CROWN NORTHCORP INC
Form 8-K
January 12, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of Report (Date of earliest event reported) October 26, 2006
CROWN NORTHCORP, INC.
(Exact Name of Registrant as Specified in Charter)

Delaware	0-22936	22-3172740
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

P.O. Box 613, Cheyenne, Wyoming	82001
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code 614/488-1169

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.01 Completion of Acquisition or Disposition of Assets

Effective October 26, 2006, Crown NorthCorp Inc. (Crown), through a newly incorporated special-purpose subsidiary, acquired from HypoVereinsbank (HVB) all of the issued and registered share capital of Westfalenbank AG (WB), a banking and credit institution licensed and operating under the laws of Germany. Crown s quarterly report on Form 10-QSB for the quarter ended September 30, 2006 contains information on the acquisition of WB and is incorporated by reference herein. Set forth below is a further description of the acquisition as well as financial statements and pro forma financial information pertaining to WB.

Crown acquired the share capital of WB from HVB pursuant to a definitive Stock Purchase and Transfer Agreement dated July 31, 2006 (SPA), whereby Crown became the economic owner of HVB effective July 3, 2006. The SPA called for a purchase price of Euro 25,000,000 (approximately $31,818,500), which price was derived from arm s-length negotiations and represents the net equity of WB as set forth on its June 30, 2006 financial statements, plus certain premiums and adjustments. Additionally, Crown incurred transaction costs of approximately Euro 2,100,000.

The transaction closed on October 26, 2006 upon the approval of regulatory authorities in Germany and the satisfaction of certain other closing conditions.

In conjunction with the execution of the SPA, Crown and certain of its subsidiaries entered into a Euro 25,000,000 Facility Agreement with a financial institution (the Facility Agreement). Crown utilized the Facility Agreement and cash on hand to effect the acquisition of WB.

Pursuant to the Facility Agreement and related documentation, Crown and certain of its subsidiaries have provided cross-guarantees in favor of the lender and have granted the lender security over certain of their assets (including security over specific shareholdings). Additionally, throughout the term of the Facility Agreement, Crown must also adhere to a comprehensive set of financial covenants and operating restrictions. Crown has pledged Euro 2,000,000 to ensure payment of interest and fees that may become due under the Facility Agreement. The lender has also been issued warrants to subscribe, under certain terms and conditions, to up to 19% of the share capital of the single-purpose entity Crown utilized to acquire WB at that entity s book value as at the date of WB s acquisition.

WB has operated in its present form since June 2006. Historically, WB, which is headquartered in Bochum, Germany, provided corporate and personal banking services. In 2005, WB implemented a business plan to dispose of all of its business lines and substantially consolidate operations. In furtherance of this plan, WB sold its asset management and private banking lines of business to third parties in 2005. In June 2006, HVB acquired WB s corporate banking business. This series of transactions reduced WB s assets by approximately 94% leaving WB with assets comprising mainly cash as well as a portfolio of non-performing loans and fixed and other assets required to maintain a core banking platform. The SPA contains usual and customary representations, warranties and indemnities from HVB in favor of Crown with respect to the disposed operations.

As a result of the dispositions and consolidation noted above, WB is in no material respect comparable to the much larger enterprise that existed before WB sold its business lines. Consequently, the company does not believe that historical financial statements of WB would provide relevant or useful information on WB as it has operated since June 2006 and as it was acquired by Crown. For example, in any audited financial statements for WB for the years 2004 and 2005, the vast majority of assets and operations set forth in the reports would be ones that WB sold prior to Crown s acquisition and for which, as noted above, Crown has received appropriate indemnification. Crown believes that the inclusion of any such historical financial reports would be unhelpful and misleading for any third party trying to understand the impact upon Crown of making this acquisition. Consequently, Crown is not including historical financial statements in the financial information presented in Section 9.01 below but is including on Exhibit B WB s 2005 annual report.

Crown s primary objective in acquiring WB was to acquire a licensed platform in Germany to enable Crown to develop special servicing and mortgage origination businesses in Germany, for which a bank license is required. Operating under WB s license, the company intends for WB to offer fee-based services to the real estate financial markets. In furtherance of this plan, Crown intends to consolidate and operate all of its loan servicing operations in Europe within the WB structure. Loans WB originates will provide additional opportunities for recurring servicing revenue.

Item 9.01 Financial Statements and Exhibits
The financial statements and exhibits set forth in this report are:
The Consolidated Balance Sheet of Westfalenbank AG and Subsidiaries according to German GAAP (HGB) as of 03 July 2006
Appearing on Exhibit B is WB s 2005 annual report.
Appearing on Exhibit C is the Share Purchase and Transfer Agreement between HVB and Crown.
Appearing on Exhibit D is the June 30, 2006 balance sheet of WB issued pursuant to the Share Purchase and Transfer Agreement.
Appearing on Exhibit E is the Warrant Instrument issued pursuant to the Facility Agreement.
Consolidated Balance Sheet of Westfalenbank AG and Subsidiaries according to German GAAP (HGB)
as of 03 July 2006

	UNAUDITED EUR
ASSETS	
1. cash reserve	
a) cash on hand	3,300
b) balances with central banks	10,265,554
	10,268,854
2. receivables from banks	
a) payable on demand	
b) other	35,521,549
3. receivables from customers	15,985,776
4. equity interests	13,045
5. interests in affiliated companies	
6. trust fund assets	10,829,081
7. intangible assets	426,782
8. fixed assets	1,220,085
9. other assets	12,981,948
10. accrued items	537,951
total assets	87,785,071
LIABILITIES	
1. liabilities to banks	
a) payable on demand	

b) with an agreed term or period of notice	3,620,427
2. liabilities to customers	28,833,755
3. trust fund liabilities	10,829,081
4. other liabilities	3,817,729
5. accrued items	1,958
6. provisions	
a) provision for pensions and similar liabilities	347,373
b) other provisions	15,494,184
	15,841,557
7. subordinated capital	2,000,000
8. shareholder s equity	
a) subscribed capital	20,000,000
b) capital reserve	11,304,812
c) accumulated net gain	9,861
d) net (loss) gain for the year	(8,474,109)
	22,840,564
total liabilities and shareholder s equity	87,785,071

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 1 BUSINESS DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Balance Sheet Presentation

The accompanying consolidated balance sheet has been prepared on the basis of accounting principles as generally accepted in Germany.

Principles of Consolidation

The accompanying consolidated balance sheet includes the accounts of Westfalenbank AG and its wholly owned subsidiaries (collectively, the Company). All significant intercompany balances and transactions have been eliminated.

Business Description

The Company is a financial services company providing servicing of distressed debt, mortgage origination, servicing and ancillary services to investors in real estate and mortgage interest in Germany.

Cash and Cash Equivalents

The cash reserve includes cash on hand and balances with the central bank, which are carried at nominal value. The company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a reserve for uncollectible accounts, based upon its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the reserve account.

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 1 BUSINESS DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES Continued

Property and Equipment

Property and equipment are recorded at cost. Repairs, maintenance and minor replacements are expensed as incurred. Upon retirement, sale or disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and a gain or loss is included in operations.

Depreciation is computed using the straight-line method over the expected useful life of the assets as follows:

Computer hardware	3 years
Vehicles	6 years
Office furniture and equipment	5 to 13 years

Works of art are generally not depreciated and are carried at cost.

Long-Lived Assets

The Company evaluates long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When discounted future cash flows will not be sufficient to recover an asset s carrying amount, the asset is written down to its fair value. The discount rate reflects the risk that is specific to that asset. Long-lived assets to be disposed of other than by sale are classified as held and used until they are disposed of. Long-lived assets to be disposed by sale are classified as held for sale and are reported at the lower of carrying amount or fair value less cost to sell, and depreciation is ceased.

Investments

For investments in which the Company owns 20% to 50% of voting shares and does have significant influence over operating and financial policies, the equity method of accounting is used. Accordingly, the Company s shares of the earnings and losses of these companies are included in the equity earning/loss in the unconsolidated subsidiaries in the accompanying consolidated statements of income of the Company.

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 1 BUSINESS DESCRIPTION AND
SIGNIFICANT ACCOUNTING POLICIES Continued

Investments in Non Performing Loans and Reserves for Loan Losses

Investments in nonperforming loans are carried at lower of cost or fair value. Under German law, when a loan is classified as non-performing, the original terms of the loan terms are cancelled.

At each balance sheet date, the Company assesses whether there is objective evidence that the loan is impaired. A loan is considered impaired when the borrower fails to make any payment within three months or when there are no assessable collaterals. When a loan is considered nonperforming, accruals of interest are no longer capitalized. An allowance is applied in full on the current loan amount (principle, accrued interest and costs). Collaterals are assessed only if there is a market price for the charged objects and sale or foreclosure can be achieved within a reasonable time. Real estate is assessed by considering the source, quality and date of valuations or appraisals. Discounts are made when necessary because of market development and individual aspects of the properties. Regarding properties in legal foreclosure proceedings, discounts are applied on valuations depending on historical local foreclosure results. This foreclosure can vary from 30% to 50%. When no formal appraisal is available, asset managers who are experienced in standard appraisal techniques make assessments. Assignment of life insurances and deposits are assessed according to official statements of the relevant companies. Liens on chattels are assessed only when a market price is traceable.

Intangible Assets

Intangible assets consist of purchased software, which are not an integral part of the related hardware. They are carried at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over a useful life of three to five years. If there are indications that impairment might have occurred, a write down is recognized for the relevant asset.

Subordinated Liabilities

Subordinated liabilities include liabilities, which will only be repaid once all other unsubordinated liabilities have been repaid in the case of insolvency or liquidation. Subordinated liabilities are eligible capital within the meaning of the German Banking Act (Kreditwesengesetz-KWG) and thus qualify as liable capital (TIER II). If the liabilities have a remaining term of less than two years, they are only partially allocated to eligible capital.

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 1 BUSINESS DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES Continued

Other Provisions

Other provisions are recognized for current legal or constructive obligations for which the date and/or the amount of the obligations are uncertain, and for which an outflow of resources required to settle the obligations is probable. Provisions for expenses, which do not relate to external obligations, are not recognized. Other provisions are measured in the amount expected to be utilized.

Pension Provisions

Pension provisions are recorded at discounted value according to actuarial principles in accordance with the German tax regulations.

Revenue Recognition

Management fees are recorded as services required under the contract are performed.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Germany requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk

The Company maintains several cash accounts with a total of 45.8 million. Major items are the account with the Bundesbank 10.3 million and the account with the HypoVereinsbank AG 31.9 million.

The management believes that the risk is limited because the Deutsche Bundesbank reflects the state risk and HVB can be considered as a bank with a strong financial position.

NOTE 2 RECEIVABLES FROM CUSTOMERS

The receivables from customers amounts to 15,985,776. Included are the non-performing loans recorded with 12,390,902. Each of these loans has been valued individually and any impairments have been considered.

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of July 3:

	2006
Land	5,565,107
Office equipment	6,276,267
Vehicles	186,655
Computer equipment	4,127,312
Property and equipment total	16,155,341
Less: accumulated depreciation and sales	14,935,256
Property and equipment net	1,220,085

The remaining property and equipment of 1,220,085 includes land of a value of 413,789. This land was obtained from a bail out purchase. In connection with the former loan commitment and the realization of the land, the Bank received an advance payment to the amount of 260,000, which is shown in other liabilities. With respect to the result from the realization of the land, the Share Purchase and Transfer Agreement stated that HVB would guarantee the net value of 413,789 after netting the prepayment and selling costs latest December 31, 2007.

NOTE 4 INTANGIBLE ASSETS

Capitalized software consists of the following as of July 3, 2006:

	2006
Software	25,307,290
Less: accumulated amortization	24,880.508
Software net	426,782

NOTE 5 INVESTMENTS

The Company holds an investment of 50% in Crown Westfalen Credit Services GmbH with a book value of 13,045.

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 6 SUBSIDIARIES IN LIQUIDATION

The Bank has 5 participations in affiliated companies. Four of those companies are in liquidation. The liquidation was decided by shareholder meetings of each of the companies. According to German law there is a waiting period of 12 months between the liquidation resolution and the initial termination of a company. The start of the liquidation process is published in the Bundesanzeiger in order to inform creditors so they can raise claims against the assets before distribution.

The four companies are:

BAK Verwaltungsgesellschaft mbH, Bochum, Huestr. 21-25
The company was founded in 1969 in order to manage participations in other banks. The liquidation resolution was passed on January 26th 2006. The equity is 25,673.

Gesellschaft für Grundbesitz mbH, Bochum, Huestr. 21-25
The company was founded in 1922 for trading with real estate and for building, letting and administration of buildings. The liquidation resolution was passed on January 26th 2006. The equity is 766,989.

Westfalen Kapitalverwaltungsgesellschaft mbH, Bochum, Huestr. 21-25
The company was founded in 1987 for a joint shareholding with a corporate customer of the bank. The liquidation resolution was passed on January 26th 2006. The equity is 511,292.

Westfalen Corporate Finance mbH, Bochum Huestr. 21-25
The company was founded in 1993 to manage Corporate Finance projects. The liquidation resolution was passed on January 26th 2006. The equity is 1,028,913.

These subsidiaries have no strategic impact for Westfalenbank AG. Westfalenbank AG will receive at minimum the book value of the subsidiaries of a total of 2.332.866. This has been guaranteed by HVB in the Sales and Purchase Agreement of the shares of Westfalenbank AG. Since Westfalenbank AG will receive the balance of its investment accounts in cash at the end of the 12 months waiting period without any risk; these companies are not consolidated and included under Other Assets.

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 7 OTHER ASSETS

	2006
HVB Verwa 5 GmbH & Co. Restrukturierung KG	6,594,360
Sales Revenue FORTIS	2,399,579
Receivables from subsidiaries in liquidation (See note 6)	2,332,866
Equity interest Nadineon	25,000
Tax claims receivable	1,048,567
Others assets	581,576
Total other assets	12,981,948

NOTE 8 TRUST ASSETS AND LIABILITIES

The Company entered into an Agency and Trust Agreement with Credit Suisse International, London (CS) on November 23/24, 2005 governing the management of receivables from non-bank customers. This Agreement was amended December 30, 2005 due to CS purchasing a loan portfolio from a savings bank in the second half of 2005. According to the regulation in of the Trust Agreement, Westfalenbank is responsible for account maintenance and loan extensions by the trust and in such a manner that the Bank has rights and duties vis-à-vis the customer externally, but acts for the account of CS internally. All customer default risks arising from the trust loans are borne by CS and the financing was provided by CS.

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 9 LONG TERM DEBT

Long-term debt as of July 3, 2006 consists of the following items:

Promissory note, issued June 9, 2006 with interest payable annually at a rate of 4.55%. Principal due February 11, 2013	5,000,000
Promissory note, issued June 9, 2006 with interest payable annually at a rate of 5.19%. Principal due March 4, 2014	1,000,000
Promissory note, issued June 9, 2006 with interest payable quarterly at a variable rate of 3 month Libor +0.805% (3.86% at July 3, 2006). Principal due January 16, 2013	5,000,000
Promissory note, issued June 9, 2006 with interest payable annually at a rate of 5.13%. Principal due February 4, 2014	7,000,000
Promissory note, issued June 9, 2006 with interest payable annually at a rate of 4.70%. Principal due February 4, 2014	1,000,000
Total debt	19,000,000
Less: current portion	
Total long term debt	19,000,000

The accrued interest is recorded under short-term liabilities to customers.

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 9 LONG TERM DEBT Continued

Future debt maturities are as follows:

Year ending December 31,	
2006	
2007	
2008	
2009	
2010	
Thereafter	19,000,000
Total	19,000,000

NOTE 10 SUBORDINATED DEBT

Subordinated debt as of July 3, 2006 consists of the following:

Subordinated promissory note, issued January 25, 2005 with interest payable annually at a rate of 6.13%. Principal due February 4, 2014	2,000,000
Total subordinated debt	2,000,000
Less: current portion	
Total subordinated debt	2,000,000

Future subordinated debt maturities are as follows:

Year ending December 31,	
2006	
2007	
2008	
2009	
2010	
Thereafter	2,000,000
Total	2,000,000

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 10 SUBORDINATED DEBT Continued

The conditions relative to the subordinated liabilities comply with the requirements of supplementary capital according to section 10, subsection 5a, of the German Banking Act. There are no obligations for early repayment. The accrued interest is recorded under other liabilities.

NOTE 11 OTHER LIABILITIES AND OTHER PROVISONS

	2006
Other liabilities	
Liabilities to creditors	2,163,674
Other liabilities	1,654,055
Total other liabilities	3,817,729
Other provisions	
Lease Dussledorf building	8,300,000
Provision for credit business	1,929,984
Provision personnel lay off	1,829,481
Provision restructuring	1,818,370
Other provisions	1,616,349
Total other provisions	15,494,184

NOTE 12 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The nature and the amount of the pension payments to eligible employees are governed by applicable pension rules based on individual pension commitments. They largely depend on the date of commencement of employment.

As at 3 July 2006, the present value of the pension obligations amounted to 347,373 according to German tax regulations (§§ 6a and 52 (16b) EstG). The discount rate is 6% and the mortality tables 2005 G of Klaus Heubeck were used for the calculation of the pension obligations.

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 13 SHAREHOLDERS EQUITY

At the balance sheet date, the subscribed capital (share capital) amounts to 20,000,000 and is divided into 1,942,857 bearer shares without par value. There are no preferences or restrictions with regard to the distribution of dividends. Economically effective July 1, 2006 and upon BAFIN Federal Financial Supervisory Authority approval on October 26, 2006, Crown Westfalen BV purchased the entire share capital of the Company from Bayerische Hypo-und Vereinsbank AG (HVB). The entire share capital of the Company has been pledged to a lender in connection with a 25,000,000 facility agreement obtained by the shareholder of the purchaser of the Company.

NOTE 14 LEASES

The company leases offices facilities located in Bochum, Germany. The lease obligation amounts to 4,500 plus VAT per month until the end of 2008 for a pre-defined space. If the company decides to rent more space after December 31, 2007, the price has been fixed at 7 per square meter. After the end of 2008 no fixed obligation exists, although the company has an option to stay in the existing premises.

Further on, the bank has an obligation from IT contracts. The contracts are under negotiation due to the restructuring of the bank.

NOTE 15 CONTINGENCIES

Prior to the transfer of share capital on July 1, 2006, the Company was involved in some litigation matters. As part of the Share Purchase and Transfer Agreement, the Seller HVB agreed to indemnify and hold the Company harmless in any of these preexisting lawsuits. Accordingly, no provisions have been set aside in connection with any of the pending litigation.

Unused credit facilities of customers amount to 902,039 and are recorded below the balance sheet.

NOTE 16 GERMAN TO US GAAP RECONCILIATION

Reconciliation of shareholders equity from GERMAN GAAP TO US GAAP The consolidated balance sheet has been prepared in accordance with Generally Accepted Accounting Principles in Germany (GERMAN GAAP), which differs in certain respects from Generally Accepted Accounting Principles in the United States (US GAAP). The effect of applying US GAAP principles to shareholders equity is set out below along with an explanation of applicable differences between GERMAN GAAP and US GAAP. The differences in GERMAN GAAP and US GAAP listed below relate only to the applicable differences, and therefore do not incorporate a full list of all differences between GERMAN GAAP and US GAAP.

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 16 GERMAN TO US GAAP RECONCILATION Continued

The effect of applying US GAAP principles to shareholders equity is:

	Note	2006
Shareholders equity in accordance with GERMAN GAAP		22,840,564
Items decreasing net profit:		
Provision for pension liability	(a)	(197,866)
Impairment on non performing loan portfolio	(b)	(220,000)
Shareholders equity in accordance with US GAAP		22,422,698

a) Pension liability

Under GERMAN GAAP, pension provisions were calculated by the Unternehmensberatung fur Versorgung & Vergütung Dr. Dr. Heissmann GmbH in accordance with actuarial principles based on the Banks pension Regulations 1982 in the version of 1 December 1986, and individual pension commitments. Their results are presented in an actuarial report. The calculation of the pension provision was in accordance with German tax regulations. (§§ 6a and 52 (16b) EstG).

Under US GAAP, pensions provisions are calculated in accordance with the Financial Statement Accounting Board Standard (FASB) Statements No. 87, Employers Accounting for Pensions, No. 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, and FAS 132(R): Employers Disclosures about Pensions and Other Postretirement Benefits an amendment of FASB Statements No. 87, 88, and 106. Pension costs under the Company s defined benefit plan are actuarially determined.

The following table sets forth the funded status of the defined benefit pension plan, and amounts recognized in the GERMAN to US GAAP RECONCILATION.

Weighted average assumptions used to determine the benefit obligation at the measurement date July 3, 2006

Discount Rate	4.5%
Rate of inflation	1.5%
Rate of pension increases	1.5%

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 16 GERMAN TO US GAAP RECONCILATION Continued

Vested benefit obligation:	
Actives	(545,239)
Vested Terminated	
Pensioners	
Total	(545,239)
Accumulated benefit obligation	(545,239)
Fair value of plan assets	
Underfunded benefit obligation	(545,239)
Unrecognized transitional amount	
Unrecognized prior service cost	
Unrecognized net (gain) or loss	
Accrued Pension Cost	(545,239)

Under US GAAP, the Company has recognized an additional 197,866 as pension liability at July 3, 2006.

b) Non Performing Loan Portfolio

Under GERMAN GAAP, investments in nonperforming loans are carried at lower cost or fair value. Under German law, when a loan is classified as non-performing, the original terms of the loan terms are cancelled.

Under US GAAP, the company is required to account for the non performing loan portfolio in accordance with FASB No. 114 Accounting by Creditors for Impairment of a Loan This statement requires the creditor to recognize impairment of a loan if the present value of expected future cash flows discounted at the loan s effective interest rate or as a practical expedient, at the observable market price of the loan or the fair value of the collateral if the loan is collateral dependent, is less than the recorded investment in the impaired loan.

The company has recognized an additional impairment on the non-performing loan portfolio based upon the expected future cash flows discounted at the loan s effective interest rate.

WESTFALENBANK AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED BALANCE SHEET
As of July 3, 2006

NOTE 16 GERMAN TO US GAAP RECONCILATION Continued

Other differences between GERMAN GAAP and US GAAP not affecting the determination of shareholders equity for the period presented:

Under US GAAP, the Company is required to disclose the estimated fair value of its financial instruments in accordance with SFAS No. 107, Disclosures about Fair Value of Financial Instruments. These disclosures do not attempt to estimate or represent the Company s fair value as a whole. The disclosure excludes assets and liabilities that are not financial instruments. The fair value amounts disclosed represent point-in-time estimates that may change in subsequent reporting periods due to market conditions and other factors. Estimated fair value amounts in theory represent the amounts for which financial instruments could be exchanged in transactions between willing parties.

Estimated Fair values:

	In Euros	
	Carrying Value	Estimated Fair Value
Financial assets:		
Cash and other short term		
Financial instruments	45,790,403	45,790,403
Investments	13,045	13,045
Receivables	15,765,776	15,765,776
Fixed assets	1,220,085	1,220,085
Software	426,782	426,782
Financial liabilities:		
Long-term and subordinated debt	21,000,000	21,000,000

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

CROWN NORTHCORP, INC.

January 12, 2007

By: /s/ Stephen W. Brown

Stephen W. Brown
Secretary

EXHIBIT A

CROWN NORTHCORP INC
Unaudited Pro Forma Condensed Combined Balance Sheet
September 30, 2006

	September 30, 2006 Crown	September 30, 2006 Wesfalenbank AG	Adjustments dr		cr		Combined as adjusted
CURRENT ASSETS:							
Cash and cash equivalents	$ 723,088	$ 48,926,564					$ 49,649,652
Accounts receivable	4,219,214						4,219,214
Prepaid expenses and other assets	433,034	381,948					814,982
Total current assets	5,375,336	49,308,512					54,683,848
PROPERTY AND EQUIPMENT Net	494,968	1,497,922	235,607	a			2,228,497
RESTRICTED CASH	2,824,091				1,011,121	b	1,812,970
INTANGIBLE ASSETS		532,746	3,818,220	a			4,350,966
OTHER ASSETS							
Investment in partnerships and joint ventures	2,168,687	16,603	1,015,015	f	2,732,286	a	468,019
Trust fund assets		12,607,382					12,607,382
Mortgage loans, net of reserves	628,765	17,918,842			282,485	d	18,265,122
Loan servicing rights net	4,558,818						4,558,818
Capitalized loan cost net			1,011,121	b			2,845,959
			1,834,838	e			
Capitalized software cost net	431,546						431,546
Deposits	41,339						41,339
Other		5,007,168					5,007,168
Total other assets	7,829,155	35,549,995					44,225,353
TOTAL	$ 16,523,550	$ 86,889,175					$ 107,301,634

LIABILITIES AND SHAREHOLDERS EQUITY							
CURRENT LIABILITIES							
Accounts payable	1,224,169	11,434,915					12,659,084
Convertible notes payable	462,500						462,500
Accrued expenses:							
Interest					630,294	c	630,294
Other	1,273,593	1,644,229			1,015,015	f	3,932,837
Total current liabilities	2,960,262	13,079,144					17,684,715
LONG-TERM OBLIGATIONS:							
Allowance for loan losses & other	243,076	6,936,970					7,180,046
Notes payable		24,182,060	1,958,693	a	31,818,500	a	54,675,320
					633,453	c	
Trust fund liabilities		12,713,266					12,713,266
Total long-term obligations	243,076	43,832,296					74,568,632
SUBORDINATED CAPITAL		2,545,480					2,545,480
SHAREHOLDERS EQUITY:							
Common stock	134,019						134,019
Additional paid-in capital	20,194,153	39,842,886	39,842,886	a	1,834,838	e	22,028,991
Accumulated comprehensive income	389,611						389,611
Accumulated deficit	(7,220,513)	(12,410,632)	1,546,231	c,d	11,304,620	a	(9,872,756)
Treasury stock, at cost	(177,058)						(177,058)
Total shareholders equity	13,320,212	27,432,254					12,502,807

TOTAL	$ 16,523,550	$ 86,889,175	$ 107,301,634

CROWN NORTHCORP INC
Unaudited Pro Forma Condensed Combined Statement of Operations
For the nine months ending September 30, 2006

	September 30, 2006 Crown	September 30, 2006 Westfalenbank AG	Adjustments dr		cr		Combined as adjusted
REVENUES:							
Management fees	$ 5,097,449	$					$ 5,097,449
Disposition fees	3,971,399	245,639					4,217,038
Servicing fees	3,862,553	2,108,930	1,354,195	a			4,617,288
Interest income	32,205	8,971,372	8,769,629	a			233,948
Other	306,182	20,464,140	20,474,852	a			295,470
Total revenues	13,269,788	31,790,081	30,598,676				14,461,193
EXPENSES:							
Personnel	5,532,347	24,661,963			23,751,838	a	6,442,472
Occupancy, insurance and other	5,040,215	18,395,867	349,500	d	17,419,166	a	6,648,901
			282,485	d			
Interest	10,375		1,263,747	c			1,274,122
Write-off mortgage servicing rights	165,110						165,110
Depreciation and amortization	579,784	1,258,994			1,201,721	a	637,057
Total expenses	11,327,831	44,316,824	1,895,732		42,372,725		15,167,662
INCOME (LOSS) BEFORE INCOME TAXES	1,941,957	(12,526,743)	32,494,408		42,372,725		(706,469)
INCOME TAX (BENEFIT)		(104,536)	108,355	a			3,819
NET INCOME (LOSS)	$ 1,941,957	(12,422,207)	$ 32,602,763		$ 42,372,725		$ (710,287)
OTHER COMPREHENSIVE INCOME							
Foreign currency translation adjustment	332,795						332,795

COMPREHENSIVE INCOME (LOSS)	$ 2,274,752	$ (12,422,207)	$ 32,602,763	$ 42,372,725	$ (377,492)
Basic earnings (loss) per share	$ 0.08				$ (0.01)
Diluted earnings (loss) per share	$ 0.08				$ (0.01)
Basic shares used in per share computation	29,521,098				29,521,098
Diluted shares used in per share computation	29,521,098				29,521,098

FOOTNOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET AS FOR SEPTEMBER 30, 2006 AND THE UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS FOR THE PERIOD ENDING SEPTEMBER 30, 2006 ARE PRESENTED AS IF THE TRANSACTIONS OCCURRED ON JULY 3, 2006.

a) In connection with the Purchase of Wesfalenbank AG, Crown will use the purchase method of accounting and as such, certain assets and liabilities have been adjusted to fair value. The cost to acquire the bank included the purchase price of 25,000,000 Euro (approximately $31,818,500) and associated costs of the acquisition totaling some $2.7 million. Funding for the acquisition was provided by a 25,000,000 Euro credit facility from Credit Suisse and cash.

b) In accordance with GAAP certain cost attributable to the acquisition of the credit facility are capitalized and will be amortized over the life of the facility.

c) In accordance with the credit facility, interest is calculated using the Euro 3 year swap rate plus 12%. The facility also provides for capitalization of interest at an 8% rate. The facility requires a partial repayment of 15,000,000 Euro on March 31, 2007 with the remainder due at the maturity date, December 31, 2008.

d) To recognize differences between US GAAP and German GAAP due to differences in accounting for pension related costs and carrying values of non- performing loan portfolios.

e) $1,834,838 value assigned to 5,652 warrants issued in connection with the purchase of Westfalenbank AG by Crown Westfalen BV Valued using the Black- Scholes option valuation model using the following assumptions: fair value of stock $1,070 (841 Euro);exercise price $1,070 (841 Euro); expected life of 5 years; expected volatility of 21.99% and a risk free return of 4.63%

f) Accrual of costs associated with the acquisition of the bank.

EXHIBIT B

Annual Report 2005

Westfalenbank
Aktiengesellschaft

At a glance

In millions of Euro	**2005**	**2004**	**2003**	**2002**	**2001**
Net interest income	22.6	23.2	22.3	23.4	30.4
Valuation earnings from loan business	+0.4	6.3	22.3	7.9	21.8
Net interest income after valuation earnings	23.0	16.9	0.0	15.5	8.6
Net commission income	11.3	14.0	13.5	14.0	18.7
Proprietary trading	0.1	0.2	0.4	0.1	9.5
Other operating income	0.6	1.8	2.7	46.1	22.6
General administrative expense (incl. depreciation)	39.3	41.4	42.5	45.5	39.8
Extraordinary items	36.2	0.0	0.0	0.0	0.0
Net income (loss) for the year	36.8	8.3	27.1	24.8	24.2
Total business volume	1,392.0	1,622.9	1,799.0	2,150.0	2,811.5
Total assets	1,268.2	1,526.0	1,707.3	2,048.7	2,700.2
Total liable capital	130.0	137.8	168.2	184.8	231.0
Dividends (in EUR per share)				11.08	
Employees (Number at year-end)	238	265	265	286	317
Newly appointed trainees	4	4	5		5
Return on Equity after Tax				17.8%	
Cost-Income-Ratio	> 100%	> 100%	> 100%	> 100%	81.1%
Proportion of commission in current earnings	33%	38%	37%	37%	47%

Contents

Dear customers and employees,

2005 was very much given over to restructuring Westfalenbank. The decision of Group parent company HypoVereinsbank not to continue with the Westfalenbank business model set the points for some radical changes.

We were successful in gaining partners for the Asset Management and Private Banking business units. As of 1 October 2005 Fortis Investment took over the institutional investors business and the associated eleven employees. By purchasing Private Banking, private institute Merck Finck & Co. has strengthened its presence in North RhineWestphalia with a further site in Bochum employing 14 staff. We were thus able to offer long-term perspectives for both the customers and employees of these business units.

Other important decisions were also reached in 2006. Corporate Banking with some 1,500 customers and 30 employees in the Asset Management, Lending and Special Finance sectors is to be taken over by HypoVereinsbank. The main idea behind this decision has been to give particular priority to business developments in North Rhine-Westphalia following the merger of Hypo-Vereinsbank with Unicredit. HypoVereinsbank intends to expand here chiefly with customers in medium-sized companies through outstanding asset management services, intelligent banking products and with the strength of a European bank. Acquisition of Westfalenbank s Corporate Banking represents an important step. As a result, Westfalenbank needs to be provided with a completely different business orientation. To this end, talks are being held with British/American investor Crown Mortage Management (CMM) with which we already closely collaborate in the servicing of impaired loans. CMM wants to develop Westfalenbank into the first Group-independent servicer bank in Germany and, in all probability, will take on a further 20 Westfalenbank employees.

We assume that both these transactions will be finalized by the end of 2006. Most of the personnel adjustments took place in 2005 and all of them should be concluded by mid-2006. Together with our constructively operating Works Council we managed to avoid any hardships or layoffs.

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These changes are reflected in the business figures: whilst income from normal operations improved from minus EUR 8.5 million in 2004 to minus EUR 1.9 million, restructuring outlay needed to clear the inherited burden produced a loss for the year of EUR 36.8 million.

We wish to very much thank our business associates for continuing to place their trust in us during these turbulent times and also our employees whose dedication and loyalty have been a real source of support.

Yours sincerely

Dr. Joachim Paulus Dr. Christian von Villiez

Report of the Supervisory Board

In fiscal 2005 the Supervisory Board fully performed its duties of advising and monitoring the Executive Board as established by law and the Company s statutes. The Executive Board reported to the Supervisory Board on the bank s developments on a regular basis. The Supervisory Board discussed all business events of significance with the Executive Board in the course of four regular Supervisory Board sessions. In particular the economic situation, the bank s views on development and changes in costs and revenues were the subject of discussion.

The credit committee appointed from the ranks of the Supervisory Board was in contact with the Executive Board specifically in four sessions, but throughout the year as well. The credit committee was thus able to stay abreast of the course of business of the bank, the intentions of the Executive Board and both principal and current topics of significance, to advise on these issues and to prepare decisions of the Supervisory Board. Transactions requiring the consent of the Supervisory Board, especially in connection with the Banking Act, were approved by the credit committee after review and discussion with the Executive Board; in addition the credit committee handled all major commitments, as well as the structure of the loan portfolio, also with respect to industry and country risk.

Similarly, important staff issues were discussed by a personnel committee comprised of three members of the Supervisory Board. This committee provided recommendations to the Supervisory Board regarding pending resolutions.

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, appointed as auditors, examined Westfalenbank AG s existing monitoring systems for early risk detection. The auditors confirm that the monitoring systems implemented are appropriate and fulfill their designated function.

The financial statements and management report were duly audited and an unqualified audit opinion was issued. The Supervisory Board acknowledged and approved the audit findings. The external auditor attended the financial statements review meeting of the Supervisory Board and presented a report on his audit findings. He was available to answer any queries at this meeting.

No objections were raised from the concluding findings of the review of the annual financial statements and audit report undertaken by the Supervisory Board. The Supervisory Board accepted the financial statements prepared by the Executive Board in its session of March 15th, 2006, which are thereby deemed approved.

The report on relationships with affiliated companies according to section 312 of the AktG (Securities Act) has been provided. It was reviewed by the auditors and given the following audit certificate: Based on our audit performed in accordance with our professional duties, we confirm that

1. information contained in the report is accurate,
2. with respect to the legal transactions cited therein, the Company s remuneration was at an appropriate level,
3. the measures listed in the report do not warrant an assessment that differs significantly from that made by the Executive Board.

The Supervisory Board acknowledged and approved the report on relationships with affiliated companies and the accompanying audit report.

The regular Annual General Meeting of 27 June, 2005 voted to reduce the number of Supervisory Board members from nine to six. Mr. Michael Rosenberg resigned his mandate at the close of the Annual General Meeting. The mandate of Mr. Jörg Podwojewski ended on conclusion of the Annual General Meeting. Mr. Günther Berger resigned his mandate as of 31 August, 2005. In his place Mr. Lutz Diederichs was elected to the Supervisory Board at an extraordinary Annual General Meeting on 15 September, 2005.

At this point, the Supervisory Board once again wishes to thank all those resigning their membership in the Westfalenbank Supervisory Board for all the work they have performed in the past.

Effective 31 August, 2005, Dr. Heinz J. Hockmann resigned from Westfalenbank s Executive Board. Dr. Joachim Paulus was appointed as a member of the Executive Board at the same time. Dr. Johannes-Jörg Riegler stepped down from the bank s Executive Board as of 30 September, 2005. Dr. Christian von Villiez was appointed in his place as a member of the Executive Board with effect from 15 September, 2005.

The Supervisory Board wishes to thank the Executive Board, all our employees and their elected representatives for their commitment and hard work throughout fiscal 2005.

Bochum, 15 March, 2006

The Supervisory Board

Gunter Ernst

Chairman

Committees

Supervisory Board

Dr. Klaus Marquardt, Berlin
Honorary Chairman

Gunter Ernst, Munich
Chairman
Former Group Executive Manager of Bayerischen Hypo- und Vereinsbank Aktiengesellschaft

Dr. Gerhard Jooss, Essen
Vice-Chairman
Former Member of the Board of Managing Directors of ThyssenKrupp Aktiengesellschaft

Lutz Diederichs, Berlin
(from 15 September, 2005)
Area Manager of Bayerischen Hypo- und Vereinsbank Aktiengesellschaft

Günther Berger, Munich
(until 31 August, 2005)
Group Executive Manager of Bayerischen Hypo- und Vereinsbank Aktiengesellschaft

Peter Menze, Waltrop
Bank Employee
Westfalenbank Aktiengesellschaft

Michael Papenfuß, Hamburg
Group Executive Manager of Bayerischen Hypo- und Vereinsbank Aktiengesellschaft

Jörg Podwojewski, Bochum
(until 27 June, 2005)
Bank Employee
Westfalenbank Aktiengesellschaft

Michael Rosenberg, Düsseldorf
(until 27 June, 2005)
Member of the Executive Board of VICTORIA Versicherung Aktiengesellschaft

Wolfgang Szcygiol, Witten
Bank Employee
Westfalenbank Aktiengesellschaft

Managing Directors

Executive Board
Dr. Heinz J. Hockmann
(until 31 August, 2005)

Dr. Joachim Paulus
(from 1 August, 2005)

Dr. Johannes-Jörg Riegler
(until 30 September, 2005)

Dr. Christian von Villiez
(from 15 September, 2005)

Responsibilities for Markets

International Markets
Georg Friedrich Doll

Corporate Banking
Wolfgang Teppe

Special Financing Arrangements
Ralf Theile

Responsibilities for Departments

Internal Audit
Albert Strüder

Loans
Klaus Depenbusch

Finance
Heike Haarmann

Legal Department/Credit Monitoring
Jürgen Kalfhaus

Information Technology
Klaus Koukal

Corporate Communications/
Executive Board Staff
Stefanie Nowack

Controlling/Risk Controlling
Karsten Otte

Services
Wolfgang Peveling

Personnel
Norbert Selbach

Management Report

Macroeconomic Developments

Although the global economy kept growing in 2005, its dynamism was somewhat weaker in the middle of the year. This was due principally to marked rises in energy and raw material prices.

The greatest impulses to growth in 2005 continued to come from North America and Asia. In contrast, business recovery in Western Europe was very restrained. Economic development in Germany remained below-average with business suffering especially from low private consumption.

Business Developments

In the past fiscal year, the bank, as a regional private bank, consistently continued its path of providing commercial banking products and sophisticated counseling focused particularly on owner run medium-sized companies. In order to effectively focus on our core operating fields, we disposed of the Private Banking and Asset Management segments.

The gross income from operations progressed as follows (EUR million) compared to the previous year:

	2004	**2005**	**Chance**
Corporate Banking	18.6	18.5	-0.1
Private Banking	3.6	3.6	0.0
Asset Management	4.4	2.9	-1.5
International Markets	1.9	0.7	-1.2
Assets/Liabilities Control	7.8	9.2	1.4

Despite the steps taken and with consideration given to the administrative expenses, the bank, overall, was not able to come up with a positive operating result.

Other Significant Events during the Fiscal Year

Following disposal of the Asset Management and Private Banking segments we undertook redimensioning so as to find an economically tenable approach with prospects as a corporate sector bank. Related restructuring expenses displayed that this decision had a considerable impact on the asset and earnings position.

Total Assets and Off-Balance Sheet Transactions

Total assets dipped approx. EUR 258 million to approx. EUR 1,268 million. On the assets side, this chiefly affected the receivables from banks and customers as well as the levels of fixed-interest securities. On the liability side we decreased our inter-bank debt and refinancing from customer funds correspondingly.

Off-balance sheet transactions involve liabilities from guarantees and warranty contracts, as well as obligations arising from irrevocable loan commitments. Changes from the previous year are within the ranges customary in our business. Interest, share and currency derivatives shown in the notes to the annual financial statements at a nominal level of EUR 2,071 million are mainly for customer business, to construct portfolio hedges and to create hedging transactions to be attributed on an individual basis. Positions not attributable to the business purposes mentioned are designed to limit the bank s interest rate risks.

Assets

Customer receivables were reduced by approximately EUR 102 million. Our holdings in **fixed-interest securities** are reported at EUR 288 million EUR 156 million less than the previous year chiefly related to maturities as well as sales. In the main they include securities covered for interest and exchange risk, as well as other variable-interest papers. Of the fixed-interest securities reported, approx. 93% are eligible as collateral for ECB repo operations.

Our **holdings in shares and other non-fixed interest income securities** including chiefly long-term investment paper have risen only slightly compared to the prior year-end. Increases relate to funds invested in a variety of investment funds (shares, bonds).

The trust loans stem from taking over a loans portfolio which we are to manage.

Liabilities

Liabilities to banks have shrunk by EUR 216 million to EUR 303 million. We have various inter-bank business connections at our disposal for any short-term liquidity requirements that may arise, in particular also with our parent company, the HypoVereinsbank. Short-term **customer deposits** are lower by EUR 63 million. At the same time medium- to long-term customer liabilities have risen by approx. EUR 12 million.

The increase in accruals results from the restructuring steps taken. In addition we had **subordinated liabilities** at our disposal for refinancing purposes in the amount of EUR 26 million.

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Personnel Division

Average over the year, a workforce (including management staff) of 245 members of staff (previous year: 258) was employed. In December 2005 a reconciliation of interests agreement was reached with the Works Council to accompany the intended reduction in personnel numbers.

Asset Position

Our **liable capital** according to section 10 of the KWG (Banking Act) totals EUR 130 million as at the balance sheet date. The securitization of weighted risk assets and market risk position by equity capital as required under Principle I was, at 15.8%, well above the stipulated minimum rate of 8%.

Utilization in **Principle I/** indicates that even after taking into account all current losses and those from the previous years sufficient equity capital reserves exist to underpin business volume.

Our **securities holdings** include to a major extent variable interest rate accounts, not subject to any notable risks of depreciation in the case of a rise in capital market interest rates.

Financial Position

Our Principle II coefficient of 1.3 at the balance sheet date is above the legally stipulated indicator of 1.0.

During 2002/2003 we extended the capital commitment terms of funds borrowed as part of our strategic liquidity management by issuing long-term subordinated capital components and debentures. The liquidity situation of the bank on the whole is convenient.

Earnings Position

Net interest income was reduced by approx. 2%. It must be remembered that income, in part, is involved e.g. from investment fund payouts which cannot be repeated at will.

Net commission income in comparison to last year fell by approx. 19% to EUR 11.3 million. Declining commissions in securities trading are mainly responsible for this development.

Personnel expense leaving aside the EUR 1.6 million restructuring expenses of the previous year remains on a par with the previous year.

Capital expenditure including depreciation is some EUR 0.6 million below that of the previous year. While running expenses practically remained unchanged, depreciations were reduced by EUR 0.6 million.

Other operating income of EUR 0.6 million is of minor significance.

The bank s net valuation result for the adjustment of risk provisions for loans extended and contingent receivables, as well as investment securities, totals plus EUR 0.6 million.

Development	In millions of Euro	In millions of Euro
As of 1 January, 2005/2004	138.7	167.3
Allocations	2.5	16.7
Write-offs	2.5	10.5
Consumption	26.4	34.8
As of 31 December, 2005/2004	112.3	138.7

In 2005 requisite risk provision taking into account direct depreciation and receipts against receivables written-off relieved the strain on the income by EUR 0.4 million (2004: financial burden EUR 6.3 million). We continued to fund the provision for risk with caution and according to strict principles of valuation.

The use of a moderated lower of cost or market principle is responsible for undisclosed charges of EUR 0.1 million in long-term securities at balance sheet date.

The **extraordinary items** concern matters in connection with bank restructuring. EUR 16.2 million of the extraordinary expenses totaling EUR 40.4 million relate to severance pay under the redundancy plan, EUR 2.3 million to allocations to pension reserves, EUR 15.2 million to losses from long-term rental agreements and EUR 4.3 million to exceptional depreciations (particularly to intangibles and bail-out purchases). The extraordinary incomes involve revenues from the sale of a company unit.

The **net loss for the year** amounts to EUR 36.8 million (previous year: net loss for the year of EUR 8.3 million).

Report on Affiliated Companies

The Executive Board has prepared a report on relationships with affiliated companies according to section 312 of the AktG (Securities Act). At the close of this report the Executive Board has declared: According to circumstances known to us at the time at which legal transactions were undertaken with affiliated companies, Westfalenbank AG has received appropriate remuneration in each case. Other steps in the interest of, or at the request of, affiliated companies have neither been taken nor omitted.

Risk Report

Counterparty default and market price risks are actively managed as part of Westfalen-bank s risk policy principles. Liquidity risk is managed essentially using Principle II and a weekly drafted liquidity balance. Operational and other risks are minimized by appropriate organizational measures to the extent that these are within the bank s sphere of influence. The risk capacity of the bank determines the appropriateness of the assumption of risk.

Organization and Tasks of Risk Control

The Bank s Risk Control unit reports directly to the Executive Board. The tasks of Risk Control include the following:

§ The introduction and continued development of systems and methods for risk measurement and management

§ Ongoing measurement and monitoring of market price risks based on a value-at-risk approach

§ Independent control of parameters, such as interest rate curves, volatilities, etc. used for market price risk and results measurement

§ Ongoing check of trading transactions to ensure that conditions compatible with the market have been established

§ Daily calculation of trading results

Monitoring and Management of the Major Risks

Monitoring and management processes in Risk Control take into account the nature and scope of transactions entered into, as well as aspects specific to the type of risk.

Counterparty risks are defined as possible losses in value arising from full or partial defaults on agreed payments on the part of a borrower or contracting partner.

We monitor and manage risks from our loan business with reference to individual commitments according to their size, industry and creditworthiness. In preparation for Basel II we continue to use the customer-specific rating system of the Federal Association of German Banks.

At the moment we are determining loan business risks anticipated for the subsequent year according to rating categories at the individual and portfolio levels. The resulting standard risk costs are integrated into the interest rates offered, calculated on the basis of market interest rate method and are collected throughout the year, almost as an insurance premium. In determining standard risk costs we increasingly take into account aspects of actual default behavior within the portfolio (risk-adjusted pricing).

The provision formed for our country risks is based on the risk rate ranges provided by the Ministry of Finance, which we apply to transfer risks from loans with a term of over a year, deducting in all cases the value of associated securities.

We calculate the level of counterparty risk from the gross replacement value according to the market value method as the total of all positive market values, without taking into account the risk-reduction impact of netting. The notes to the annual financial statements contain a detailed listing of our derivative business as well as our counterparty structure.

The market price risk is calculated as the potential loss that may arise due to changes in market prices (interest rates, exchange rates, share prices) for the trading and liquidity positions we hold.

We use an external software solution Front-Arena to calculate these risks. The risk measurement method uses a VaR module that works on the basis of historical simulations. The security level is 99%, the holding period one day. The value-at-risk calculation is based on historical market price changes and provides a maximum loss value for normal market fluctuations. We regularly check the explanatory power of this indicator as part of back-testing.

In order to estimate risks from extreme market fluctuations, we perform stress tests that determine the change in risk for the position from a worst-case scenario or for a higher security level.

The quality of the theoretical risks of loss established by Front-Arena is monitored constantly by means of a so-called clean back-test. This compares the simulated price changes in balances from the preceding day with the market price changes that have actually occurred.

Risk Control measures the risk and monitors limits on a daily basis and reports them to the Executive Board responsible. The entire Executive Board is brought up-to-date by means of a weekly position-specific risk report. The Executive Board as a whole makes decisions on the entire bank s asset and liability management. We formulate the risk of interest rate change using a fixed-interest period accounting, differentiated according to level or products and maturities and supplemented by sensitivity analyses that show the effects of changes in market interest rates on interest income from an annual perspective.

The use of Front-Arena with appropriate interfaces supports asset/liability management by taking into account all interest-bearing transactions at both the interest and total bank level.

We implement functionality for the assessment of the effects of an assumed interest rate shock of 200 basis points according to Basel II, as well as the transparent determination of the composition of interest income on a daily basis and from an accumulated month and year view.

Liquidity risk management occurs using the liquidity indicator pursuant to Principle II, supplemented by additional management instruments such as daily and maturity balances stemming from interest rate and maturity disparities. In addition we enhance the quality of liquidity risk management by means of a cash-flow based liquidity balance.

For us an **operational risk** refers to possible losses caused, for instance, by system failures, inadequate control mechanisms, processing errors, fraud or changes in legal and fiscal conditions. We counteract the risks we have identified on an ongoing basis by regularly revising organizational requirements and adapting our processes.

Other risks comprise risks from catastrophes, incorrect or missing insurance, as well as from supplier bankruptcies and changes in the law. We assess these ourselves or request expert insurance opinions.

We do not at present expect to quantify operational and other risk using mathematical models given the current absence of such systems on the market and the size and structure of our institution.

Existing risk monitoring and management instruments are to be adapted in 2006 to the current reorientation of the bank.

Audit

Internal audit is a component of our internal monitoring system in addition to the internal control system. Internal Audit reports directly to the Executive Board. It fulfills its functions autonomously and independently. Audit is not bound by any instructions in terms of reporting and valuation of audit findings. Internal Audit s activities cover all operational and business processes.

Outlook

The overall position of the bank in 2005 was insecure and was reflected as such in the statement of income. Whilst there was a tendency for the results in the first six months to improve over the previous year, they still remained far behind the operative goals. Thus steps had to be taken to secure the economic basis and create prospects for the bank and its employees.

As a first step, the Asset Management and Private Banking segments were disposed of. Then an extensive redimensioning program was launched to effectively position Westfalenbank AG as a corporate sector bank for medium-sized companies.

At the same time efforts were continued to implement the alternative future concepts. Hence talks were held with investors on purchasing the new corporate sector bank and interested parties were also found for separate purchase of corporate client portfolios and the remaining service units.

Important Events Arising after the End of the Fiscal Year

After consideration of all possibilities it was decided to transfer the business units of corporate clients, loans and special financing arrangements to HypoVereinsbank and to continue negotiations with an Anglo-American investor intent on using the bank as a service platform for handling impaired loans. To this end, a joint venture was set up with the investor in mid-2005. These projects should be realized by mid-2006.

Balance Sheet of Westfalenbank AG, Bochum, as per December 31, 2005

Assets	**Euro**	**31.12.2005 Euro**	**Euro**	**31.12.2004 In thousands of Euro**
Cash reserves				
a) Cash on hand		113,383.44		317
b) Balances with central banks				
of which with Deutsche Bundesbank Euro 596,308.26		596,308.26		8,879
(previous year: Euro 8,879 thousand)			709,691.70	9,196
Debt instruments issued by public-sector entities and bills of exchange eligible for rediscount at central banks				
a) Treasury bills and non-interest-bearing treasury notes as well as similar debt instruments of public-sector entities				
of which eligible for rediscount at Deutsche Bundesbank Euro 0.00		0.00		0
(Previous year: Euro 0)				
b) Bills of exchange				
of which eligible for rediscount at Deutsche Bundesbank Euro 1,046,345.36		1,046,345.36		1,120
(Previous year: Euro 1,120 thousand)			1,046,345.36	1,120
Receivables from banks				
a) Payable on demand		154,597,766.65		177,802
b) Other receivables		58,026,988.02		33,514
			212,624,754.67	211,316
Loans to customers			634,430,460.43	736,543
of which secured by mortgages				

		Euro 6,964,497.70 (previous year: Euro 10,026 thousand) Municipal loans Euro 61,344,077.25 (Previous year: Euro 60,187 thousand)				
Notes and other fixed-income securities						
a)	Money-market instruments					
aa)	issued by public-sector entities		0.00			0
ab)	issued by other issuers		0.00			0
	of which	eligible as collateral for Deutsche Bundesbank advances Euro 0.00 (Previous year: Euro 0)		0.00		
b)	Bonds and notes					
ba)	issued by public-sector entities		97,050,120.83			161,693
	of which	eligible as collateral for Deutsche Bundesbank advances Euro 97,050,120.83 (Previous year: Euro 161,693 thousand)				
bb)	issued by other issuers		191,374,122.66			282,996
	of which	eligible as collateral for Deutsche Bundesbank advances Euro 170,923,130.44 (Previous year: Euro 269,476 thousand)		288,424,243.49		444,689
c)	Own debentures					
		Par value Euro 0.00		0		80
		(Previous year: Euro 75 thousand)			288,424,243.49	444,769
Stocks and other non-fixed income securities					96,012,084.37	88,394
Equity interests					1,612,929.59	4,452
	of which	in banks Euro 901,261.00 (Previous year: Euro 901 thousand)				
	of which	in financial service institutions Euro 0.00				

	(Previous year: Euro 0)		
Interests in affiliated companies		3,358,430.20	2,358
of which	in banks Euro 0.00 (Previous year: Euro 0)		
of which	in financial service institutions Euro 1,028,912.88 (Previous year: Euro 1,029 thousand)		
Trust fund assets		12,275,669.54	5
of which	loans on a trust fund basis Euro 12,270,556.62 (Previous year: Euro 0)		
Intangible assets		1,104,463.21	5,441
Fixed assets		3,006,011.94	5,228
Other assets		11,068,227.09	15,389
Accrued items		2,536,911.95	1,812
Total assets		1,268,210,223.54	1,526,023

Balance Sheet

Liabilities and Shareholder s Equity	Euro	31.12.2005 Euro	Euro	31.12.2004 In thousands of Euro
Liabilities to banks				
a) Payable on demand		45,578,519.10		58,130
b) With an agreed term or period of notice		257,261,199.64		460,661
			302,839,718.74	518,791
Liabilities to customers				
a) Savings deposits				
aa) with an agreed period of notice of three months	0.00			0
ab) with an agreed period of notice of more than three months	0.00			0
		0.00		
b) Other liabilities				
ba) Payable on demand	267,868,726.69			330,713
bb) With an agreed term or period of notice	511,228,314.27			498,972
		779,097,040.96		
			779,097,040.96	829,685
Securitized liabilities				
a) Debentures issued		0.00		557
b) Other securitized liabilities		0.00		0
of which money market instruments Euro 0.00 (Previous year: Euro 0)				
of which own acceptances and promissory notes outstanding Euro 0.00 (Previous year: Euro 0)			0.00	557
Trust fund liabilities			12,275,669.54	5
of which				

	loans on a trust fund basis Euro 12,270,556.62 (Previous year: Euro 0)				
Other liabilities				4,048,528.06	3,998
Deferred items				3,045,947.63	2,535
Provisions					
a)	Provisions or old-age pensions and similar liabilities		24,836,968.00		22,552
b)	Provisions for deferred taxation		890,536.50		2,188
c)	Other provisions		43,399,002.14		11,183
				69,126,506.64	35,923
Subordinated liabilities				26,000,000.00	26,000
Shareholder s Equity					
a)	Subscribed capital		50,514,282.00		50,514
b)	Capital reserves		21,262,529.97		84,500
c)	Revenue reserves				
ca)	Statutory reserve	0.00			2,487
cb)	Other revenue reserve	0.00			2,276
			0.00		
d)	Accumulated net loss		0.00		- 31,248
				71,776,811.97	108,529
Total liabilities and Shareholder s Equity				1,268,210,223.54	1,526,023
Contingent liabilities					
	Contingent liabilities from guarantees and indemnity agreements			123,836,455.19	96,900
Other liabilities					
	Irrevocable loan commitments			275,846,997.89	210,828

Income Statement of Westfalenbank AG, Bochum,
for the period from 1 January to 31 December, 2005

	Euro	2005 Euro	Euro	2004 In thousands of Euro
Interest income from				
a) Loans and money-market transactions	65,076,755.99			74,272
b) Fixed-income securities and government-registered debt	16,761,686.56			17,200
		81,838,442.55		91,472
Interest expenses		- 63,188,608.53		- 68,888
			18,649,834.02	22,584
Current income from				
a) Stocks and other non-fixed-income securities		3,810,997.76		385
b) Equity interests		119,656.22		128
c) Interests in affiliated companies		90.00		0
			3,930,743.98	514
Income from profit pooling and profit and loss or part profit and loss transfer agreements			37,079.38	62
Net interest income			22,617,657.38	23,160
Commissions received		13,471,657.74		16,808
Commissions paid		- 2,132,412.09		- 2,790
Net commission income			11,339,245.65	14,018
Net expense from financial transactions			138,601.14	- 239
(Previous year: Net expense from financial transactions)				
Other operating income			2,468,204.91	3,388
General administrative expenses				
a) Staff				
aa) Wages and salaries	- 18,796,944.38			- 19,808
ab) Social security contributions and expenses for old-age pensions and other employee benefits of which for old-age pensions 2,859,676.07	- 5,241,763.30			- 5,727
(Previous year: Euro 3.236 thousand)		- 24,038,707.68		- 25,535
b) Other administrative expenses		- 12,484,166.85		- 12,451

		- 36,522,874.53	- 37,986
Depreciation and write-offs on intangible and fixed assets		- 2,778,967.57	- 3,412
Other operating expenses		- 1,820,416.80	- 1,614
Income from write-ups from receivables and certain securities as well as from the release of provisions in loan transactions (Previous year: Write-downs and adjustments on loans and certain securities as well as allocations to provisions for possible loan losses)		604,544.60	- 6,034
Income from additions to equity interests, interests in affiliated companies and securities classified as fixed assets		2,032,022.48	194
Operating result		- 1,921,982.74	- 8,526
Extraordinary income	4,2000,000.00		0
Extraordinary expenses	- 40,431,760.67		0
Extraordinary result	- 36,231,760.67	0	
Tax refunds on income and revenue	1,462,239.34		42
Other taxes	- 60,692.05		144
(Previous year: Other tax refunds)		1,401,547.29	186
Net loss for the year		- 36,752,196.12	- 8,339
Loss carryforward from previous year		- 31,247,853.34	- 22,908
Transfer from capital reserves		63,236,977.57	0
Transfer from retained earnings			
a) Statutory reserve		2,487,192.14	0
b) Other revenue reserve		2,275,879.75	0
Net profit (Previous year: Accumulated net loss)		0.00	- 31,248

Notes

General information

Legal basis

The annual financial statements relating to fiscal 2005 were prepared as stipulated by the German Commercial Code in conjunction with regulations on accounting for banks and the Securities Act.

Disclosures related to legal form

Westfalenbank AG s subscribed capital of EUR 50,514,282 consists of 1,942,857 common shares. Capital and revenue reserves will change when the proposal as to appropriation of earnings is taken up:

In thousands of Euro	**As at 01.01.2005**	**Allocations 2005**	**Withdrawals 2005**	**As at 31.12.2005**
Capital reserve	84,500		63,237	21,263
Revenue reserves				
Statutory reserves	2,487		2,487	0
Other revenue reserves	2,276		2,276	0
	4,763		4,763	0
Total	**89,263**		**68,000**	**21,263**

The Annual General Meeting authorized the Executive Board on 9 July, 2003, with the consent of the Supervisory Board, to issue profit-sharing rights over a period of five years from the date the resolution was passed to a total nominal value of EUR 25 million.

Accounting and valuation principles

The bank continues to use the following accounting and valuation principles:

Currency translation is undertaken according to section 340 of the German Commercial Code. Balance sheet accounts denominated in foreign currency are translated to Euro at the mid-rate for the currency on the last day in the fiscal year on which the stock exchange is open for trading. The valuation of forward exchange deals is based on spot rates. Swap premiums are accrued pro rata temporis. Profit and loss from currency translation is taken to income in the case of closed positions; open positions are accounted for using the principle of imparity.

Fixed assets and intangible assets are capitalized at acquisition cost. Items that are subject to wear and tear are as a rule depreciated over the customary useful life of the object using the straight-line method. Against the backcloth of bank restructuring we undertook exceptional depreciations as shown in the extraordinary expenses.

Securities classified under fixed assets are recorded at acquisition cost and written down if permanent impairment is anticipated.

Securities classified under current assets are recorded at the lower of cost or market value. Hedge accounting is performed in the case of hedging transactions. Investments and shares in affiliated companies are valued at acquisition cost or fair value, whichever is lower.

Receivables are recorded at nominal value, liabilities at the repayment amount and provisions in an amount based on reasonable commercial assessment. Valuation allowances are deducted from relevant asset accounts.

Prepaid expenses/deferred charges comprise expenditures and receipts respectively reported prior to the balance sheet closing date, provided they represent expenses or revenues that will occur within a specified period of time after the closing date.

If the repayment amount of a liability is higher than the amount initially recorded, the difference is included in a prepaid expense account under assets. The difference is allocated to the liability over its entire term.

Pension provisions are recorded at discounted value according to actuarial principles in keeping with the International Financial Reporting Standards (IAS 19). This took place against the backcloth of bank restructuring. In doing so we give consideration to a 4.5% interest rate (previous year: 6%) and the 2005G actuarial mortality assumptions. There is a difference of EUR 2.3 million to the accruals established the previous year. It is shown under extraordinary expenses.

Investment holdings

Investment holdings according to section 285, number 11, of the German Commercial Code are recorded based on the last available annual financial statements of the relevant companies:

Company name	Share in the capital %	Equity in thousands of Eurø (w/o result for the year)	Result for the year in thousands of Euro
BAK Verwaltungsgesell- schaft mbH, Bochum	100%	26	0
Gesellschaft für Grund- besitz mbH, Bochum	100%	773	1)
Westfalen Credit Services GmbH, Bochum	100%	1,066	- 28
Westfalen Kapitalverwaltungs- gesellschaft mbH, Bochum	100%	511	1)
Westfalen Corporate Finance GmbH, Bochum	100%	1,010	- 2
Nadinion Objekt Huestraße GmbH & Co. KG, München	100%[2)]	25[2)]	2[2)]

1) profit and loss transfer agreement with this company

2) limited liability capital only

The bank is exempted from preparation of partial consolidated financial statements according to section 291, paragraph 1, of the German Commercial Code.

As per 31 December, 2005, an employee is represented in the Supervisory Board of a large joint stock corporation. A share of voting rights exceeding 5% exists with respect to the company VBW Wohnen GmbH, Bochum.

Notes on the Balance Sheet
Selected asset accounts broken down according to remaining terms

In thousands of Euro	**2005**	**2004**
Other receivables from banks		
Up to 3 months	35,667	19,530
More than 3 months up to 1 year	6,419	8,004
More than 1 year up to 5 years	4,777	3,006
More than 5 years	11,164	2,974
Total	**58,027**	**33,514**
Receivables from customers		
Up to 3 months	284,488	398,330
More than 3 months up to 1 year	86,603	55,604
More than 1 year up to 5 years	152,710	169,279
More than 5 years	110,629	113,330
Total	**634,430**	**736,543**

Relationships with affiliated companies and companies with which an investment relationship exists

In thousands of Euro	**2005**	**2004**
Affiliated companies		
Receivables from banks	5,782	26,373
Receivables from customers	791	1,169
Liabilities due to banks	46,945	58,615
Liabilities due to customers	4,086	1,592
Companies with which an investment relationship exists		
Liabilities due to customers	56	13

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Receivables in specified balance sheet accounts with indeterminate terms

In thousands of Euro	**2005**	**2004**
Receivables from customers	27	69

Amounts in specified balance sheet accounts falling due in the fiscal year after the balance sheet date

In thousands of Euro	**2005**	**2004**
Bonds and other fixed-interest securities	4,193	79,589
Bonds issued	0	557

Selected liability accounts broken down according to remaining terms

In thousands of Euro	**2005**	**2004**
Liabilities to banks with an agreed period of notice of		
Up to three months	167,108	321,693
More than 3 months up to 1 year	11,853	21,289
More than 1 year up to 5 years	52,086	86,424
More than 5 years	26,214	31,255
Total	**257,261**	**460,661**
Other liabilities to customers with an agreed period of notice of		
Up to three months	276,568	302,340
More than 3 months up to 1 year	42,739	7,123
More than 1 year up to 5 years	9,351	9,880
More than 5 years	182,570	179,629
Total	**511,228**	**498,972**

Subordinated assets

In thousands of Euro	2005	2004
Receivables from customers	3,000	
Bonds and other fixed-interest securities	7,544	
Shares and other non-fixed interest securities	130	364

Assets and liabilities in foreign currency

In thousands of Euro	2005	2004
Assets	92,284	102,111
Liabilities	10,135	26,803

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Trust operations

In thousands of Euro	**2005**	**2004**
Trust assets:		
Investments	5	5
Customer receivables	12,271	
Trust liabilities:		
Liabilities to customers	12,276	5

Subordinated liabilities

The bank has assumed subordinated loans in the nominal amount of EUR 16.0 million. These loans carry variable interest rates according to agreements; during the term of the loan the creditor may exercise the right on a one-time basis to change to a fixed interest rate for the remaining term. This right has to date been exercised for a total of EUR 11 million. The loans are due in 2013 and 2014. Furthermore, the bank has issued a subordinated bearer debenture in the nominal amount of EUR 10.0 million. It bears an interest rate of 5.95% and matures on 11 February, 2013. The conditions relative to the subordinated liabilities comply with the requirements of supplementary capital according to section 10, paragraph 5a, of the Banking Act. There are no obligations for early repayment. A total of EUR 1.5 million was expended in interest by 31 December, 2005.

Securities and financial assets
Presentation of marketable securities included in the balance sheet accounts below:

In thousands of Euro	**2005**	**2004**
Bonds and other fixed-interest securities		
Listed on stock exchange	280,880	444,769
Not listed on stock exchange	7,544	
Shares and other non-fixed-interest securities		
Listed on stock exchange	130	363
Not listed on stock exchange		
Investments		
Investments in affiliates		

This includes, without interest deferral, EUR 40.5 million (2004: EUR 138.7 million) in bonds not valued at the lower of cost or market value.
Presentation of financial assets valued according to the less strict principle of lower of cost or market:

In thousands of Euro	**2005 book value**	**2005 time value**
Bonds and other fixed-interest securities	40,487	40,424
Shares and other non-fixed-interest securities	95,882	97,283

Bonds and debentures include ABS bonds with investment grade rating, a corporate bond and an Italian government bond which, in each instance, have been acquired for long-term investment purposes.
Shares and other non-fixed-interest securities refer to special fund holdings in shares and bonds.
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Statement of changes in fixed assets

	Cost of acquisition			Depreciation/ amortization		Book value
In thousands of Euro	**Balance 01.01.2005**	**Additions**	**Dis-posals**	**Accu-mulated**	**Current year**	**Balance 31.12.2005**
Securities	227,754	25,271	115,656	1,000		136,369
Equity interests	4,980	255	3,094	528		1,613
Interests in affiliated companies	2,358	1,000				3,358
Land and buildings	5,743		174	3,545	1,515	2,024
Other plant, office furniture and equipment	11,365	213	1,010	9,586	811	982
Intangible assets	27,055	449		26,400	4,786	1,104

Securities classified under fixed assets involve EUR 40.5 million in bonds and debentures valued at acquisition cost as well as EUR 95.9 million in shares and other non-fixed interest securities.

EUR 4.3 million of the current year s depreciations are exceptional and are shown under extraordinary expenses.

Other assets and other liabilities

In thousands of Euro	**2005**	**2004**
Other assets		
Tax refund claims	5,854	5,922
Remaining purchase price and cost refund claims in connection with the sale of a business unit	2,615	0
Receivables from HVB in connection with the contribution and transfer agreement	894	1,880
Receivables from Falke Bank AG i.L.	122	351
Shares in real estate funds	856	856
Option premiums paid	76	265
Settlement item from currency translation	0	4,738
Other receivables	651	1,377
Total	**11,068**	**15,389**
Other liabilities		
Outstanding invoices	459	489
Proportional interest from subordinated liabilities/profit-sharing rights	1,175	1,176
Amounts due to tax authorities	1,102	1,092
Settlement item from currency translation	615	0
Option premiums received	82	278
Other liabilities	616	963
Total	**4,049**	**3,998**

Accrued and deferred items

In thousands of Euro	**2005**	**2004**
Accrued income		
Prepaid CAP/swaption premiums	2,529	1,791
Other accrued items	8	21
Total	**2,537**	**1,812**
Deferred income		
CAP/swaption premiums received in advance	2,646	1,937
Settlement payments received	50	56
Premiums/discounts carried as liabilities	184	413
Other deferred items	166	129
Total	**3,046**	**2,535**

The difference between the nominal value of receivables and the lower repayment amount is Euro 184 thousand.

Contingent liabilities

In thousands of Euro	**2005**	**2004**
Liabilities from guarantees and warranty agreements		
Payment guarantees	11,100	12,151
Performance bonds	19,556	13,915
Letters of credit opened	31,509	25,028
Loan security guarantees	14,385	8,440
Delivery guarantees	12,289	12,074
Payment guarantees	30,171	18,417
Other guarantees and warranties	4,826	6,875
Total	**123,836**	**96,900**

Assignment of security for own liabilities

Liabilities to banks include open market transactions with the Deutsche Bundesbank (German Central Bank) amounting to EUR 104.1 million (repurchase value), which we have taken up under a pledge of a corresponding level of fixed-interest securities. Furthermore, they include specific-purpose funds of other banks in the amount of EUR 71.0 million, secured by the cession of corresponding levels of receivables. Liabilities to customers contain specific-purpose funds in the amount of EUR 1.7 million, similarly secured by the cession of corresponding levels of receivables.

Other financial obligations

Additional funding obligations of up to EUR 4.8 million stem from our holdings in the Liquiditäts-Konsortialbank GmbH, Frankfurt/Main. Moreover, joint and several liability for additional funding obligations of other shareholders of the Federal Association of German banks e.V., Cologne, applies. Moreover, rental obligations in a total amount of EUR 12.0 million arise under long-term agreements for the entire term to 2018 (Düsseldorf offices) and in the amount of EUR 1.6 million per annum under an agreement to run initially until mid-2012 (Bochum offices). To cover liabilities involved in giving up the site as intended (Düsseldorf premises) and/or still unclear use of the buildings in Bochum, we have set up accruals of approx. EUR 15 million. The usual liability and warranty commitments from a corporate sale exist in connection with the sale of the Asset Management und Private Banking segments.

Notes on the income statement

Other operating income chiefly includes rental payments from land not used by the bank or building areas that have been sublet (EUR 1.2 million) as well as income from the liquidation of provisions no longer required (EUR 0.3 million).

Other operating expenses primarily concern expenses related to the reduction of a claim from HypoVereinsbank (EUR 1 million), refunded taxes on income at the same level, expenses for non-bank used property (EUR 0.5 million) and cafeteria operation expenses (EUR 0.3 million).

The extraordinary incomes concern revenues from the sale of a business unit.

A total of EUR 40.4 million **extraordinary expenses** arise in connection with bank restructuring. EUR 16.2 million of these expenses involve severance pay costs under the redundancy scheme, EUR 2.3 million allocations to pension reserves, EUR 15.2 million losses from long-term rental agreements and EUR 4.3 million involve exceptional depreciations (intangibles and fixed assets).

Other disclosures

Administration and agency services provided for third parties

Custodial services and investment management continued to be of major significance to the bank in the year under review.

Forward transactions and options

Forward transactions and options not yet completed at the balance sheet date that entail a performance risk or currency, interest rate or other market price risks are shown below.

	Par value Remaining life				Positive	Negative
In thousands of Euro	up to 1 year	1 5 years	more than 5 years	total	market values	market values
Interest-related transactions	**109,419**	**324,131**	**790,526**	**1,224,076**	**32,232**	**39,564**
OTC products	**109,419**	**324,131**	**790,526**	**1,224,076**	**32,232**	**44,964**
Interest swaps	103,839	216,297	612,712	932,848	30,918	38,193
Forward rate agreements	0	0	0	0	0	0
Interest options buy (calls)	2,790	53,917	88,907	145,614	1,314	0
Interest options sell (puts)	2,790	53,917	88,907	145,614	0	1,314
Other interest rate transactions	0	0	0	0	0	0
Products traded on exchanges	**0**	**0**	**0**	**0**		
Interest futures	0	0	0	0		
Interest options	0	0	0	0		
Currency-related transactions	**716,669**	**88,331**	**0**	**805,000**	**15,964**	**15,022**
OTC products	**716,669**	**88,331**	**0**	**805,000**	**15,964**	**15,022**
Forward exchange transactions	709,371	80,302	0	789,673	15,152	14,220
Currency swaps	0	8,029	0	8,029	509	499
Currency options buy (calls)	3,649	0	0	3,649	303	0
Currency options sell (puts)	3,649	0	0	3,649	0	303
Stock/Index-related transactions	**41,431**	**0**	**0**	**41,431**	**0**	**0**
OTC products	**0**	**0**	**0**	**0**	**0**	**0**
Stock/Index options buy (calls)	0	0	0	0	0	0
Stock/Index options sell (puts)	0	0	0	0	0	0
Other OTC transactions	0	0	0	0	0	0
Products traded on exchanges	**41,431**	**0**	**0**	**41,431**	**0**	**0**
Stock/Index futures	40,338	0	0	40,338	0	0
Stock/Index options	1,093	0	0	1,093		