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KfW's capital market activities:

Increase in the promotional business causes rise in borrowing

Small SMEs and climate protection reach the securitisation markets

In the first half of 2007, KfW again issued a record volume in the international capital markets with a broad range of issue products. So far this year KfW has raised EUR 37.6 billion in more than 300 individual transactions and in 22 different currencies. "Despite a sometimes very volatile fixed-income market, KfW's issues met with a strong response worldwide", said
5 Dr Günther Bräunig, Member of the Board of Managing Directors of KfW Bankengruppe, on the occasion of the semi-annual Capital Market Press Conference of the promotional bank in Frankfurt today. "KfW securities also benefited from the very positive image which Germany enjoys with international investors."

10 At the beginning of the year KfW had a very strong debut with two 10-year Benchmark bonds for EUR 5 billion and USD 3 billion. Then, the Bank issued a 3-year EUR Benchmark bond and USD Benchmarks with 3-year and 5-year maturities.

15 "The Benchmark bonds are the most important pillar of KfW's funding - and will remain so. For this reason we intend to issue another one or two bonds in each of the two Benchmark programmes in the second half of the year", Bräunig announced.

20 Moreover, KfW was active in the first half of 2007 in 20 further currencies. In the GBP, the third most important reserve currency in the world, KfW has already raised almost GBP 4 billion and for the year 2007 as a whole KfW expects a new record volume. The British pound, the Japanese yen, the Canadian dollar and the Australian dollar accounted for almost one quarter of KfW's total funding volume.

25 "Moreover, we accompany and intensively support developments in emerging capital markets in order to further diversify our funding", Bräunig continued.

30 For example, KfW issued the first global bond in South African rand (ZAR 2 billion) and placed a bond denominated in Brazil real as well as two bonds in Russian rubles in the market.

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35 In the emerging markets in Asia, too, KfW is enhancing its profile with new products and currencies. Already in January, the Bank launched the first bond in Malaysian ringgit under the newly established local issue programme in Malaysia, and some days ago, the first KfW bond denominated in Indonesian rupees was issued in the market. In addition, KfW is about to issue its first local bond in Thailand.

Funding volume for 2007 increased to roughly EUR 60 billion

40 For the ongoing year KfW now expects a funding need of roughly EUR 60 billion. This is an increase of about EUR 5 billion compared with the forecast made in December 2006. The main reason is the sound economic development in Germany combined with a strong increase in the demand for promotional loans.

45 "In the last few months we have consolidated our excellent global position in the established international capital markets and are now, step by step, accessing the emerging local capital markets. This makes me very confident for the continued successful placement of our bonds in the second half of 2007", Bräunig summed up the funding activities of the promotional bank.

50 Moreover, due to the reorganisation of the ERP (European Recovery Programme) economic promotion, which has been decided by the German Bundestag, ERP promotional loans will in future be refinanced by KfW. This will increase the funding volume of KfW in the medium term.

55 Small SMEs and climate protection reach the securitisation markets

60 With an increase in the issue volume by roughly 40% in the first five months of the year, the European securitisation markets have shown a substantial quantitative growth in comparison to the same period 2006. The first half of the year was marked by brisk activity in the area of securitisation of SME loans. It is encouraging to see that transactions involving the securitisation of small loans to micro-enterprises are also on the rise. This trend can now increasingly be observed in Eastern Europe as well. In a report presented in the framework of the 5th Round Table between banks and SMEs in spring 2007 the European Commission also for the first time mentions the positive contribution of securitisation to the credit supply of
65 SMEs and its comprehensive promotional impacts. ...



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On the one hand, KfW is supporting this development with the PROMISE securitisation platform, under which SME loans in the volume of around EUR 5.4 billion were securitised in the first six months of the year. On the other, KfW acts itself as an investor with its ABS SME portfolio with the aim of supporting SME securitisation and providing impetus to the market.

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"Recently, purchasing SME ABS has turned out to be a good investment for investors because the transactions outstanding in Germany are continuing to show a good performance. Due to the positive economic development in Germany, losses in SME securitisation have been in the expected range", Bräunig said.

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Most recently, investments in climate protection are well on their way to become a new asset class in the securitisation market. Even though ABS portfolios involving environmental projects are currently still in their infancy pioneering projects have already been launched in the market or are being prepared. "In the future it is increasingly important to induce the international capital markets to provide liquidity for financing such projects so as to achieve the targets agreed in the area of climate protection", Bräunig comments on the development of this new market segment.

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In the first half of 2007, KfW securitised credit risks in the volume of around EUR 10 billion in eight transactions. Since traditionally securitisation activities are gaining momentum in the second half of the year, the promotional bank expects a securitisation of more than EUR 20 billion for the year as a whole.

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90 Further information can be obtained on the homepage of KfW Bankengruppe under http://www.kfw.de/EN_Home/Presse/index.jsp



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