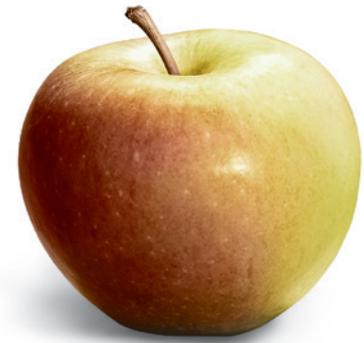


»» KfW promotion provides stability in a difficult financial and economic environment



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Promotional volume of EUR 73.4 billion with continuing high demand

Increase of SME financing (+7 %)

Energy-efficient construction and refurbishment with record volume (+ 52 %)

40% of promotional activities for environmental and climate protection

Continuation of modernisation process

In 2012 KfW Bankengruppe extended a total financing volume of EUR 73.4 billion. After reaching a volume of EUR 70.4 billion the previous year, financing now remains on a path of moderate and long-term qualitative growth. In 2012, KfW made financial commitments to enterprises, municipalities and private persons in Germany amounting to EUR 50.6 billion (2011: EUR 50.9 billion). The promotion of the SME sector in Germany increased significantly by nearly EUR 2 billion (+7 %) (2012: EUR 24.1 billion; 2011: EUR 22.4 billion). The share of SME financing in Germany rose from 44 to 48%.

"KfW's promotional result for 2012 shows that KfW provides stability to German enterprises, private persons and municipalities in a difficult financial and economic environment. In particular this is reflected by the increased demand for KfW financings from enterprises and the record demand for programmes geared towards energy efficient construction and refurbishment. These programmes alone created

and secured about 370,000 jobs in 2012," said Dr Ulrich Schröder, Chief Executive Officer of KfW Bankengruppe at the annual prelude press conference in Frankfurt am Main on Wednesday.

Along with SME promotion, another important focus of KfW's promotional work in 2012 was environmental and climate protection. KfW's overall commitments for this area increased substantially from EUR 22.8 billion to EUR 29.2 billion in 2012 (+28%). They make up 40% of total promotional volume (2011: 32%). In 2013 this share is to also range from 35 and 40%. This reflects KfW's promotional focus on financing measures to combat climate change and to benefit environmental and resource protection.

In order to prepare responsibly for the changing requirements resulting from the banking and financial crisis as well as the growing demand for long-term loans, changed customer needs and regulations, KfW is continuing its **modernisation process**. It is maintaining the strong focus of its promotional offers on relevant societal developments and continuously improving the quality of its promotional support. In parallel it is orienting itself more strongly on the expectations and needs of customers and sales partners. In particular KfW is working on comprehensive projects to improve customer orientation such as through product transparency, the capability of promotional loans to be accessed and processed online, and the acceleration and standardisation of processes and lending.

"In order to be able to also effectively fulfil our promotional mandate in the future and provide sufficient financings to SMEs, home renovators, students, municipalities and foreign business partners and partner

countries, we are ensuring the future viability of our proven business model. Based on the onlending principle we want to increase the effectiveness of our deployed funds through a consistent focus on customer needs," said Dr Schröder.

Promotional results of the business areas in detail

In the business area **KfW Mittelstandsbank** the volume of new business reached EUR 24.1 billion (2011: EUR 22.4 billion). The volume of commitments in the area of **business start-ups and general corporate finance** grew strongly from EUR 9.4 billion to EUR 11.1 billion. This was driven primarily by high demand for KfW entrepreneur loans. The promotional area of **environmental protection** showed a similarly strong increase in commitments to EUR 12.0 billion (2011: 10.8 billion). In particular the **KfW Renewable Energies programme** developed positively with EUR 7.9 billion (2011: EUR 7.0 billion). Of positive note is also the development of commitments for **financing of energy efficiency projects**: the promotional volume increased from EUR 2.8 billion to EUR 3.6 billion.

The **business area KfW Privatkundenbank** reached a total financing volume of EUR 17.4 billion. The higher commitment volume compared to 2011 (EUR 16.7 billion) was achieved in particular through the Energy-Efficient Refurbishment and Energy-Efficient Construction promotional programmes, which are decisive for achieving the environmental and climate protection goals. In this segment KfW achieved a record commitment volume of about EUR 9.9 billion, representing an increase of 52% (2011: EUR 6.5 billion). To further advance the energy-efficient refurbishment of residential buildings, starting in 2013

an additional EUR 300 million in German federal budget funds will be provided annually through 2020 for grants in the Energy-efficient Refurbishment programme. In addition to the increase in grant funds, the financing conditions in the loan variant will be further improved.

The commitment volume in the promotional area of education and social concerns amounted to EUR 2.3 billion (2011: EUR 2.2 billion). Particularly the KfW Student Loan (including tuition fee loans) experienced 11% higher demand than the previous year. The financing conditions of the KfW Student Loan is scheduled to be further improved starting in the summer semester 2013 to better support lifelong learning. KfW will expand the promotional offer to include second degree or post-graduate courses of study, masters programmes and doctoral studies as well as extend the age limit.

In 2012 the **business area KfW Kommunalbank** achieved a financing volume of EUR 9.1 billion and remained only slightly below expectations despite a lower propensity by municipalities to invest. In the area of infrastructure finance the commitment volume totalled EUR 3.8 billion, representing only a slight decline compared to the previous year (2011: EUR 4.1 billion). However, the number of loans granted for municipal projects rose substantially with an increase of 40%. In total over 2,500 individual commitments were granted. In addition, funding was increasingly focused on the promotional topics of environmental protection and climate change as well as demographic development. In particular the commitment volume for environmental and climate protection financing rose significantly from EUR 0.9 billion in the previous year to EUR 1.3 billion. This trend, which is associated with the launch of new special promotional programmes (Urban energy efficiency rehabilitation), documents KfW's substantial contribution to supporting the federal government's energy turnaround on the municipal level.

The commitment volume for the general refinancing of the promotional institutions of the federal states was reduced as planned in 2012. It amounted to EUR 5.3 billion in the reporting year compared to EUR 7.7 billion in the previous year.

The **business area Export and project finance**, for which KfW IPEX-Bank is responsible, reached the previous year's financing volume with new commitments of EUR 13.4 billion (2011: EUR 13.4 billion). The business sectors Maritime Industries (EUR 2.5 billion), Power, Renewables and Water (EUR 2.1 billion), and Industries and Services (EUR 2.1 billion) mainly contributed to this result. The current commitments in the area Maritime Industries concerned mostly cruise ships and offshore industry investments. The stable trend in commitments was due to the positive propensity of companies to invest and the success of the German export economy in global competition.

The commitment volume in the **business area Promotion for developing and transition countries** was EUR 6.2 billion (2011: EUR 5.8 billion). The **business area KfW Entwicklungsbank** again increased its financing volume in 2012, committing about EUR 4.9 billion (2011: EUR 4.5 billion) globally for development programmes. The amount of KfW's own funds that the business area employed for international development finance totalled EUR 3.1 billion (2011: EUR 2.6 billion). KfW thus provides considerable support to the Federal Government in meeting its international obligations for development finance. About EUR 2.8 billion benefits the area of environment and climate, which is about 57 per cent of the new commitment volume.

The **DEG**, which finances and structures investments by private companies in developing and transition countries, achieved a financing volume of EUR 1.3 billion (2011: EUR 1.2 billion). It thus again achieved substantial leverage and mobilised a considerable amount of private sector investments. Many of DEG's partner countries are also future markets for German enterprises, a key target group of DEG. In 2012 it provided this group about EUR 182 million (2011: EUR 99 million) for financing foreign investment, significantly more than the previous year.

The business area of **capital market-related financings** achieved a commitment volume of about EUR 3.6 billion in 2012. The programme for refinancing of export loans covered by federal guarantees supported the German export economy

with long-term funds amounting to about EUR 1.2 billion. In addition, about EUR 2.4 billion to finance the German SME sector were made available through securitisation instruments, global loans for leasing companies and banks.

To **fund** its promotional mandate in 2012, KfW raised long-term funds amounting to EUR 78.7 billion on the international capital markets (2011: EUR 79.7 billion). To this end KfW issued more than 200 bonds in 15 different currencies. Large volume and highly liquid bonds in benchmark format attained a share of about 59% of total KfW funding, again making up the most important pillar of funding. The main funding currencies were the EUR (almost 49%) and USD (almost 32%). KfW's refinancing costs remained at an historical low level over the year as a whole.

For 2013 KfW is planning a lower funding volume of EUR 70 to EUR 75 billion.

Business activities of KfW Bankengruppe

(EUR in billions)

| | 2010 | 2011 | 2012 |
|---|-------|------|------|
| Core Business of KfW Group (consolidated) ¹⁾ | 81.4 | 70.4 | 73.4 |
| Business area KfW Mittelstandsbank | 28.6 | 22.4 | 24.1 |
| Business area KfW Privatkundenbank | 20.0 | 16.7 | 17.4 |
| Business area KfW Kommunalbank | 15.8 | 11.8 | 9.1 |
| Capital market-based financing | 2.1 | 1.1 | 3.6 |
| Business area export and project finance (KfW IPEX-Bank) | 9.3 | 13.4 | 13.4 |
| of which Trust business | 3.9 | 6.4 | 6.3 |
| of which Market business | 5.4 | 7.0 | 7.2 |
| Promotion of developing and transition countries | 5.7 | 5.8 | 6.2 |
| of which Financial Cooperation (KfW Entwicklungsbank) | 4.5 | 4.5 | 4.9 |
| of which DEG | 1.2 | 1.2 | 1.3 |
| Overall commitment volume of KfW Group (consolidated) ¹⁾ | 103.7 | 70.4 | 73.4 |

¹⁾ Adjustment of the total volume of the KfW Group for commitments in export and project finance refinanced through KfW programm loans (EUR 231 million in 2010, EUR 847 million in 2011, EUR 440 million in 2012)