it. The (credit risk-related) amount of the exposure thus differs from the business volume.
- The probability of default is derived from the debtor's internal rating. For this purpose, NRW.BANK uses differentiated risk classification

methods. The portfolios of corporates, financials and real estate clients are classified using rating procedures meeting the requirements of the internal rating based (IRB) approach of the CRR. The ratings for exposures to foreign governments are determined on the basis of external agency ratings and structured internal plausibilisation. In view of the joint liability scheme and the fiscal equalisation scheme, uniform ratings are used in particular for savings banks and domestic municipalities, respectively. Simplified internal risk classification methods are used for smaller portfolios. Depending on the type of debtor, each rating is assigned a probability of default based on a 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 irrecoverably be lost in the case of insolvency proceedings after realisation of potential collateral. Differentiated LGDs are assigned to the exposures depending on the type of debtor. They are determined for housing promotion exposures based on an analysis of own historical data. For other asset classes, they are primarily determined on the basis of external data sources, as there is no statistically significant number of defaults in the Bank's portfolio.

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

The credit value-at-risk is calculated according to the formula of the IRB approach under the CRR. Initially, there is only a methodological difference made between the treatment of defaulted and non-defaulted debtors. Through an additional maturities adjustment rating migrations that may lead to additional capital requirements are then also taken into account.

As the IRB approach is based on the assumption of an indefinitely granular portfolio, an additional concentration surcharge is determined on the basis of a simulation process and reflected in the economic capital. As a result, high exposures make a disproportionate con-

tribution to the risk, which means that the surcharge takes concentrations into account.

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

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

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

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

5.6.3 Validation

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

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

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

5.6.4 Risk Assessment and Limitation

NRW.BANK uses suitable limits and processes to ensure that the credit risk is limited. On the one hand, there are concentration limits which limit the exposures,

especially at individual debtor level, Group level and at country level. Limit utilisation is determined by the amount of the exposure. New transactions are immediately counted against the limits. On the other hand, there is a Bank-wide and a Business Unit-specific limitation of the economic capital under the going concern perspective. The limits take into account both the Bank's risk-bearing capacity and the budgets prepared by the individual Business Units as part of the strategy process.

Key elements used to monitor the credit risk:

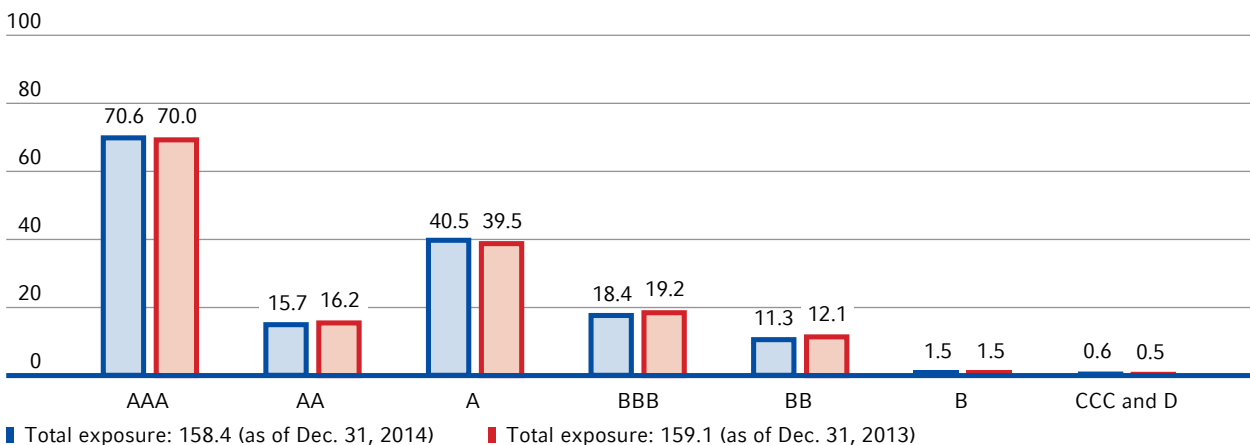
- Event-related bad news process including immediate analysis and decision on individual measures (e. g. rating review, limit adjustments)
- Daily monitoring of single name, group and country limits
- Daily monitoring of capital market investments in the context of an early warning system (e. g. changes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

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

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

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

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



NRW.BANK's total exposure amounts to € 158.4 billion, which represents a decline by € 0.7 billion from the previous year's € 159.1 billion.

Due to the high proportion of government and domestic municipal loans, most of the ratings belong to the internal rating class AAA. The investment-grade quota amounts to 91.6% (2013: € 91.1%).

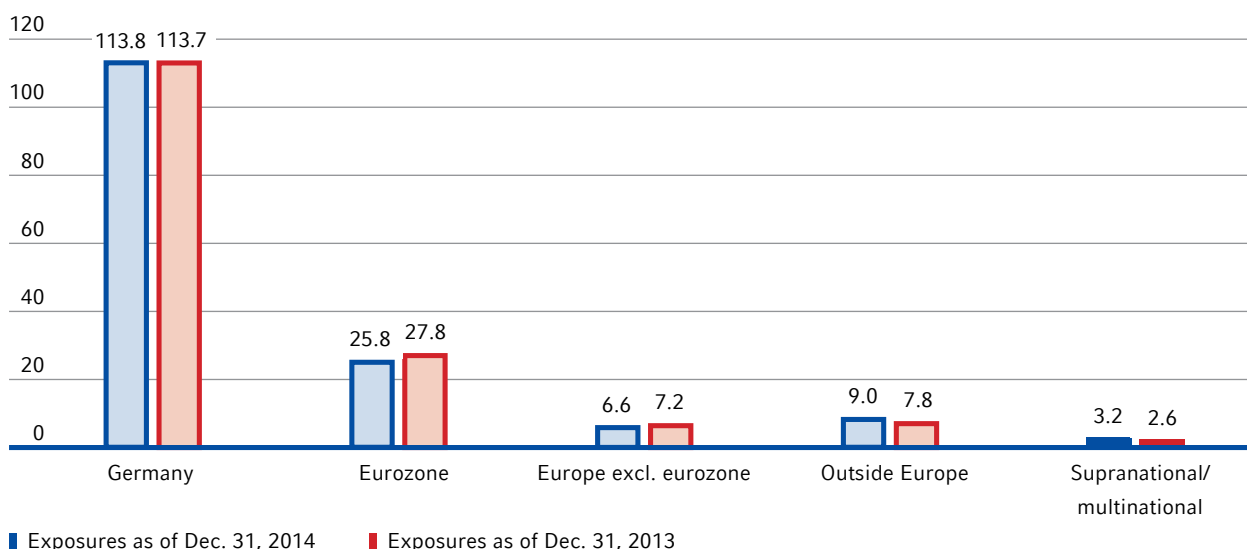
NRW.BANK's portfolio remains focused on Germany, which accounts for € 113.8 billion (2013: € 113.7 billion) or 71.9% of the total exposure (2013: 71.5%). At € 79.7 billion (2013: € 79.6 billion) the main emphasis is on North Rhine-Westphalia; this amount includes direct exposures to municipalities of € 16.3 billion (2013: € 14.8 billion). This concentration is the result of the public development mission, because of which the Bank has a special responsibility towards the municipalities and provides them with reliable funding.

As a largely independent development bank, NRW.BANK uses the income from its international exposures to fulfil its development mission. The international exposure

totals € 44.6 billion (28.1% of the total exposure; 2013: € 45.4 billion) and is composed of exposures to European countries in the amount of € 32.4 billion (2013: € 35.0 billion) and of exposures to non-European countries as well as supranational and multinational organisations in the amount of € 12.2 billion (2013: € 10.4 billion). The international exposure is focused almost exclusively (95.8%; 2013: 93.6%) on investment-grade countries.

The European exposure comprises investments in the eurozone in the amount of € 25.8 billion (2013: € 27.8 billion) and investments outside the eurozone of € 6.6 billion (2013: € 7.2 billion). The non-European exposures focus on North America with € 6.1 billion (2013: € 5.6 billion) and Asia with € 1.1 billion (2013: € 1.0 billion). Supranational organisations and multinational exposures account for a total of € 3.2 billion (2013: € 2.6 billion).

Geographic breakdown of exposures incl. derivatives, in € billions



The sub-investment-grade country exposure is exclusively rated in the BB range and totals € 1.6 billion (2013: € 1.9 billion), of which € 1.1 billion relates to Portugal. It exclusively results from rating downgrades of investments already held in the portfolio; as a general rule, no new investments are made. The exposures to these countries were further reduced in the course of the fiscal year. New burdens faced by the governments or a more pronounced economic slowdown could put the ratings under renewed pressure.

NRW.BANK constantly monitors the credit risk associated with the underlying reference pools of securitisation exposures. In the fiscal year, the exposure increased by a moderate € 495.0 million due to new positions of first-class German auto ABS securitisations as well as to exchange rate effects in the portfolio. As of the balance sheet date, the securitisation exposures – mostly of investment-grade quality – amounted to € 5.6 billion (2013: € 5.1 billion). A major portion of the portfolio (69.0%) additionally benefits from a comprehensive state guarantee (e. g. from the US Department of Education).

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

For some equity investments, the credit risk is reduced due to a strong direct or indirect involvement of the public sector. In the case of eight participation funds in the promotion business with a total exposure of € 138.6 million (2013: € 120.5 million), the credit risk is reduced by a guarantee from the federal state of North Rhine-Westphalia which covers 49% of the respective fund's total investment.

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

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

5.6.5 Economic Capital

As of the reporting date, the economic capital set aside for credit risks amounts to € 1.2 billion (2013: € 1.5 billion) under the going concern perspective and to € 5.1 billion (2013: € 4.8 billion) under the gone concern perspective. Differences between the two perspectives are primarily attributable to the confidence level used. Under both perspectives, rating improvements and the reduction of risk assets led to a marked reduction in the risk. Under the going concern perspective, these positive effects were partly offset by an improved methodology for the more far-reaching identification of economic groupings in calculating the concentration surcharge. Under the gone concern perspective, the positive effect was more than offset by the effects of the revised methodology.

5.6.6 Risk Provisions

Defined criteria are used to determine whether risk provisions need to be established for credit claims. Where they are needed, the amount of the required individual allowances is determined in a timely manner in the course of the year. Thereby, existing collateral is taken into account. In evaluating collateral, the usual methods applied for the valuation of real estate are used for social housing promotion loans. The result is reduced by a discount calculated on the basis of historical data. By contrast, generalized individual allowances are established for exposures to volume business in social

housing promotion (remaining capital of less than € 750 thsd.). A general allowance is formed for latent credit risks. The amount of this allowance is based on historical averages for default rates and loss given defaults.

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

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

5.6.7 Opportunities

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

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

NRW.BANK determines anticipated losses on the basis of probabilities of default and loss given default and incorporates them in the planning and extrapolation for its result under HGB. There is an opportunity that the actual defaults are lower than the anticipated losses. At the end of the fiscal year 2014, for instance, an amount of € 175.6 million (2013: € 190.6 million) was allocated to reserves, which helped to strengthen the capital cover and the risk-bearing capacity.

Opportunities also arise from the equity investments entered into as part of the promotion activities. If these

perform positively, there is a possibility to sell them at a profit.

5.7 Market Risk

5.7.1 Definition

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

5.7.2 Methods

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

Market risks are primarily managed on the basis of a VaR concept (HGB-VaR going concern perspective and earnings-at-risk approach, respectively). Under this approach, all market risks which may influence the HGB income statement are taken into account. In the investment portfolio, this may include interest or foreign exchange rate risks resulting from assets and liabilities with different fixed interest periods or currencies which still have to be hedged on a nominal value basis in the context of asset/liability management. For the trading portfolio and the liquidity reserve, all relevant risks types are additionally measured on a mark-to-market basis. Accordingly, temporary market value changes, e. g. from specific interest rate risks (credit spreads), are counted under the HGB perspective for the trading portfolio and the liquidity reserve. Due to the strategic objective of hedging most of the interest and rate and currency risks, the correspondingly conservative

limitation as well as active management, only low market risks exist in the investment and trading portfolios under the going concern perspective. The HGB-VaR calculation is based on the sensitivity of the HGB income statement towards changes in market prices ("HGB sensitivities"). In contrast to a mark-to-market VaR concept, the focus is not on the mark-to-market sensitivities but on the sensitivity of the HGB result. The HGB-VaR is calculated for the current and for the next two fiscal years as well as generally for all future periods using a variance-covariance approach.

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 VaR is calculated on the basis of a Monte Carlo simulation, which produces 3,000 scenarios per trading day. Non-linear products are taken into account via new valuation.

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

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

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

5.7.3 Validation

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

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

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

5.7.4 Risk Assessment and Limitation

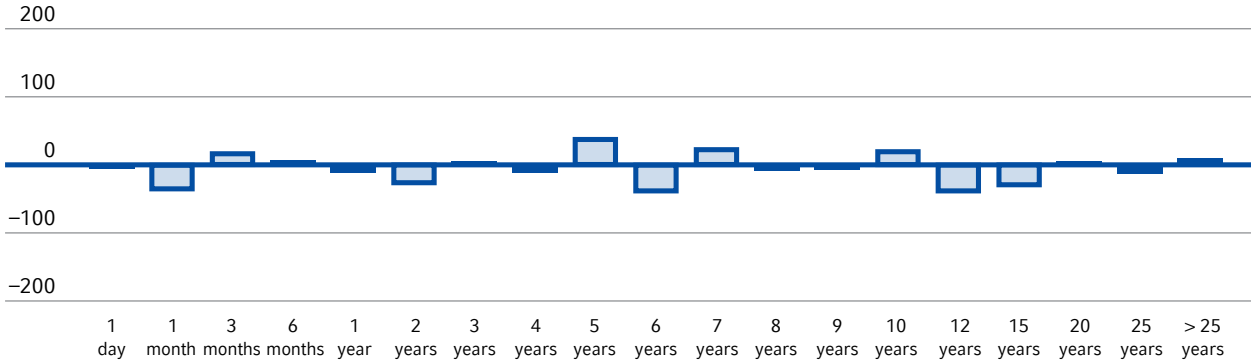
The focus of the market risk under the gone concern perspective is on general and specific interest rate risks in the investment portfolio. The resulting market value fluctuations are not reflected in profit/loss under the HGB-oriented going concern perspective, provided there is no permanent impairment. As investments in the investment portfolio are made with the intention of

being held to maturity permanently, the hedges used by the Bank relate to the nominal value at maturity. Accordingly, there are only minor fixed-interest-period and currency mismatches under the HGB-oriented going concern perspective, which are limited by the HGB-VaR for the risks of all future fiscal years as well as for the current and the next two fiscal years. In addition, the Bank has minor active positions in the

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

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

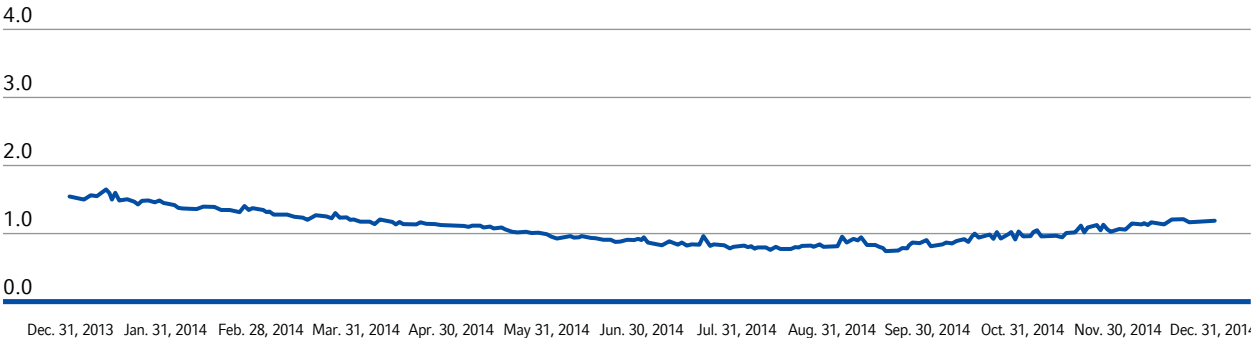
HGB interest rate sensitivities (all periods) to a 1 bp interest rate hike in € thsd. as of Dec. 31, 2014



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

Reflecting the low interest rate and exchange rate risks, the Bank-wide HGB-VaR for market risks for all future fiscal years amounted to € 1.2 million as of December 31, 2014 (2013: € 1.3 million).

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



The average HGB-VaR for market risks in the fiscal year was € 1.1 million (2013: € 1.4 million). The minimum was € 0.7 million on September 19, 2014 and the maximum was € 1.6 million on January 13, 2014.

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 (all periods) in € millions

	March 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014
	€ millions	€ millions	€ millions	€ millions
Interest rate risk	0.3	0.3	0.5	0.4
Foreign exchange rate risk	1.1	0.8	0.8	1.2
Credit spread risk	0.4	0.3	0.1	0.0
Interest rate volatility risk	0.0	0.0	0.0	0.0
Diversification	-0.6	-0.5	-0.5	-0.4
Total VaR	1.2	0.9	0.9	1.2

No material positions were held in the trading portfolio in the fiscal year. Accordingly, the maximum VaR in the fiscal year was € 0.6 million (2013: € 1.2 million).

5.7.5 Economic Capital

For the strategic management of economic capital, the Bank uses a confidence level of 99% under the going concern perspective and of 99.96% under the gone concern perspective. A risk horizon of one year with a shorter holding period of 95 days is analysed, which results from the differentiated analysis of different holding periods per asset class and liquidity. The latter reflects the possibility to exercise 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.

Under the going concern perspective, the economic capital for market risks including strategic interest rate risks amounted to € 62.8 million (2013: € 123,8 million) as of the reporting date. An amount of € 9.8 million (2013: € 70 million) related to strategic interest rate risks.

The economic capital for market risks under the gone concern perspective primarily includes general interest rate risks from the social housing promotion loans. These are primarily funded with own equity funds. To comply with MaRisk, the own equity funds used to fund housing promotion loans may not be taken into account in the risk calculation. The MaRisk thus imply that housing promotion loans are funded fully mismatched with overnight deposits. This results in a high assumption based interest position. In addition, economic capital includes all mark-to-market strategic interest rate rates and all credit spread risks of the investment portfolio, although any resulting fluctuations in the market value

are usually not recognised in profit/ loss in NRW.BANK's HGB income statement. As of the reporting date, the economic capital set aside for market risk amounted to € 6.5 billion (2013: € 5.0 billion) under the gone concern perspective. The increase is due to the fact that, when interest rates are low, a potential increase in interest rates has a stronger impact on the present value of a portfolio. This is primarily the case in the mark-to-market analysis of the housing promotion loans, which are essentially funded with equity capital, which, according to German regulatory requirements, must be recognised as payable on demand under the gone concern perspective.

5.7.6 KWG Interest Rate Shock

The effect of the sudden and unexpected interest rate change in the investment book defined by BaFin circular 11/2011 – currently +/-200 basis points – is dominated by the above-mentioned assumption based interest position of the housing promotion loans. As of December 31, 2014, the negative change in the present value of the Bank's investment book resulting from a +/-200 bp interest rate shock amounted to 14.5% of the regulatory equity capital (2013: 10.6%). Besides calculating the effects of the KWG interest rate shock on the present value, the Bank also calculates the effects of interest rate changes on the HGB result under the going concern perspective. As the positions in the Bank's investment portfolio fall under the buy-and-hold strategy, this perspective is in accordance with the Bank's primary risk management approach. In contrast to the above-described particularities of housing promotion under the mark-to-market perspective, interest rate risks under the going concern perspective are negligible.

5.7.7 Opportunities

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

5.8 Liquidity Risk

5.8.1 Definition

The liquidity risk includes, in particular:

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

5.8.2 Methods

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

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

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

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

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

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

5.8.3 Risk Assessment and Limitation

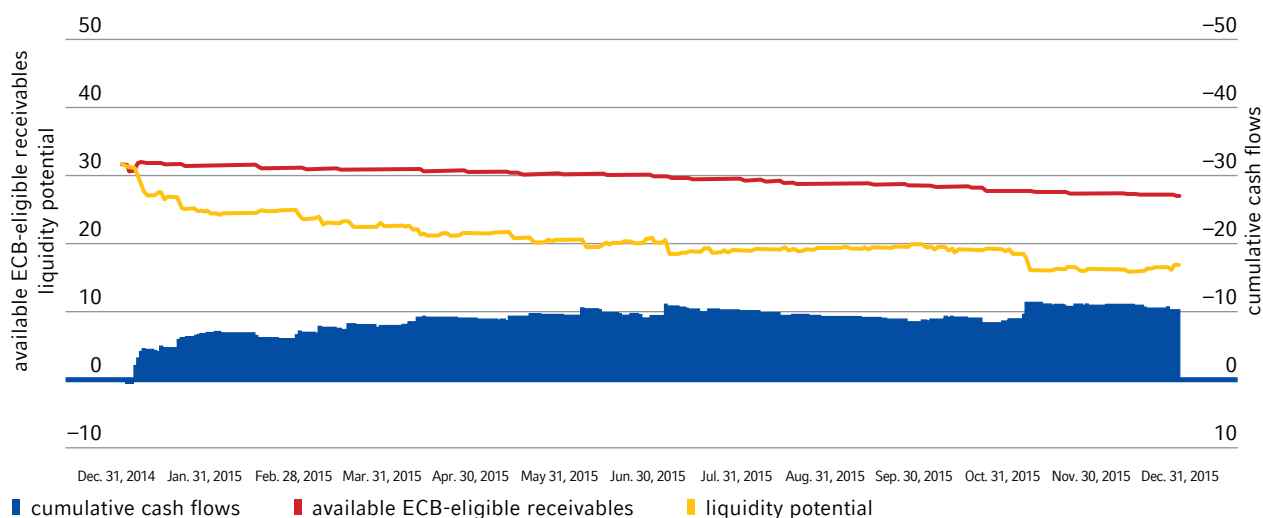
Because of the explicit funding guarantee extended by NRW.BANK's guarantor and its correspondingly good rating, the Bank can generate the required liquidity at short notice at any time. The Bank usually funds itself in the money and capital markets. NRW.BANK continues to benefit from a very favourable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

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

To limit 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 even in a stress scenario. The limit system also requires 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 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 both with the German Liquidity Regulation and with the regulatory requirements regarding the minimum reserve. Both conditions were met at all times in the fiscal year.

5.8.4 Economic Capital

As of the reporting date, the economic capital for liquidity risks under the going concern perspective (income risks of the HGB result for the issuance volume planned for the next 12 months) was € 10.5 million (2013: € 12.6 million).

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

5.8.5 Funding Structure

As a state-guaranteed development bank, NRW.BANK again saw strong demand for funding instruments in the past fiscal year. The Bank met investors' demand for state-guaranteed liquid bonds and strengthened its market presence through further benchmark issues. Two USD benchmark bonds were issued in 2014. The issue was made against the background of very high demand from investors and in view of a funding advantage compared to the euro. The benchmark volume amounted to \$ 2.0 billion or approx. € 1.5 billion (2013: € 1.8 billion). Both issues were placed with a broad investor base. 2014 also saw NRW.BANK issue another Greenbond. The 4-year € 500 million bond met with very good demand as it responded to investors' interest in sustainable investments.

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

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

The funding structure of NRW.BANK primarily comprises certificated liabilities in the amount of € 58.2 billion (2013: € 58.1 billion) (mostly bearer instruments € 25.6 billion (2013: € 28.0 billion), bearer bonds € 21.9 billion (2013: € 21.5 billion), commercial paper € 10.7 billion (2013: € 8.6 billion)), liabilities to banks of € 39.7 billion (2013: € 40.7 billion) (mostly on-lending € 22.6 billion (2013: € 22.2 billion), promissory loans € 9.9 billion (2013: € 9.7 billion), registered bonds € 4.4 billion (2013: € 4,6 billion)) as well as liabilities to customers of € 19.3 billion (2013: € 20.4 billion) (mostly registered bonds € 17.1 billion (2013: € 18,2 billion)).

5.8.6 Opportunities

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

5.9 Operational Risk

5.9.1 Definition

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

5.9.2 Methods

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

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

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

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 Business Unit. The Bank is currently not involved in any significant pending proceedings.

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

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

Operational risks in NRW.BANK's IT environment are managed on the basis of the IT strategy. The written instructions include rules for the use, procurement and development of hardware and software, with the main emphasis on compliance with the necessary security standards and business continuity. Appropriate authorisation concepts and processes additionally have a risk-mitigating effect. Contingency plans exist for the breakdown of all critical IT systems.

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

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

5.9.3 Risk Assessment and Limitation

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

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

Neither the operational risk losses and loss-free risk events identified in 2014 nor the findings from the self-assessments and the observation of early warning indicators have revealed any risks that could jeopardise the existence of the Bank.

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

5.9.4 Economic Capital

With regard to the economic capital for operational risks derived from the regulatory basic indicator approach, differences between the going concern perspective and the gone concern perspective result exclusively from scaling to the respective confidence level. As of the reporting date, the economic capital set aside for operational risks amounted to € 35 million under the going concern perspective and to € 140 million under the gone concern perspective. No changes have occurred compared to the previous year.

5.10 Pension Risk

5.10.1 Definition

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

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

5.10.2 Methods

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

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

For the mortality tables, no historical changes covering sufficiently long periods are available from which the volatilities required for a VaR model can be derived. This is why the risk of changes in the statistical assumptions regarding invalidity and death is quantified using a scenario analysis in which the cash flows increase based on the assumption of a growing life expectancy. In addition, the probabilities of invalidity are modified as well. To quantify the risk, the scenario showing the strongest impact on the Bank is applied.

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

5.10.3 Risk Assessment and Limitation

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

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

5.10.4 Economic Capital

The economic capital set aside for pension risks as of the reporting date amounted to € 60 million (2013: € 50 million) under the going concern perspective and to € 110 million (2013: € 80 million) under the gone concern perspective. Under both perspectives, the increase in economic capital is due to the decline in the interest rates used.

5.11 Business and Cost Risk

5.11.1 Definition

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

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

5.11.2 Methods

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

5.11.3 Risk Assessment and Limitation

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

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

5.11.4 Economic Capital

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

5.12 Reporting

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

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

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

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

6 Internal Control System Relevant for the Financial Reporting Process

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

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

Accounting-related business events are mostly handled locally. All accounting-relevant events are initiated in IT systems. The respective Business Units are responsible for full and proper capture and for implementing and documenting the required controls. Bank-wide functional responsibility for the accounting rules, the booking system, accounting and the definition of the valuation principles rests with the Finance Business Unit. This ensures that consistent accounting and valuation principles are applied within NRW.BANK even where business transactions are recorded locally. Risk Control is responsible for the trading-independent valuation and results analysis.

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

The financial statements are prepared by the Finance Business Unit and drawn up by the Managing Board. In

accordance with the statutes, the Board of Guarantors of NRW.BANK approves and endorses the financial statements, which are published in the electronic Federal Gazette within the statutory deadlines.

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

The Finance Business Unit examines all new legislation for its potential relevance to the Bank's accounting process. Necessary adjustments to processes and manuals are implemented in a timely manner. The management and monitoring of new products are coordinated by the Risk Control Business Unit in a standardised process. In this context, an accounting-related analysis of the products and the associated risks is carried out with a view to ensuring accurate accounting.

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

Besides the minimum requirements of the four-eye principle, the use of standard software is a key element of the internal control system. The software is protected against unauthorised access by means of authorisations reflecting users' competence levels. In addition,

system-immanent plausibility checks, standardised coordination routines and target-actual comparisons serve to check completeness and avoid and identify errors. For instance, the figures determined in the accounting process are checked for plausibility on a monthly basis by means of comparisons with prior-year figures and planning figures and on the basis of the actual business trend. Inconsistencies are addressed jointly by the external and internal accounting Departments.

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

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

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

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

Balance Sheet

of NRW.BANK at December 31, 2014

Assets

see Notes No.

Dec. 31, 2013

	€	€	€ thousands
1. Cash			
a) cash on hand	25,274.89		13
b) balances with central banks	321,977,959.11		608,491
thereof:			
with Deutsche Bundesbank			
€ 321,977,959.11			(608,491)
		322,003,234.00	608,504
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		23,746,842.23	22,949
thereof:			
eligible for refinancing with Deutsche Bundesbank € 23,746,842.23			(22,949)
3. Receivables from banks 1, 12, 24, 28			
a) payable on demand	1,268,070,114.94		928,290
b) other	32,451,135,109.60		33,358,861
		33,719,205,224.54	34,287,151
4. Receivables from customers 2, 12, 24, 28		60,246,233,067.36	60,898,246
thereof:			
secured by mortgages € 17,149,050.14			(42,122)
loans to public authorities and entities under public law € 36,166,690,563.93			(36,664,991)
To be carried forward:		94,311,188,368.13	95,816,850

Liabilities

		see Notes No.		Dec. 31, 2013
			€	€ thousands
1. Liabilities to banks	14, 24, 27, 28			
a) payable on demand		1,480,252,743.00		690,267
b) with agreed maturity or period of notice		38,207,938,414.65		40,037,127
			39,688,191,157.65	40,727,394
2. Liabilities to customers	15, 24, 28			
a) other liabilities				
aa) payable on demand		124,633,137.04		135,761
ab) with agreed maturity or period of notice		19,156,209,444.35		20,225,314
			19,280,842,581.39	20,361,075
3. Certificated liabilities	16, 24, 28			
a) bonds and notes issued by the bank		58,162,677,831.27		58,068,365
			58,162,677,831.27	58,068,365
3a. Trading portfolio	17		445,528,715.10	146,335
4. Trust liabilities	18		1,686,904,073.90	1,747,851
thereof:				
trust loans € 1,686,714,073.90				(1,747,851)
5. Other liabilities	19, 24		575,084,162.08	782,943
6. Deferred items	20, 24		1,055,452,362.04	637,425
7. Provisions	21			
a) provisions for pensions and similar obligations		1,634,952,202.00		1,514,335
b) tax reserves		4,504,833.90		7,227
c) provisions for interest rate subsidies		102,188,449.93		94,831
d) other		354,831,642.37		353,817
			2,096,477,128.20	1,970,210
8. Subordinated liabilities	22		2,211,920,207.00	2,387,220
thereof:				
due in less than two years € 270,400,000.00				(329,000)
			125,203,078,218.63	126,828,818
		To be carried forward:		

Balance Sheet

of NRW.BANK at December 31, 2014

Assets

see Notes No.		Dec. 31, 2013	
	€	€	€ thousands
	To be carried forward:	94,311,188,368.13	95,816,850
5. Bonds and other interest-bearing securities	3, 9, 12, 13, 24, 26, 28		
a) money market instruments			
aa) of public institutions	21,788,718,444.37		21,025,954
thereof: eligible as collateral for Deutsche Bundesbank advances	€ 19,792,062,306.69		(19,373,474)
ab) of other issuers	21,054,006,613.03		22,407,506
thereof: eligible as collateral for Deutsche Bundesbank advances	€ 15,876,959,383.78		(17,672,541)
	42,842,725,057.40		43,433,460
b) bonds and notes	101,395,449.26		449,201
principal amount	€ 92,748,000.00		(402,114)
		42,944,120,506.66	43,882,661
6. Shares and other non-interest-bearing securities	4, 9, 12	0.00	1,957
6a. Trading portfolio	5, 24	144,438,372.92	253,476
7. Equity investments in non-affiliated companies	6, 9	2,279,467,968.67	2,268,086
thereof: equity investments in banks	€ 2,243,772,546.20		(2,243,773)
8. Equity investments in affiliated companies	6, 9	175,962,544.59	154,751
9. Trust assets	7	1,686,904,073.90	1,747,851
thereof: trust loans	€ 1,686,714,073.90		(1,747,851)
10. Intangible assets	9	8,430,601.41	13,399
11. Tangible fixed assets	9	72,050,147.39	68,194
12. Other assets	8, 24	1,990,206,331.85	968,243
13. Deferred items	10, 24	230,299,260.58	174,497
Total assets		143,843,068,176.10	145,349,965

Liabilities

see Notes No.		Dec. 31, 2013	
	€	€	€ thousands
	To be carried forward:	125,203,078,218.63	126,828,818
9. Capital with participation rights	22	0.00	11,000
thereof:			
due in less than two years	€ 0.00		(11,000)
10. Fund for general banking risks		707,338,000.00	626,740
thereof: special item pursuant to Section 340e (4) of the German Commercial Code (HGB)	€ 2,338,000.00		(1,740)
11. Equity capital	23		
a) subscribed capital	17,000,000,000.00		17,000,000
b) capital reserves	676,904,829.05		627,660
c) reserves from retained earnings			
ca) reserves required by NRW.BANK's statutes	36,100,000.00		36,100
cb) other reserves	219,647,128.42		219,647
d) profit for the year	0.00		0
		17,932,651,957.47	17,883,407
Total liabilities		143,843,068,176.10	145,349,965
1. Contingent liabilities	24, 25		
liabilities from guarantees and indemnity agreements		15,675,882,999.29	15,388,364
2. Other commitments	24, 25		
irrevocable loan commitments		2,884,376,336.38	3,105,981
3. Administered funds		94,625,941.84	130,033

Income Statement

of NRW.BANK for the Period January 1–December 31, 2014

see Notes No.		Jan. 1 – Dec. 31, 2013	
	€	€	€ thousands
1. Interest income from			
a) lending and money market transactions	4,033,902,125.51		4,453,215
b) interest-bearing securities and book-entry securities	1,390,523,548.06		1,534,174
	5,424,425,673.57		5,987,389
2. Interest expenses	4,974,485,533.22		5,509,463
		449,940,140.35	477,926
3. Income from			
a) equity investments in non-affiliated companies	3,052,200.00		3,281
b) equity investments in affiliated companies	10,226,633.70		10,177
		13,278,833.70	13,458
4. Income from profit pooling, profit transfer and partial profit transfer agreements		1,787,432.53	1,683
5. Commission income	29	114,434,008.70	81,509
6. Commission expenses		11,133,176.89	12,520
		103,300,831.81	68,989
7. Net profit from trading portfolio		5,380,678.18	6,097
8. Other operating income	30	32,753,447.07	39,321
9. General administrative expenses			
a) personnel expenses			
aa) wages and salaries	97,713,401.79		92,788
ab) social security contributions and expenses for pensions and other employee benefits	25,893,430.44		23,194
thereof: for pensions € 13,614,031.16	123,606,832.23		115,982 (11,391)
b) other administrative expenses	31	83,186,145.35	73,209
		206,792,977.58	189,191
10. Depreciation and value adjustments on intangible and tangible fixed assets		8,443,308.81	8,410
11. Other operating expenses	30	9,663,249.76	9,087
		381,541,827.49	400,786
		To be carried forward:	

see Notes No.	€	€	Jan. 1 – Dec. 31, 2013 € thousands
To be carried forward:		381,541,827.49	400,786
12. Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions		452,574,740.43	557,039
thereof: allocation to fund for general banking risks € 80,000,000.00			(135,000)
13. Income from write-ups of equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as tangible fixed assets		93,415,749.82	183,216
14. Expenses from the assumption of losses		0.00	1,699
15. Result from normal operations		22,382,836.88	25,264
16. Taxes on income and revenues 6,530,365.96			8,401
17. Other taxes not shown under other operating expenses 129,203.48		6,659,569.44	8,529
18. Net income		15,723,267.44	16,735
19. Designated payout due to legal requirements		15,723,267.44	16,735
20. Profit for the year		0.00	0

Notes

of NRW.BANK for the Fiscal Year 2014

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 where appropriate. Premiums and discounts from notes and bonds were released by the end of the term. Liabilities are carried at their settlement amount, with any related discounts reported under deferred items. Premiums on receivables and liabilities are reported under deferred items as an asset or liability, respectively. The proportionate amount of accrued interest on a receivable or liability at year-end is generally included with the receivable or liability to which it applies. Since the beginning of 2014, these items have been valued on a straight-line basis. Non interest-bearing loans to employees are reported at their amortised cost in accordance with tax regulations. Zero-coupon bonds are carried as liabilities at their issue price plus interest accrued as of the reporting date.

Repurchase agreements and reverse repurchase agreements are combinations of a spot purchase or sale of securities with a simultaneous forward sale or

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

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

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

The principles of the IDW statement on accounting (IDW RS HFA 22) (IDW: Institut der Wirtschaftsprüfer / Institute of Public Auditors in Germany, Incorporated Association) of September 2, 2008 are incorporated in the current financial statements. According to these principles, each structured financial instrument held in the investment book including securities issued is generally recognised as an integral asset or an integral liability. In those cases where the structured financial instrument has much higher or additional risks or

opportunities than the basic instrument due to an embedded derivative, each individual component of the asset or liability is recognised separately as an underlying transaction and a derivative in accordance with the relevant HGB principles. In those cases where the recognition as an integral asset or an integral liability gives a fair view of the net assets, financial position and results of operations, such recognition is applied.

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

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

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

2. Corrections in Current Accounts

In the fiscal year, NRW.BANK changed the accounting for securities which are acquired together with a hedge (so-called asset swap packages). As a result, the balance sheet increased by € 0.5 billion and a revaluation result of € -27.3 million was posted. Due to the corrected accounting periodisation of expenses and income,

the release of the balance sheet items affected (swap premiums, premiums, discounts) will lead to additional interest income in the following years. The risk profile of the transactions is unchanged, which means that the Bank incurred no additional charges.

3. Promotion Loans of the Housing Promotion Department

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

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

4. Loss-Free Valuation of the Banking Book

On October 8, 2012, the IDW's Specialist Committee on Banking published its statement RS BFA 3 "Einzelfragen der verlustfreien Bewertung von zinsbezogenen Geschäften des Bankbuchs" (Individual Aspects of the Loss-Free Valuation of Interest-Related Transactions in the Banking Book). According to the statement, 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 2014 financial statements, for which a periodic (P&L-oriented) view was taken. The present value of the future interest result of the banking book was reduced by pro-rated risk and administrative costs for the total term. The calculation did not result in a surplus of obligations, which means that there was no need to establish a provision for contingent losses.

5. Securities and Derivatives in the Investment Portfolio

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

For securities held in the financial investment portfolio with a carrying value of € 2,178,817,495.12 lower market values of € 2,034,342,610.29 were determined.

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

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

6. Securities held in the Liquidity Reserve

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

To hedge against interest rate risks, assets with a carrying amount of € 98.8 million (2013: € 438.1 million) and derivatives with a nominal volume of € 90.0 million (2013: € 442.1 million) were combined into a hedge relationship using the net hedge presentation method. The hedge relationship hedges interest rate risks in an

amount of € 7.6 million (2013: € 11.3 million). The transactions covered have a maximum remaining maturity until September 21, 2022.

The respective 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.

7. Financial Instruments of the Trading Portfolio

In accordance with Section 340e para. 3 HGB, financial instruments in the trading portfolio are measured at fair value less a risk discount of € 0.4 million (2013: € 1.5 million).

The risk discount was calculated on the basis of the value-at-risk (VaR) model, which the Risk Controlling Department also uses for internal monitoring of the market price risks of the trading book. The regulatory requirements of a confidence level of 99% and a holding period of 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 € 598,000.00 (2013: € 680,000.00) of the net result of the trading portfolio was allocated to the "fund for general banking risks" pursuant to Section 340g HGB.

8. Equity Investments in Non-Affiliated and Affiliated Companies

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

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

NRW.BANK treats the equity investment in Portigon AG and the value guarantee as a hedge relationship as defined in Section 254 HGB, which is accounted for using the net hedge presentation method. Accordingly, the equity investment in Portigon AG was recognised at an amount of € 2,190.8 million as of December 31, 2014.

9. Tangible and Intangible Assets

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

10. Provisions

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

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

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

In accordance with the option granted under Section 253 para. 2 sentence 2 HGB, NRW.BANK has discounted provisions for pension obligations or comparable long-term obligations using the average market rate for an

assumed remaining maturity of fifteen years. The interest rate of 4.58% used for discounting was stipulated by Deutsche Bundesbank.

The accumulation for pension, benefit and other personnel provisions was recognised in interest expense in an amount of € 109.7 million (2013: € 93.8 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 (Introductory Act to the Commercial Code), the option was used insofar as the existing provisions are maintained due to excess cover, as the amount to be released in the context of a required release would have to be reallocated by December 31, 2024 at the latest. As of December 31, 2014, excess cover of € 0.1 million exists for these provisions.

11. Currency Translation

Foreign currency amounts are translated in accordance with Section 340h HGB in conjunction with 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, 2014. In this context, NRW.BANK uses the reference rates of the European System of Central Banks (ESCB).

In accordance with Section 340h HGB in conjunction with 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, 2014	Dec. 31, 2013
	€ millions	€ millions
Payable on demand	1,268.1	928.3
Other receivables		
– up to 3 months	1,940.5	3,219.2
– between 3 months and 1 year	3,301.6	2,664.9
– between 1 and 5 years	10,833.4	11,624.6
– more than 5 years	16,375.6	15,850.2
Total receivables from banks	33,719.2	34,287.2

As in the previous year, receivables from banks do not include receivables from affiliated companies. The receivables from other companies in which equity investments are held totalled € 14.7 million (2013: € 17.5 million).

Receivables from Customers (2)

Breakdown by Maturity	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
– up to 3 months	4,063.7	3,611.8
– between 3 months and 1 year	3,457.3	2,781.5
– between 1 and 5 years	13,417.9	14,580.8
– more than 5 years	39,307.3	39,924.1
Total receivables from customers	60,246.2	60,898.2

As in the previous year, receivables from customers do not include receivables from affiliated companies. The receivables from other companies in which equity investments are held totalled € 1.6 million (2013: € 0.8 million).

Bonds and Other Interest-Bearing Securities (3)

Marketability	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Bonds and other interest-bearing securities		
– listed on a stock exchange	39,129.9	40,191.1
– not listed on a stock exchange	3,814.2	3,691.6
Total bonds and other interest-bearing securities	42,944.1	43,882.7

Of the bonds and other interest-bearing securities, an amount of € 6,521.4 million (2013: € 4,615.7 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 or companies in which equity investments are held.

Of the total bonds and other interest-bearing securities € 101.4 million (2013: € 449.2 million) are held as part of the liquidity reserve and € 42,842.7 million (2013: € 43,433.5 million) are held in the financial investment portfolio.

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

Marketability	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Shares and other non-interest-bearing securities		
– listed on a stock exchange	0.0	0.0
– not listed on a stock exchange	0.0	1.9
Total shares and other non-interest-bearing securities	0.0	1.9

All shares and other non-interest-bearing securities of the previous year were held in the financial investment portfolio.

Trading Portfolio (Assets) (5)

Breakdown of Trading Portfolio	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Derivative financial instruments	0.3	0.0
Receivables	34.1	20.0
Bonds and other interest-bearing securities	110.4	235.0
Risk discount pursuant to Section 340e para. 3 sentence 1 HGB	-0.4	-1.5
Total trading portfolio	144.4	253.5

Derivative financial instruments include futures with a positive market value of € 0.1 million (2013: € 1.4 million). This market value is offset against the opposite variation margin received from futures.

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

NRW.BANK holds € 2,279.5 million (2013: € 2,268.1 million) in equity investments in non-affiliated companies and € 176.0 million (2013: € 154.8 million) in equity investments in affiliated companies. Of the equity investments in non-affiliated companies, € 2,190.8 million (2013: € 2,190.8 million) are securitised by marketable securities. However, none are listed on a stock exchange.

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

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

- Portigon AG
- Investitionsbank des Landes Brandenburg (ILB)

Trust Assets (7)

Trust assets comprise the following:

Breakdown by Asset Type

	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Receivables from banks	117.6	115.7
Receivables from customers	1,569.1	1,632.2
Equity investments in affiliated companies	0.2	0.0
Total trust assets	1,686.9	1,747.9

Other Assets (8)

Breakdown by individual items

	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Adjustment item from currency translation in accordance with Section 340h HGB	904.2	0.0
Interest receivables from the State of North Rhine-Westphalia under the Guarantee for the equity investment in Portigon AG	559.3	486.6
Option premiums paid	243.4	221.8
Option premiums not yet received	223.2	206.9
Receivables from Helaba Landesbank Hessen-Thüringen relating to pension provisions for "dual contract holders"	23.2	20.4
Receivables from Portigon AG relating to service cost of "dual contract holders"	15.1	15.0
Other	21.8	17.5
Total other assets	1,990.2	968.2

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 Fiscal Year
	Jan. 1, 2014			€ millions		
Bonds and other interest-bearing securities forming part of fixed assets	42,646.7				42,117.0	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: € 2,120.0 million			0.0	0.0
Equity investments in non-affiliated companies	3,840.0				2,279.5	0.0
Equity investments in affiliated companies	203.9				176.0	1.3
Intangible assets	68.6	0.3	0.0	60.5	8.4	5.2
Land and buildings	65.8	6.4	0.1	7.3	64.8	1.2
Office equipment	25.1	0.8	0.3	18.3	7.3	2.0

€ 64.7 million (2013: € 59.6 million) of the amount shown under land and buildings represent land and buildings used for business purposes.

Deferred Items (Assets) (10)

Breakdown of Deferred Items	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Discounts from underwriting business	106.0	93.6
Prepaid swap fees	76.3	49.8
Prepaid CDS fees	39.1	19.6
Other	8.9	11.5
Total deferred items	230.3	174.5

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, 2014	Dec. 31, 2013
	€ millions	€ millions
Receivables from banks	0.8	0.8
Receivables from customers	20.0	20.0
Bonds and other interest-bearing securities	0.0	20.4
Shares and other non-interest-bearing securities	0.0	1.9
Total subordinated assets	20.8	43.1

Pledged Assets (13)

Of the assets reported, NRW.BANK pledged € 400.2 million (2013: € 140.6 million) under repurchase agreements.

Liabilities to Banks (14)

Breakdown by Maturity	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Payable on demand	1,480.3	690.3
Other liabilities		
– up to 3 months	2,354.6	5,149.9
– between 3 months and 1 year	3,483.6	1,773.3
– between 1 and 5 years	14,543.4	15,658.2
– more than 5 years	17,826.3	17,455.7
Total liabilities to banks	39,688.2	40,727.4

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 € 6.8 million (2013: € 8.6 million).

Liabilities to Customers (15)

Breakdown by Maturity

	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Payable on demand	124.6	135.8
Other liabilities		
– up to 3 months	623.6	1,023.6
– between 3 months and 1 year	1,215.1	881.3
– between 1 and 5 years	3,940.3	3,828.9
– more than 5 years	13,377.2	14,491.5
Total liabilities to customers	19,280.8	20,361.1

Liabilities to customers include liabilities to affiliated companies in the amount of € 19.1 million (2013: € 15.3 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, 2014	Dec. 31, 2013
	€ millions	€ millions
Notes issued		
– mortgage bonds	0.6	0.6
– municipal bonds	295.1	339.1
– other bonds	57,867.0	57,728.7
Total certificated liabilities	58,162.7	58,068.4

€ 22,744.0 million (2013: € 21,242.1 million) of the notes issued is due in the following year.

Trading Portfolio (Liabilities) (17)

Breakdown of Trading Portfolio

	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Derivative financial instruments	0.4	0.0
Liabilities from repo transactions	445.1	146.3
Total trading portfolio	445.5	146.3

Derivative financial instruments include futures with a negative market value of € 13.5 thousand (2013: € 376.2 thousand). This market value is offset against the opposite variation margin paid on futures.

Trust Liabilities (18)

Trust liabilities comprise the following:

Breakdown by Liability Type

	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Liabilities to banks	8.5	11.9
Liabilities to customers	1,678.4	1,736.0
Total trust liabilities	1,686.9	1,747.9

Other Liabilities (19)**Breakdown by individual items**

	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Option premiums received	243.1	221.5
Option premiums not yet paid	223.2	206.9
Liabilities owed to the State of North Rhine-Westphalia from repayment discounts granted for housing promotion programmes	66.1	18.1
Liabilities owed to the State of North Rhine-Westphalia	15.7	16.7
Due profit participation rights	11.0	0.0
Adjustment item from currency translation in accordance with Section 340h HGB	0.0	304.4
Other	16.0	15.3
Total other liabilities	575.1	782.9

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

	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Swap fees received in advance	656.0	168.5
Transfer of pension obligation provisions for Portigon AG "dual contract holders"	202.8	251.5
Premiums from underwriting business	110.1	97.3
CDS fees received in advance	84.1	119.7
Transfer of salaries for Portigon AG "dual contract holders"	2.3	0.0
Other	0.2	0.4
Total deferred items	1,055.5	637.4

Provisions (21)

The provisions for pensions include € 1,197.2 million (2013: € 1,121.2 million) in pension obligations to employees of Portigon AG who have claims for or are entitled to a pension under the laws relating to civil servants. Pursuant to Article 1 Section 4 para. 1 sentence 4 of the Bank Redefining Act (Neuregelungsgesetz) of July 2, 2002, these obligations passed from the former Westdeutsche Landesbank Girozentrale to NRW.BANK. Pursuant to the

regulations of the assessment dated August 1, 2002, Portigon AG and NRW.BANK agreed, in the fiscal year 2013, to finally settle NRW.BANK's claims resulting from the compensation entitlement, with the exception of the future service cost, by means of a one-time payment. With this one-time payment, responsibility for managing and handling the pension payments has passed to NRW.BANK.

The provisions for pensions additionally include pension obligations in the amount of € 23.2 million (2013: € 20.4 million) towards employees of Helaba Landesbank Hessen-Thüringen who also have contractual claims or are entitled to a pension under the laws relating to civil servants. NRW.BANK is entitled to reimbursement from Helaba Landesbank Hessen-Thüringen in the same amount, which is shown in other assets.

NRW.BANK's provisions for additional benefits are at € 220.4 million (2013: € 213.8 million). This amount includes € 186.0 million (2013: € 181.8 million) in obligations to persons covered under the former pension agreement of the former Westdeutsche Landesbank Girozentrale, for which NRW.BANK has assumed the additional benefit payments since the spin-off from the former Westdeutsche Landesbank Girozentrale. An additional € 34.4 million (2013: € 32.0 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 (2013: € 76.7 million) exist for potential compensation claims under the value guarantee.

Subordinated Liabilities and Capital with Participation Rights (22)

The subordinated liability as described below exceeds 10% of the total subordinated liabilities of € 2,211.9 million (2013: € 2,387,2 million).

The State of North Rhine-Westphalia has to make repayments towards the federal government in conjunction with the use of house promotion loans granted by the federal government. Under applicable federal state law, NRW.BANK has to transfer the required funds from the repayment of housing promotion loans to the state budget. This transfer duty takes the form of a non-interest-bearing subordinated loan in an amount of € 2,413.9 million granted by the State of North Rhine-Westphalia to NRW.BANK, which has to be repaid by the year 2044 in accordance with a defined repayment plan. Based on the repayments made to date, the subordinated loan was stated in an amount of € 1,881.9 million as of December 31, 2014.

The remaining subordinated liabilities of € 330.0 million have original maturities between twelve and thirty years and carry average interest rates of 0.247% and 6.0%. There is no early redemption obligation.

Subordinated liabilities include liabilities with a remaining term of less than two years in an amount of € 270.4 million (2013: € 329.0 million).

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

Interest expenses of € 9.8 million (2013: € 9.8 million) were incurred for subordinated liabilities.

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

In 2014, all capital with participation rights of € 11.0 million (2013: € 0.0 million) matured, and no new capital with participation rights was issued.

Equity Capital (23)

As of December 31, 2014, NRW.BANK's subscribed capital was € 17,000.0 million (2013: € 17,000.0 million). The reserves totalled € 932.6 million (2013: € 883.4 million).

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

Commercial Law Equity	Dec. 31, 2014	Dec. 31, 2013
	€ millions	€ millions
Subscribed capital	17,000.0	17,000.0
Capital reserves	676.9	627.7
Reserves from retained earnings		
– reserves required by NRW.BANK's statutes	36.1	36.1
– other reserves	219.6	219.6
Profit for the year	0.0	0.0
Total equity capital	17,932.6	17,883.4

Once the annual accounts are approved, the capital of NRW.BANK required for regulatory purposes under Section 10 KWG will total € 20,111.1 million (2013: € 19,503.0 million).

Foreign Currency Assets/Foreign Currency Liabilities (24)

At year-end, NRW.BANK had foreign currency assets valued at € 9,426.9 million (2013: € 10,218.4 million) and foreign currency liabilities valued at € 22,474.2 million (2013: € 17,608.4 million). Contingent liabilities and other commitments denominated in foreign currencies totalled € 5,060.6 million (2013: € 4,024.8 million).

Contingent Liabilities and Other Commitments (25)

Contingent liabilities totalled € 15,675.9 million (2013: € 15,388.4 million) and incorporate € 14,918.0 million (2013: € 14,689.8 million) for credit derivatives (thereof € 350.0 million for embedded derivatives [2013: € 352.7 million]) and € 757.9 million (2013: € 698.6 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 and good investment grade quality. No claims are expected to be raised at present.

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

Other commitments comprise irrevocable credit commitments in an amount of € 2,884.4 million (2013: € 3,106.0 million). Of this total, € 719.8 million (2013: € 666.5 million) relate to commitments in conjunction with the housing promotion business.

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

Assets Used as Collateral (26)

Bonds and notes in a nominal amount of € 6,785.4 million (2013: € 5,236.4 million) were pledged to the Deutsche Bundesbank and notes in a nominal amount of € 5,644.1 million (2013: € 5,235.8 million) were submitted to the Deutsche Bundesbank in the context of the "KEV" process (KEV: Kreditforderungen – Einreichung und Verwaltung/credit claims – submission and administration) as collateral for funding facilities. Securities in a nominal amount of € 22.8 million (2013: € 22.7 million) were deposited with the Eurex (electronic futures and options exchange) as collateral for forward transactions. In addition, securities in a nominal amount of € 3,979.2 million (2013: € 4,007.0 million) were transferred in the past fiscal year to secure off-exchange derivatives; these securities were deposited as collateral with the counterparty. Furthermore, an amount of € 276.8 million (2013: € 269.9 million) was transferred as collateral for repo transactions and securities in an amount of € 2.0 million (2013: € 2.0 million) were assigned as rent deposit.

Collateral for Own Liabilities (27)

Collateral for registered municipal bonds and notes totalled € 2.2 million (2013: € 2.2 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.

On December 31, 2014, the nominal amounts of the cover were as follows:

Cover	Dec. 31, 2014	Dec. 31, 2013
	Municipal bonds (cover register II) € millions	Municipal bonds (cover register II) € millions
Municipal bonds issued	2,236.6	2,847.1
Loans raised secured with registered municipal bonds and notes	2.2	2.2
Liabilities requiring cover	2,238.8	2,849.3
Municipal loans	4,037.2	17,253.1
Other ordinary cover (securities)	0.0	66.2
Excess cover	65.6	240.0
Cover funds	4,102.8	17,559.3
Excess cover	1,864.0	14,710.0

The cover register for mortgage bonds (cover register I) was closed with effect from June 29, 2012, as NRW.BANK will issue no more mortgage bonds for the time being. Accordingly, the cover only includes the cover register for municipal bonds (cover register II).

Income Statement

Services Rendered for Third Parties (29)

The net commission income includes € 14.1 million (2013: € 12.7 million) resulting from the administration of loans and subsidies held in trust.

Other Operating Income and Expenses (30)

The principal contributions towards other operating income are composed of € 10.4 million (2013: € 16.2 million) in income from the write-back of other provisions as well as € 15.1 million (2013: € 15.0 million) in income from the reimbursement of the service cost of Portigon AG.

Other operating expenses include an amount of € 9.5 million (2013: € 6.8 million) for allocations to pension provisions for employees of Portigon AG who have claims for or are entitled to a pension under the laws relating to civil servants.

Fee Paid to Auditor of the Annual Accounts (31)

In the fiscal year 2014, the auditor charged a total fee of € 1.7 million (2013: € 1.5 million). € 1.2 million (2013: € 1.2 million) of which accounted for the auditing of the annual accounts, € 0.2 million (2013: € 0.2 million) for other auditing services and € 0.3 million (2013: € 0.1 million) for other services.

Miscellaneous

Other Financial Obligations

NRW.BANK has long-term obligations in the amount of € 113.1 million (2013: € 127.4 million) up to the end of the contractual term. These include obligations in the amount of € 0.2 million (2013: € 0.2 million) with a remaining term of up to one year, obligations in the amount of € 7.4 million (2013: € 2.4 million) with a remaining term of up to three years, obligations in the amount of € 40.5 million (2013: € 3.6 million) with a remaining term of up to five years as well as obligations in the amount of € 65.0 million (2013: € 121.2 million) with a remaining term of more than five years. In addition, there are other financial obligations with an indefinite remaining term in the amount of € 2.1 million (2013: € 2.0 million).

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

There is an obligation to make additional contributions in the amount of € 16.0 million (2013: € 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 and was renamed NRW.BANK pursuant to the "Act on the Reorganisation of the State Bank of the State of North Rhine-Westphalia into the Development Bank of North Rhine-Westphalia and on the Amendment of Other Laws" (Gesetz zur Umstrukturierung der Landesbank Nordrhein-Westfalen zur Förderbank des Landes Nordrhein-Westfalen und zur Änderung anderer Gesetze). Owing to these developments, as of January 1, 2005 NRW.BANK was made a member of the compensation scheme of the Association of German Public Sector Banks in Berlin (VÖB Entschädigungseinrichtung) by order of the Federal Financial Supervisory Authority (BaFin).

Derivative Transactions

As of December 31, 2014, the total nominal value of derivative transactions was € 186,102 million (2013: € 186,781 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, 2013	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2014
	€ millions	€ millions	€ millions	€ millions
Interest rate derivatives				
Interest rate swaps	140,036	135,960	9,329	-13,519
Interest rate options				
– bought (long)	4,378	5,198	102	0
– written (short)	5,228	5,749	0	-53
Stock market contracts				
– bought (long)	17	0	0	0
– written (short)	35	10	0	0
Other interest rate forwards	275	466	3	-54
Total interest rate derivatives	149,969	147,383	9,434	-13,626
Currency derivatives				
Foreign exchange forwards, swaps	7,362	8,052	311	-22
Currency swaps/ interest rate currency swaps	11,974	15,083	980	-1,308
Total currency derivatives	19,336	23,135	1,291	-1,330
Credit derivatives				
– bought (long)	899	619	8	-21
– written (short)	14,690	14,918	90	-95
Total credit derivatives	15,589	15,537	98	-116
Total banking book	184,894	186,055	10,823	-15,072

Trading book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2014
	€ millions	€ millions	€ millions	€ millions
Interest rate derivatives				
Interest rate swaps	352	32	0	0
Stock market contracts				
– bought (long)	725	15	0	0
– written (short)	810	0	0	0
Total interest rate derivatives	1,887	47	0	0
Total currency derivatives	–	–	–	–
Total credit derivatives	–	–	–	–
Total trading book	1,887	47	0	0

Banking book and trading book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2014
	€ millions	€ millions	€ millions	€ millions
Total interest rate derivatives	151,856	147,430	9,434	-13,626
Total currency derivatives	19,336	23,135	1,291	-1,330
Total credit derivatives	15,589	15,537	98	-116
Total banking book and trading book	186,781	186,102	10,823	-15,072

The presentation of derivative transactions also reflects embedded derivative instruments that have to be separated of a nominal value of € 6,556 million (2013: € 5,739 million) of which € 490 million (2013: € 603 million) relates to credit derivatives. The item also includes interest rate derivatives from a hedge relationship as defined in Section 254 HGB with a nominal volume of € 90 million (2013: € 442 million) with positive market values of € 0 million (2013: € 1 million) and with negative market values of € -7 million (2013: € -10 million).

The average nominal value of the derivative transactions and other forward transactions entered into by NRW.BANK for the period from January 1, 2014 to December 31, 2014 was € 192,663 million (2013: € 202,070 million).

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

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

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

The breakdown of derivative transactions by counterparty is as follows:

Banking book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2014
	€ millions	€ millions	€ millions	€ millions
OECD banks	170,698	166,878	9,266	-12,553
OECD public-sector entities	11,554	9,696	1,356	-2,038
Other counterparties	2,642	9,481	201	-481
Total banking book	184,894	186,055	10,823	-15,072

Trading book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2014
	€ millions	€ millions	€ millions	€ millions
OECD banks	398	43	0	0
Other counterparties	1,489	4	0	0
Total trading book	1,887	47	0	0

Banking book and trading book	Nominal values		Market values positive	Market values negative
	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2014
	€ millions	€ millions	€ millions	€ millions
Total banking book and trading book	186,781	186,102	10,823	-15,072

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. 48% (2013: 46%) of the interest rate contracts having a remaining time to maturity of more than five years.

Banking book	Interest rate derivatives		Currency derivatives		Credit derivatives	
	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Residual maturity						
– up to 3 months	6,389	6,647	7,513	7,929	285	532
– more than 3 months to 1 year	13,964	16,623	1,998	3,082	676	890
– more than 1 to 5 years	60,476	53,650	7,452	9,992	12,936	12,748
– more than 5 years	69,140	70,463	2,373	2,132	1,692	1,367
Total banking book	149,969	147,383	19,336	23,135	15,589	15,537

Trading book	Interest rate derivatives		Currency derivatives		Credit derivatives	
	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Residual maturity						
– up to 3 months	274	26	–	–	–	–
– more than 3 months to 1 year	888	–	–	–	–	–
– more than 1 to 5 years	725	–	–	–	–	–
– more than 5 years	0	21	–	–	–	–
Total trading book	1,887	47	–	–	–	–

Banking book and trading book	Interest rate derivatives		Currency derivatives		Credit derivatives	
	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014
	€ millions	€ millions	€ millions	€ millions	€ millions	€ millions
Total banking book and trading book	151,856	147,430	19,336	23,135	15,589	15,537

Number of Employees

Active employees as at Dec. 31, 2014*	2014			2013		
	Women	Men	Total	Women	Men	Total
Full-time employees	377	562	939	377	559	936
Part-time employees	265	29	294	240	25	265
Apprentices and trainees	18	32	50	25	30	55
Total	660	623	1,283	642	614	1,256
Thereof						
Former "dual contract" holders of Portigon AG outside of the approved headcount	1	0	1	0	0	0
In addition						
Employees under limited employment contracts	36	30	66	41	31	72
Employees employed outside of NRW.BANK (leave, secondments, employee assignments)	3	5	8	2	4	6

* Excl. employees on parental leave.

NRW.BANK employed 715 female employees (2013: 704) and 624 male employees (2013: 620) – employees under unlimited and limited contracts, employees on parental leave and similar but excluding apprentices as well as interns – on an annual average.

Managing Board Remuneration

Non-performance-linked and performance-linked components of the Managing Board remuneration paid in 2014 and 2013:

In € thsd.	Non-performance-linked remuneration				Performance-linked variable remuneration ²⁾		Total remuneration		Remuneration for mandates ³⁾
	Fixed remuneration		Other remuneration		2014	2013	2014	2013	2014
	2014	2013	2014	2013					
Dietmar P. Binkowska (until June 30, 2014) ¹⁾	369.7	703.5	2,694.8	36.2	117.4	83.7	3,181.9	823.4	106.9
Klaus Neuhaus	566.3	476.0	28.6	28.9	92.4	66.0	687.3	570.9	2.9
Michael Stölting	465.0	465.0	37.1	42.4	92.4	66.0	594.5	573.4	56.0
Dietrich Suhlrie	477.8	468.7	13.5	15.8	92.4	66.0	583.7	550.5	0.0
Total Managing Board	1,878.8	2,113.2	2,774.0	123.3	394.6	281.7	5,047.4	2,518.2	165.8

¹⁾ Other remuneration incl. compensation payments.

²⁾ The two years are not fully comparable, as the amount for 2014 includes parts of the bonuses for the years 2011 to 2013, while the amount for 2013 includes parts of the bonuses for the years 2011 and 2012.

³⁾ Amounts incl. VAT.

Breakdown of the variable Managing Board remuneration granted in 2014 into components paid-out immediately and components retained over several years:

In € thsd.	Variable remuneration for the year 2013, granted in 2014	Thereof retained	Thereof paid out in 2014	Reduction pursuant to Section 20 para. 5 InstitutsVergV
Dietmar P. Binkowska	168.0	134.4	33.6	0
Klaus Neuhaus	132.0	105.6	26.4	0
Michael Stölting	132.0	105.6	26.4	0
Dietrich Suhlrie	132.0	105.6	26.4	0
Total Managing Board	564.0	451.2	112.8	0

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

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

The members of the Managing Board are entitled to pension benefits as they reach the age of retirement or in case of invalidity. In the event of their death their dependants are also entitled to benefits. All commitments are contractually unforfeitable or unforfeitable by law because of the number of years served. As a result of their previous employments, Mr Neuhaus and Mr Stölting have entitlements to civil-service-type pensions taking into account entitlements from the public pension scheme as well as entitlements under a pension enhancement policy. Mr 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.

In the fiscal year 2014, there were no changes in the commitments for old-age/invalidity and dependants' pension for the Managing Board members of NRW.BANK.

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

In € thsd.	Expenses ¹⁾		Present value of the obligation	
	2014	2013	2014	2013
Dietmar P. Binkowska ²⁾	313.9	627.9	0.0	2,990.4
Klaus Neuhaus	1,292.3	297.7	5,761.2	4,468.9
Michael Stölting	293.1	243.1	2,727.7	2,434.5
Dietrich Suhlrie	261.7	213.6	973.5	711.8
Total Managing Board	2,161.0	1,382.3	9,462.4	10,605.6

¹⁾ The expenses shown here comprise personnel and interest expenses. In the fiscal year 2014 in particular, they comprise the portion of the interest expenses that results from the change in the interest rate used for calculation (reduced from 4.89% on December 31, 2013 to 4.58% on December 31, 2014).

²⁾ This is equivalent to the pro-rated expenses during the active service life until June 30, 2014; the present value for the year 2014 is shown in full under the present value for resigned Managing Board members.

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

In € thsd.	Payments		Present value of the obligation ¹⁾	
	2014	2013	2014	2013
Former Managing Board members	554.5	527.4	18,907.8	11,205.9

¹⁾ To ensure better comparison, the present value of the obligation towards Mr Binkowska is shown for the full year 2014 and not only on a pro-rated basis from July 1, 2014.

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

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

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

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 12 Para. 1 Letters a to c of the Statutes		Permanent Representatives Pursuant to Section 12 Para. 2 of the Statutes	
Garrelt Duin Minister for Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	31,700	Wulf Noll Assistant Secretary Ministry of Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	24,500
Michael Groschek Minister for Building, Housing, City Development and Transport of the State of North Rhine-Westphalia	18,700	Annett Fischer Assistant Secretary Ministry for Building, Housing, City Development and Transport of the State of North Rhine-Westphalia	12,400
Dr. Norbert Walter-Borjans Minister of Finance of the State of North Rhine-Westphalia	28,700	Gerhard Heilgenberg Assistant Secretary Ministry of Finance of the State of North Rhine-Westphalia	24,500
Members Pursuant to Section 12 Para. 1 Letter d of the Statutes		Members Pursuant to Section 12 Para. 1 Letter e of the Statutes	
Horst Becker, MdL Parliamentary State Secretary Ministry for Climate Protection, Environment, Agriculture, Conservation and Consumer Affairs of the State of North Rhine-Westphalia	6,200	Martin Bösenberg Staff representative NRW.BANK Münster	18,600
Lutz Lienenkämper, MdL Parliamentary State Secretary of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia	20,900	Matthias Elzinga Staff representative NRW.BANK Münster	17,050
Johannes Rimmel Minister for Climate Protection, Environment, Agriculture, Conservation and Consumer Affairs of the State of North Rhine-Westphalia	18,300	Frank Lill Staff representative NRW.BANK Düsseldorf	17,350
Norbert Römer, MdL Chairman of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	18,600	Thomas Stausberg Director NRW.BANK Düsseldorf	22,233
Svenja Schulze, MdL Minister for Innovation, Science and Research of the State of North Rhine-Westphalia	17,100		

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

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

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 8 Para. 1 Letters a to c of the Statutes		Members Pursuant to Section 8 Para. 1 Letter d of the Statutes	
Garrelt Duin Minister for Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	5,300	Sylvia Löhrmann Minister for School and Further Education of the State of North Rhine-Westphalia	5,000
Michael Groschek Minister for Building, Housing, City Development and Transport of the State of North Rhine-Westphalia	5,000	Dr. Rüdiger Messal State Secretary Ministry of Finance of the State of North Rhine-Westphalia	5,600
Dr. Norbert Walter-Borjans Minister of Finance of the State of North Rhine-Westphalia	5,300	Dr. Wilhelm D. Schäffer State Secretary Ministry of Work, Social Integration and Welfare of the State of North Rhine-Westphalia	5,600
Members Pursuant to Section 8 Para. 1 Letter d of the Statutes		Permanent guests	
Helmut Dockter (until September 30, 2014) State Secretary Ministry of Innovation, Science and Research of the State of North Rhine-Westphalia	4,050	Martin Bösenberg Staff representative NRW.BANK Münster	600
Dr. Günther Horzetzky State Secretary Ministry of Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	5,300	Frank Lill Staff representative NRW.BANK Düsseldorf	600
Peter Knitsch State Secretary Ministry for Climate Protection, Environment, Agriculture, Conservation and Consumer Affairs of the State of North Rhine-Westphalia	5,300		
Thomas Kutschatj, MdL Minister of Justice of the State of North Rhine-Westphalia	5,600		
Franz-Josef Lersch-Mense State Secretary Head of the State Chancellery of the State of North Rhine-Westphalia	5,000		

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

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

	Total remuneration		Total remuneration
	€		€
Members pursuant to Section 26 of the Statutes		Members pursuant to Section 26 of the Statutes	
Garrelt Duin Minister for Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	2,300	Prof. Dr. Reinhard Klenke District President Münster Regional Government	2,300
Michael Ackermann Managing Director Klinikum Bielefeld gem. GmbH	2,000	Norbert Kleyboldt Permanent Delegate Apostolic Administrator of Bischöfliches Generalvikariat Münster	2,300
Prof. Dr. Achim Bachem (until June 30, 2014) Chairman of the Managing Board Forschungszentrum Jülich GmbH	1,300	Dr. Thomas A. Lange Chairman of the Managing Board Bankenvereinigung Nordrhein-Westfalen e. V.	2,300
Frank Baranowski Lord Mayor City of Gelsenkirchen	2,000	Markus Lewe Lord Mayor City of Münster	2,300
Paul Bauwens-Adenauer (until November 4, 2014) President Chamber of Industry and Commerce in North Rhine-Westphalia	0	Matthias Löb (since July 1, 2014) Director of LWL Regional Association of Westphalia-Lippe	1,000
Prof. Dr. Gerd Bollermann District President Arnsberg Regional Government	2,300	Ulrike Lubek Director of LVR Regional Association of the Rhineland	2,000
Michael Breuer President Savings Banks and Giro Association of the Rhineland	2,000	Wolfgang Lubert Managing Director EnjoyVenture Management GmbH	2,300
Norbert Bude (until June 30, 2014) Lord Mayor Chairman Städtetag Nordrhein-Westfalen	1,300	Anne Lütkes District President Düsseldorf Regional Government	2,000
Heinrich Otto Deichmann Chairman of the Supervisory Board Deichmann SE	2,000	Prof. Dr.-Ing. Wolfgang Marquardt (since October 1, 2014) Chairman of the Executive Board Forschungszentrum Jülich GmbH	500
Andreas Ehlert (since July 1, 2014) President Düsseldorf Chamber of Handicrafts	1,000	Andreas Meyer-Lauber District Chairman Deutscher Gewerkschaftsbund NRW	2,300
Andreas Feicht Chairman Verband kommunaler Unternehmen e. V. – Regional Group North Rhine-Westphalia –	2,000	Dr. Paul-Josef Patt Chairman of the Managing Board eCAPITAL entrepreneurial Partners AG	2,000
Marcelino Fernández Verdes Chairman of the Executive Board HOCHTIEF AG	2,000	Jürgen Roters Lord Mayor City of Cologne	2,300
Dr. Reinhold Festge Managing Partner HAVER & BOECKER OHG Drahtweberei und Maschinenfabrik	2,300	Roland Schäfer Mayor President Städte- und Gemeindebund Nordrhein-Westfalen e. V.	2,000

	Total remuneration		Total remuneration
	€		€
Members pursuant to Section 26 of the Statutes		Members pursuant to Section 26 of the Statutes	
Heinz Fiege FIEGE Logistik Holding Stiftung & Co. KG	2,300	Prof. Dr. Uwe Schneidewind President and Academic Managing Director Wuppertal Institut für Klima, Umwelt, Energie gGmbH	2,000
Otto Rudolf Fuchs Shareholder Otto Fuchs KG	0	Dr. Ottilie Scholz Lord Mayor City of Bochum	2,000
Prof. Dr. Ursula Gather Chairwoman of the Directors Conference of the Universities in North Rhine-Westphalia	2,300	Prof. Wolfgang Schulhoff (until February 17, 2014) President Düsseldorf Chamber of Handicrafts	333
Dieter Gebhard Chairman Regional Assembly of Westphalia-Lippe	2,300	Dr. Jochen Stemplewski Chairman of the Managing Board EMSCHERGENOSSENSCHAFT und LIPPEVERBAND	2,000
Dr. Rolf Gerlach President Savings Banks and Giro Association of Westphalia-Lippe	2,300	Peter Terium Chairman of the Managing Board RWE AG	2,300
Dr. Axel Claus Heitmann (until February 28, 2014) Chairman of the Managing Board LANXESS AG	333	Marianne Thomann-Stahl District President Detmold Regional Government	2,300
Thomas Hendele District Administrator President Landkreistag Nordrhein-Westfalen e. V.	2,000	Reza Vaziri Chairman of the Executive Board 3M Deutschland GmbH	2,300
Thomas Hunsteger-Petermann Lord Mayor City of Hamm	2,300	Hans-Josef Vogel Mayor City of Arnsberg	2,300
Peter Jung (since July 1, 2014) Lord Mayor Chairman Städtetag Nordrhein-Westfalen	1,000	Gisela Walsken District President Cologne Regional Government	2,300
Arndt G. Kirchhoff Managing Partner & CEO KIRCHHOFF Holding GmbH & Co. KG	2,000	Prof. Dr. Jürgen Wilhelm Chairman Regional Assembly of the Rhineland	2,300
Dr. Wolfgang Kirsch (until June 30, 2014) Director of LWL Regional Association of Westphalia-Lippe	1,300	Klaus Winterhoff Legal Vice President Evangelical Church of Westphalia	2,300
Dipl.-Ing. Hanspeter Klein Chairman of the Managing Board Verband Freier Berufe im Lande Nordrhein-Westfalen e. V.	2,300	Hans-Bernd Wolberg Chairman of the Managing Board WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank	2,300
		Matthias Zachert (since June 1, 2014) Chairman of the Managing Board LANXESS AG	1,167

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

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

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 27 of the Statutes		Members Pursuant to Section 27 of the Statutes	
Elisabeth Müller-Witt, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	375	Christian Möbius, MdL Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia	375
Mehrdad Mostofizadeh, MdL Member of the Bündnis 90/Die Grünen Parliamentary Group State Assembly of North Rhine-Westphalia	250	Dr. Marcus Optendrenk, MdL Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia	250
Martin Börschel, MdL (until December 31, 2014) Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	125	Dietmar Schulz, MdL Member of the Piraten Parliamentary Group State Assembly of North Rhine-Westphalia	0
Marc Herter, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	375	Ralf Witzel, MdL Member of the FDP Parliamentary Group State Assembly of North Rhine-Westphalia	375
Stefan Kämmerling, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	125	Hendrik Wüst, MdL Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia	250
Gerda Kieninger, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	125	Gudrun Zentis, MdL Member of the Bündnis 90/Die Grünen Parliamentary Group State Assembly of North Rhine-Westphalia	375

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

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

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 24 Para. 1 Letter a of the Statutes		Members Pursuant to Section 24 Para. 1 Letter c of the Statutes	
Michael Groschek Minister for Building, Housing, City Development and Transport of the State of North Rhine-Westphalia	3,600	Eva-Maria Voigt-Küppers, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	3,600
Members Pursuant to Section 24 Para. 1 Letter b of the Statutes		Klaus Voussem, MdL Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia	3,600
Günther Bongartz Senior Principal Ministry of Finance of the State of North Rhine-Westphalia	3,600	Olaf Wegner, MdL Member of the Piraten Parliamentary Group State Assembly of North Rhine-Westphalia	3,600
Dr. Michael Henze Assistant Secretary Ministry of Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia	3,600	Members Pursuant to Section 24 Para. 1 Letter d of the Statutes	
Hans Lauf Assistant Secretary Ministry of Work, Social Integration and Welfare of the State of North Rhine-Westphalia	3,600	Ingo Apel Vice President Haus & Grund NRW e. V.	3,600
Members Pursuant to Section 24 Para. 1 Letter c of the Statutes		Dr. Werner Küpper BFW Landesverband Nordrhein-Westfalen e. V.	3,600
Martin Börschel, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	3,300	Alexander Rychter Association Director Verband der Wohnungswirtschaft Rheinland Westfalen e. V.	3,600
Holger Ellerbrock, MdL Member of the FDP Parliamentary Group State Assembly of North Rhine-Westphalia	3,600	Members Pursuant to Section 24 Para. 1 Letter e of the Statutes	
Dieter Hilser, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	3,600	Rudolf Graaff Deputy Mayor Städte- und Gemeindebund Nordrhein-Westfalen	3,300
Gerda Kieninger, MdL Member of the SPD Parliamentary Group State Assembly of North Rhine-Westphalia	3,600	Thomas Hendele District Administrator Kreis Mettmann	3,300
Bernhard Schemmer, MdL Member of the CDU Parliamentary Group State Assembly of North Rhine-Westphalia	3,600	Stefan Raetz Mayor City of Rheinbach	3,600
Daniela Schneckeburger, MdL Deputy Chairwoman of the Bündnis 90/Die Grünen Parliamentary Group State Assembly of North Rhine-Westphalia	3,300	Hilmar von Lojewski Deputy Mayor for Urban Development, Construction, Housing and Transport Städtetag Nordrhein-Westfalen	3,300

	Total remuneration		Total remuneration
	€		€
Members Pursuant to Section 24 Para. 1 Letter f of the Statutes		Permanent Representative of the Chairing Member Pursuant to Section 24 Para. 2 of the Statutes	
Hans-Jochem Witzke 1st Chairman Mieterverein Düsseldorf e. V. and Member of the Board of Deutscher Mieterbund Nordrhein-Westfalen e. V.	3,600	Sigrid Koeppinghoff Assistant Secretary Ministry for Building, Housing, City Development and Transport of the State of North Rhine-Westphalia	3,600
Members Pursuant to Section 24 Para. 1 Letter g of the Statutes			
Dipl.-Ing. Hartmut Miksch (until January 14, 2014) President Architektenkammer Nordrhein-Westfalen	250		
Dipl.-Ing. Ernst Uhing (since January 14, 2014) President Architektenkammer Nordrhein-Westfalen	3,600		

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

Advances and Loans

For members of the Supervisory Board of NRW.BANK loans totalling € 45 thousand (2013: € 75 thousand) exist whose interest rates range from 0% to 5.27%.

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

Seats Held by Members of the Managing Board

Dietmar P. Binkowska (until April 30, 2014)
Galeria Kaufhof GmbH
Investitionsbank des Landes Brandenburg (ILB)
(until April 30, 2014)
Portigon AG (until April 10, 2014)
Fiege Logistik (Schweiz) AG (until April 30, 2014)

Klaus Neuhaus

Portigon AG (since April 30, 2014)

Michael Stölting

Investitionsbank des Landes Brandenburg (ILB)
Erste Abwicklungsanstalt

Dietrich Suhlrie

Investitionsbank des Landes Brandenburg (ILB)
(since May 28, 2014)
Fiege Logistik (Schweiz) AG (since September 12, 2014)

Seats Held by Employees

Christiane Jansen

Investitionsbank des Landes Brandenburg (ILB)

Dr. Peter Güllmann

Investitionsbank des Landes Brandenburg (ILB)

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

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

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

Name and head office of the company	Direct (D)/ Indirect (I)	Capital share %	Equity in € thsd.	Net income/ loss for the year in € thsd.	As at
1 Equity investments in affiliated companies					
1.1 Other companies					
Bremer Spielcasino GmbH & Co. KG, Bremen	D/I	51.00%	-316	-410	Dec. 31, 2013
Casino Duisburg GmbH & Co. KG, Duisburg	I	100.00%	10,000	7,104	Dec. 31, 2013
Casino Erfurt GmbH & Co. KG, Erfurt	I	100.00%	-755	30	Dec. 31, 2013
Life Science Inkubator Betriebs GmbH & Co. KG, Bonn	I	95.00%	372	26	Dec. 31, 2013
Life Science Inkubator Sachsen GmbH & Co. KG, Dresden	I	100.00%	42	-8	Dec. 31, 2013
LSI Pre-Seed-Fonds GmbH, Bonn	D	65.79%	61,454	-486	Dec. 31, 2013
Neue Deutsche Spielcasino GmbH & Co. KG, Berlin	I	100.00%	205	-357	Dec. 31, 2013
Nordwestlotto in Nordrhein-Westfalen GmbH, Münster	D	100.00%	156	0	Dec. 31, 2013
NRW.BANK.Kreativwirtschaftsfonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	39	3	Dec. 31, 2013
NRW.BANK.Kreativwirtschaftsfonds GmbH & Co. KG, Düsseldorf	D	100.00%	1,600	-1,015	Dec. 31, 2013
NRW.BANK.Mittelstandsfonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	25	0	Dec. 31, 2013
NRW.BANK.Mittelstandsfonds GmbH & Co. KG, Düsseldorf	D	100.00%	54,497	-35	Dec. 31, 2013
NRW.BANK.Mittelstandsfonds Zwei GmbH & Co. KG, Düsseldorf	D	100.00%			Dec. 31, 2014
NRW.BANK.Seed Fonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	43	5	Dec. 31, 2013
NRW.BANK.Seed Fonds GmbH & Co. KG, Düsseldorf	D	100.00%	9,203	-2,267	Dec. 31, 2013
NRW.BANK.Seed Fonds Zwei GmbH & Co. KG, Düsseldorf	D	100.00%	1,296	-137	Dec. 31, 2013
NRW.BANK.Spezialfonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	29	1	Dec. 31, 2013
NRW.BANK.Spezialfonds GmbH & Co. KG, Düsseldorf	D	100.00%	7,587	-36	Dec. 31, 2013
NRW.BANK.Venture Fonds Beteiligungs-GmbH, Düsseldorf	D	100.00%	31	3	Dec. 31, 2013
NRW.BANK.Venture Fonds GmbH & Co. KG, Düsseldorf	D	100.00%	12,247	-4,187	Dec. 31, 2013
NRW.BANK.Venture Fonds Zwei GmbH & Co. KG, Düsseldorf	D	100.00%	16,820	-620	Dec. 31, 2013
Unterstützungseinrichtungen GmbH der					
Westdeutsche Lotterie GmbH & Co. OHG, Münster	D/I	100.00%	26	0	Dec. 31, 2013
Westdeutsche Lotterie GmbH & Co. OHG, Münster	D	100.00%	106,498	16,970	Dec. 31, 2013
Westdeutsche Lotto-Vertriebs GmbH, Münster	I	100.00%	30	2	Dec. 31, 2013
Westdeutsche Spielbanken GmbH, Duisburg	D	100.00%	26	0	Dec. 31, 2012
Westdeutsche Spielbanken GmbH & Co. KG, Duisburg	D/I	100.00%	18,600	-10	Dec. 31, 2012
Westdeutsche Spielcasino Service GmbH, Duisburg	D	100.00%	9,525	0	Dec. 31, 2013

Name and head office of the company	Direct (D)/ Indirect (I)	Capital share %	Equity in € thsd.	Net income/loss for the year in € thsd.	As at
Westdeutsche Spielcasino Verwaltungs GmbH, Duisburg	I	100.00%	25	1	Dec. 31, 2013
WestEvent GmbH & Co. KG, Münster	D/I	100.00%	3,927	173	Dec. 31, 2013
WestSpiel Entertainment GmbH, Duisburg	I	100.00%	25	0	Dec. 31, 2013
2 Other equity investments					
2.1 Financial institutions					
Investitionsbank des Landes Brandenburg, Potsdam	D	50.00%	200,282	11,674	Dec. 31, 2013
Portigon AG, Düsseldorf	D	30.51%	2,195,000	-178,000	Dec. 31, 2013
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%	2,378	74	Dec. 31, 2013
CAP-CMV GmbH, Cologne	I	25.64%	839	-878	Dec. 31, 2013
CellAct Pharma GmbH, Dortmund	I	38.15%	-399	-804	Dec. 31, 2013
CEVEC Pharmaceuticals GmbH, Cologne	I	25.75%	-277	-2,062	Dec. 31, 2013
DIREVO Industrial Biotechnology GmbH, Cologne	I	25.86%	7,207	2,646	Dec. 31, 2013
ELS Fonds GmbH & Co. KG, Recklinghausen	I	32.30%	4,520	-3,007	Dec. 31, 2013
Epivios GmbH, Bonn	I	24.60%	-23	-24	Dec. 31, 2013
Frimo Group GmbH, Lotte	I	49.00%	62,492	11,455	Dec. 31, 2013
Gardeur Beteiligungs GmbH, Mönchengladbach	I	49.00%	7,859	652	Sep. 30, 2014
Gründerfonds Bielefeld-Ostwestfalen GmbH & Co. KG, Münster	I	38.42%	2,108	427	Dec. 31, 2013
Gründerfonds Münsterland GmbH & Co. KG, Münster	I	37.81%	1,644	-18	Dec. 31, 2013
Kapitalbeteiligungsgesellschaft für die mittelständische					
Wirtschaft in NRW mbH, Neuss	D	49.63%	1,553	182	Dec. 31, 2013
Langendorf GmbH, Waltröp	I	37.00%	1,037	50	Sep. 30, 2014
Luxury Fashion Trade GmbH, Düsseldorf	I	20.26%	2,033	-152	Dec. 31, 2013
Neuway Pharma GmbH, Bonn	I	30.77%			Dec. 31, 2014
NRW.International GmbH, Düsseldorf	D	33.33%	24	3	Dec. 31, 2013
ODS Oddset Deutschland Sportwetten GmbH, Munich	I	33.44%	-2,146	-6,503	Dec. 31, 2013
Phenox GmbH, Bochum	I	27.61%	4,918	244	Dec. 31, 2013
Reformhaus Bacher GmbH & Co. KG, Düsseldorf	I	45.00%	1,220	-285	Dec. 31, 2012
Rheinland Venture Capital GmbH & Co. KG, Cologne	I	39.92%	3,268	-200	Dec. 31, 2013
Rigontec GmbH, Siegburg	I	20.51%			Dec. 31, 2014
saperatec GmbH, Bielefeld	I	23.49%	979	-954	Dec. 31, 2013
Schnöring GmbH, Schalksmühle	I	39.00%	1,656	718	Dec. 31, 2013
Scienion AG, Dortmund	I	23.50%	2,274	943	Dec. 31, 2013
Seed Capital Dortmund GmbH & Co. KG, Dortmund	I	46.51%	3,439	-1,090	Dec. 31, 2013
Seed Fonds für die Region Aachen GmbH & Co. KG, Aachen	I	46.95%	4,496	-460	Dec. 31, 2013
Seed Fonds II für die Region Aachen GmbH & Co. KG, Aachen	I	46.14%	2,088	-703	Dec. 31, 2013
Seed Capital Dortmund II GmbH & Co. KG, Dortmund	I	47.62%	1	-5	Dec. 31, 2013
Sirius Seedfonds Düsseldorf GmbH & Co. KG, Düsseldorf	I	44.61%	6,781	589	Dec. 31, 2013
WINDTEST Grevenbroich GmbH, Hamburg	D	25.00%	450	178	Dec. 31, 2013

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

Board of Guarantors/Supervisory Board/ Managing Board

Board of Guarantors

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

Garrelt Duin

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

Michael Groschek

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

Dr. Norbert Walter-Borjans

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

Members Appointed by the Board of Guarantors

Helmut Dockter (until September 30, 2014)

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

Peter Knitsch

State Secretary
Ministry for Climate Protection, Environment,
Agriculture, Conservation and Consumer Affairs
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

State Secretary
Head of the State Chancellery
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

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 Statutes**

Garrelt Duin

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

Michael Groschek

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

Dr. Norbert Walter-Borjans

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

Members Appointed by the Board of Guarantors**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

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

Johannes Rimmel

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

Norbert Römer, MdL

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

Svenja Schulze, MdL

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

Representatives of the Bank's Staff**Martin Bösenberg**

Staff representative
NRW.BANK
Münster

Matthias Elzinga

Staff representative
NRW.BANK
Münster

Frank Lill

Staff representative
NRW.BANK
Düsseldorf

Thomas Stausberg

Director
NRW.BANK
Düsseldorf

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

Wulf Noll

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

Annett Fischer

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

Gerhard Heiligenberg

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

Vorstand

Dietmar P. Binkowska (until April 30, 2014)

Chairman of the Managing Board

Klaus Neuhaus

Member of the Managing Board
Chairman of the Managing Board (since May 1, 2014)

Michael Stölting

Member of the Managing Board

Dietrich Suhlrie

Member of the Managing Board

Düsseldorf/Münster, February 11, 2015

NRW.BANK

The Managing Board
Neuhaus, Stölting, Suhlrie

Cash Flow Statement

of NRW.BANK as of December 31, 2014

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

	2014
	€ millions
1. Net income	15.7
2. Depreciation, write-downs/write-ups of receivables and fixed assets	134.9
3. Changes in provisions	115.6
4. Changes in other non-cash items	225.2
5. Gain/loss on the sale of fixed assets	-205.3
6. Other adjustments (balance)	0.0
7. Increase/decrease in receivables from banks	360.4
8. Increase/decrease in receivables from customers	343.0
9. Increase/decrease in securities (with the exception of financial assets)	449.4
10. Increase/decrease in other assets from operating activities	-64.3
11. Increase/decrease in liabilities to banks	-898.4
12. Increase/decrease in liabilities to customers	-1,175.8
13. Increase/decrease in certificated liabilities	95.4
14. Increase/decrease in other liabilities from operating activities	-377.2
15. Interest expenses/income	-465.0
16. Expenses for/income from extraordinary items	0.0
17. Income tax expenses/income	6.5
18. Interest and dividends received	5,713.5
19. Interest paid	-4,950.0
20. Extraordinary cash received	0.0
21. Extraordinary cash disbursed	0.0
22. Income tax payments	-7.8
23. Cash flow from operating activities	-684.2

2014

	€ millions
24. Cash from the disposal of financial assets	594.4
25. Disbursements for investments in financial assets	-34.8
26. Cash from the disposal of tangible assets	0.1
27. Disbursements for investments in tangible assets	-7.1
28. Cash from the disposal of intangible assets	0.0
29. Disbursements for investments in intangible assets	-0.3
30. Changes in cash from other investing activities (balance)	0.0
31. Cash flow from investing activities	552.3
32. Cash from allocations to equity capital	49.2
33. Disbursements from equity reductions	0.0
34. Dividends paid to shareholders	-16.7
35. Cash changes from other capital (balance)	-186.3
36. Cash flow from financing activities	-153.8
37. Net change in cash and cash equivalents	-285.7
38. Other changes in cash and cash equivalents	0.0
39. Cash and cash equivalents at the beginning of the period	631.5
40. Cash and cash equivalents at the end of the period	345.8

Statement of Changes in Equity

of NRW.BANK as of December 31, 2014

	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, 2012	17,000.0	537.4	36.1	219.6	0.0	17,793.1
Compensation payments of the federal government for new promotion measures		90.3				90.3
Net income					16.7	16.7
Designated payout due to legal requirements					-16.7	-16.7
As of Dec. 31, 2013	17,000.0	627.7	36.1	219.6	0.0	17,883.4
Compensation payments of the federal government for new promotion measures		49.2				49.2
Net income					15.7	15.7
Designated payout due to legal requirements					-15.7	-15.7
As of Dec. 31, 2014	17,000.0	676.9	36.1	219.6	0.0	17,932.6

Reproduction of the Auditor's Report

We have issued the following unqualified Auditor's Report:

"Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement, the notes to the financial statements, the cash flow statement and the statement of changes in equity, together with the bookkeeping system, and the management report of the NRW.BANK, Düsseldorf and Münster, for the business year from 1 January to 31 December 2014. 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 20, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bormann
Wirtschaftsprüfer
(German Public Auditor)

Schulz
Wirtschaftsprüfer
(German Public Auditor)

Responsibility Statement

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

Düsseldorf/Münster, February 11, 2015

NRW.BANK

The Managing Board



Klaus Neuhaus
Chairman of the Managing Board



Michael Stölting
Member of the Managing Board



Dietrich Suhlrie
Member of the Managing Board

Members of the Advisory Board for Housing Promotion

Members Pursuant to Section 24 Para. 1 Letter a of the Statute

Michael Groschek

Chairman

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

Members Pursuant to Section 24 Para. 1 Letter b of the Statute

Günther Bongartz

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

Dr. Michael Henze

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

Hans Lauf

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

Members Pursuant to Section 24 Para. 1 Letter c of the Statute

Martin Börschel, MdL

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

Holger Ellerbrock, MdL

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

Dieter Hilser, MdL

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

Gerda Kieninger, MdL

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

Bernhard Schemmer, MdL

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

Daniela Schneckenburger, MdL

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

Eva-Maria Voigt-Küppers, MdL

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

Klaus Vossemer, MdL

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

Olaf Wegner, MdL

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

Members Pursuant to Section 24 Para. 1 Letter d of the Statute

Ingo Apel

Vice President
Haus & Grund NRW e. V.
Düsseldorf

Dr. Werner Küpper

BFW Landesverband Nordrhein-Westfalen e. V.
Bonn

Alexander Rychter

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

**Members Pursuant to Section 24 Para. 1
Letter e of the Statute**

Rudolf Graaff

Deputy Mayor
Städte- und Gemeindebund
Nordrhein-Westfalen
Düsseldorf

Thomas Hendele

District Administrator
Kreis Mettmann
Mettmann

Stefan Raetz

Mayor
City of Rheinbach
Rheinbach

Hilmar von Lojewski

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

**Members Pursuant to Section 24 Para. 1
Letter f of the Statute**

Hans-Jochem Witzke

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

**Members Pursuant to Section 24 Para. 1
Letter g of the Statute**

Dipl.-Ing. Hartmut Miksch (until January 14, 2014)

President
Architektenkammer Nordrhein-Westfalen
Düsseldorf

Dipl.-Ing. Ernst Uhing (since January 14, 2014)

President
Architektenkammer Nordrhein-Westfalen
Düsseldorf

**Permanent Representatives of the Chairing Member
Pursuant to Section 24 Para. 2 of the Statute**

Sigrid Koeppinghoff

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

Members of the Parliamentary Advisory Board

Members Pursuant to Section 27 of the Statute

Elisabeth Müller-Witt, MdL

Chairwoman

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

Mehrdad Mostofizadeh, MdL

Deputy Chairman

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

Martin Börschel, MdL (until December 31, 2014)

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

Marc Herter, MdL

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

Stefan Kämmerling, MdL

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

Gerda Kieninger, MdL

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

Christian Möbius, MdL

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

Dr. Marcus Optendrenk, MdL

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

Dietmar Schulz, MdL

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

Ralf Witzel, MdL

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

Hendrik Wüst, MdL

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

Gudrun Zentis, MdL

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

Members of the Advisory Board

Members Pursuant to Section 26 of the Statute

Garrelt Duin

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

Michael Ackermann

Managing Director
Klinikum Bielefeld gem. GmbH
Bielefeld

Prof. Dr. Achim Bachem (until June 30, 2014)

Chairman of the Managing Board
Forschungszentrum Jülich GmbH
Jülich

Frank Baranowski

Lord Mayor
City of Gelsenkirchen
Gelsenkirchen

Paul Bauwens-Adenauer (until November 4, 2014)

President
Chamber of Industry and Commerce
in North Rhine-Westphalia
Düsseldorf

Prof. Dr. Gerd Bollermann

District President
Arnsberg Regional Government
Arnsberg

Michael Breuer

President
Savings Banks and Giro Association of the Rhineland
Düsseldorf

Norbert Bude (until June 30, 2014)

Lord Mayor and
Chairman
Städtetag Nordrhein-Westfalen
Düsseldorf

Heinrich Otto Deichmann

Chairman of the Supervisory Board
Deichmann SE
Essen

Andreas Ehlert (since July 1, 2014)

President
Düsseldorf Chamber of Handicrafts
Düsseldorf

Andreas Feicht

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

Marcelino Fernández Verdes

Chairman of the Executive Board
HOCHTIEF AG
Essen

Dr. Reinhold Festge

Managing Partner
HAVER & BOECKER OHG
Drahtweberei und Maschinenfabrik
Oelde

Heinz Fiege

FIEGE Logistik Holding Stiftung & Co. KG
Greven

Otto Rudolf Fuchs

Shareholder
Otto Fuchs KG
Meinerzhagen

Prof. Dr. Ursula Gather

Chairwoman
Directors Conference
of the Universities in North Rhine-Westphalia
Dortmund

Dieter Gebhard

Chairman
Regional Assembly of Westphalia-Lippe
Münster

Dr. Rolf Gerlach

President
Savings Banks and Giro Association
of Westphalia-Lippe
Münster

Dr. Axel Claus Heitmann (until February 28, 2014)

Chairman of the Managing Board
LANXESS AG
Leverkusen

Thomas Hendele

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

Thomas Hunsteger-Petermann

Lord Mayor
City of Hamm
Hamm

Peter Jung (since July 1, 2014)

Lord Mayor and
Chairman
Städtetag Nordrhein-Westfalen
Düsseldorf

Arndt G. Kirchhoff

Managing Partner
KIRCHHOFF Holding GmbH & Co. KG
Iserlohn

Dr. Wolfgang Kirsch (until June 30, 2014)

Director of LWL
Regional Association of Westphalia-Lippe
Münster

Dipl.-Ing. Hanspeter Klein

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

Prof. Dr. Reinhard Klenke

District President
Münster Regional Government
Münster

Norbert Kleyboldt

Permanent Delegate
Apostolic Administrator
of Bischöfliches Generalvikariat
Münster

Dr. Thomas Lange

Chairman of the Managing Board
Bankenvereinigung Nordrhein-Westfalen e. V.
Düsseldorf

Markus Lewe

Lord Mayor
City of Münster
Münster

Matthias Löb (since July 1, 2014)

Director of LWL
Regional Association of Westphalia-Lippe
Münster

Ulrike Lubek

Director of LVR
Regional Association of the Rhineland
Cologne

Wolfgang Lubert

Managing Director
EnjoyVenture Management GmbH
Düsseldorf

Anne Lütkes

District President
Düsseldorf Regional Government
Düsseldorf

Prof. Dr.-Ing. Wolfgang Marquardt

(since October 1, 2014)
Chairman of the Executive Board
Forschungszentrum Jülich GmbH
Jülich

Andreas Meyer-Lauber

District Chairman
Deutscher Gewerkschaftsbund NRW
Düsseldorf

Dr. Paul-Josef Patt

Chairman of the Managing Board
eCAPITAL entrepreneurial Partners AG
Münster

Jürgen Roters

Lord Mayor
City of Cologne
Cologne

Roland Schäfer

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

Prof. Dr. Uwe Schneidewind

President and Academic Managing Director
Wuppertal Institut für Klima,
Umwelt, Energie gGmbH
Wuppertal

Dr. Ottilie Scholz

Lord Mayor
City of Bochum
Bochum

Prof. Wolfgang Schulhoff (until February 17, 2014)

President
Düsseldorf Chamber of Handicrafts
Düsseldorf

Dr. Jochen Stemplewski

Chairman of the Managing Board
EMSCHERGENOSSENSCHAFT und LIPPEVERBAND
Essen/Dortmund

Peter Terium

Chairman of the Managing Board
RWE AG
Essen

Marianne Thomann-Stahl

District President
Detmold Regional Government
Detmold

Reza Vaziri

Chairman of the Executive Board
3M Deutschland GmbH
Neuss

Hans-Josef Vogel

Mayor
City of Arnsberg
Arnsberg

Gisela Walsken

District President
Cologne Regional Government
Cologne

Prof. Dr. Jürgen Wilhelm

Chairman
Regional Assembly of the Rhineland
Cologne

Klaus Winterhoff

Legal Vice President
Evangelical Church of Westphalia
Bielefeld

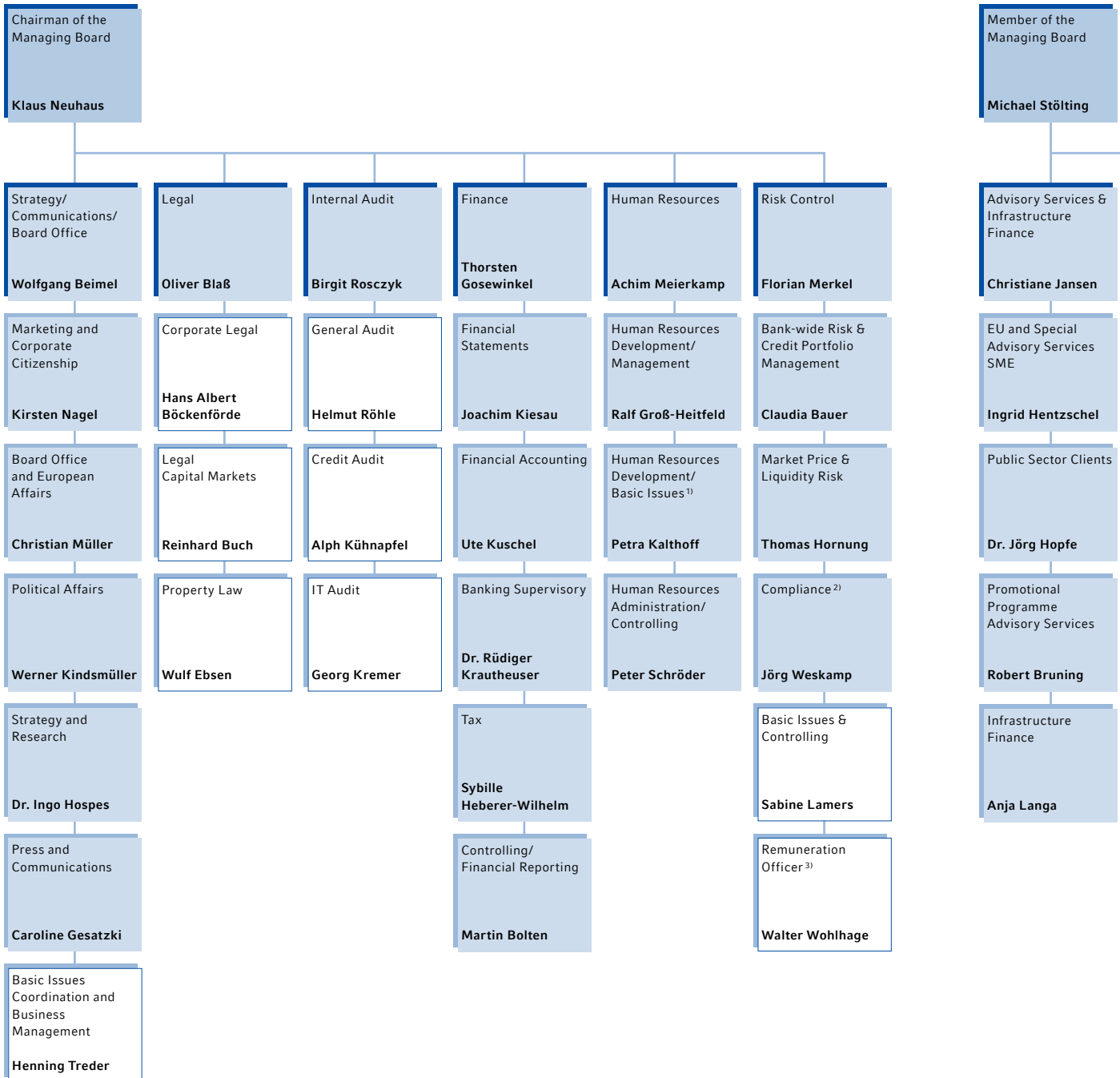
Hans-Bernd Wolberg

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

Matthias Zachert (since June 1, 2014)

Chairman of the Managing Board
LANXESS AG
Leverkusen

Organisation Chart



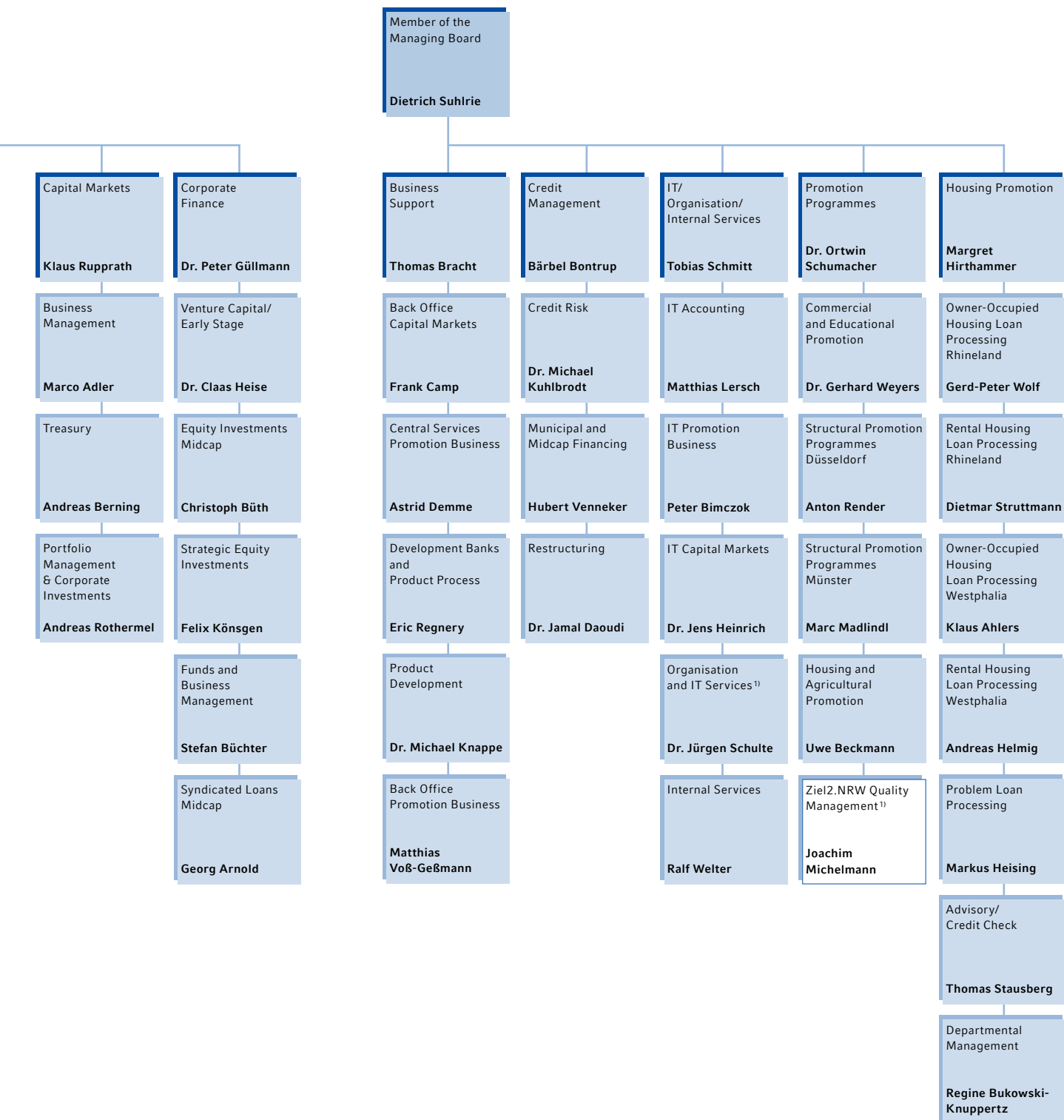
Business Unit
 Department
 Team with direct reporting line to the Business Unit Head

¹⁾ Occupational Safety Officer, Equal Opportunities Officer, Data Protection Officer and Ziel2.NRW Quality Management report directly to the Managing Board.

²⁾ The Money Laundering Officer, who is in charge of the central function for the prevention of money laundering, terrorist financing and other criminal acts pursuant to § 25h KWG, the WpHG Compliance Officer and the MaRisk Compliance Officer report directly to the Managing Board and are bound by instructions only from the latter.

³⁾ The Remuneration Officer reports directly to the Supervisory Board and the Remuneration Control Committee.

Note: The Staff Council is not shown as an organisational unit in the organisational chart of NRW.BANK as it is an elected body which has no reporting relationship with the Managing Board.



NRW.BANK at a Glance

NRW.BANK Facts

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

Guarantors

- State of North Rhine-Westphalia (100%)

Liabilities/Guarantees

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

Legal Status Public law bank

Head Offices Düsseldorf and Münster

Information Services of NRW.BANK

NRW.BANK.Infoline

Phone +49 211 91741-4800
Fax +49 211 91741-7832
info@nrwbank.de

If you have more detailed questions about promotion and financing projects, the Service Centre will be pleased to put you in touch with the responsible promotion advisors.

For further advice, you may also contact:

EU and Special Advisory Services SME

Phone +49 211 91741-1474
Fax +49 211 91742-6218
EU-SBM@nrwbank.de

Accounting Management – Public Sector Clients

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Fax +49 211 91741-2666
oeffentliche-kunden@nrwbank.de

Corporate Responsibility nachhaltigkeit@nrwbank.de

NRW.BANK

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Münster

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Concept and Design,

Production and Typesetting

vE&K Werbeagentur GmbH & Co. KG,
Essen

Print

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

Financial Calendar 2015

March 30, 2015

Annual accounts press conference

August 10, 2015

Publication of the promotion result for the second quarter

November 6, 2015

Publication of the promotion result for the third quarter

Net Volume of New Commitments

	2014	2013
	€ millions	€ millions
Housing & Living	4,278	4,840
Seed & Growth	3,178	2,925
Development & Protection	1,441	1,467
Total	8,897	9,232

Key Figures

	2014	2013
	€ millions	€ millions
Total assets	143,843	145,350
Equity capital pursuant to the German Commercial Code (HGB)	17,933	17,883
Common Equity Tier 1 capital	18,254	17,973
Own funds	19,992	19,809
Net interest and net commission income	568	562
Administrative expenses	215	198
Operating income	381	401
CET1 capital ratio	40.09%	37.37%
Total capital ratio	43.91%	41.19%
Staff	1,283	1,256

Ratings

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

Sustainability Ratings

	imug	oekom research	Sustainalytics
Rating	positive	Prime	No. 72 of 350*

* Above the peer group average.

