

»» Annual Report 2014



Taking
responsibility means
providing impetus.

KfW Group key figures

KfW Group business activities

	2014	2013	2012
	EUR in billions	EUR in billions	EUR in billions
KfW Group (consolidated)¹⁾	74.1	72.5	73.4
Domestic promotional business ²⁾	47.6	51.6	50.6
Business sector Mittelstandsbank	19.9	22.6	24.1
Business sector Kommunal- und Privatkundenbank/Kreditinstitute	27.7	28.9	29.3
Business sector Capital markets	1.2	0.7	0.8
International business	25.5	20.5	19.7
of which:			
Business sector Export and project finance (KfW IPEX-Bank)	16.6	13.7	13.4
Business area KfW Development Bank	7.4	5.3	4.9
DEG	1.5	1.5	1.3

¹⁾ Adjustment for commitments of Export and project finance with refinancing from KfW programme loans (2012: EUR 440 million, 2013: EUR 193 million, 2014: EUR 153 million)

²⁾ Until 2012, the commitments in Individual Financing-Banks (EUR 2.7 billion) were not accounted for in the domestic promotional business volume.

Key figures of the income statement

	2014	2013
	EUR in millions	EUR in millions
Net interest income (before promotional activity)	2,768	2,997
Net commission income (before promotional activity)	313	280
Administrative expense (before promotional activity)	1,059	976
Operating result before valuation (before promotional activity)	2,023	2,302
Risk provisions for lending business	-143	-311
Net gains/losses from hedge accounting and other financial instruments at fair value through profit or loss	69	138
Net gains/losses from securities and investments and from investments accounted for using the equity method	4	14
Operating result after valuation (before promotional activity)	1,953	2,143
Net other operating income	20	-210
Profit/loss from operating activity (before promotional activity)	1,973	1,933
Promotional activity (expense)	364	597
Taxes on income	95	63
Consolidated profit	1,514	1,273
Consolidated profit before IFRS effects from hedging	1,467	1,299
Cost/income ratio before promotional activity ¹⁾	34.4%	29.8%

Key figures of the statement of financial position

	31 Dec. 2014	31 Dec. 2013
	EUR in billions	EUR in billions
Total assets	489.1	464.8
Volume of lending	440.3	432.0
Volume of business	572.5	545.4
Equity	21.6	20.5
Equity ratio	4.4 %	4.4 %

Key regulatory figures

	31 Dec. 2014	31 Dec. 2013
	EUR in billions	EUR in billions
Risk position	144.1	96.0
Tier 1 capital	20.3	19.8
Regulatory capital	21.7	21.4
Tier 1 capital ratio ²⁾	14.1 %	20.6 %
Total capital ratio ²⁾	15.1 %	22.3 %

Employees of KfW Group³⁾

	2014	2013
	5,518	5,374

¹⁾ Administrative expense (before promotional activity) in relation to adjusted income. Adjusted income is calculated from Net interest income and Net commission income (in each case before promotional activity).

²⁾ Decrease basically due to the implementation of the new CRR/CRD IV requirements as well as to the adoption of IFRS.

³⁾ The average number of employees including temporary staff but without members of the Executive Board and trainees.

»» Sustainably improving living conditions. That is what our work is all about.



Climate change, demographic trends and a globalised economy; people across the globe are contemplating how to meet the major challenges of our time.

KfW is one of the world's leading promotional banks. It has been dedicated to improving environmental, social and economic conditions worldwide since 1948 in accordance with its mandate from the German Federal Government and the federal states. KfW's task is clearly defined: It is to work towards sustainably improving living conditions. To this end, KfW is active in all areas where promotion serves this mission.

Change begins with responsibility – in Germany, in Europe and around the world.

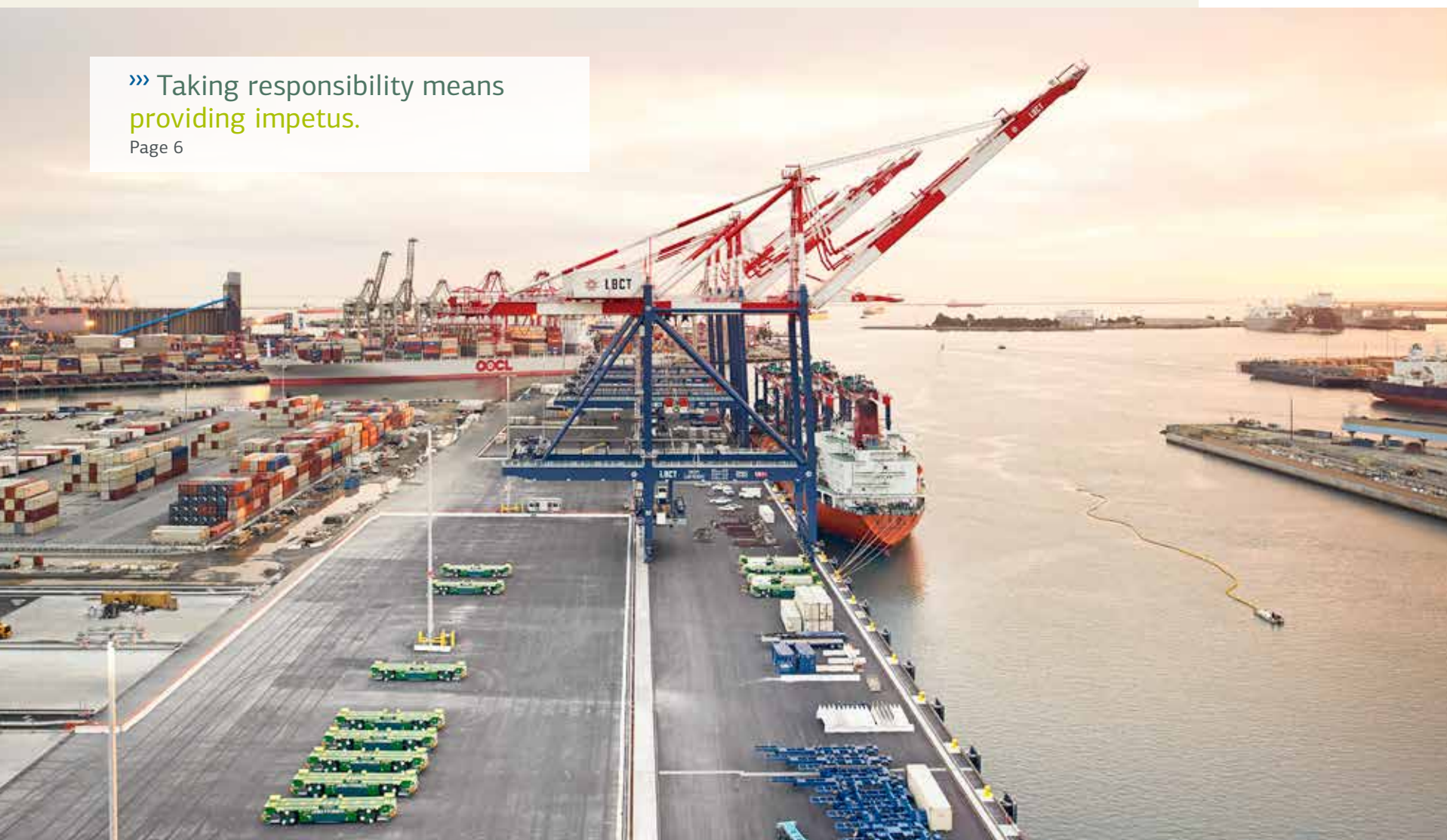


»» Responsible Banking

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»» Taking responsibility means providing impetus. KfW sets positive trends and provides impetus for change, innovation and progress. For solutions that go a step further and thus make a difference. For sustained improvement of living conditions in Germany, in Europe and around the world.



»» The focus of KfW's promotion is on protecting the climate and the environment and on securing our energy supply.

Change requires impetus. This realisation is deeply rooted within KfW's culture and has grown through decades of experience. For over 65 years, our mission has been to provide impetus, and in this way, to take responsibility. It is our goal to sustainably improve living conditions in Germany, Europe, and around the world. We focus on three main megatrends to this end: climate and environmental protection, demographic change and globalisation.

This year's annual report centres on the theme of climate and environmental protection. Within this area KfW funds measures to support renewable energies, improve energy efficiency, safeguard biodiversity and prevent or reduce environmental pollution.

In this context, providing impetus for meeting the challenge of climate change means promoting intelligent management and efficient use of energies, measures to reduce emissions, the expansion of renewable energies, and, ultimately, encouraging the efficient use of resources to protect nature and habitats.

Climate and environmental protection is a tradition at KfW. We were the first German promotional institution to fund environmental protection measures back in the 1950s. The bank has had its own environmental programme and established climate and environmental protection as a focal point throughout all promotional areas since 1984. The first targeted investments were made in energy efficiency and renewable energies in 1990. The "Housing, Environment, Growth" initiative for energy-efficient refurbishment of homes was launched in 2006 on behalf of the Federal Government based on this experience. >

»» In 2014, KfW Group invested EUR 26.6 billion and thus 36 % of its promotional business volume in protecting the climate and the environment.

Today KfW is the largest climate and environmental bank in Germany. KfW Group invested EUR 26.6 billion worldwide, or 36 percent of its promotional volume, in this area in 2014. In order to direct more capital towards green financing, we have also launched a new product on the capital market, the “Green Bond – made by KfW”, a fixed-rate security whose issue proceeds are used to finance climate and environmental protection projects.

We are all aware that future generations will judge us by the decisions we make now. We therefore need to create a world with an ecologically sustainable, socially balanced and efficient economy. KfW abides by this maxim not only as an institution but also in the work and commitment of each individual staff member.

This is how we aim to provide the right impetus for the future and fulfil our mandate as a bank committed to responsibility.



Dr Ulrich Schröder,
Chief Executive Officer



KfW sets things in motion – experience this report interactively in three ways

01 | App Download the KfW Annual Report 2014 as a convenient app from the App Store, Google Play Store or Amazon Appstore (search for: KfW Annual Report) or scan the QR code.



02 | Videos



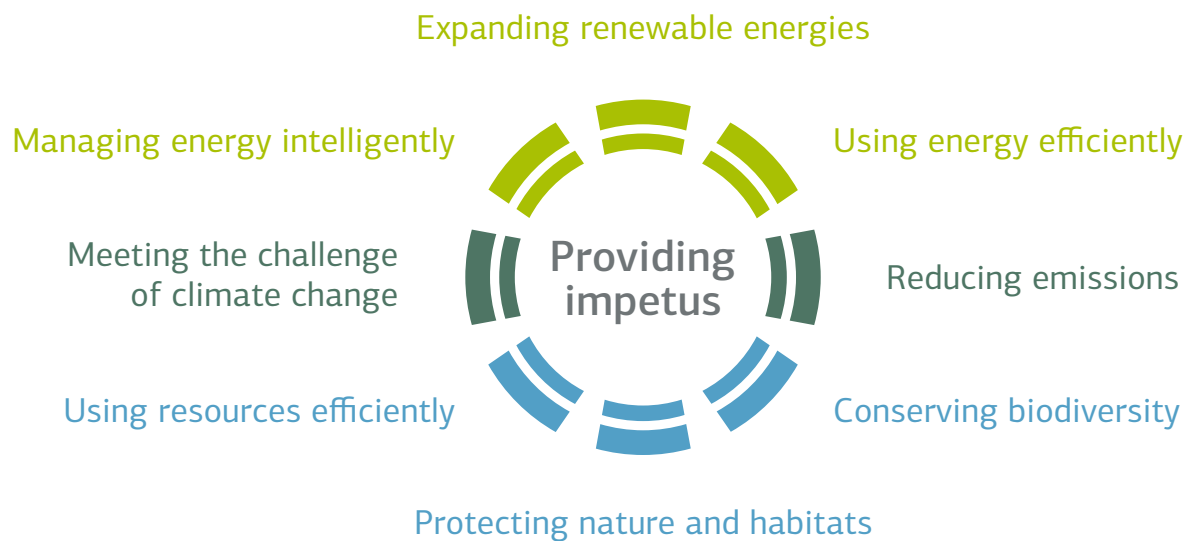
Download the free Layar app to your smartphone or tablet (www.layar.com/download), and scan the pages marked with the icon. The video will be loaded and then play.

03 | Online Check out the Annual Report microsite at: <https://www.kfw.de/verantwortung>

»» As a bank committed to
responsibility, we promote:

Drive Cohesion
Pioneer spirit
Confidence New beginnings
Visions

»» We take responsibility and support people who pioneer with their projects – for the environment, to protect the climate and to secure our energy supply. Their innovative achievements are an important driver for us all, in Germany, in Europe and around the world. We know that change begins with responsibility.



»» We promote projects that provide impetus for the sustainable improvement of living conditions.

Charting new paths. Rethinking concepts. Thinking laterally. And seeing a much bigger picture in the process. These processes apply to all the projects that KfW presents in this annual report.

The result is solutions with mass appeal for a whole region, a whole country, a whole society. Solutions that effect far-reaching change. And that contribute to improving living conditions for many people. Whether in rural Lower Saxony or the African metropolis of Nairobi, in climate and environmental protection or energy supply that conserves resources.

The projects showcase initiators who have shown their perseverance and courage. People who believe in themselves and their ideas and whom KfW supports in a variety of different ways.

»» The challenges of climate, environment and energy supply



»» Managing energy intelligently

The greater the proportion of green energy in total energy generated, the more important interconnection and intelligent energy management will become. The objective must be to combine all available energy sources in such a way that the energy mix is as climate-friendly as possible while also securing the supply of energy at all times. This means, for example, stronger supra-national power grid connections in order to balance out the volatile quantities of wind and solar energy. One current project in Europe is the NordLink subsea power cable between Norway and Germany, in which KfW is participating.

Moreover, the national energy mix must be intelligently managed; we need energy sources and innovative technologies that can be quickly activated to efficiently balance out the fluctuating quantities of energy generated from renewable sources. Example: energy storage facilities.

»» Expanding renewable energies

The world's oil and gas deposits are finite. Reducing our dependency on fossil fuels thus not only makes ecological sense but is absolutely unavoidable if we want to secure the human race's energy supply around the world for the long term. At the same time, the German public and policymakers are in favour of abandoning nuclear energy as an alternative form of energy. This requires extensive expansion of power and heat generation from renewable energy sources. In Germany alone, the share of renewable energies in the energy mix is to be increased to 35% by 2020 according to Federal Government plans.

It is a major challenge but also harbours great opportunity. Implementing the energy transition will give German companies an advantage in innovative climate and environmental protection technologies. Available and affordable renewable energies such as solar or biomass power plants will provide more people in developing and emerging market countries with access to energy – particularly in regions not connected to national power grids. This serves to combat poverty and creates new economic prospects.

»» Using energy efficiently

Energy that is not required need not be generated in the first place. And this contributes to climate protection. Experts thus consider an increase in energy efficiency to be a significant component for a sustainable energy supply. Only if we ensure that we are in a position to use energy more efficiently is implementation of the energy transition even feasible. Everyone can take responsibility – private individuals, businesses and municipalities – also as a means of lowering own energy expenses for the long term. For the economy, cost reductions on electricity and gas bills often mean an increase in competitiveness on both local and global markets.

»» Reducing emissions

The main sources of greenhouse gas emissions remain industrialised countries and increasingly also high-growth emerging markets. However, it is particularly the people in developing and emerging market countries who suffer the consequences. They suffer on two counts – from a lack of economic strength and from the negative effects of climate change. For this reason, those at fault must drastically reduce climate-relevant emissions such as carbon dioxide. Germany's politically intended objective is to reduce greenhouse gas emissions by 40% on 1990 levels by 2020. Measures to increase energy efficiency, expand renewable energies and intelligently manage existing resources are just as important here as investment in future-viable infrastructure measures. E-mobility – an interdisciplinary technology combining sectors previously only tenuously linked – has become a major issue. This creates a new value chain that extends far beyond traditional motor vehicle construction.

»» Meeting the challenge of climate change

Climate change already has a serious impact on agriculture, infrastructure and entire ecosystems in many regions around the world. Developing countries are the hardest hit due to their geographical locations and strong dependence on agricultural revenue. A sustained improvement in living conditions for people in these countries is thus inextricably linked to climate and environmental protection. This means technologies are necessary that meet the globally increasing energy requirements in a manner that is as climate-friendly as possible and that enables sustainable business practice everywhere.

At the same time we have to support those countries with low economic strength and weak institutions in adapting to climate changes.

»» Conserving biodiversity

The pressure from civilisation worldwide (agriculture, deforestation, urbanisation) and climate change is threatening flora and fauna. Habitats face the threat of destruction. Animal and plant species are being lost forever. In order to conserve biological diversity and safeguard its utility to mankind in the long term, we must protect and link habitats. The aim should be to maintain and expand conservation areas around the world, for example by creating nature reserves and national parks.

»» Protecting nature and habitats

The loss of rainforest and coastal areas has fatal ecological and thus ultimately also economic consequences. Around 17% of current global greenhouse gas emissions are the result of converting tropical rainforests into cropland and pasture. Every tree that is not cleared protects the atmosphere, helping at the same time to conserve biodiversity. Conserving rainforests around the world is thus an effective and low-cost climate protection measure that goes to the root of the problem in the truest sense. We must also reverse negative trends in biological diversity – not only because tropical rainforests house numerous rare species of animals but also because monocultures on cleared fields endanger agricultural revenue for the long term, so that new areas must be continually cleared, requiring forest destruction.

»» Using resources efficiently

Regardless of how large natural resource deposits may still be today, all of the earth's non-renewable resources are finite. This means that solutions and technologies must be developed and implemented that use existing resources as efficiently as possible. Resources that are not required need not be exploited in the first place. As exploitation and processing of primary natural resources normally involves heavy environmental burdens and is often also associated with negative social consequences for the local population, these effects on society will then also be sustainably reduced.

»» What attracts an internationally renowned architect to the countryside?

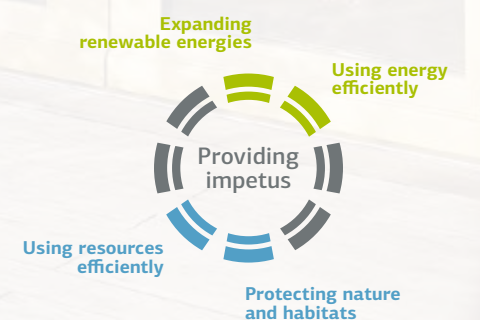


»» New beginnings

»» Taking responsibility means promoting new beginnings

Multiple award-winning architect and designer Matteo Thun and his office usually work on prestigious international projects. Nevertheless, vintner Markus Longen managed to attract Thun to a project in rural Rhineland-Palatinate with the concept of systematic sustainability and respect for the location and its history. It is precisely this that Matteo Thun & Partners strive for in all their projects.

In Longen's project, new accommodation was designed like traditional vintner houses and built with regional slate and wood by local craftsmen. In other respects too, the WeinKulturgut Longen-Schlöder vineyard is a perfect example of efficient use of resources and protection of habitats. It also demonstrates how to attract new clients to the region.



»» How can renewable energy be stored?

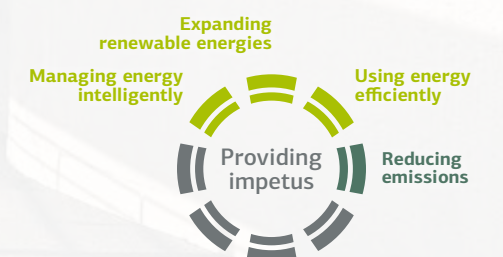


»» Pioneer spirit

»» Taking responsibility means promoting pioneer spirit

The Energy Bunker is a project of the International Building Exhibition IBA Hamburg. The bunker was constructed in 1943 to provide thousands of people with shelter from air raids by the Allied forces. The huge grey building remained a derelict eyesore for more than 60 years, after the British occupying forces demolished its interior.

It was renovated for the IBA and turned into a regenerative power plant. A total of five different energy generators supply a central buffer tank, which “bunkers” the heat until needed. Sustainability can hardly be implemented in a more holistic manner.



»» What do we need to live with the effects of climate change?



»» Confidence



»» Taking responsibility means promoting confidence

The coastal regions of Bangladesh are among the world's most endangered by climate change. Cyclones, storm tides and flooding, as well as rising sea levels have a full-force impact on the home of millions of people. Those who survive flee to the cities, which almost always results in much greater misery.

If we want people to remain in coastal regions we have to protect them and offer them future prospects. The 450 cyclone shelters do just that. In normal times they serve as schools or market halls, and in case of disasters they ensure survival of up to 475,000 people.

Meeting the challenge
of climate change



Providing
impetus

Protecting nature
and habitats

»» What drives climate-friendly heat and green growth?

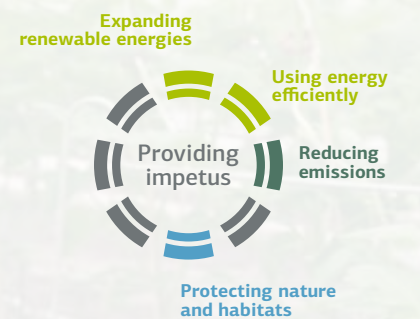


»» Cohesion

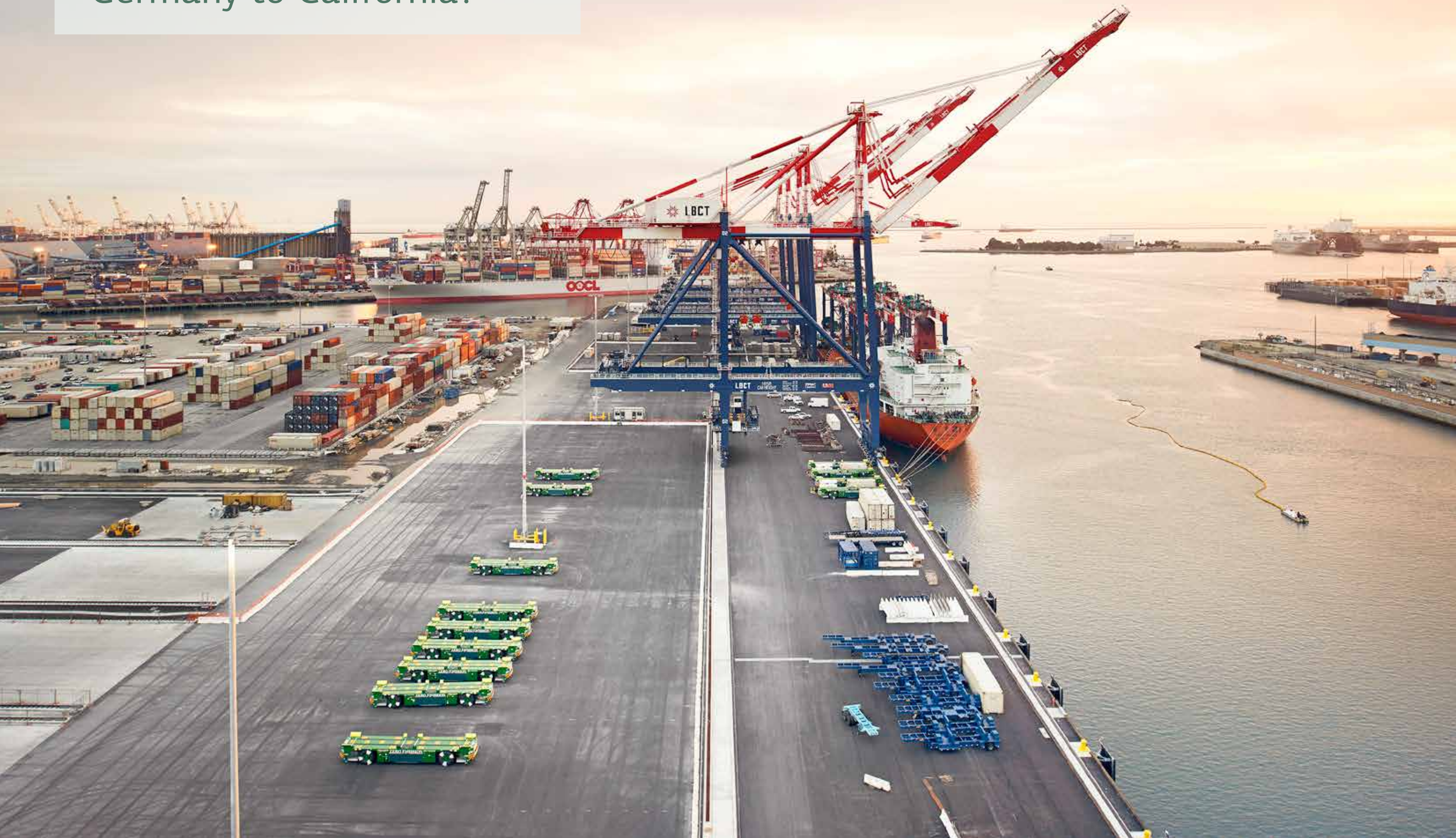
»» Taking responsibility means promoting cohesion

The Westhof Bio group is one of Germany's largest producers of organic foods. It has nearly 1,000 hectares of crops in Dithmarschen, Schleswig-Holstein, thereby forming with the surrounding agricultural operations one of the largest contiguous organic cultivation areas in Europe.

The two founders, Rainer Carstens and Paul-Heinrich Dörscher, are passionate organic farmers. Their aim is sustainable resource and energy-neutral cultivation of organic produce. A huge step in this direction is their four-hectare carbon-neutral organic greenhouse.



»» How do green container transport vehicles get from Germany to California?



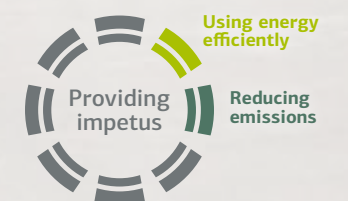
»» Visions



»» Taking responsibility means promoting visions

One of the world's largest seaports, the "Green Port" in Long Beach, was among the first in the world to be recognised for its commitment to environment-friendly policies. Its mission: To leave the smallest environmental footprint possible. The port operator, Orient Overseas Container Line (OOCL), has ordered 72 automated guided vehicles (AGVs) to help the new container terminal meet this objective. The driverless, battery-powered

vehicles for fully-automated container transport operate with zero emissions, making them the perfect fit for the port's environmental vision. The state-of-the-art green technology is manufactured in Germany by Terex Port Solutions (TPS), Düsseldorf. The company's AGVs have long been a common sight in major ports of Europe and Asia. Now, together with OOCL, TPS is driving electromobility in the USA, too.



»» What helps to protect the abundance of fish along an entire coast?

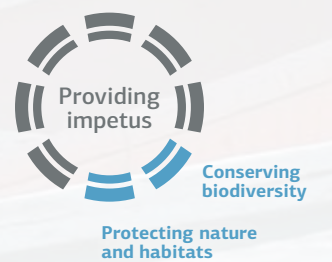


»» Drive

»» Taking responsibility means promoting drive

The coast of Mauritania in Northwest Africa stretches more than 720 km. Thanks to its tremendously rich fishing grounds, fishing is not only a pillar of the Mauritanian economy but above all the livelihood of a large portion of the population. However, overfishing and illegal fishing jeopardise time and again the sensitive biodiversity of maritime ecosystems – and at the same time the economic sector so vital to the country.

A comprehensive programme was set up to protect the Mauritanian coast and monitor all types of fishing in order to sustainably safeguard its fishing resources. This is a project in which all involved in Mauretania are working with great dedication – because it is about far more than protecting nature and biodiversity.





»» New beginnings



»» Pioneer spirit



»» Confidence




»» Cohesion



»» Visions



»» Drive

A man with short dark hair, wearing a blue button-down shirt and blue jeans, stands in a vineyard. He is holding pruning shears in his right hand and a small branch in his left. The vineyard rows are visible, with many leaves turning yellow, suggesting autumn. The background shows a hillside covered in more vineyard rows under a clear sky.

»» Isn't a region rich in tradition also rich in energy for the future?

Markus Longen, WeinKulturgut Longen-Schlöder vineyard, Longuich

»» Every major change starts with an idea



New beginnings

A vintner family from the Mosel region and an internationally acclaimed architect pursue a common idea: consistent sustainability. They are thus providing new impetus in a structurally weak region.

Imagine you wake up and hear ... nothing. No cars, no trams, no beeping horns, no TV on already at this early hour. Instead, incredible quiet, occasionally interrupted by birdsong. Or the quiet snipping of garden shears. And when you open your eyes, the same. Peace. A chair, a table, a bed, nothing else – just the bare essentials. Because, in reality, anything else is superfluous. That may sound a little idyllic, but it is in fact an idyllic place that the Longen-Schlöder vintner family have created at their vineyard on the Mosel river.

Bringing sustainable ideas to the fore

The Longen family has tended the vineyards on the steeply sloping banks of the Mosel valley for many generations and produces excellent wines, which, especially in recent years, have become more and more popular. Many guests expressed their desire to stay overnight on the estate, a request that Markus Longen could not get out of his head. He found Matteo Thun and KfW the ideal partners for turning this idea into a reality. The common ideal: sustainability.



» The genius loci, or spirit of the site, ultimately determines how the building should look.

Matteo Thun

Architectural firm Stein & Hemmes based in nearby Kasel collaborated with Matteo Thun to jointly realise Thun's design concept in Longuich. This too was a conscious choice – involving a firm from the region and thus creating jobs and taking advantage of local knowledge.

Old photographs and archival drafts of traditional vintner cottages served as a basis for the architectural design plans, as did the typically simple lifestyle of vintner families in and around the vineyard. The unadorned interior spaces also reflect this design maxim. For example, the shelves of the guest cottages are made of ladders, the type used by vint-

ners in the past to climb over the walls between the vineyard terraces. The cottage furniture was constructed from local oak to match the rooms.

And so, an idea became a fully operational business concept within three years: WeinKulturgut Longen-Schlöder featuring 20 guest cottages surrounded by the vineyard's orchards and vegetable gardens, a restaurant specialising in regional cuisine, and a conference building used for all types of events. Designed, built and operated with a view to systematic sustainability in harmony with nature.

» From a vision to tangible changes for the region.



Matteo Thun & Partners
 Architekt and Designer, Milan

Development and realisation of an exemplary sustainable architectural concept.

Successful implementation of a second pillar to secure a family's livelihood.

Rehabilitation with heating technology that operates efficiently and uses regional resources.

Markus and Sabine Longen
 WeinKulturgut Longen-Schlöder vineyard, Longuich

Appeal beyond regional boundaries.

Support for local service providers and skilled craft businesses.

Creative use of space through building development and revegetation.



Guests can choose their time-share garden to suit their own taste – literally. They are also permitted to harvest and eat whatever grows in “their” garden. And anyone who feels so inclined can also take up a rake and garden shears and find even more tranquillity in gardening.

>>> Our contribution

KfW financed the pellet heating system under its “Renewable Energies – Premium” promotional programme. Wood is a renewable resource, which stores carbon dioxide (CO₂) as trees grow. This renders burning wood carbon-neutral, resulting in a good environmental audit for pellet heating, and even a reduction in CO₂ emissions.

Matteo Thun calls his philosophy “ZERO Design”; it extends far beyond the visible design. Just as the designs completed by his office Matteo Thun & Partners are visually reduced to the essential, they are also aimed at leaving the smallest foot-print possible on nature and society. Building materials and craftsmanship from the region are to be utilised where possible – thus accumulating zero kilometres to the construction site. Neither construction nor later use of the buildings should produce any CO₂ and waste should be kept to a minimum as well. The 3 zeros on the firm’s website, “ZERO km, ZERO CO₂, ZERO Waste” sum up the concept.

Creating independence with heating technology

He designed the buildings for the Wein-Kulturgut completely in line with these principles. The 20 guest cottages each measure 20 m², are made of local slate and regional lumber based on traditional design, and are surrounded by a small private garden. Each of these gardens is different because the cottages were simply set in the vineyard’s meadow orchards. For instance, one has an apple tree right in front of the patio while another is surrounded by raspberry hedges.

>>> Taking responsibility



David Richter
KfW Frankfurt
www.sjr-wiesbaden.de

“I am a volunteer for a youth nature campsite operated by the Stadtjugendring Wiesbaden e. V. urban youth organisation. The huge campsite enables children and teens to truly experience nature and learn to see themselves as part of the whole. As a beekeeper, I keep some colonies there, which pique the visitors’ interest and curiosity. I explain to them how important bees are to nature and offer my own information and activities.”

The energy supply of the vintner cottages is also sustainable. A central pellet heating system supplies hot water and heat, of which the small passive houses need very little, in a manner that conserves resources. The heating system is fuelled by pellets pressed locally from types of wood found locally, and thus – figuratively – fuels the local economy. This was a conscious decision for more independence in own energy provision as wood is a local source of fuel with a secure supply.

Promoting regional identity

“It took three years from planning to completion. That’s a long time for an impatient person like me,” joked Markus Longen. “But we didn’t stop believing in our idea of creating a place with 100% regional identity from architecture to hospitality.”

It is not only the architecture at the Longen-Schlöder vineyard that is in line with the principle of sustainability. The restaurant consistently provides seasonal and regional dishes. The hostess procures the ingredients from farmers in the region – or harvests them herself straight from the vineyard kitchen garden, of course using a traditional basket. Meals are served with the vineyard’s own wines – what else? The Longen-Schlöder family’s regular cultural events are just as popular, and a real boost for the village and region.

Louguich has also become more than just a dot on the map for architecture fans and students. They come to see Matteo Thun’s cottages – and end up staying for dinner. Or on many occasions even for a few days in the area. A completely new group of tourist clientele is discovering the Mosel region.

»» Using energy efficiently



Neighbourly synergies in Tübingen

Building on the community – one way to sum up the fundamental idea of social proximity, on which the new housing area in Tübingen’s Mühlenviertel district is based. Architect Bernd Wezel and his partner Evelin Maschke took this approach and, in constructing their townhouse, realised more than just the dream of having their own family home.

“We didn’t want to shut ourselves off but to meld with the inner courtyard and support the community,” commented property developer and architect Bernd Wezel, as he explained the successful implementation. Systematically refusing any form of partitioning with fences or delineating land revives the sense of community between neighbours. There are no dividing lines between the front gardens. Bernd Wezel not only designed his own house but that of his neighbour as well. Both houses are part of a new housing area that surrounds a large green inner courtyard.

The couple are not only rewarded every day by the open and warm neighbourhood atmosphere but have also received the KfW Award’s 3rd prize.



»» From old bunker to innovative power plant. Which project gets your energy?

»» Change begins with rethinking concepts

Inspiring a new way of thinking

There can hardly be a more systematic conversion than that of the Hamburg Energy Bunker. The former World War II bunker that had provided up to 30,000 people shelter from air raids is now a model project for sustainability and fu-

ture viability in energy supply, as well as being a visitor attraction. More than 100,000 people have toured the Energy Bunker since 2012. Voluntarily. A more impressive change in thinking is barely fathomable.

Pioneer spirit

A World War II bunker that now operates as a regenerative power plant and stores energy for an entire city district – one of many decentralised solutions for the energy transition.





» The conversion is part of forward-looking development of an urban district.

» It was ultimately the uniqueness of the task and the building that fascinated us so much about the project.

Prof. Manfred Hegger

Christian Pfister
Solar energy project manager,
HAMBURG ENERGIE



Prof. Manfred Hegger
HHS Planer + Architekten AG



A model for sustainable energy supply.

Creating jobs through research projects.

Sustainable energy supply for an entire district.

Revitalisation of an urban district through sustainable city planning.

Appeal beyond regional boundaries.

Revitalisation of the district through tours and a café.

Combining energies from decentralised generation

The Energy Bunker represents the intelligent combination of different regenerative energy sources, and gives visitors a real feeling for the energy transition. The project is funded by KfW – befittingly through the “Renewable Energies – Premium” promotional programme. The innovative use of the bunker marks an important milestone on the road towards supplying the Elbe islands with renewable forms of energy.

A solar thermal unit on the roof generates heat, while a photovoltaic system on the south side of the façade generates solar power. A biogas-fired combined heat and

power unit produces electricity and heat. A wood shaving-fired boiler is planned to provide heat in future. The waste heat from a neighbouring industrial plant will also be stored in the bunker reservoir. The collected thermal energy will be fed into a local heat network. A number of back-up boilers secure the supply of heat and cover peak-load periods. At the heart of the Energy Bunker project is the large-scale buffer storage facility with a total capacity of 2 million litres. All energy will flow together into the reservoir and out again when needed. The heat will be stored in the buffer storage facility and provided as necessary.

»» After all conversion work has been completed at the end of 2015, the Energy Bunker will supply up to 3,000 households with heat and 1,000 households with electricity.

Christian Pfister

Supporting future-oriented innovations with lots of energy

This large-scale buffer storage tank is the key innovation of the Energy Bunker. It “bunkers” the heat and secures the power supply. But above all, it buffers peak-load periods. By filling the tank during the night, the heating capacity required to meet the rapid rise in demand the next morning around 6.00 a.m. will already be available. As a result, the peak load is reduced by 50%, which enables the economic use of renewable energy as part of the heat supply concept, for the first time.

The concept is the first of its kind in the world, and is advancing knowledge about the practicality of the control and hydraulic technologies used. In addition, an extension of the project is currently being researched as part of SMART POWER Hamburg. In the future, excess wind power from northern Germany could be transformed into heat in the reservoir, or heat from an extra combined heat and power unit could be fed into the reservoir at times of low wind and sunshine, and used to generate electricity.



>>> Our contribution

KfW secured financing for the Energy Bunker's solar thermal unit with a loan and a repayment bonus under the KfW Renewable Energies – Premium programme. At 1,342 m², this is the largest solar thermal energy project that KfW has promoted to date.

Seventy years after the end of World War II, the bunker located in Wilhelmsburg has now experienced an about-face to serve a peaceful purpose for mankind and the environment – a symbol of a trend-setting climate protection concept.

The conversion of the war ruin into an energy centre was designed for the International Building Exhibition IBA Hamburg by architects at HHS AG, and the technology implemented by HAMBURG ENERGIE. Residents of the area identify strongly with the bunker, and it has also been recognised as a memorial and cultural monument.

Today the bunker supplies energy and heat to around 800 homes, kindergartens and small businesses located in its immediate vicinity. By the end of 2015, the supply is to be extended to a further district with numerous homes, schools, kindergartens and small businesses. The entire project will then save 6,600 tonnes of CO₂ per year. An impressive achievement.

Visitors to the eighth floor “vju” café can enjoy above all the remarkable view of Hamburg and its port from the panoramic terrace at a height of 30 metres. They can also experience the coffee production process for the “Waterkant Kaffee” served there. It is roasted on site, of course with energy generated at the bunker. Both the café and the coffee roasting facility have created a whole range of new jobs and thus contribute to sustainable development of the area.

>>> Using energy efficiently

Solar energy pioneers in Chile's Atacama Desert

Many developing and emerging market countries have enormous potential in terms of renewable energies that often, however, remain unused. KfW's subsidiary DEG is active in this field within its strategic focal area of climate and environmental protection.

For example in Chile: the Atacama Desert in the north of the country is not only one of the world's most arid landscapes but is also considered to have the highest level of sunshine on earth. It thus provides the ideal conditions for reliable, constant and particularly efficient solar energy production. Despite these perfect conditions, only a few photovoltaic systems with a total output of a mere 3.6 megawatts were installed there by 2013.

Expansion of the La Huayca solar park has now laid the necessary foundations for better utilisation of the Atacama Desert's natural energy potential.

The pilot project originally supplied 1.4 megawatts. By installing more than 124,000 solar panels on a 50-hectare area, output at La Huayca has been expanded to 30.5 megawatts.

DEG provided the operating company SPS LA HUAYCA S.A. with a loan of USD18.5 million to cover the necessary investment. Other participants include the International Finance Corporation (IFC), a member of the World Bank Group, and the IFC-Canada Climate Change Program financed by the Canadian government. Each provided USD14 million for the expansion.

Completion of La Huayca is an important step towards extending the use of renewable energies in Chile's energy supply, which still is largely dependent on fossil fuels. The plant is also serving as an example in terms of avoiding climate-damaging emissions; La Huayca has reduced Chile's CO₂ emissions by 24,500 tonnes annually.

German photovoltaic manufacturer saferay is the owner and builder of La Huayca. With its financing, DEG enables the company to continue tapping new markets. DEG has successfully advised and financed German enterprises that invest in developing and emerging market countries for over 50 years.



»» Changing living conditions with more protection and safety

Taking the initiative and actively ensuring survival

On 2 May 1991, a cyclone hit the coast of Bangladesh with unimaginable force. After his return from the disaster region, one of the drivers of a German aid organisation described an unprecedented scene of destruction in the wake of the storm:

»» 75 % of the houses disappeared without a trace.

[Eyewitness of the 1991 cyclone](#)

"In the village of Taizakattan, once home to some 6,000 people, the number of dead has reached 1,500. The storm has destroyed every house in the village; 75 % of the homes have disappeared without a trace. We arrived at a large area behind Taizakattan, which appeared deserted to us. We were told that this was once a village. We thought it was a joke at first but were soon set straight. We found a few survivors sitting under a coconut palm."

The government was forced to take action to prevent such a natural disaster from ever having such dramatic consequences for people in Bangladesh again. This was the birth of the German-Bangladeshi cyclone shelter programme.



»» How will our school become a safe place for the whole village when the flood comes?

Confidence

Cyclones, storm tides, flooding and rising sea levels – climate change is having particularly harsh effects on the south of Bangladesh. Cyclone protection shelters ensure survival and confidence, if disaster strikes.



»» Our contribution
 As part of the “Climate adaptation through flood protection” project, 50 cyclone shelters are currently being built or reconditioned in the rural communities of Barguna and Patuakhali in the southwest of Bangladesh. Unfortunately there are hardly any fortified buildings or paved streets in this area. Dirt paths on levees lead along rice paddies, which lie below sea level. Even normal rainfall renders these tracks nearly impassable. Shelters and safe paths are thus essential for the survival of people when disaster strikes. The funds (almost EUR 11 million) stem from the Energy and Climate Fund of the Federal Ministry for Economic Cooperation and Development (BMZ). The majority of the construction projects are implemented by Bangladesh’s national building authorities.

»» The shelters serve a twin purpose. They guarantee the people’s survival in case of disaster and are an investment in the education and future of their children.

Johannes Scholl, KfW Project Manager

Securing emergency shelters in case of disaster

The German Federal Government has provided EUR 52 million since 1991 for around 450 emergency shelters on the coast, including the current project, via the KfW Development Bank business area. The majority of the shelters serve as primary schools or market halls in day-to-day life. In case of disaster, they offer refuge to nearly half a million people.

Bangladesh is one of the world’s most densely populated countries and is also the worst affected by natural disasters.

As a significant portion of the country lies just a few metres above sea level, heavy flooding is a regular occurrence. Moreover, powerful cyclones frequently form during monsoon season, and threaten the coastal areas that are home to around 10 million people. Because of the rise in sea temperature as a result of climate change, the cyclones will become even stronger.

This was seen when “Sidr”, one of the last heavy cyclones, hit the southern coast of Bangladesh in November 2007 with a wind speed of 215 kph and tidal waves up to five metres high.

A total of around 500,000 people in Bangladesh have lost their lives due to cyclones since the 1960s. Experts agree that “Sidr” caused significantly fewer casualties than comparable cyclones of the past as a result of better crisis management and the existence of cyclone shelters.

»» Confidence enables safety and trust to develop.



A. K. M. Luthfur Rahman
 Project Director, Local Government Engineering Department Bangladesh

Promoting the human right to education – particularly for girls.

Contributing to basic education in Bangladesh.

Promoting the local economy by building market halls.

Stopping environmental migration.

Reducing poverty through better infrastructure in rural areas.

»» We are increasingly extending the shelters to include fortified cowsheds in order for people to also shelter their cattle, which represent their livelihoods.

A. K. M. Luthfur Rahman

Constructing multi-functional, highly flexible buildings

Under normal circumstances the shelters serve as classrooms for children aged six to ten. If a cyclone hits, almost all people living in the project area can take refuge in the buildings.

By having a double function as primary school and shelter, the building also makes an important contribution to basic education in Bangladesh. Old school buildings, some of which were in rather ramshackle condition, were replaced and/or expanded to include more classrooms and outfitted with new furniture. An important additional effect is that the great acceptance of the multi-functional buildings has resulted in a considerable increase in the proportion of girls attending school.

More recent promotional projects serve a double purpose as market hall and shelter. A fixed market hall provides development impetus for the local economy. It facilitates delivery of goods and increases security for market shoppers and merchants. Markets literally become a fixed institution.

Whether doubling as market halls or schools, the shelters are often the only public buildings in rural areas – and thus also serve as places for the local population to meet. People thus learn to trust the stability and protective function and do not hesitate to seek shelter in them in case of disaster. This provides confidence in new protection projects – and in the future of Bangladesh.

»» Taking responsibility



Niraj Subedi
KfW office Kathmandu
www.globalelectricity.org

“The power supply is a real problem in Nepal. That’s why I developed the “Energy for Education” project to equip schools with solar energy systems that supply power for computers and classrooms. The pupils also receive battery-driven solar lamps which they can charge at school so that they have light at home in the evenings for study and reading.”

>>> Using resources efficiently



TakaTaka Solutions – sustainable waste management in Nairobi

TakaTaka Solutions – this is the name of the start-up that Daniel Paffenholz founded three years ago with support from the Siemens Foundation in Kenya's capital Nairobi. In Swahili, "TakaTaka" means waste – which is just what the 28-year-old Paffenholz collects.

Nairobi's 3.5 million residents produce around 2,000 tonnes of refuse every day. The municipal authorities have just eight garbage trucks to collect this enormous quantity of waste. Inevitably an unsuccessful endeavour.

The environmental burden created by uncleared waste and dirty water poses an enormous health problem for the residents of this metropolitan area. Daniel Paffenholz, who lived in Nairobi as a child and later studied philosophy in Germany, decided to address this problem during a visit there in 2011.

His aim was to make Nairobi cleaner and organise waste separation based on a German model. And not as a development aid project, but as a profitable business model.

The TakaTaka waste collection service charges customers the equivalent of EUR 0.85 per month. The business now has a license for refuse disposal in four of the city's districts.

Rubbish from 7,000 households is collected, sorted (by paper, glass, metal and electronic waste, etc.) and sent to recycling. The sorted waste is then used to make jars, fabrics, sofa filling and compost. A total of 90% of the collected waste is now recycled.

The business plan aims to create an additional environmental use for the compost as an organic alternative for Kenyan farmers to the chemical fertilisers otherwise used in massive quantities. Daniel Paffenholz can prove how much the compost improves soil quality through relevant studies.

To implement this plan, TakaTaka Solutions is currently building a new larger composting plant financed and promoted by KfW's subsidiary DEG.

»» Together we can achieve more change

»» We should all do everything we can to preserve a healthy environment.

Rainer Carstens

Rainer Carstens and Paul-Heinrich Dörscher are major players in the German organic sector with their company Westhof Bio. However, their success stories began separately. As neighbouring farmers they each began to grow organic vegetables independently, and soon reached their limits. The breakthrough came when they joined forces in 2002. They received a prize for organic farming in 2014 (the Förderpreis für ökologischen Landbau), having previously been granted a loan under KfW's "Renewable Energies" programme.

Cohesion

Two firm believers in organic farming share the aim of sustainable, resource and energy-neutral cultivation of organic produce. This includes almost 70,000 tomato plants in Germany's largest organic greenhouse.



»» Maximum independence as a solution for energy supply in the future. When are we finally going to start?

Maike Carstens, junior manager, Dörscher & Carstens Bio GbR

What made you decide to cultivate organic produce?

Rainer Carstens: The main reason was that we as a family wanted to eat whole-foods for health reasons. The final spur came with the Chernobyl disaster, which was not immediately related to agriculture but showed the effect mankind is having on the environment. Organic farming was the logical conclusion for me.

Paul-Heinrich Dörscher: Conventional farmers were spraying more and more pesticides on crops, which cannot be the aim of farming. When my neighbour Rainer switched to organic farming in 1989, it showed me that there was an alternative. At the same time, demand for organically grown vegetables was rising constantly and my decision to go organic was made. Rainer and I then founded Dörscher & Carstens Bio GbR in 2002 to cultivate all our new organic crop land.

»» We are a family business through and through. From eating lunch together, through personnel planning, to quality management.

Maike Carstens





What drives you, and where do you find your motivation?

Rainer Carstens: Since we became organic farmers we have seen our production increase continually. This affirms the work we are doing and motivates us to continue driving organic farming further.

Paul-Heinrich Dörscher: It's great fun to develop new ideas and put them into practice. It's not just our own conviction that spurs us on, but also the encouragement and recognition for our work from outside. All that shows us that we are heading in the right direction.

How was your recent idea of the four-hectare carbon-neutral organic greenhouse received?

Rainer Carstens: The reaction was very positive. Our customers were behind us from the outset. This was very important for us. It's reassuring to have that support when you're doing something that's never been done before with an investment volume of EUR 12 million.

Paul-Heinrich Dörscher: It was not just encouragement from our customers that was important, but also financial support from our creditors. We are both passionate organic farmers and that passion is also reflected in our projects. That's when you need partners you can rely on.

>>> Our contribution

KfW promotes sustainable energy use with the "Renewable Energies – Premium" programme. The bank financed a 1,500 m³ thermal storage system for Westhof Bio with a loan of EUR 184,000 and a repayment bonus of EUR 61,000. It also funded a 1,468 metre-long heat network with loans of EUR 250,000 and repayment bonuses totalling EUR 40,080.



»» Cohesion produces more than just “green” vegetables.



Rainer Carstens
Founder and Managing Director,
Dörscher & Carstens Bio GbR

Paul-Heinrich Dörscher
Founder and Managing Director,
Dörscher & Carstens Bio GbR

Securing jobs.

Providing growth impetus.

Delivering affordable organic
products to many.

Maike Carstens
Junior manager

Setting the standard for
other farmers.

Reducing CO₂ emissions.

Completely sustainable
management.

The greenhouse has now been built. What were your aims with the project?

Rainer Carstens: For us, the organic greenhouse was an important milestone in operating a completely self-sufficient and climate-neutral business. The next step is to make our entire group of companies energy neutral by producing and selling regenerative energy on our land. We also aim to create a symbiotic cycle of energy and nutrients.

Can you explain carbon-neutral production?

Paul-Heinrich Dörscher: You need a closed cycle of production, just like what we see in nature. For example, we produce biogas out of catch crops such as clover/ grass mixtures and rejected vegetables, and then burn it in our combined heat and power unit next door. This generates heat, electricity and CO₂, which we feed into the greenhouse. This boosts the process of photosynthesis in the plants, which raises yields by 20%. And the remains from the biogas facility are used later as organic fertiliser.

Rainer Carstens: Our freezing facility, where we deep-freeze organic vegetables, generates waste heat, which we use in our greenhouse. We feed excess energy into our 1,500 m³ thermal storage system, which supplies it when required. Westhof Bio takes a holistic approach.

And what are your plans for the future?

Rainer Carstens: To continue to operate our businesses 100% organically, satisfy the demand from our customers and continually develop new ideas to achieve our aim of energy and nutrient-neutral organic production.

»»» Using energy efficiently



Doubly sustainable – promoting education in environmental protection

One thing above all else is essential if we are to successfully master the energy transition: extensive expertise. Training for careers such as environmental protection engineering provides precisely the knowledge that is already in increasing demand in the energy industry. And this is a trend that is set to continue. With its education financing, KfW is an effective partner to the Federal Government and federal states, offering a wide range of measures to open up precisely such career opportunities in the energy sector for young people.

In accordance with its principle of promoting lifelong learning, KfW supports both academic and vocational education with extensive financing offers. In addition to its own programme for students ("KfW Student Loan"), KfW also supports young people with vocational training via federal programmes such as the "Education Loan", the "BAföG Bank Loan" and "AFBG – Master BAföG". In this context, it grants, among others, low-interest loans for degrees, training and continuing professional development.

Those training for vocations in industry or the skilled craft sector, for example, can apply for financial support to help cover their living costs and training and examination fees.

This funding also applies to the relatively new career of the environmental protection engineer, where it makes a twofold contribution to sustainability: it helps to make the economy as a whole more sustainable as well as promoting a career in sustainable technology.



» Can one of the world's largest container terminals also be a haven for green logistics?

Patrick Joch, Assistant Vice President of Transport and Social Infrastructure, KfW IPEX-Bank



» Efficiency delivers change

» Our financings provide important impetus for German and European exporters.

Patrick Joch

Supporting future-oriented infrastructure solutions

Automated guided vehicles – AGVs for short – have long been running between the quay and yard cranes at the Port of Hamburg's terminal. Seventy-two of the unmanned, battery-powered special transporters will soon be on the move at the Long Beach Container Terminal in California, too, thanks to the Chinese port operator Orient Overseas Container Line (OOCL) and support from KfW.

The Port of Long Beach – the Green Port – is one of the world's largest and has already received multiple awards for its commitment to environmental policies. There, two container terminals are currently being combined to create a new state-of-the-art facility with the latest technological and environmental standards. Final capacity: 3.3 million TEUs per year. The first AGVs are already in action and the remainder of the fleet will be gradually delivered through the end of 2015.

Visions

The smallest ecological footprint possible and an increase in goods trading – this is not a contradiction for the Long Beach "Green Port", also thanks to the battery-driven transport vehicles "made in Germany".



Energetically promoting carbon-free logistics

The zero-emissions AGVs match OOCL's environmental vision – environmental responsibility as a core corporate value. The vehicles are also ideally suited for use in California, which is well known for its strict environmental laws. They also answer calls from the Port of Long Beach to reduce CO₂, nitrogen oxide and particulate emissions. The AGVs transport containers horizontally between the quay and storage area and can move weights of up to 70 tonnes in containers measuring up to 45 ft. The battery-changing stations can handle two AGVs at once and exchange eleven-tonne batteries fully automatically.

>>> Our contribution

KfW is financing the entire fleet of 72 environment-friendly, battery-powered container transport vehicles through its subsidiary KfW IPEX-Bank. Financing agreements worth USD 81 million were signed in 2014 with the port operator, Orient Overseas Container Line.

Under its Environmental Protection Programme, KfW promotes the purchase of electric, hybrid and fuel cell vehicles for commercial use, as well as lightweight biomethane and natural gas-powered vehicles. This can also include setting up charging points for electric vehicles and hydrogen filling stations.

» A vision can move markets around the world.



Entry into US market.

Environment-friendly electromobility becomes better established.

Increasing efficiency while protecting the environment.

Sustainably improving the image of state-of-the-art technology from Germany.

Anthony Otto
 Managing Director, Long Beach Container Terminal, OOCL

Patrick Joch
 Assistant Vice President of Transport and Social Infrastructure, KfW IPEX-Bank

Paul M. Devine
 President, North American Group OOCL

China-based client also opens up opportunities in their market in the medium term.

Reducing emissions in ports around the world.

Securing jobs in Germany.

Pumping energy into the electromobility megatrend

OOCL appointed Terex Port Solutions (TPS), a global pioneer in automated container transport, to deliver a turn-key package of 72 AGVs, battery-changing stations and the hardware and software required to control the fleet. In the late 1980s, TPS was the world's first company to present automated transport vehicles for use in ports, even before the Kyoto Protocol had been drafted and the global megatrend of electromobility had begun. Today, TPS has a major involvement in seven automated container terminals around the globe. The new contract is both the first time Terex has sold its AGVs and related equipment outside Europe and a premiere in the USA – supported by KfW.





» With this financing for leading-edge 'green' technology we are supporting a German port equipment manufacturer in the key US growth market for the first time.

Christian K. Murach, member of the Management Board of KfW IPEX-Bank

Enabling access to global markets

One of KfW's key roles is supporting the German export industry – from German SMEs (small and medium-sized enterprises) to mid-sized companies and large corporations from Germany and Europe, for which KfW IPEX-Bank serves as a partner. In many promising segments

sales opportunities are opening up on global markets. A company like TPS, which is pioneering electromobility on an industrial scale, is making a major contribution to protecting the environment. Electromobility reduces not just air pollution, but odour emissions, noise and vibration, too.

»»» Expanding renewable energies



Sigmar Gabriel, Erwin Sellering, Thomas Pätzold, Clemens Triebel and Tobias Struck (from top left)

Europe's largest commercial battery storage facility

Commissioning Europe's largest commercial battery storage facility in Schwerin was a key step towards the energy transition for green utility company Wemag AG.

To date, the Schwerin battery park is the first of its kind in all of Europe. It keeps the wind and solar energy levels that fluctuate due to weather in short-term equilibrium, thereby stabilising power grid frequency. This enables wind or solar

power to be easily integrated into the existing network which is tremendously important, particularly for northeastern Germany with its large wind farms.

The storage facility's batteries have a total capacity of five megawatts and can absorb or deliver energy within a few fractions of a second. For the conventional power plants in the grid, this means they don't have to keep as much operating reserve and can avoid having to quickly respond to disruption, which is expensive. The battery power plant, which is no bigger than a gymnasium, delivers the equivalent operating reserve of a 50-megawatt turbine – and this in a completely carbon neutral manner.

The municipal energy provider Wemag AG invested EUR 6.5 million in the pioneer project. Of this amount, EUR million was funded via a loan under the KfW "IKU – Municipal Energy Supply" promotional programme.

A fisherman is wading through shallow water, carrying a large grey plastic crate filled with fish on his head. He is wearing a bright yellow raincoat and a brown skirt. The water is splashing around his legs. In the background, several colorful fishing boats are visible, with other people on board. The scene is set in a harbor or fishing area.

»» Fish are our livelihood. Will we have enough to eat despite protection of species?

»» The coast of change



Drive

The rich fishing grounds constitute the livelihood of a large portion of Mauritania's population. Protecting them is essential for survival – for the people in Mauritania and for our ecosystem.

»» What is especially motivating for our work is that we can achieve two important objectives in development cooperation at the same time – protect biodiversity and secure the livelihood of many residents in Mauritania.

Bruno Schoen, KfW Project Manager

Sustainably securing people's livelihoods

Just 50 years ago, fishing was a trade practically unknown in Mauritania, despite the abundant supply of fish off the country's coasts. This is because Mauritians are nomads by tradition, herding livestock, which they drive with their families and other animals cross country. Very few were settled; the number of fishing villages could be counted on the fingers of one hand.

Since the 1970s, however, the fishing sector has become a central pillar of the Mauritanian economy. Today around 60,000 people earn their living directly or indirectly through fishing – either fishing themselves or employed in the fishing industry. The income they earn is the basis of existence for more than 360,000 people. Moreover, the foreign currency revenues generated by the sale of fishing licenses is the foundation of the country's federal budget, at 25%.

The fact that the processing industry and trade depend on the fishing production chain makes the sector that much more important for the structurally weak country. The industry provides employment and prospects for the future, primarily for women.

» We reduce illegal fishing and maintain the economically important fish stocks through monitoring.

Robert Roth, KfW Project Manager

Enforcing rules against overfishing and illegal fishing

Mauritanian fishermen, above all, know the fragility of a livelihood based on fishing. Overfishing and illegal fishing seriously depleted fish stocks in the past, threaten stocks today and thus also the livelihoods of the fishermen. Curbing this is one of the tasks that KfW has taken upon itself in its promotional measures on behalf of the Federal Government.

The installation of state-of-the-art technology was funded to enable effective monitoring of illegal fish trawlers or poaching of prohibited species in the 200-mile fishing zone along the coasts of Mauritania. Now, for example, all ships passing through Mauritanian waters must send precise position coordinates. This data received by satellite is gathered and checked in innovative monitoring stations. The projects financed by KfW with funds from the Federal Ministry for Economic Cooperation and Development (BMZ) also include radar stations along the Mauritanian coasts as well as surveillance vessels and patrol boats. Such measures enable ships without satellite transmitters to be located by the radar stations and the fishing ban areas off the nature conservation areas to be monitored. And the investment has paid off. But those who want to sustainably protect fishing in Mauritania have to start at an earlier stage than the catch itself. The fact that biodiversity and fishing resources are of key importance to Mauritania was recognised early on and was essential to the creation of

» Protecting nature means protecting livelihoods.



Knowledge transfer and building infrastructures.

Creating a sustainable fishing industry.

Securing the livelihood of an entire region.

Bruno Schoen,
KfW Project Manager

Safeguarding biodiversity.

Creating the basis for growth impetus.

the Mauritanian national park Banc d'Arguin, which spans an area of 12,000 km². The waters that belong to the national park are the most important spawning and breeding grounds

for fish populations in Western Africa and are the heart of Mauritania's abundance of fish. Banc d'Arguin National Park is one of the sites on the UNESCO World Heritage list and is also an impor-

tant wintering location for migratory birds from Europe.

KfW also promotes and supports the national park by financing its infrastructure.



Moreover, long-term financing of the coastal conservation areas is available through the national “Banc D’Arguin, and Coastal and Marine Biodiversity Trust Fund Limited” – into which KfW has contributed EUR 10.0 million to date. As a result of protecting park waters, each year millions of juvenile fish can develop undisturbed and also ensure Mauritania’s abundance of fish for future generations.

The control measures and monitoring are proving effective. A near halt was put to illegal fishing and regeneration of fish stocks has been secured. Word of this also got around among Mauritanian fishermen. They now look to the future with confidence in their own trade, which they continue to practice and can also pass on to their children.

>>> Our contribution

KfW, along with the French development agency AFD, the private biodiversity conservation foundation MAVA and the EU, is one of the largest providers of financing to secure fishing resources in Mauritania. The projects that KfW funds on behalf of the Federal Government cover protection of biodiversity, monitoring of deep-sea fishing and knowledge transfer to monitor fish populations. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) participates in the technical implementation.

>>> Taking responsibility



Markus Faschina
KfW Office Dakar
www.ecofund.org

“Preserving our ecosystem is not an unsolvable task but a challenge for us all. My wife and I founded the green social network ecofund.org – a community that links nature enthusiasts with green entrepreneurs. The result is a unique multi-media web platform that provides a large forum for small good deeds.”

>>> Managing energy intelligently



A clean connection

NordLink – a short name for a large and ambitious project in which KfW is involved via its subsidiary IPEX-Bank. A 623 km subsea power cable will enable direct exchange of energy between Norway and Germany for the first time. The objective is better distribution of renewably sourced energy between the two countries. If needed, surplus wind and solar energy

from Germany can be sent to Norway, with Norway supplying hydropower during periods in Germany that lack wind and sun. The link will increase supply security on both sides while also advancing expansion targets for renewable energy.

The project costing around EUR 1.5 to 2 billion is being implemented and financed in equal parts by Norwegian state-owned power grid operator Statnett and DC Nordseekabel, founded for this purpose and in which KfW and the transmission systems operator TenneT each hold a 50% stake. Participation in NordLink has created an additional foundation for the future-oriented transition of the German energy mix and made a contribution to increasing supply security and stabilising energy prices.

The high voltage, direct current (HVDC) interconnector cable that will run between Tonstad in Norway and Wilster in Schleswig-Holstein, Germany, will have a capacity of 1,400 megawatts and thus constitute a cornerstone of Germany’s energy transition.

>>> Green Bonds – made by KfW

Green Bonds – profit with sustainability

Investors love Green Bonds. And there's a reason for it. They enable investments to be combined with climate protection and yields. KfW made an impressive debut on the green bond market when it issued its first Green Bond in July 2014.



SSA SRI
Bond of the Year



SRI
Bond of the Year

The first Green Bond KfW issued for its “Renewable Energies – Standard” lending programme had a volume of EUR 1.5 billion, making it right from the start one of the largest green bonds ever on the market. The EUR 1 billion volume originally decided was immediately increased due to the high demand. At the end, KfW's order book recorded a total of EUR 2.65 billion. The second Green Bond issued in October met with similar success, at an order book figure of USD 2.48 billion with a placement volume of USD 1.5 billion.

The KfW bond's success is due less to the yield amount than to the increased social awareness of environmental protection and ecologic issues. This is a change in mindset which has now also reached the financial sector. It is therefore only logical that KfW – as one of the world's largest financiers of climate and environmental protection – stands at the forefront.

What exactly are Green Bonds?

Bonds are basically considered “green” if their revenue is explicitly used for ecological purposes – for example to promote renewable energies, as with wind energy and photovoltaic projects.

KfW's detailed environmental reporting substantiates the fact that the Green Bonds are not just green PR hype but actually do benefit climate and environmental projects.

The Centre for Solar Energy and Hydrogen Research Baden-Württemberg, for example, calculated the ecological benefit of the “Renewable Energies” programme on behalf of KfW. The result: every EUR million invested yields a saving of 800 tonnes per annum of CO₂ equivalents, secures at least nine jobs and avoids German oil, coal and gas imports totaling EUR 68,000.

KfW has also had its Green Bond concept evaluated by researchers at the University of Oslo, which delivered a positive result as well.

Such external certification of environmental and social impact distinguishes KfW's Green Bond from bonds of other issuers. For investors this means that every investment can be directly allocated to a measurable climate protection impact. This is referred to as “impact investing”.

KfW will further expand its Green Bond offering in 2015. New currencies, such as the Australian dollar and British pound, and new products such as private placements, are to be offered in addition to issues in the core currencies euro and US dollar. A total issue volume of EUR 3 billion is planned. The long term objective is to create an infrastructure to promote financing of climate and environmental protection and to motivate the capital market to actively contribute to climate protection.

Green Bonds – made by KfW

Every EUR 1 million investment

- > cuts **800 t p. a.** of greenhouse gas emissions (CO₂ equivalents)
- > avoids **68,000 EUR p. a.** of energy imports to Germany or in fossil fuel costs
- > creates or secures **9 jobs** for one year

Average values based on 2007–2012 data verified by the Centre for Solar Energy and Hydrogen Research Baden-Württemberg (Zentrum für Sonnenenergie- und Wasserstoff-Forschung Baden-Württemberg – “ZSW”). Actual current values may deviate from this.

»» How KfW promotes climate and environmental protection as well as a sustainable energy supply



»» Managing energy intelligently

KfW supports municipal energy providers by financing the development of storage technologies and intelligent grid technologies such as smart home and smart grid, as well as for building flexible, conventional power plants and other projects for intelligent energy management.

In order to integrate power generated from renewable sources in a manner that secures supply, grids must be made increasingly “intelligent”, i.e. equipped with innovative information and communication technology. To this end, the business area KfW Development Bank invests worldwide on behalf of the Federal Government in both creating renewable generation capacities and in expanding and modernising power grids in partner countries.

»» Expanding renewable energies

KfW promotes investments in wind, solar and hydropower, and in developing and using stationary battery storage systems as well as the construction and expansion of heat networks, biomass systems and offshore wind farms through a variety of programmes.

KfW aims to make a contribution through its promotional business to achieving a sustainable energy supply worldwide, in accordance with international climate targets. An important task for KfW, in collaboration with its partners in developing and emerging market countries, is to tap the potential of renewable energies and make it profitable. KfW IPEX-Bank provides financings that are relevant to climate and environmental protection across the whole spectrum of renewable energies – from photovoltaics and solar thermal energy, through onshore and offshore wind power, to hydropower and biomass systems. Investments in renewable energies are also one of DEG’s strategic focuses. It provides equity and mezzanine financing as well as long-term loans for private companies’ infrastructure projects. DEG is especially active in areas with no access to commercial bank loans.

»» Using energy efficiently

KfW supports home owners, tenants, municipalities and businesses in lowering their energy consumption through its various programmes. Buildings alone are responsible for around 40 % of total energy consumption in Germany. There is great potential for improvements in this regard. KfW has created incentives in this area with its “Energy-Efficient Construction” and “Energy-Efficient Refurbishment” promotional programmes – from promotion of heating powered by renewable energy, through energy consultants, to the KfW Award. KfW offers businesses long-term loans at favourable interest rates under its “KfW Energy Efficiency Programme”. All investments aimed at saving energy and which meet the minimum energy efficiency requirements are eligible for promotion. KfW supports municipalities in energy rehabilitation of buildings belonging to municipal and social institutions and in implementing energy-efficient solutions for entire urban districts.

Together with the business area KfW Development Bank and subsidiaries DEG and KfW IPEX-Bank, KfW promotes an increasing number of projects worldwide that are relevant to climate protection. This may be through long-term loans for investments to increase energy efficiency – in electricity generation, for transmission and distribution systems and at consumer level.

»» Reducing emissions

Mitigating global warming means reducing greenhouse gas emissions that harm the climate. To this end, KfW offers infrastructure financings for local public transport networks and cargo transport, as well as promoting electromobility and alternative propulsion systems.

DEG and KfW IPEX-Bank promote investments worldwide that contribute to improving infrastructure and mobility, as well as environmentally-friendly traffic relocation from road to rail. Financings in the areas of eco-shipping (energy efficiency of ships), retrofitting (lower energy consumption by modifying ship

design) and ship exhaust gas cleaning systems also contribute to reducing emissions. The business area KfW Development Bank supports partner countries on behalf of the Federal Government in the sustainable creation and modification of their energy systems in order to avoid energy loss.

»» Meeting the challenge of climate change

Developing countries are particularly hard hit by the consequences of climate change. They are more exposed because of their geographical locations and lack the financial means to adapt to changed circumstances. Moreover, the lives of many people in such regions are strongly dependent on climate-sensitive agriculture, the revenue from which may fall or be lost completely. Combating the causes of climate change alone is not enough; measures must also be developed that facilitate adaptation to changed conditions.

To this end, KfW supports projects that limit the negative consequences of climate change. The projects in climate and environmental protection, as well as for adaptation to climate change are often related to development projects – completely in line with the agreements signed by the participating governments at the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro in 1992. For example, the business area KfW Development Bank made EUR 975 million available in 2014 alone, on behalf of the Federal Government, for projects aimed at adaptation to climate change in developing and emerging market countries.

»» Conserving biodiversity

Outstanding natural treasures need our special protection as they are part of our identity, culture and history. The most important instrument for this purpose are conservation areas, above all national parks. In addition to species protection, natural conservation areas can be used for tourism, which provides an important source of income for people living in those regions. Moreover, many of the plants that grow there contain valuable substances with medicinal properties.

The business area KfW Development Bank, on behalf of the Federal Government, is currently financing 386 conservation areas in 35 countries, covering a total area of 988,000 km². That is greater than the combined surface areas of Germany, France and Austria. UNESCO has listed 21 of these areas as World Heritage sites. One in seven World Heritage sites was or is supported by KfW. Our commitment increased dramatically in marine and coastal ecosystems in 2014, nearly doubling compared with the previous two years.

»» Protecting nature and habitats

Those who wish, as KfW does, to sustainably improve living conditions, must protect nature and habitats. The business area KfW Development Bank thus considers its core function to be promotion of environmentally sound, socially just and economically feasible development in partner countries and to drive change with "green growth". The "Green savings accounts" project, in Vietnam, for example, provides valuable support for the conservation or restoration of intact nature and habitats. Small-scale farmers there undertake reforestation of land from which they can later derive economic benefit.

Savings accounts with an initial credit financed from project funds ensure income in the meantime

»» Using resources efficiently

The "KfW Environmental Protection Programme" promotes investments that contribute to considerable improvement of the environmental situation. Such investments include, for example, measures to save materials, reduce material waste, and optimise production processes to reduce environmental impacts, as well as measures for efficient waste avoidance, waste processing and recycling. Additionally, KfW promotes innovative large-scale pilot projects that can potentially reduce stress on the environment, for example, through the Environmental Innovation Programme of the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety ("BMUB").

All of these projects focus on conserving scarce water resources. The business area KfW Development Bank's 2014 commitments have enabled 31 million people in developing and emerging countries to benefit from improved access to drinking water and sanitary facilities. Moreover, KfW promotes the establishment of water companies and funds sewage plants and sewer networks as well as sanitation strategies for cities and hygienic latrines for rural areas. A further serious problem in developing and emerging market countries is that of disorderly waste disposal. For this reason, orderly waste management is an important prerequisite for sustainable development. DEG conducts energy and resource efficiency checks at companies and supports them in implementing the necessary measures – for example, in saving electricity.

»» Letter of the Executive Board

As a modern, professional and customer-oriented promotional bank, KfW plays an important role for the environment, economy and society. Sustainability is part of its guiding principles. KfW takes responsibility as a reliable partner – in Germany, in Europe and around the world.

»» Dear Readers,

2014 was a successful promotional year. KfW made an important contribution to the development of innovation, growth and climate protection in Germany, Europe and around the world, in what was a difficult economic environment.

In so doing, it also had to address the more stringent requirements on promotional banks to overcome weak global growth.

As in the preceding years, KfW Group saw strong demand for its financing products in financial year 2014. Promotional commitments rose to a total volume of EUR 74.1 billion (2013: EUR 72.5 billion). Promotion of SMEs, start-ups and innovative businesses remained focal points. KfW also reinforced its role as global leader in climate and environmental finance (EUR 26.6 billion).

KfW's domestic promotion reached a high level in 2014, in spite of the difficult market environment, with commitments

totalling EUR 47.6 billion (2013: EUR 51.6 billion). The decline on the previous year was expected and primarily affected corporate finance. In light of ongoing investment reticence, uncertainties in the economic environment and businesses' healthy liquidity position at the same time, corporate demand for credit was subdued overall in Germany.

The EUR 25.5 billion business volume of international financing, consisting of business sector Export and project finance (KfW IPEX-Bank), the business area KfW Development Bank and the subsidiary DEG, rose by 25% (2013: EUR 20.5 billion). Stronger demand was noted for KfW IPEX-Bank in its role as an export and project finance specialist.

KfW Development Bank also recorded strong growth in its climate and environmental financing, above all in financing of environmentally-friendly energy generation and supply, which accounted for almost half of all new commitments.

Results of the activities of the individual business areas

In the business sector **Mittelstands-bank** (SME Bank), the new business volume was EUR 19.9 billion (2013: EUR 22.6 billion). SMEs accounted for 44% of domestic promotion. While commitments in the field of general corporate finance declined overall (EUR 7.6 billion; 2013: EUR 8.6 billion), those to the key promotional area of start-ups (EUR 2.8 billion) were at

the same level as the previous year (EUR 2.7 billion). Innovation financing also bucked the trend by rising sharply to EUR 1.4 billion (2013: EUR 1.0 billion).

A solid promotional volume of EUR 8.2 billion was recorded in the key promotional area of environmental protection (2013: EUR 10.3 billion). The KfW Energy Efficiency Programme returned to the volume recorded in 2012 (EUR 3.2 billion) following a record year in 2013 (EUR 4.7 billion). Commitments under the KfW Renewable Energies Programme showed stable development at EUR 4.1 billion (2013: EUR 4.7 billion).

New commitments in the business sector **Kommunal- und Privatkundenbank/**

Kreditinstitute (Municipal and Private Client Bank/Credit Institutions) amounted to EUR 27.7 billion in 2014 (2013: EUR 28.9 billion). The key promotional area of housing remained dynamic at EUR 14.3 billion (2013: EUR 15.6 billion). Despite investment reluctance due to discussions about tax benefits for energy-efficient refurbishment, the Energy-efficient Construction and Refurbishment programmes made a substantial contribution of EUR 9.3 billion to the high promotional volume (2013: EUR 10.4 billion).

Infrastructure financing accounted for a total new commitment volume of EUR 4.0 billion (2013: EUR 4.7 billion). The decrease in 2014 is primarily due to elimination of promotional products for



Dr Ulrich Schröder (Chief Executive Officer)

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2014 was a successful promotional year. KfW made an important contribution to the development of innovation, growth and climate protection in Germany, in Europe and around the world, in an economically difficult environment.



Digitalisation of promotional business is an important step in ensuring the future viability of promotional lending as a model of success. We are providing great impetus for Germany's competitiveness by boosting investment activity.

Dr Ingrid Hengster

expanding children's day-care facilities. In addition to the basic products for municipalities (*IKK* – Investment Loans for Municipalities) as well as for municipal and social enterprises (*IKU* – Investment Loans for Municipal and Social Enterprises), the special programmes for supplying neighbourhoods in connection with urban energy efficiency rehabilitation measures were in particular demand in 2014. The high level of the previous year was maintained in the focal area of education and social development with a commitment volume of EUR 2.6 billion (2013: EUR 2.6 billion).

In the field of general funding of promotional institutions of the federal states, the volume of cooperation rose from EUR 3.6 billion in 2013 to EUR 4.6 billion. In the area of the individual financing of banks, a promotional volume of EUR 2.2 billion (2013: EUR 2.5 billion) was achieved with the refinancing of export loans and granting of global loans to support investment in leasing as well as SMEs and energy efficiency in Europe. This included commitments on behalf of

the Federal Government to the European promotional institutions Institution for Growth (Greece), Strategic Banking Corporation of Ireland (*SBCI*) and Cassa Depositi e Prestiti (*CDP*, Italy), totalling EUR 750 million.

The **Capital markets** business sector contributed a volume of EUR 1.2 billion (2013: EUR 651 million) to securitisation transactions relating to German SME loans and leasing receivables.

The **Export and project finance business** sector, which is under the responsibility of KfW's subsidiary KfW IPEX-Bank, generated new commitments adding up to EUR 16.6 billion (2013: EUR 13.7 billion). The main contributors to this result were the sector departments Maritime industries (EUR 2.9 billion), Basic industries (EUR 2.7 billion) and Power, Renewables and Water (EUR 2.3 billion). A major portion of KfW IPEX-Bank's financing activities in Maritime industries can be attributed to cruise ships and to offshore industry investments. Several high-volume export financing transactions were

the main drivers of the increase in the volume of commitments in Basic Industries during the past year. The key role of Power, Renewables and Water underscores KfW IPEX-Bank's ambition to make a significant contribution to environmental and climate protection through its financings. Parallel to the increase in new business volume, collaboration in syndicates with partner banks continued to gain in importance.

The business area **KfW Development Bank** recorded the largest new commitment volume in its history last year, providing around EUR 7.4 billion (2013: EUR 5.3 billion) on behalf of the Federal Government for development programmes around the world. A significant increase was recorded in particular in commitments for climate and environmental protection measures in 2014: This share rose from 53% in the previous year to a current 64%. Commitments to the poorest of partner countries also remained at a high level; around 40% of federal budget funds went to projects in sub-Saharan Africa.

Around EUR 500 million was committed to the "peace and security" promotional area, reaching around 15 million people in 22 countries. These projects are aimed at supplying refugees – especially in the Middle East and Africa – as well as restoring basic infrastructure.

The KfW subsidiary **DEG** committed around EUR 1.47 billion last year to the financing of private investments in developing and emerging market countries (2013: EUR 1.45 billion). This represents a slight increase year-on-year. DEG provided German companies investing in emerging and developing countries a significantly increased financing volume of EUR 253 million in 2014 (2013: EUR 152 million). There was similarly encouraging growth in the amount invested in Africa and other future markets, with commitments amounting to around EUR 855 million (2013: EUR 630 million). Of this amount, EUR 416 million was earmarked for Africa (2013: EUR 326 million). At EUR 691 million (2013: EUR 649 million), almost half of new commitments related

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Internationally, we are not only laying the foundation for German/European investors and exporters but also combating poverty and protecting the environment on behalf of the Federal Government.

Dr Norbert Kloppenburg

to projects promoting the protection of climate and environment, as well as adaptation to climate change.

KfW raised EUR 57.4 billion in long-term funds to **fund** its promotional business on the international capital markets in 2014 (2013: EUR 65.4 billion), issuing 250 bonds in 13 different currencies and benefitting from the continued demand for high-volume liquid bonds (benchmark bonds) among investors. At 57 %, these bonds account for one of the key pillars of KfW's overall funding concept. KfW's capital market activities were primarily shaped by two product innovations in 2014 – the issue of KfW's first renminbi bond listed on the Frankfurt stock exchange and the issue of KfW's first two Green Bonds in EUR and USD. KfW thus set market standards and contributed to the establishment of this still new market segment.

Funding in EUR and USD in 2014 amounted to around 83 % of the refinancing volume.

KfW actively encouraged foreign currency financing from early summer 2014 due to refinancing advantages. The total foreign currency share stood at around 55 % at the end of the year. This year, KfW aims to raise between EUR 55 billion and EUR 60 billion. With its explicit, direct guarantee by the German Federal Government, KfW considers itself ideally placed to achieve its planned funding volume. KfW already raised EUR 8.7 billion on the capital market in January 2015.

The operating result in financial year 2014

The earnings position developed better than expected, exceeding the figure seen in 2013, primarily as a result of the excellent valuation result. Consolidated profit of EUR 1,514 million (2013: EUR 1,273 million) was above the projected level.

At EUR 2,023 million (2013: EUR 2,302 million) as expected, the Operating result before valuation (before promotional activity) was below both the prior-year and



Bernd Loewen

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A promotional bank needs effective risk management to reliably operate promotional business in a difficult market environment and challenging regions. The repeated excellent risk provisioning result proves that KfW is professionally positioned in this area as well.



Dr Günther Bräunig

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We issued “Green Bonds” for the first time. Investment in these “Green Bonds – made by KfW” enables investors to directly combine a measurable climate protection effect with their investment.



the projected figures. This was due in particular to the worse interest rate environment than in the previous year with a low interest rate and further flattening yield curve.

The valuation result closed with moderate expenses in net terms and thus much better than expected. This was primarily due to lower than projected net charges from risk provisions for lending business as well as to positive contributions to earnings from the securities and equity investment portfolios.

The promotional activity KfW performed in the domestic promotional business, at the expense of its own earnings, decreased to EUR 364 million in 2014 (2013: EUR 597 million) as a result of a decline in commitments in the low interest-rate loan programmes.

Consolidated total assets rose by EUR 24.3 billion to EUR 489.1 billion in 2014. This increase is primarily due to interest-rate and exchange-rate-induced fair

value changes in derivatives used for hedging purposes and their recognition in hedge accounting. The increase in the volume of new business is reflected in the EUR 7.1 billion rise in Net loans and advances to EUR 365.3 billion. Unscheduled repayments in domestic promotional lending business decreased year-on-year.

Commitment to Europe

Europe is facing major challenges. The question of how the euro-area economy can be effectively stimulated concerns policymakers, economists and the general public equally. The issue poses challenges that require cross-border collaboration and European solidarity – from promotional banks too. We have noticed for some time now that demand is on the rise across Europe for KfW's expertise and experience. KfW makes its contribution in a variety of ways: we cooperate with existing promotional banks and provide financing throughout Europe. We lend advice and support for setting up national promotional institutions, for example, KfW is supporting the creation



Dr Edeltraud Leibrock

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Entrepreneurial activities and social responsibility are inextricably linked. This is particularly true for KfW with its legal mandate to shape economic and social change.

of national promotional banks in Portugal and Ireland. It has strengthened its cooperation with existing promotional banks in Italy, France, Spain and Poland. Moreover, KfW has expanded its commitment in European global loans. These were recently issued to promotional banks in Poland, Italy and Spain. KfW has also strengthened its commitment in Europe to export and project financing.

The European Commission's investment offensive, otherwise known as the Juncker Plan, is likely to play a major role in the future. KfW will be participating in this programme. We want to help put Europe back on the growth path.

Funding is to be primarily granted in the form of project funding, securitisation, and equity finance as well as global loans to financing partners such as promotional banks in other countries. We have many years of experience and expertise to contribute in all of these areas.

Utilisation of national promotional banks and their expertise is key to the success of the investment offensive. Together with our European partners, we want to help generate investment in those areas where it is really needed: in SMEs, infrastructure, expansion of renewable energies, energy efficiency, and in sustainable growth overall.

Modernisation of KfW

As a bank committed to responsibility, KfW is a value-oriented organisation. Its actions are based on the principles of sustainability in terms of content, and subsidiarity in terms of regulation. KfW's strength lies in providing long-term financing at attractive conditions, serving customers largely through financing partners – based on the established on-lending principle. KfW has launched a modernisation programme to ensure its long-term financial support.

The focus of the modernisation remained on three areas in 2014:

1. Digitalisation of the promotional business

Customer needs are at the heart of KfW's promotional activity. Customers' banking business requirements, in particular, are changing very quickly in the digital age. Digitalisation of the promotional business is thus an important step in ensuring the future viability of promotional lending as a model of success. To this end, KfW, together with its pilot partner Deutsche Postbank, went live with the new On-lending Online 2.0 platform (BDO 2.0) for housing programmes in 2014. For the first time, this will enable immediate approval of promotional loans within one minute of application submission. Commerzbank as a second financing partner has also used this service since December 2014. Additional financing partners will gradually be connected to BDO in 2015 and subsequent years; KfW's range of BDO-compatible products will be expanded to include commercial products starting in 2016.

2. Implementation of supervisory requirements

In its draft legislation of 13 March 2013 to amend the KfW Law, the Federal Cabinet resolved the basis for new regulation of KfW. The aim of the amendment was, by means of a regulation, to declare key banking supervision standards as set out by the German Banking Act (*Kreditwesengesetz* – "KWG") and the European Capital Requirements Regulation (*CRR*) as applicable to KfW and to assign supervision of compliance therewith to the Federal Financial Supervisory Authority (*BaFin*). KfW's promotional capacity was to remain unaffected. The Executive Board welcomed the regulation adopted on this basis in September 2013 and its publication in October 2013, which further professionalises KfW and takes into account the bank's special role as a promotional institution.

KfW had already voluntarily applied important provisions and standards of the KWG, such as the Minimum Requirements

for Risk Management (*Mindestanforderungen an das Risikomanagement* – “MaRisk”) and the German Solvency Regulation (*Solvabilitätsverordnung* – “SolvV”) for quite some time, which facilitated implementation of the new requirements.

Moreover, the relevant corporate governance requirements in the German Banking Act have also applied to KfW Group since 1 July 2014, setting out the necessary attributes for board members, such as the required professional qualifications and trustworthiness for the management board, and the expertise and trustworthiness for the supervisory board. An important milestone of the regulation is 1 January 2016, the date on which most of the requirements set out in the regulation will come into force. KfW is well prepared for extended future application of banking supervision standards. However, the projects on which we are working under extreme pressure will involve additional organisation and expense.

3. IT modernisation

KfW has implemented a comprehensive programme to modernise the IT system landscape in order to remain prepared to meet the variety of promotional business requirements and regulations. Standard market applications will be introduced for large projects; older systems will be re-

placed by new developments and existing standard applications replaced by current development versions. In addition, KfW has laid the foundation for development of a central data integration layer.

Updating KfW’s production environment is an investment in the bank’s future viability. The digital processes of the promotional business require that processing, controlling and financial accounting use flexible processes that comply with relevant regulations.

KfW’s procurement management systems were updated at the beginning of 2015. Furthermore, data provision for KfW’s current reporting system has advanced according to plan; the transition will be complete at the end of 2015.

The largest project besides the new BDO online platform, “creation of a new IFRS financial architecture” was comprehensively structured in 2014. Thus the necessary conditions were created to continue implementation of the new bank-specific business processes and IT architectures in Accounting.

KfW’s complex reorientation of the process and technical infrastructure will require a great deal of work and resources

in the next few years, but is a necessary precondition for a continued successful business model.

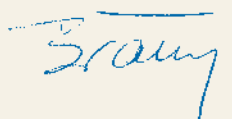
KfW addresses social responsibility

KfW created the independent non-profit KfW Stiftung (foundation) in 2012, transferring to it its social and cultural commitment. The KfW Stiftung continued to address the major social challenges of our time in 2014: globalisation, demographic change, and environmental and climate protection. It is developing projects for these core issues together with partners with the motto “Take responsibility – create diversity”, generating scope for different ways of thinking and creating diversity in the areas of economy, environment, social affairs and culture.

KfW continued to demonstrate in 2014 the important role it assumes for environmental protection, business and society as a modern, professional and customer-oriented promotional bank. It has made sustainable promotion our guiding principle and helps to ensure that the challenges of our time can be mastered successfully, while strictly adhering to the subsidiarity principle. KfW takes responsibility as a reliable partner – in Germany, Europe and around the world.



Dr Ulrich Schröder
(Chief Executive Officer)



Dr Günther Bräunig



Dr Ingrid Hengster



Dr Norbert Kloppenburg



Dr Edeltraud Leibrock



Bernd Loewen

»» We promote Germany

We finance investments in the future by people in Germany; we finance start-ups and SMEs so that the German economy remains strong, and we finance municipal and social infrastructures in order to advance structural change and the common good.

»» At a glance: Domestic promotion in 2014

KfW provided support totalling EUR 47.6 billion to commercial, private and municipal costumers in 2014.

Although this means that domestic promotion remains at a reliably high level, the new commitment volume was lower overall than in 2013. The promotion of SMEs has traditionally been the core element of KfW's promotional activities. Investment in climate and environmental protection, and in particular in energy efficiency measures, whether by businesses,

private builders or municipalities and municipal enterprises also continued to play a significant role. The same goes for the support provided to start-ups and innovative companies, which now have even more financing options open to them thanks to the improvements made to KfW's promotional products.

Four out of ten promotional euros went to SMEs and start-ups in 2014. The total promotional business volume came in at EUR 19.9 billion, down by around 12% year-on-year. The drop in the promotional figures reflects the waning economic momentum and a subdued attitude overall towards investment, as well as muted demand for loans in the corporate sector. Dashed hopes of an upswing in Europe and numerous geopolitical risks are fuelling uncertainty in the business world, prompting many companies to hesitate when making investment decisions. The companies still investing despite this environment tend to be resorting to their own funds first, thanks to their solid liquidity situation. This is pushing the demand for promotional loans down.

Expansion of the promotional offering for start-ups and innovative companies

Although the corporate sector financing situation has improved in general thanks to solid liquidity and low interest rates,

start-ups and young enterprises are still often faced with a particular challenge when it comes to financing their start-up and business growth in their early years.

This has prompted KfW to expand its financing offering for the new generation of businesses, opening up the "ERP Start-Up Loan – Universal" to young companies for a period extending until the end of their fifth year of business activity and also increasing the financing amount from EUR 10 million to EUR 25 million. This gives new entrepreneurs a firmer footing for the first and important consolidation and growth phase. It also facilitates generational succession. In 2014, KfW supported more than 34,000 start-up projects by making a total of EUR 2.8 billion available via this and other promotional products.

Just like start-ups, innovative companies are also often faced with a special financing situation when they want to turn their ideas into reality.

Promoting innovative companies is important because they act as the engine driving the economy and make a key contribution to Germany's competitive standing on the international stage. In order to make it easier for these companies to finance innovation, KfW expanded its promotional offering for innovative companies at the end of 2014 to include the "Unternehmerkredit Plus" entrepreneur loan. This new promotional product allows innovative SMEs and freelancers to finance up to 100% of investments and working capital.

KfW and the European Investment Fund (EIF) jointly assume half of the credit risk incurred by the on-lending banks with a liability exemption, making it much easier for these banks to lend. In 2014, KfW provided loans and venture capital totalling EUR 1.4 billion to promote innovative activity – EUR 350 million more than in the previous year.



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Good energy in old masonry

To mark its 100th birthday, this venerable house in Cologne was awarded the "KfW-Haus 55" seal of quality. This was achieved as a result of the complete overhaul of the building, dating from 1913, to bring it into line with the latest standards, work that included fitting a polystyrene thermal insulation, triple-glazed windows and innovative technology. Intelligent heat pump technology and a photovoltaic system allow renewable energies to be used efficiently, while at the same time ensuring a high level of living and heating comfort. Thanks to the support provided by KfW under the "Energy-Efficient Refurbishment" and "Renewable Energies" programmes, the people living in the three units of the house can now enjoy the charm of a successful mix of the old and the new.



Energy consultants Robert Wick and Carsten Unger are coordinating the rehabilitation work in the city district so that individual measures do not fizzle out without results.

Focus on energy efficiency in Germany and Europe

As in previous years, commercial financing focused on promoting climate and environmental protection.

In this context, KfW supports commercial energy-efficiency measures, the increased use of renewable energies and general climate and environmental protection. The commitment volume in this promotional area was EUR 8.2 billion. The promotional offering for private costumers and municipalities, as well as municipal and social enterprises, also focuses on “green” investment. Private builders received support with the energy-efficient refurbishment of their own homes to the tune of EUR 3.7 billion in 2014, with

EUR 5.6 billion being provided to support the construction/purchase of properties that meet particularly high efficiency standards. Quality assurance for new and rehabilitated buildings is becoming increasingly important. The measures promoted allow more than 680,000 tonnes of CO₂ to be saved every year.

The demand for KfW promotional loans for investment in municipal climate and environmental protection among municipalities was much higher than in 2013. They were able to make a substantial contribution to climate and environmental protection with urban energy-efficient rehabilitation measures and moves to expand renewable energies and ensure efficient municipal energy supplies.

KfW provided municipalities and local authorities, as well as municipal enterprises, with support totalling EUR 1.2 billion for their investments in climate and environmental protection measures. Since climate and environmental protection does not stop at Germany’s borders, KfW also finances electricity generation using renewable sources in neighbouring foreign countries and is committed to improving energy efficiency across Europe by providing global loans for specific purposes. The Italian promotional bank Cassa di Risparmio di Roma e di Credito per le Industrie e le Attività Commerciali (CDI), for example, received a loan instalment of EUR 200 million to promote energy-efficient infrastructure projects in Italy. France was also on the receiving end of a EUR 100 million loan to finance climate and environmental protection projects.

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Where energy efficiency is taking up residence

In Schwerin’s Neu Zippendorf district, freshly renovated pre-fabricated concrete buildings and attractive new buildings are lined up next to blocks of flats that still have not been rehabilitated. The area, which was developed in the 1970s, is becoming increasingly attractive as a residential location. The focus is not just on the energy-efficient refurbishment of individual homes. Rather, all of the links in the entire area’s energy chain are being put under the microscope in order to exploit energy-saving potential to the best extent possible. The energy-saving building rehabilitation activities in Neu Zippendorf are an ambitious project, as the two refurbishment managers, who are being financed by a KfW grant under the “Urban Energy-Efficient Rehabilitation” programme, are well aware. With their help, however, even complex problems can be solved, bringing Neu Zippendorf one step closer to becoming a sought-after residential area in an attractive location.



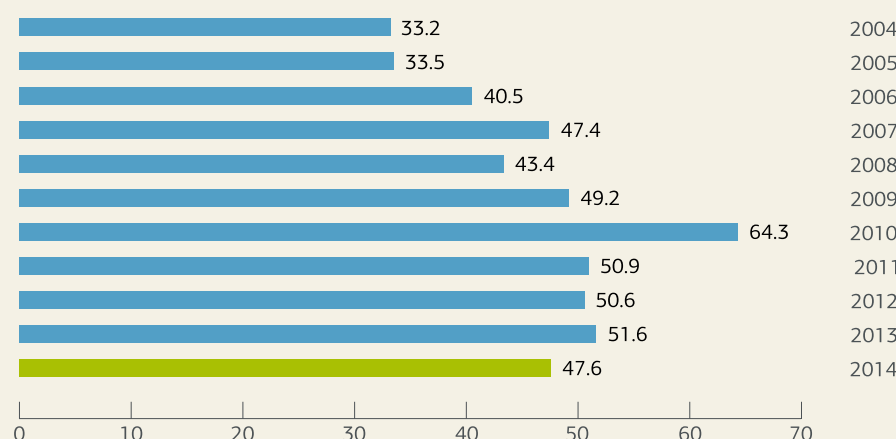
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Efficient energy supply on the tracks

How does energy get to where it is needed? Natural gas has traditionally been transported in gaseous form via pipelines. In the form of liquid natural gas (“LNG”), with a temperature of –162 degrees, its volume is 600 times smaller, allowing it to be transported by ship, lorry and tank container. VTG Deutschland GmbH in Hamburg has now developed two prototypes of an innovative tank wagon to transport LNG by rail too. This is much more environmentally friendly, as well as being safer and cheaper, than transporting it by road. With a grant from the Environmental Innovation Programme of the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (“BMUB”), KfW is supporting the company with the development and construction of this cutting-edge wagon.



Volume of domestic promotional loans
(EUR in billions)¹⁾



¹⁾ Without securitisation

Introduction of subsidies for age-appropriate conversion

In addition to climate and environmental protection, the challenges resulting from demographic change remain a key promotional area for KfW. KfW further expanded and diversified its promotional offering in 2014, having already successfully promoted improved accessibility in public areas and in the residential sector by providing low-interest loans for some years now. The “Age-appropriate Conversion” programme was expanded in 2014 to include a grant option. This now makes it easier to improve the comfort and convenience of one’s own home for all generations by removing barriers.

Since the promotional programme was launched in 2009, KfW and federal funds have been used to grant around 29,700 promotional loans with a volume of around EUR 1.8 billion, as well as around 15,600 grants totalling EUR 15.8 million. This allowed approximately 145,400 residential units to be converted to make them age-appropriate. This corresponds

to around 21 % of existing age-appropriate homes (as of 2013: around 700,000 residential units).

“KfW Student Loan” very popular

The promotional offerings in the field of education financing proved particularly popular in 2014. There was much more demand for the “KfW Student Loan” in particular, after more adjustments were made to the product in 2013 to meet the changing requirements of academic study and the needs of students, making targeted improvements in the process. With almost 35,000 commitments worth EUR 1.4 billion, the number of individual loans granted was up by 5% year-on-year.

BDO 2.0 – the easier, faster way to a promotional loan

Accessing promotional loans became a little easier and faster for many customers in 2014; for the very first time, it became possible to obtain confirmation on promotional loans only a few minutes after submitting the loan application.

After KfW launched a pilot project in 2012 in response to the changing habits of many bank customers, the application and loan processing stage is gradually being switched over to a largely seamless, web-based system – the On-lending On-line 2.0 platform (“BDO 2.0”). Deutsche Postbank AG was the first to go live with the core functions of the new online platform in 2014, followed by Commerzbank AG. The two pilot partners allow loan applications for residential projects to be submitted online, after which KfW issues both immediate automated confirmation of the individual’s eligibility and an instant commitment. Customers have already been able to request a consultation appointment with individual financing partners directly on KfW’s website since 2013. This group of financing partners grew considerably in the course of 2014. BDO 2.0 allows KfW to lay a modern technical foundation for the on-lending of promotional loans. The system makes the entire process of getting a promotional loan more straightforward, efficient and customer-friendly – at both KfW and its financing partners.

Climate and environmental protection: the green theme throughout domestic promotion

As a bank committed to responsibility, KfW focuses its promotional activities on key economic and social issues that are particularly relevant to positive development in Germany. Promoting climate and environmental protection – the “green theme” running through KfW’s entire promotional strategy – has been very important for a number of years now. KfW has provided new impetus for the energy transition initiated by the Federal Government with its promotional products to support businesses, private individuals and municipalities alike in starting their own little energy turnaround. Investments in energy savings, efficient energy generation and the increased use of renewable energy help us to protect the environment and our resources.

Lots of small measures make a big impact

KfW provides support to investors in the private housing construction segment with its “Energy-Efficient Refurbishment” and “Energy-Efficient Construction” programmes. These promotional programmes show that, taken together, lots of small projects can have a big impact. In 2014 alone, KfW made EUR 3.7 billion available for energy-efficient refurbishment and EUR 5.6 billion for the construction of more than 340,000 new energy-efficient homes. For the apartment owners, this means a substantial reduction in heating costs. For the environment, it translates into annual savings of 680,000 tonnes of CO₂ in total. These measures are also having a positive impact on the job market. The investments have secured almost 400,000 jobs for a period of one year.

In 2014, KfW made EUR 19.2 billion (over 40%) of its domestic promotional volume available for climate and environmental protection, spread over all target groups of its domestic promotional business. The main focus was on measures that allow energy to be used more efficiently. No area offers quite as much potential for these measures than buildings. KfW has been providing a very high level of support for projects involving energy rehabilitation measures in existing buildings and the energy-efficient construction of new buildings for some time now. After all, almost 40% of final energy consumption and 30% of CO₂ emissions in Germany are currently attributable to buildings. The Federal Government aims to slice Germany’s primary energy consumption in half by 2050 compared with 2008, the objective being to cut energy consumption in buildings by as much as 80% during the same period to make buildings virtually climate-neutral. We need to forge further ahead with rehabilitation projects if we want to meet this objective.

Municipalities and municipal enterprises are also investing more in their infrastructure to promote climate and environmental protection with the help of KfW. A whole range of new promotional programmes have been introduced and established in recent years using a combination of own funds and support from the Federal Government. KfW also provides grants to assist with areas such as conceptual development and renovation management as part of its “Urban Energy-Efficient Rehabilitation” programme family to ensure that municipalities and local authorities can come up with holistic energy-efficient solutions for entire urban districts. Municipalities, as well as municipal and social enterprises, receive low-interest loans to finance their investments in boosting energy efficiency. These funds can be used to rehabilitate public buildings, ensure energy-efficient heating and water supplies or sanitation facilities for entire districts.

The municipal promotional programmes were extremely successful in 2014. The

No other area offers as much energy-saving potential through more efficient use than buildings.

demand for promotional funds to finance municipal climate and environmental protection increased considerably, to a total of EUR 1.2 billion in 2014. Here, again, the promotional effect is not limited to just reducing energy consumption, energy costs and greenhouse gas emissions.

SME efficiency potential

It goes without saying that energy efficiency is a key issue in the corporate sector too. Companies that invest in energy-efficient buildings, machinery and production processes not only do their bit for climate and environmental protection. First and foremost, they also boost their own international competitiveness and innovative strength. Particularly in the manufacturing sector, even a relatively small increase in energy costs in the single-digit percentage range has a negative impact on SME profitability. Energy-saving companies can protect themselves against the consequences of rising energy prices.

The skilled craft sector is more committed than most to tapping energy-efficiency potential, with almost one out of every two skilled craft businesses having implemented or planned measures like these in recent years. This is due to the relatively large proportion of energy costs these companies have in relation to their total operating costs. Nevertheless, some businesses could make even more use of the potential to save energy costs. To make it easier to define and exploit this potential, KfW supports SMEs by making a wide range of financing products available to fund consultancy and investment.

The “KfW Energy Efficiency Programme” for companies is a key component of this range, allowing companies to invest in energy efficiency improvements in both manufacturing and commercial buildings. Support is provided for both replacement and new

investments that enable substantial energy savings to be achieved. In addition, KfW supports the energy-efficient refurbishment of existing premises, and the construction of new company buildings if the future primary energy requirements are lower than the statutory requirements set out in Germany’s Energy Conservation Ordinance (*Energieeinsparverordnung – “EnEV”*).

An evaluation of the 2012 promotional year shows that the “KfW Energy Efficiency Programme” alone will be able to contribute around 5% to meeting the national energy savings target by 2020, provided that the promotional volume and energy savings achieved as a result of the measures remain constant. In 2012, more than 2,000 promotional measures were implemented at commercial enterprises, generating annual final energy savings of just under 900 gigawatt hours and, in the process, cutting carbon emissions by around 545,000 tonnes. The promotional volume in 2014 was similarly high at EUR 3.2 billion, after actually passing the EUR 4 billion mark in 2013.

Expansion of renewable energies

In expanding renewable energies, KfW supports the investments of private-sector and municipal enterprises and also of private individuals.

In 2014, KfW supported numerous projects, mainly implemented by commercial enterprises, relating to the use of regenerative energy sources by providing a total of EUR 4.1 billion via its “Renewable Energies” programmes. These covered areas ranging from wind energy through photovoltaics to biomass energy and the generation of both electricity and heat. KfW has been financing offshore wind energy projects in the North and Baltic Sea in the form of project funding since 2011 with its “Off-shore Wind Energy” programme. Three wind farms accounting for a total volume

Private individuals, companies and municipalities use the support provided by KfW to help them invest in the use of regenerative energy sources.

of EUR 0.7 billion have been financed since the programme was launched. No commitments were made under this programme in 2014, as investment activity was hit by a number of setbacks due to complex conditions. After the reform of the German Renewable Energies Act (*Erneuerbare-Energien-Gesetz* – “EEG”), which went into effect in August 2014, however, KfW expects to see more investment in this area on the German market in the future.

at least 20% by 2020, increase the share of total energy consumption attributable to renewable energy to at least 20% or increase energy efficiency by at least 20%.

In order to implement this initiative and support further investment in energy efficiency, KfW cooperates with a number of European promotional banks, which it granted global loans worth a total of EUR 88 million in 2014.

Municipalities and municipal enterprises are focusing increasingly on renewable energy.

Municipal enterprises and municipalities are also showing more interest in expanding the use of regenerative energy sources and increasing supply security in the transition to renewable energy. KfW supports and promotes projects like these. The focus is on issues such as the development of flexible conventional power plants, high-performance storage technology and intelligent grid technology, and the expansion of distribution grids to balance out natural fluctuations in the generation of electricity using renewable energy sources and ensure that a sufficient volume of power is available at all times.

Private individuals seeking not only to use renewable energy, but to generate it themselves, focus on photovoltaic systems and connected battery storage systems. KfW also promotes investments made by private individuals who want to generate and store electricity using solar energy.

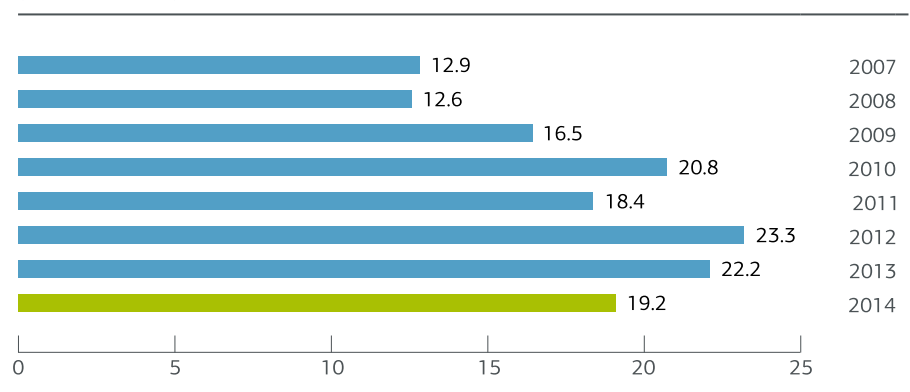
KfW also takes responsibility for climate and environmental protection at European level. One approach is the European Local Energy Assistance Facility (“ELENA”), which pursues the EU’s 20-20-20 targets. The aim here is to cut greenhouse gas emissions by

Long-standing tradition of general environmental funding

KfW has been supporting investment in general environmental protection ever since the 1970s. This area remains a key component of promoting climate and environmental protection today. The “KfW Environmental Protection Programme” provides low-interest medium to long-term financing for investment measures that stop environmental burdens from materialising in the first place. The supported projects range from electric delivery vehicles to environmental protection projects at larger companies. The financed measures, which received EUR 580 million, focused on noise and air pollution control in 2014.

Moving towards sustainable, efficient and intelligent energy supply while protecting biodiversity and being mindful of our natural resources is the responsibility of society as a whole. KfW can use its promotional programme to mobilise private funds and stimulate investment. After all, as the promotional bank of the German Federal Government and the federal states, KfW sees itself not just as a bank, but also as a source of impetus for Germany’s social and economic development.

Development of promotional volume in domestic climate and environmental protection (EUR in billions)



The promotional offering for businesses

As a partner to the SME sector, KfW supports start-up entrepreneurs, the self-employed and SMEs with a broad spectrum of financing and advisory services. In addition to start-ups and general corporate financing, it places particular emphasis on financing investments in climate and environmental protection and on promoting innovation.

Promotional volume overview

The commitment volume in the business sector Mittelstandsbank (SME Bank) remained at a high level of EUR 19.9 billion in 2014, following EUR 22.6 billion in the previous year. This drop was due in part to general subdued investment demand among companies in Germany and, second, to the fact that businesses tended to make more use of their own funds to finance their investments.

In the key promotional area of start-ups and general corporate financing, this meant that the total commitment volume fell from EUR 11.3 billion (2013) to EUR 10.3 billion. In the promotional area of environmental protection too, total commitments were down year-on-year to EUR 8.2 billion (2013: EUR 10.3 billion). Given the general economic situation, low interest rates and weak demand for loans, the commitment volumes achieved in 2014 are a good result despite the decline compared with 2013.

The innovation financing promotional area bucked the general trend in 2014, with commitments up considerably on the previous year at EUR 1.4 billion (2013: over EUR 1 billion).

Start-ups and general corporate financing

Start-up entrepreneurs are key drivers of the necessary process of constant renewal of the economy, boosting competi-

tion and growth and creating new jobs. As well as ideas, courage and the essential element of good luck, start-up entrepreneurs also – and most importantly – need sufficient financing. Access to loans is often hindered by the fact that the majority of start-up entrepreneurs only require small loans and the risk associated with start-up financing is frequently higher than that associated with financing established companies, due to a lack of collateral. For these reasons, supporting start-ups and young companies is an important promotional area for KfW Mittelstandsbank.

The “ERP Start-Up Loan” programme offers particularly favourable interest rates and can be used by entrepreneurs, business successors and new companies in many different ways. The promotional product consists of two elements: the “ERP Start-Up Loan – StartGeld” module for smaller start-ups and the “ERP Start-Up Loan – Universal” to support larger start-up projects. One of the special features of the “ERP Start-Up Loan – StartGeld” is the extensive exemption from liability, which sees KfW assume 80% of the credit risk normally incurred by the banks with the help of a guarantee from the European Investment Fund. In many cases, this is what opens the door to loan financing for start-ups. The “ERP Start-Up Loan – Universal” also enables companies to finance succession and takeover projects – an aspect that is becoming increasingly important in light of demographic change.

This is another reason why the promotional opportunities offered under the “ERP Start-Up Loan – Universal” programme were extended in 2014. The period of eligibility for support was extended to a company’s first five years, the maximum loan amount was raised to EUR 25 million and the programme was opened up to companies with annual turnover of up to EUR 500 million.

Start-ups are key to growth, innovation and creating new jobs.

Promotional loans feature an exemption from liability, allowing KfW to take pressure off the banks and facilitate lending as a result.

The “ERP Start-Up Loan – Universal” now offers even more promotional opportunities.

The conventional debt capital offering for start-up promotion has been complemented by uncollateralised subordinated loans under the “ERP Capital for Start-Ups” programme.

Start-up promotion commitments showed encouraging development in 2014 by remaining on a par with the previous year at EUR 2.8 billion (2013: EUR 2.7 billion). Commitments under the “ERP Start-Up Loan” programme amounted to over EUR 2.6 billion, with around EUR 280 million attributable to the “StartGeld” programme component and approximately EUR 2.4 billion to the “Universal” component. At EUR 127 million, the demand for the “ERP Capital for Start-Ups” programme was roughly the same as in 2013.

The most popular promotional product in 2014 was once again the “KfW Entrepreneur Loan”. At EUR 6.9 billion, commitments under this programme were down on the previous year (2013: EUR 8 billion), a trend that clearly reflects the subdued demand for commercial loans. On the other hand, the commitment volume in the “ERP Regional Promotion Programme”, which KfW has been using for many years to promote investments in structurally weak regions at particularly attractive conditions, was up year-on-year, with EUR 392 million going to investment projects in this area. “KfW Film Financing” supports financing opportunities for the German film industry by making direct loans available. Here, the commitment volume was down on the previous year, to EUR 1 million. In its “Programme to Finance Social Enterprises”, KfW provided equity financing totalling EUR 0.3 million in 2014.

Loans for innovations and venture capital

In Germany, corporate-sector innovation and the ability to turn innovations into viable products will play a key role in allowing the country to master the demographic and economic challenges that lie ahead and to secure prosperity for the long term. In 2014, KfW once again helped new and established companies alike to turn their innovation projects into reality thanks to its promotional activities.

KfW’s “ERP Innovation Programme” supports SMEs by providing long-term loans at favourable conditions for close-to-market research and development of new products, processes or services. In contrast to the very weak loan demand in general, the commitment volume for the “ERP Innovation Programme” rose considerably, from just under EUR 1 billion in 2013 to EUR 1.3 billion in 2014.

The “High-Tech Start-Up Fund” is the most important source of venture capital in Germany for very new “seed-stage” technology companies. In addition to the main investor and initiator, the Federal Ministry for Economic Affairs and Energy, the “High-Tech Start-Up Fund” also involves KfW and investors from the corporate sector. The Fund invests directly in the high-tech start-ups, can provide initial financing of up to EUR 500,000 and cover 100% of the start-up’s financing needs. A large number of high-tech start-ups received such support again in 2014.

KfW’s “ERP Start Fund” provides young companies that have already taken their first steps up the entrepreneurial ladder with venture capital for the further development of new technologies. KfW achieves this by investing in the company, together with a co-investor, and making the funds available based on the same financial terms and conditions as the co-investor. In 2014, young companies received equity financing totalling EUR 42 million under this programme, a similar level to that of the previous year.

Commercial climate and environmental protection

Supporting investment in climate and environmental protection is a particular focal point of SME promotion. Commitments of EUR 8.2 billion were made in this area in 2014, which corresponds to 41 % of KfW Mittelstandsbank’s total volume. As well as general environmental protection, core elements include financing energy efficiency measures and supporting the Federal Government’s expansion plans in the field of renewable energy.

The demand for loans was more subdued than in previous years.

Leveraging energy efficiency potential in the corporate sector

The “KfW Energy Efficiency Programme” enables companies to finance improvements to energy efficiency in their manufacturing facilities and commercial buildings. Both areas offer significant potential in energy savings. Support is provided for both replacement and new investments that enable substantial energy savings to be achieved. Funds can also be provided for new buildings and the energy-efficient refurbishment of commercial buildings provided that they exceed the statutory requirements set out in Germany’s Energy Conservation Ordinance.

After commitments reached a record volume of EUR 4.7 billion in 2013, a solid promotional volume of EUR 3.2 billion was reached in 2014.

The support that KfW provides to promote energy efficiency is complemented by the “Energy Consulting for SMEs” product. Around 5,900 grants were provided to SMEs looking for qualified energy advice, using funds provided by the Federal Ministry for Economic Affairs and Energy in the year under review. The programme expired at the end of 2014, although the Federal Office of Economics and Export Control will be offering a successor product in 2015.

Help along the renewable energy expansion corridors

The second major component of KfW’s promotional activity in the field of climate and environmental protection is support for the expansion of renewable energy.

EUR 4.1 billion of support was provided in 2014 for systems to generate energy using renewable energy sources under the “Renewable Energies – Standard” programme, together with its sister programmes, the “Renewable Energies – Premium” programme for the heating market and KfW’s “Renewable Energies – Storage” programme (2013: EUR 4.7 billion).

KfW’s “Renewable Energies – Standard” programme offers low-interest financing for the generation of electricity from regenerative energy sources. The most frequently financed technologies are photovoltaics and onshore wind power facilities.

The commitment volume for wind power installations was similar to the previous year at EUR 3.2 billion, whereas commitments for photovoltaic systems were down considerably at around EUR 550 million (2013: approx. EUR 1 billion). This trend reflects the reduced “expansion corridors” mapped out in the German Renewable Energies Act (*Erneuerbare-Energien-Gesetz – “EEG”*), particularly in the photovoltaic segment.

Larger facilities enabling the use of renewable energies on the heating market are supported by KfW’s “Renewable Energies – Premium” programme in the form of low-interest loans and reduced repayment amounts subsidised by the Federal Ministry for Economic Affairs and Energy. The lion’s share of the promotional funds went to small companies, with the total commitment volume coming in at EUR 234 million for 2014. As in the preceding years, promotional activity focused on heating networks and biomass plants.

KfW’s “Renewable Energies – Storage” programme provides support for market and technology development in the field of stationary battery storage facilities. The Federal Ministry for Economic Affairs and Energy provides repayment bonuses in this area equivalent to up to 30% of the costs eligible for promotion. Since the programme was launched in May 2013, the total commitments made have amounted to EUR 134 million, with support being provided for around 8,300 storage facilities, almost 5,600 of which in 2014.

KfW finances offshore wind energy projects in the German North and Baltic Seas in the form of project funding with its “Offshore Wind Energy” programme.

Three wind farms accounting for a total volume of EUR 0.7 billion have been financed since the project was launched in 2011. Much of the risk assumed is covered by a federal guarantee. The complex overall framework resulted in projects being delayed in 2014, meaning that no financing commitments were made under this programme. After the reform of the EEG, which went into effect in August 2014, however, KfW expects to see more investment in this area on the German market.

Photovoltaic and onshore wind power installations in particular are frequent recipients of funding.

KfW also promotes the development of stationary battery storage facilities.

On behalf of the Federal Government, KfW provides support for two offshore wind farms in collaboration with the EU.

The European Commission's NER 300 (New Entrance Reserve) programme promotes demonstration projects in the field of renewable energy, as well as the capture and storage of CO₂. KfW was commissioned by the Federal Government in 2013 to assume responsibility for grant disbursements, project monitoring and ongoing reporting for two offshore wind farms to be constructed in the German North Sea. The corresponding grant agreements were concluded between KfW and the two project companies in 2014, with a total volume of EUR 183 million.

As part of the "KfW Energy Transition Financing Initiative", KfW grants investment loans for larger corporate projects in the context of the energy transition. It provides funds under syndicated financing, at market conditions, at the invitation of financing partners. Loans amounting to EUR 140 million were granted in 2014.

General environmental funding: noise control, resource efficiency and innovation

The third component of KfW's activities in the field of climate and environmental protection is general environmental funding. The "KfW Environmental Protection Programme" provides low-interest medium to long-term financing for environmental protection and investment measures that stop environmental burdens from materialising. The focus in 2014 was on projects aimed at improving noise and air pollution control. At around EUR 580 million, the commitment volume was up on the previous year (2013: EUR 490 million). In addition, KfW offers the "BMUB Environmental Innovation Programme", financed by the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety ("BMUB"), for particularly worthwhile large-scale pilot projects aimed at reducing stress on the environment. Commitments totalling EUR 33 million were made in 2014 (2013: EUR 21 million).

Less noise and clean air were the focal points of KfW's general environmental funding activities.

Good advice promotes business success

KfW finances not only investment and working capital, but also the provision of individual advice to start-ups and SMEs.

"Start-up coaching in Germany" is a joint initiative between the Federal Ministry for Economic Affairs and Energy and KfW and is financed by the European Social Fund. The promotional programme aims to secure the position of start-ups in Germany and significantly improve their prospects of success. Around 12,100 start-ups received coaching financed by KfW in 2014.

The "Round Table" and "Turnaround Consulting" promotional programmes are aimed at SMEs in need of external support from qualified consultants due to a difficult economic situation. Both programmes provide grants towards the consultancy costs. The "Round Table" and "Turnaround Consulting" programmes are financed using KfW's funds. In 2014, commitments were made for around 1,800 "Round Tables" and over 1,500 "Turnaround Consulting" sessions.

Commitments by business sector Mittelstandsbank in 2014, by federal state*)



Federal state	Number	2014 volume (EUR in millions)
Baden-Württemberg	11,318	3,579
Bavaria	17,007	3,343
North Rhine-Westphalia	15,221	3,199
Lower Saxony	5,728	1,725
Hesse	4,113	1,193
Rhineland-Palatinate	3,412	1,070
Schleswig-Holstein	2,421	910
Brandenburg	1,333	655
Mecklenburg-Western Pomerania	904	548
Saxony-Anhalt	1,029	476
Saxony	1,880	427
Hamburg	1,185	394
Thuringia	1,268	302
Berlin	1,487	282
Saarland	805	155
Bremen	407	130
Not indicated	–	26
Abroad	190	1,440

Access and analyse KfW's promotional statistics online at www.kfw.de/foerderreport

*) Excluding consultancy grants

Promotional funding for private costumers

With its extensive range of promotional products, KfW raises awareness of economic, ecological and social issues among its private clients, such as the importance of energy efficiency in residential buildings and lifelong learning, and provides them with targeted support for their investments in residential property or in their own vocational and further training.

Promotional volume overview

KfW provided a total of EUR 16.9 billion of support to private clients in 2014. Even after the record volume of EUR 18.2 billion reached in 2013, the commitment volume remains at a high level. The slight dip is due, in particular, to weaker demand in the new construction segment. By contrast, the demand for promotional products aimed at energy-efficient refurbishment and education measures remained just as high as the previous year. More than 380,000 projects were supported in total, making private investors a particularly important client group for KfW's domestic promotion activities.

The commitment volume in the housing area was EUR 14.3 billion, down by almost 9% year-on-year. One key component is the promotion of energy-efficient refurbishment and construction. KfW uses these programmes to support all investors, on behalf of the Federal Government, with the rehabilitation or construction of energy-efficient homes for own use or rent, provided that they exceed the statutory minimum standards set out in Germany's Energy Conservation Ordinance. The support is based on the KfW Efficiency House system which KfW developed a few years ago and which is now established as a uniform national standard for energy efficiency. The rule is easy: the more ambitious the project, the more support provided. This is how KfW motivates clients to im-

plement particularly demanding projects and forge ahead with technical progress in the field of energy-efficient refurbishment and construction.

Promotional funds of EUR 5.6 billion were used to build almost 110,000 new energy-efficient homes in 2014. Almost a quarter of this amount was attributable to the particularly ambitious KfW Efficiency Houses 40 and 55. The figures for energy-efficient rehabilitation are even more impressive: over 230,000 residential units received loans and grants totalling EUR 3.7 billion to make sustainable improvements to their energy efficiency. These investments enable carbon emissions to be reduced by around 680,000 tonnes every year – making a key contribution to the Federal Government's CO₂ reduction and energy efficiency targets.

Quality assurance – a crucial aspect

Achieving these objectives is not only about the quantity of the measures, but also about the quality of refurbishment work. KfW has developed a holistic quality management strategy to ensure that the funds are used as intended for high-quality refurbishment measures that offer considerable energy-saving potential. Energy consultants with well-documented experience and qualifications in energy-efficient construction and rehabilitation represent an important component of quality assurance.

Costumers can easily find experts with the right qualifications using the list of experts for the Federal Government's promotional programmes. Builders that commission a qualified independent expert to provide additional support in the construction process receive an attractive grant, which is very popular. More than 7,300 applicants made use of the grant in 2014, around 12% more than in the previous year.

Energy consultants ensure high quality of refurbishment measures.

More accessibility at home

Many property owners use refurbishment measures not only to reduce their energy consumption, but also to make their home more accessible. Others are interested in targeted refurbishment measures to improve accessibility and enhance the comfort and convenience of their own homes for whatever stage in life – be it with small children or in old age. KfW's "Age-appropriate Conversion" programme has been supporting investments like these for five years now. In that time, around 145,000 homes have received commitments for age-appropriate conversion measures totalling EUR 1.8 billion, with a figure of EUR 334 million in 2014.

The incorporation of a grant option into the programme in November 2014 has made it even more attractive. The Federal Government has made EUR 54 million available for the next four years of the programme. Another new feature is the funding of measures to make homes more secure by reducing the risk of break-ins.

The promotional programmes in the housing segment are rounded off by KfW's broad-based programme to support home ownership. Supported by a sustained positive environment in the construction sector, the commitment volume was similar to the previous year at EUR 4.7 billion.

KfW's housing programmes not only make a key contribution to tackling climate/environmental protection problems and managing demographic change, but also provide direct economic impetus. All in all, KfW's promotional programmes in the housing segment supported construction investments to the tune of EUR 43 billion in 2014. Around 530,000 jobs were either secured or created for one year as a result of these programmes.

KfW Award for creative construction projects

Following a tradition of more than ten years, the "Construction and housing" KfW Award highlighted exemplary projects that take a particularly creative approach to energy-efficiency and accessibility again in 2014. This time, KfW was looking for builders that had constructed new townhouses, or fundamentally modernised existing ones, on limited land. A jury comprising renowned experts selected ten prize winners from more than 100 applicants, with prize money totalling EUR 31,500 for the winners' innovative and unconventional ideas.

Education – investing in the future

The second pillar of KfW's promotional activities for private individuals is the education segment. Here too, KfW has long established itself as a strong partner of the Federal Government and is now indispensable in the promotional landscape for educational loans. Education plays a key role in ensuring the future viability of a society and tackling many of the challenges associated with demographic change. This is why KfW's education financing offering focuses on the principle of lifelong learning.

The promotional offering for academic study includes the "KfW Student Loan", which is paid out using KfW's own funds and has been enabling students to flexibly finance their living costs for eight years now. KfW adapted the Student Loan in 2013 to reflect changes in the requirements of academic study and make targeted improvements. It recognised the needs of many students, as is clear from the renewed increase in demand. The number of loan commitments has risen to around 34,800 and the promotional volume has increased by 5% to more than EUR 1.4 billion.

The offering is complemented by federal programmes such as the "Education Loan" and the "BAföG Bank Loan", which is downstream of the governmental BAföG loan.

The federal "AFBG – Master BAföG" programme is used to promote further professional development and is also still proving extremely popular. In 2014, almost 60,000 commitments were made, accounting for a total volume of EUR 291 million.

Overall, KfW provided EUR 2.6 billion to almost 120,000 people in 2014, enabling them to invest in their own future and improve their professional and career advancement opportunities thanks to a better level of education.

Promotional offering for municipalities

Many investments made by municipalities, municipal and social enterprises are funded by KfW. These range from the energy-efficient refurbishment of public buildings and entire districts, through investments to secure the energy supply, to the transition to renewable energy. Municipalities rely on attractive financing opportunities to be able to make these and other urgent investments. KfW also provides such opportunities for general investments in communities and promotion of municipal social institutions to create a family-friendly environment and accessible public facilities.

Promotional business overview

KfW provided support of almost EUR 4 billion in 2014 for 3,100 projects initiated by municipalities and municipal and social enterprises. Since a large number of municipalities were still making use of the special day-care expansion programme in 2013, it comes as no surprise that the commitment activity was down by 15% in total year-on-year. 2013 was also characterised by a number of major individual transactions in municipal financing. In key areas such as municipal climate and environmental protection, on the other hand, demand remained high.

The demand for the programmes aimed at ensuring basic municipal and social services, the “IKK – Investment Loans for Municipalities” and “IKU – Investment Loans for Municipal Companies and Social Organisations” was also consistent with the previous year. With a commitment volume of EUR 3.5 billion, support was provided for a very wide range of projects aimed at improving municipal and social infrastructure. The modernisation of schools and kindergartens, the expansion of the local public transport system and energy-efficient municipal utilities all help to improve the quality

of life and lay a solid foundation for economic activity and employment.

Municipalities backing the energy transition

The investments in municipal climate and environmental protection projects supported by KfW showed particularly encouraging development. KfW granted over 600 loans with a total volume of more than EUR 350 million as part of its “Urban Energy-Efficient Rehabilitation” programme family. These funds were used to optimise the energy efficiency of the heating, electricity and water/waste-water infrastructure of entire districts, and to make street lighting more energy-efficient. In addition, 155 grants worth around EUR 10 million in total were granted for integrated district concepts and refurbishment managers. These grants are designed to help develop holistic solutions for energy-efficient districts and to provide impetus for further investments in energy efficiency at municipalities and municipal utilities providers, but also among housing companies and private owners. Another important component is support for municipal energy suppliers. The aim of KfW’s promotion is to advance the development of high-performance storage and intelligent network technologies, the construction of flexible conventional power plants and the expansion of distribution grids.

Freely accessible towns and cities

With its “IKK – Accessible City” and “IKU – Accessible City” programmes, KfW helps municipalities, as well as municipal and social enterprises, to take account of the needs of all residents, in particular also children and the elderly. A total of 65 projects received funding of EUR 26 million to create a family-friendly environment and accessible public spaces in cities and towns.

The demand for support in the field of municipal climate and environmental protection remained at a high level.

Investments in municipal and social infrastructure increase quality of life and ensure economic development.

**Commitments in the housing, education, social development and infrastructure promotional areas
by the business sector Kommunal- und Privatkundenbank/Kreditinstitute by federal state in 2014**



Federal state	Number	2014 volume (EUR in millions)
North Rhine-Westphalia	85,396	4,585
Baden-Württemberg	67,458	3,485
Bavaria	73,830	3,251
Lower Saxony	44,184	1,947
Hesse	32,196	1,565
Schleswig-Holstein	19,589	951
Berlin	10,839	841
Rhineland-Palatinate	20,501	813
Saxony	13,026	762
Hamburg	8,412	734
Brandenburg	7,815	476
Mecklenburg-Western Pomerania	5,611	435
Saxony-Anhalt	5,707	353
Thuringia	6,010	352
Bremen	3,455	185
Saarland	4,972	170
Not indicated	–	–
Abroad	278	6

Access and analyse KfW's promotional statistics online at www.kfw.de/foerderreport

Special financing for financing partners and special tasks

Besides the programme loans business, KfW also pursues its promotional goals with financing forms directed at financial market partners. These include global loans to promotional institutions of the federal states (LFIs) as well as to German and European financial partners. A further effective instrument is refinancing of export loans.

Global loans to the promotional institutions of the federal states

For many years KfW has maintained a close and very successful cooperation with the promotional institutions of the federal states (*Landesförderinstitute* – “LFIs”) on the basis of global loans. Cooperation with the LFIs primarily involves two different products: programme-related global loans and general funding.

Programme-related global loans are granted at low interest rates to fund projects in municipal infrastructure, the SME sector and the key promotional area of housing. The relevant KfW promotional product terms serve as the basis in funding the individual projects to guarantee targeted support. This is especially beneficial to investors, as financial support from KfW and the Federal Government is bundled in a logical manner with that of the LFIs and federal states to offer particularly favourable financing terms. Moreover, the cooperation results in a transparent promotional landscape. Such cooperation via programme-based global loans was also continued at a high level in 2014. The total payout volume amounted to EUR 8.0 billion.

KfW offers LFIs general refinancing as an additional key cooperation instrument. These funds refinance promotional activities and initiatives specific to individual federal states that fall under KfW’s promotional mandate and thus its area of responsibility. Commitments showed very

dynamic development in 2014, reaching – at EUR 4.6 billion – a notably higher level than the previous year.

Individual financing banks

KfW maintains cooperation with numerous European promotional banks in order to strengthen the economy and infrastructure across Europe. The largest transaction concluded in 2014 was a global loan of EUR 500 million to Italian promotional bank Cassa di Risparmio di Padova e Rovigo (“CDP”). CDP channels EUR 300 million of this total amount through Italian on-lending commercial banks in the form of loans to small and medium-sized enterprises in Italy, thus improving SME access to financing at favourable rates so that investments previously postponed can be made. CDP is using the remaining EUR 200 million to promote private enterprises’ energy-efficiency projects in Italy’s public infrastructure.

KfW has provided consulting to the Irish government since 2013 on creating an institution to fund SMEs. The Strategic Banking Corporation of Ireland (“SBCI”) officially commenced its activities in the autumn and now also receives financial support from KfW via a EUR 150 million global loan guaranteed by the Federal Government. These funds enable the SBCI to satisfy the increasing demand for SME loans.

KfW also continues, on behalf of the Federal Government, to support Greece in order to put that country’s economy on the road to recovery.

To this end, an initial subfund of the Institution for Growth (“IfG”) was created in May 2014, to which KfW provided EUR 100 million in debt capital. The IfG channels these funds via on-lending commercial banks in the form of loans to small and medium-sized enterprises, thus facilitating access for Greek SMEs to investment and operating capital.

Programme-based global loans combine financial support from KfW and the promotional institutions of the federal states.

Furthermore, two global loans of EUR 90 million were issued through the European Local Energy Assistance Facility ("ELENA"), which pursues the EU's "20-20-20" targets. This initiative aims to cut greenhouse gas emissions by at least 20% by 2020, increase the share of total energy consumption attributable to renewable energy to at least 20% or increase energy efficiency by at least 20%.

In refinancing of export loans, structured products, and the issue of "Europe" and "Leasing" global loans, a total promotional volume of EUR 2.2 billion was achieved compared to just under EUR 2.5 billion the previous year.

Financial reunification:

Tasks after the fall of the Berlin Wall

KfW is administering outstanding claims for the Federal Republic of Germany, particularly secured loan claims of banks and insurance companies compulsorily purchased after 1945, located in the former GDR states. The original outstanding claims volume of approximately EUR 3.3 billion has since been reduced to around EUR 6 million.

Compensatory Fund for Securities Trading Companies

KfW administers the Compensatory Fund for Securities Trading Companies ("EdW") under a mandate from the German Federal Government. The EdW is a Federal Government special fund without legal capacity that protects small-scale investors against potential loss in securities trading. To date, the EdW has processed around 34,000 notices of loss under 21 compensation claims and paid out around EUR 281 million in investor compensation.

Humanitarian Aid Foundation

KfW has been conducting the business of the Humanitarian Aid Foundation for Persons Infected with HIV through Blood Products on the basis of an agency agreement since 1995. For humanitarian and social reasons, the foundation pays a monthly pension to individuals who have been directly or indirectly infected with HIV (human immunodeficiency virus) or who have AIDS through blood products. In certain circumstances, the affected person's dependants may also receive aid. The foundation is funded by the Federal Government, the federal states, pharmaceutical companies and the Red Cross.

KfW supported around 600 affected individuals from foundation funds in 2014 with monthly pension payments totalling around EUR 8.9 million.

KfW pays monthly pensions from foundation funds to HIV-infected individuals.

Domestic promotion has been presented via the two business sectors Mittelstandsbank and Kommunal- und Privatkundenbank/Kreditinstitute since April 2013.

The promotional areas housing investment, education and social development, infrastructure, general funding of the promotional institutions of the federal states/global loans and individual financing banks are accordingly reported together.

Volume of promotional financing of business sector Mittelstandsbank as of 31 December 2014

Programme	Promotional business volume		Purpose
	2014 EUR in millions	2013 EUR in millions	
Total Mittelstandsbank	19,924	22,640	
Start-ups and general corporate financing	10,334	11,337	
KfW Entrepreneur Loan	6,870	7,982	Investments of SMEs
ERP Capital for Start-Ups	127	144	Start-ups and young companies, company succession through subordinate loans
ERP Start-Up Loan	2,631	2,599	Start-ups and young companies, company succession
ERP Regional Promotion Programme	392	343	Investments to improve regional economic structure
ERP Participation Programme	59	67	Private equity for small and medium-sized enterprises
Other promotional programmes	186	107	
Consultancy grants	70	94	
Innovation	1,371	1,023	
ERP Innovation Programme	1,329	975	Research and development measures, market launches with debt and subordinated capital
ERP Start Fund	42	45	Young innovative technology companies through private equity
Special financing R&D	–	3	Development costs in aviation
Environment	8,218	10,280	
KfW Environmental Protection Programme	579	490	Environmental protection measures
KfW Energy Efficiency Programme	3,171	4,693	Energy efficiency measures
KfW Renewable Energies Programme	4,113	4,681	Investments in renewable energies
KfW Offshore Wind Energy Programme	–	194	Offshore wind farms
KfW Energy Transition Financing Initiative	140	178	High-volume investments in renewable energy sources and energy efficiency measures
Grant for acquisition of low-emission, heavy commercial vehicles	–	22	Acquisition of commercial vehicles weighing twelve tonnes or more
BMUB Environmental Innovation Programme	33	21	Projects with demonstrative character in the area of environmental protection
European Commission NER 300 funding programme	183	–	Demonstration projects in the area of renewable energy sources and the capture and storage of CO ₂

Differences in the totals are due to rounding.

**Volume of promotional financing of business sector Kommunal- und Privatkundenbank/Kreditinstitute
as of 31 December 2014**

Programme	Promotional business volume		Purpose
	2014 EUR in millions	2013 EUR in millions	
Total Kommunal- und Privatkundenbank/ Kreditinstitute	27,699	28,911	
Housing investment	14,338	15,550	
Energy-efficient rehabilitation and construction	9,320	10,368	Energy-efficient modernisation and construction of residential buildings
<i>Energy-Efficient Rehabilitation</i>	3,697	4,103	
<i>Energy-Efficient Construction</i>	5,623	6,265	
Age-appropriate Conversion	334	408	Conversion of residential accommodation to improve accessibility
KfW Home Ownership Programme	4,684	4,514	Acquisition and construction of owner-occupied housing
LFI Promotional Refinancing	–	260	
Education and Social Development	2,591	2,625	
AFBG (Master BAföG)	291	296	Continuing professional development
BAföG government loans	773	798	
Education Loan	90	97	
BAföG bank loans	29	28	Academic study
KfW Student Loan	1,407	1,387	
Tuition fee loans	2	20	
Infrastructure	3,983	4,676	
Investment Loans for Municipalities	2,296	2,539	
<i>IKK – Investment Loans for Municipalities</i>	2,047	1,970	
<i>IKK – Urban Energy-Efficient Rehabilitation</i>	228	214	
<i>IKK – Municipal Energy Supply</i>	0	1	
<i>IKK – Accessible City</i>	22	15	
<i>IKK – Day-Care Expansion</i>	–	339	
Investment Loans for Municipal and Social Enterprises	1,686	2,081	Investment in the municipal and social infrastructure, special promotional programmes for municipal energy supply and urban energy-efficient rehabilitation, with promotional targets that meet the challenges of demographic change
<i>IKU – Investment Loans for Municipal and Social Enterprises</i>	1,486	1,716	
<i>IKU – Municipal Energy Supply</i>	64	63	
<i>IKU – Accessible City</i>	5	17	
<i>IKU – Day-Care Expansion</i>	–	210	
<i>IKU – Urban Energy-Efficient Rehabilitation</i>	132	76	
LFI Promotional Refinancing	–	8	
Financial guarantees	–	49	
LFI General Funding/Global Loans for Infrastructure	4,626	3,599	
General funding of the promotional institutions	4,626	3,599	Global loans to refinance the promotional institutions of the federal states
Individual financing banks	2,161	2,460	
Olymp Refinancing of Export Loans	673	643	Refinancing of export loans covered by federal guarantees
Structured products	100	115	
Global loans – leasing	550	400	Structured products and global loans to promote SMEs and environmental protection
Global loans Europe (EU mandate)	88	202	
Global loans Europe (other)	750	1,100	

Differences in the totals are due to rounding.

Ensuring funding gets to the right place

KfW's comprehensive promotional offering supports sustainable improvements in living conditions – economically, socially and environmentally. To ensure that promotion reaches people, KfW continuously works with its Sales division to make the product offering even more visible and comprehensible to costumers and also to simplify and facilitate promotional channels via its financing partners.

Expanding sales support for financing partners

As a rule, a client's own bank is a central contact in obtaining promotional loans as it advises clients, evaluates their plans and decides whether or not to support their project and submit an application to KfW. KfW supports its financing partners with regular information on its products and targeted measures for selling KfW products. Based on regular exchange with partners on sales and marketing activities, this offer is individually adapted as needed, and joint measures developed for direct implementation. While the offering in the start phase initially focused on some pilot partners, financing partners made wide use of it in 2014. In addition to a large number of individual sales measures, KfW launched sales campaigns across Germany, in collaboration with its partners and parallel to its own ongoing product campaigns, to provide active and direct support to interest, approach and acquire customers. Extensive cooperation with key financing partners will ensure nationwide support and thus also KfW's continuous presence for potential costumers in 2015.

Consistently high need for personal advice

Approximately one client in seven takes advantage of the opportunity to obtain direct information from KfW. Responses to around 900,000 written and telephone

enquiries in 2014 are proof of high need for information on the part of potential and existing clients. Almost one in two callers (45 %) had questions concerning education; 40% requested information on the promotional offering for housing and 15 % on support for start-ups and existing enterprises. The results of regular customer surveys demonstrate that customer satisfaction with KfW advice, competency and friendliness is above average.

KfW's complaints management also continues to be of particular importance. The permanent complaints management process as well as the continually developed quality standards are effective; a sectoral comparison rated bank-wide complaints very low again in 2014. Every complaint is individually processed with the aim of finding a solution and is used as an important source of identifying customer needs.

Online media optimisation

Many clients also use KfW's website to obtain information about promotional opportunities for their planned projects. Content and metadata on KfW websites were further optimised to enable users to quickly locate the correct information via search engines. In an online questionnaire conducted at the end of 2014, two thirds of the website users surveyed gave KfW's website top marks. They noted above-average satisfaction particularly with the content and clarity of website information.

In addition to customers, many consultants, multipliers and financing partners also use the information provided on the KfW website. As of mid-2015, it will be possible for KfW partners to access specific knowledge tailored especially to them in their own portal. Preparations began in 2014 for the new "KfW Partners" website; technical platform requirements were fulfilled and content redesigned.

Joint sales campaigns by KfW and financing partners improve the way we approach clients.

Quicker and easier with BDO 2.0

KfW significantly facilitated the route from website research to a personal consultation with a financing partner in its launch of the online consultation appointment request system ("BAN") in 2013. Customers can now request a consultation appointment with up to three financing partners for a large number of the on-lending products directly on KfW's website. This was initially only possible with pilot partners Deutsche Bank AG, Deutsche Postbank AG, and most savings banks and cooperative banks, but the number of participants was expanded during the course of 2014 to include other key financing partners such as Commerzbank AG, UniCredit Bank AG and ING-DiBa. The results of an online survey show that the lion's share of BAN service users are highly satisfied overall with the service offering, particularly with how quickly financing partners make contact.

The option KfW has created for its financing partners of enabling electronic confirmation of KfW financing eligibility for the investment project during the customer's consultation while automatically reserving current interest rate terms is at the core of the digital on-lending platform (BDO 2.0).

Deutsche Postbank AG has been able to submit online applications for the KfW promotional products "KfW Home Ownership Programme", "Energy-Efficient Construction" und "Energy-Efficient Rehabilitation" via BDO 2.0 since 9 May 2014; the remainder of the housing promotion loans were added to the system at the end of 2014. By the end of the year, Deutsche Postbank submitted almost all housing promotion loan applications via BDO 2.0.

Commerzbank AG was also connected to the new platform effective 15 December 2014. Savings banks, local cooperative banks (*Volks- und Raiffeisenbanken*) and Deutsche Bank AG will be connected to the BDO platform during the course of 2015. It is expected to be possible to automatically obtain KfW promotional loan approval for commercial products from 2016. Extensive and complex preliminary work for this feature commenced in 2014.

Highly satisfied with key account management

For the financing partners as well, development of functionalities, processes and interfaces entails major cost and effort that requires close coordination with KfW. Close consultation with its financing partners is important to KfW not only on this ambitious project, but also regarding its key account management – its direct link to partners – as this puts KfW's finger on the pulse of the market. Financing partners market KfW promotional products and have direct contact with end customers. Consequently, KfW maintains a regular, intensive exchange of information with banks, savings banks, insurance companies, promotional institutions of the federal states and associations of banks.

The close contact is well received by our partners. As the latest representative survey demonstrates, key account partners' satisfaction, which was already high, rose again significantly compared to 2012. Over 70% of partners awarded top marks for support, commending above all the availability of designated contacts as well as the commitment and customer focus of key account managers.

The first financing partners submit promotional loan applications via BDO 2.0.

KfW maintains close contact with its financing partners.

Collaboration with multipliers intensified

In addition to financing partners, multipliers such as associations, chambers and advisors are important contacts with whom KfW maintained close contact in 2014. Joint activities were expanded and new collaboration agreements concluded. One focal point of the collaboration with associations was conducting events on demographic change, particularly after re-launching the grant option into the “Age-appropriate Conversion” programme. In addition, multipliers were primarily interested in information on energy refurbishment in commercial buildings.

The successful joint initiative of recent years “Better with Architects – Energy-Efficient Buildings” was continued with the Federal Chamber of German Architects. Publications on promotional products for energy-efficient rehabilitation were produced in collaboration with some associations and distributed to members. Numerous architects, energy and tax consultants and other partners received information on KfW products in several joint events with associations and chambers, as well as regional conferences for the real estate sector.

In addition, several hundred thousand consultants received information material by post on KfW programmes significant to their activity. Several thousand architects, energy and tax consultants, and multipliers received training and were invited to participate in discussions about KfW promotional programmes in numerous seminars and specialist events held by the KfW Academy as well as at additional presentations.

Cross-media marketing campaigns address end customers

KfW’s marketing activities once again addressed all target groups in domestic promotion in 2014. They involved five year-long product campaigns, including a special focus on a campaign for starting a business. A TV advertisement presenting KfW promotional services and benefits via the success story of an entrepreneur was broadcast as part of the start-up campaign. The campaign and the TV advertisement in particular contributed to raising awareness of KfW among the target group and helped to position KfW as a responsible company with favourable financing offers that actively supports start-ups and SMEs.

The additional campaigns also ensured a high degree of visibility for KfW among the relevant target groups for the whole year. This was achieved by mixing a variety of coordinated online and offline measures. The campaigns included expanding existing and concluding new media cooperations, using search engine marketing, and placing print and online display advertisements.

The campaigns have had a positive effect on online customers’ usage behaviour – around 30% of visits to the KfW website pages on domestic promotion is due to the campaigns. The campaigns thus also help KfW to fulfil its promotional mandate.

Cooperation with multipliers focuses on joint activities with associations, chambers and advisors.

KfW has directed its marketing campaigns at entrepreneurs in particular.

»» We support internationalisation

Exploiting existing potential and creating new: the international competitiveness of our export industry guarantees employment, growth and prosperity. KfW IPEX-Bank's mission is to support German and European companies with their international business operations – as a reliable financing partner with an in-depth understanding of the industry and proven structuring expertise.

»» At a glance: Export and project finance in 2014

KfW IPEX-Bank is responsible for international export and project financing within KfW Group.

As a specialist bank, KfW IPEX-Bank supports German and European companies' international business activities. The bank's core product of customised medium and long-term loans helps to realise global projects. Its business model is tailored to medium-sized enterprises and major corporations.

It aims to support their competitiveness on global markets and develop their internationalisation – ensuring domestic employment, economic strength and social prosperity. This task is derived from KfW's legal mandate.

Largest wind farm in the Netherlands

As part of a syndicated loan, KfW IPEX-Bank, along with the European Investment Bank and Rabobank, provided a loan totalling EUR 350 million for the NOP Agrowind wind energy project. NOP Agrowind is an initiative of agricultural entrepreneurs along the Westermoordijk and Noordermeerdijk in the Dutch province of Flevoland. Together, they are investing in the construction of 26 E-126 wind turbines from the German manufacturer Enercon on their land. The turbines have a tower height of 135 metres, a rotor diameter of 127 metres and an installed capacity of 7.5 megawatts each (total capacity of 195 megawatts).

The total investment volume amounts to approximately EUR 420 million. The new plants are part of the 86 wind turbines of the Noordoostpolder wind farm, which will be the largest wind farm in the Netherlands. In an average wind year, NOP Agrowind will provide green energy to around 180,000 typical households in the area, thereby reducing greenhouse gas emissions each year.

Raw materials for the German and European economies

With a loan totalling USD 100 million, KfW IPEX-Bank is financing important replacement investments of the Iron Ore Company of Canada ("IOC"). The Canadian ore producer supplies German and

»»

South East Asia's most efficient combined cycle power plant

With a Hermes-covered loan totalling USD 265 million, KfW IPEX-Bank is financing the construction of the 414 megawatt San Gabriel combined cycle power plant ("CCPP") in Batangas City, Philippines. The German company Siemens AG is supplying equipment and parts for the plant, which will attain an efficiency level of over 60%, including the gas turbine, the heart of the power plant. The turbine will ensure highest energy efficiency, low CO₂ emissions and high operational flexibility, thus reducing pressure on the environment. The investor and borrower is a wholly-owned subsidiary of First Gen Corporation, one of the largest energy suppliers in the Philippines. Once completed, San Gabriel will be the most efficient CCPP, not only in the Philippines, but in all of South East Asia – thanks to key German technology, a true lighthouse project for the energy market in the entire region.





Efficiency level of over 60%, low carbon emissions, and high operational flexibility: with San Gabriel in the Philippines, KfW IPEX-Bank is financing the most efficient combined cycle power plant in South-East Asia.

European companies with high-quality iron ore concentrate and pellets, which are essential primary products used to make different types of steel. IOC supplies around seven million tonnes of iron ore concentrate and pellets to German and European customers for their high-tech manufacturing each year. Successful financing ensures that these deliveries will continue in the future. This helps to safeguard the supply of raw materials to Germany and Europe and fulfils one of KfW IPEX-Bank’s core responsibilities.

University Medical Centre Schleswig-Holstein: Germany’s largest PPP building construction project

KfW IPEX-Bank in cooperation with five other commercial banks and the European Investment Bank is financing the public-private partnership (“PPP”) building construction project of University Medical Centre Schleswig-Holstein (“UKSH”). The total investment volume of the large-scale project, which provides for comprehensive expansion, restructuring and conversion measures on the medical centre campuses in Kiel and Lübeck, totals EUR 520 million.

As part of a complex financing structure, KfW IPEX-Bank is providing debt capital for the project amounting to approximately EUR 82 million as a partner within a banking consortium, and an additional tranche of around EUR 100 million on a bilateral basis directly to the UKSH. The loans will be repaid over the 30-year project term.

KfW IPEX-Bank is making its funding commitment to UKSH following an international bidding process by the federal state of Schleswig-Holstein won by a syndicate consisting of Dutch construction firm Royal BAM Group and Austrian hospital service provider VAMED, which is part of German company Fresenius SE & Co. KGaA. The overall measure serves to implement a new medical structural concept for the campuses in Kiel and Lübeck. This is Germany’s largest PPP building construction project. Supporting PPP projects to expand and maintain social and economic infrastructure in Germany and Europe is part of the core business of KfW IPEX-Bank.

The specialist financier has concluded numerous PPP project financings in the past together with other banks and institutional investors in Germany as well as in other European countries including the UK, France and Ireland.

Energy-efficient picking technology for Austrian retail group SPAR

KfW IPEX-Bank is financing the expansion of SPAR Österreichische Warenhandels-AG’s central warehouse in Wels, Austria with a loan of EUR 40 million.

The loan will be used to acquire the fully automated order picking technology supplied by the German medium-sized company WITRON Logistik + Informatik GmbH. The storage and picking system (order picking machinery) is a fully automated stock handling system that covers all stages from the receipt of goods to their dispatch, and generates significant energy savings in comparison with conventional warehousing technology.

The project is part of the SPAR Group’s strong focus on green investments.

Significant energy savings thanks to high tech: KfW IPEX-Bank finances a state-of-the-art storage and picking system for SPAR Austria.



Business performance

KfW IPEX-Bank – we support internationalisation

Operated as a legally independent group company, KfW IPEX-Bank is responsible for the Export and project finance business sector within the group. Its function of providing financing in the interest of the German and European economies is based on KfW's legal mandate. KfW IPEX-Bank offers structured primarily medium and long-term financing to support key sectors in the export industry, to develop economic and social infrastructure, and to support environmental and climate protection projects.

KfW IPEX-Bank is responsible for the Export and project finance business sector within the group. Its aim is to ensure and develop German and European export companies' ability to compete on the international stage.

The export industry constitutes an important pillar of our economic power, representing employment, growth and prosperity. For this reason, KfW IPEX-Bank's stated aim is to ensure and develop German and European export companies' ability to compete on the international stage – to secure innovative ability and our future as an economic centre to the benefit of us all. KfW IPEX-Bank's role is based on KfW's legal mandate.

With efficient export and project financings, KfW IPEX-Bank meets an important requirement for the future viability of key industries in Germany and Europe, and for their ability to innovate.

As one of the world's leading specialist banks in project and export finance, KfW IPEX-Bank supports medium-sized enterprises and large corporations in the global sales markets in industrialised as well as emerging market countries. As a financing partner, it supports its customers' projects with tailored loans. Although these may be structured on a bilateral basis, they are usually provided as part of syndicated financing in partnership with other commercial banks.

In so doing, KfW IPEX-Bank focuses on the key industries relevant to the German and European economy, such as the automotive industry, mechanical engineering, pharmaceuticals and electrical engineering, in which many German and other European companies are market leaders.

The import of raw materials is essential to domestic production of cutting-edge technology in the different industry sectors. For this reason, KfW IPEX Bank finances projects around the world that are important to adequately supplying business with resources.

The increasing global trade in goods and services as well as the convergence of European markets demand a viable infrastructure and cross-border networks. KfW IPEX-Bank is active in this area, providing support through loans for the expansion of road, rail and data networks, electricity grids and of air and seaports. Moreover, the bank finances investments in the relevant means of transport, such as aircraft, ships and rail vehicles. The bank also finances the expansion of social infrastructure, such as for administrative buildings, schools and hospitals – frequently in the form of public-private partnership projects.

Germany and many other countries have an ambitious energy and environmental policy agenda. Whether in energy efficiency, renewable energies or state-of-the-art environmental technology processes, European, and in particular German companies are world leaders in many areas of energy and environmental technology. In order for the benefits of innovative technologies to find application in global climate protection, KfW IPEX-Bank's financing products are also particularly aimed at companies from the energy and environmental areas. The bank has extensive industry and structuring knowledge in this specialist area and can provide optimum support through its regional presence in the growth markets that are key to German exporters. The combined market success of manufacturers, project sponsors and the bank serves to secure employment and economic strength while

also serving efforts in global climate protection.

Stable demand for export and project finance

Overall, the development of the global economy was disappointing in 2014. Momentum in major countries and economic areas was considerably lower than anticipated at the beginning of the year. Among the industrialised countries, this was particularly the case for the euro area and Japan. Other industrialised countries performed surprisingly well (particularly the USA). As a group, the developing and emerging market countries continued to grow faster than the industrialised countries. Nevertheless, growth in many emerging market countries has fallen to a very low level, and some face real crises. This is the result of a variety of structural weaknesses that require fundamental reform and will take time to overcome. The oil price, which fell considerably in 2014, is having a generally positive impact on industrialised and emerging market countries that are net oil importers. However, it poses an obstacle to efforts to increase the use of renewable energies and achieve greater energy efficiency. At the same time, a low oil price makes it less profitable to tap new, more expensive oil fields and extract shale oil. Market competition for large-volume export and project financing remained keen in the year under review. International European, North American and Asian banks are seeking market opportunities and have high liquidity. In addition, institutional investors are making further advances in the credit market with high investment pressure given the current low interest-rate environment.

Overall, global demand for capital goods from German and European manufacturers remained stable in 2014, despite all

developments. This was accompanied by continued high lending availability and alternative financing opportunities.

Excellent development in new business

The solidity and strengths of KfW IPEX-Bank's business model are reflected in the 2014 results. In its responsibility for the KfW business sector Export and project finance, the bank reached a commitment volume of EUR 15.4 billion in the original credit business (2013: EUR 13.7 billion). This was accompanied by new commitments of around EUR 1.3 billion to refinance banks under the CIRP ship financing scheme, as mandated by the Federal Government. The volume of new commitments was considerably higher than anticipated. Given moderate global investment propensity, keen competition and high market liquidity, this excellent result is due to a variety of factors. For example, several individual large-volume transactions were concluded in Basic Industries and, especially, in Maritime Industries although these should be considered as exceptions. Moreover, the bank stepped up its syndicated financing in 2014 with the syndication process of these loans continuing beyond the end of the year.

The bank systematically and successfully utilised market opportunities that arose in all sector departments during the reporting year. The bank therefore certainly fulfilled its mandate of supporting the German and European export economy through tailored financing of international business activities in this area.

Despite the challenging and economically competitive environment, global demand for capital goods from German and other European manufacturers remained stable in 2014.

Proven business model: new commitment volume in the original lending business rose to EUR 15.4 billion in 2014.

All KfW IPEX-Bank sector departments made a positive contribution to the 2014 business results, thereby supporting German and European companies in their international business activities.

New commitments by sector department

KfW IPEX-Bank supports German and European companies in their international business activities. As a reliable partner, it helps the export industry to maintain and expand its competitive position on global sales markets in the long term, with individual financings tailored to each transaction. Its offering caters to medium-sized enterprises and large corporations in key industries important to the German and European economy. These include, along with the environmental and energy sectors, basic industries, pharmaceuticals, automotive and plant engineering, retail, as well as the speciality chemicals, health and telecommunications sectors.

Within transport and infrastructure, the bank focuses on its sector departments Maritime Industries, Aviation and Rail, and Transport and Social Infrastructure. KfW IPEX-Bank is one of the world's leading institutions particularly in financing ships, rail vehicles, aircraft and energy projects, as well as for the basic industries.

Thanks to a high degree of structuring expertise and its staff's proven industry

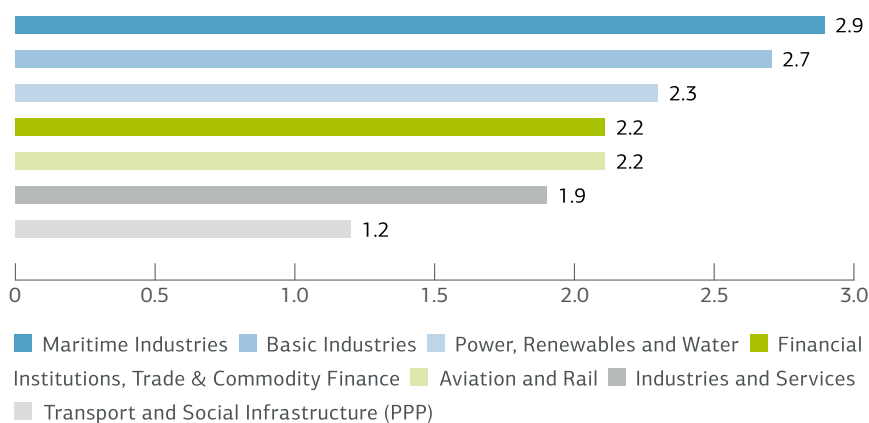
and sector knowledge, the bank can join the world's largest and most prestigious financings, mostly via participation in international banking syndicates. This type of financing structured in partnership with other banks and, increasingly, with institutional investors as well enables KfW IPEX-Bank to assume a variety of different banking roles, and thus ultimately make an important contribution to its customers' business success.

All sector departments of KfW IPEX-Bank made a positive contribution to the overall result in 2014. The largest new lending volume of EUR 2.9 billion was attributable to the Maritime Industries sector department.

Commitments in this area largely consisted of financings for investments in the offshore industry, construction of passenger ferries and, above all, of ocean and river cruise ships – which have a positive effect on the capacity utilisation of German and other European shipyards. Basic Industries also proved to be a further important growth driver. The new commitment volume of EUR 2.7 billion it generated was also based on large indi-

New commitments by sector department (EUR in billions)¹⁾

Total: EUR 15.4 billion²⁾



¹⁾ Excluding bank refinancing from the shipping CIRR

²⁾ Differences in the totals are due to rounding.

vidual investments, such as the construction of a complete steel plant in the USA with significant supplies from Germany, as well as high international export demand in petrochemicals. At EUR 2.3 billion, Power, Renewables and Water also contributed to the overall excellent business development.

At home on the global markets

Goods and services from Germany and other European countries stand for quality and reliability the world over. In order for export companies to be able to convert this competitive advantage into real business, KfW IPEX-Bank supports them with financings individually tailored to each transaction.

It supports its customers equally in industrialised countries, as well as in growth markets in developing and emerging market countries that are important to both their exports and direct investment. The bank also supports internationally oriented companies through financings in Germany, for example investment and environmental protection financing.

Its many years of experience in structuring complex export and investment projects and its extensive knowledge of regional market conditions make KfW IPEX-Bank both a reliable partner to its customers and an attractive syndicate partner to other banks and institutions that collaborate in the form of clubs for purposes of financing large investments. In order to fulfill its statutory mission in full, KfW IPEX-Bank makes a point of also operating in countries where access to finance is often difficult. To support its international business, the bank has representative offices in Abu Dhabi, Bangkok, Istanbul, Johannesburg, Mexico, Moscow, Mumbai, New York, São Paulo and Singapore, and a branch office in London.

A new representative office was opened in Mexico in 2014, due to the growing importance of the Mexican market. In view of the increasing import and investment activities in other emerging markets, too, KfW IPEX-Bank plans to moderately expand its foreign representation.

KfW IPEX-Bank provides bespoke financing to support its customers in industrialised and emerging market countries.

Structuring expertise and regional market knowledge enable commitment even in countries where access to financing is often difficult.

KfW IPEX-Bank established a new representative office in Mexico in 2014.

KfW IPEX-Bank abroad



■ Branch office ■ Representative office

In 2014, 21 % of new loan commitments were in Germany (EUR 3.2 billion), 38 % in the rest of Europe (EUR 5.9 billion) and 41 % in countries outside Europe (EUR 6.3 billion). The proportion of new business in emerging markets of around 30 % continues to underline their major relevance for the export sector. Even though the rate of growth in these regions has slowed during the reporting year due to the current geopolitical crises, they continue to demonstrate their significance as growth drivers for the global economy. They offer German and European companies scope for new business, which KfW IPEX-Bank supports as a reliable partner with a long-term approach.

Responsible action as a guiding principle

Taking responsibility is a matter of course for KfW IPEX-Bank. As a specialist bank, KfW IPEX-Bank aims to provide particular support in its lending business to those projects and exports that will have a positive impact on the climate and environment. Given the international nature of its activities, they have global environmental, social and economic relevance. For this reason, the bank joined the Equator Principles Financial Institutions ("EPFI") seven years ago. This global association now comprises almost 80 so-called equator banks which adhere to a comprehensive voluntary framework in order to meet environmental and social standards when financing projects. This framework is based on compliance with the World Bank Group's Environmental, Health, and Safety Guidelines ("EHS") and International Finance Corporation ("IFC") Performance Standards. The equator banks continuously enhance these high standards through joint dialogue.

For example, the scope of application originally intended only for project financing has now been extended to include project-related corporate loans and bridge loans for follow-on project financing. Climate management requirements for projects have also become considerably more stringent over the years, as have requirements on social due diligence.

The bank's own rules on sustainable financing include this and more: in addition to the Equator Principles and the OECD rules under the ECA Common Approaches – which address environmental and social aspects of projects in the countries concerned – KfW IPEX-Bank has expanded the sustainability assessments by voluntary commitment to include all of the bank's remaining financing products.

For KfW IPEX-Bank, one aspect of acting responsibly is rendering its own office operations CO₂-neutral. For example, the West Arcade building, KfW IPEX-Bank's head office in Frankfurt am Main, is one of the most energy-efficient office buildings in the world. The 13-storey building's primary energy consumption of 98 kWh/m² per year is well below comparable standard levels. Moreover, together with its parent company KfW, KfW IPEX-Bank also uses 100 % green electricity generated by hydropower. Since 2006, KfW IPEX-Bank has rendered remaining emissions, such as those resulting from necessary business trips, carbon-neutral through the purchase and retirement of emission certificates.

The basics of environmental and social assessment

In putting its own environmental and social directive into operation, KfW IPEX-Bank allocates every project it finances into one of three categories, "A", "B" or "C". Category A is for projects that could have considerable, wide-ranging and to some extent irreversible environmental and social impacts. This would include projects relating to raw materials or dams, with an actual, physical impact on nature. Category B is for projects which have a more moderate impact on the environment and society and are usually technically manageable; this applies to many industrial projects. KfW IPEX-Bank allocates projects with negligible or no negative environmental and social impact to category C.

Opinions of in-house experts on environmental and social impacts are included in the assessment of project risks. KfW IPEX-Bank only provides financing to the transactions it assesses in depth if the internationally accepted environmental and social standards, or, in the case of pro-

Environmental and social responsibility:
KfW IPEX-Bank supports in particular projects and exports with positive effects on the environment.

ject financing, project-related corporate loans and bridge loans, the Equator Principles, have been adhered to. Projects to be implemented in an EU or OECD country are excluded from in-depth assessment, as it is assumed that these countries have established environmental and social approval and monitoring practices – comparable to Germany's strict policy.

Climate and environmental protection projects in core business

KfW IPEX-Bank provided financing totalling EUR 2.1 billion to projects and measures with a clear and measurable positive impact on climate and the environment in 2014. This corresponds to around 13% of total commitment volume and also represents the bank's important contribution to achieving KfW's ambitious climate and environmental protection targets. The focus of 2014 financing was primarily on regenerative energy projects, but also included highly efficient conventional energy projects. The bank also engaged extensively in financing investments in environmentally-friendly transport such as rail vehicles and investment in energy-efficient and environmentally-friendly production plants in the Industries and Services sector department.

As one of the world's largest ship financiers, KfW IPEX-Bank places also particular emphasis on the energy-efficiency of the ships it finances, in line with the eco-shipping theme. The assessment, jointly developed with Germanischer Lloyd, enables the bank to take the energy efficiency of a vessel into account as an additional criterion when making its financing decision, and to favour energy-efficient ships over traditionally built ones. The assessment method uses the Energy Efficiency Design Index ("EEDI"), which is based on the requirements of the International Maritime Organization (a special agency of the United Nations), and is an indicator of a vessel's energy efficiency and CO₂ emissions. This benefits the environment and also makes good business sense, because the environmental aspects increasingly also affect the likelihood of chartering, and thus also the risk of default.

All of this underscores that, as a bank, KfW IPEX-Bank takes responsibility and is

committed to improving ecological living conditions – both in Germany and in the destination countries of exports around the globe.

Economic and financial results for 2014

Business sector Export and project finance, under KfW IPEX-Bank's responsibility, contributed EUR 541 million to KfW's consolidated comprehensive income in 2014, which was well above average in comparison to previous years. This confirms the business sector's role as an important source of revenue for KfW Group. Despite a difficult economic and market environment, the E&P sector continued to actively contribute to securing KfW's long-term promotional capacity.

The operating result of business sector Export and project finance, which is managed by KfW IPEX-Bank, was similar to the previous year at EUR 619 million. It largely comprised net interest and commission income, after deduction of administrative expenses. Due to the positive risk development, lower risk provisions were necessary for the reporting year, thus increasing profit from operating activities to EUR 602 million. A very positive business result was also reported for the legally independent KfW IPEX-Bank GmbH whose accounts are balanced separately. KfW IPEX-Bank GmbH conducts all market transactions of Export and project finance.

The volume of lending for the Export and project finance business sector amounted to EUR 64.3 billion as of 31 December 2014 (previous year: EUR 59.9 billion).

Outlook for 2015: KfW IPEX-Bank to reinforce market position

The global economy only gives cause for cautious economic optimism for 2015. Although performance has differed greatly between the individual countries and regions, the gradual upward trend within the industrialised countries as an overall group is likely to continue. Growth in emerging market countries can be expected at the same approximate rate as the previous year; however it will remain behind the momentum seen in earlier years. Euro-area economic performance remains very subdued, and it will be diffi-

The contribution of EUR 541 million to KfW's consolidated comprehensive income underscores KfW IPEX-Bank's role as one of the main sources of revenue for KfW Group.

The bank aims to reinforce its position as a specialist financier, a dependable partner to its customers, and a reliable syndicate partner to other banks and institutions over the next financial year.

KfW IPEX-Bank will continue to focus in 2015 on important industries that are key to the local economy, providing support to them through tailored medium and long-term financing of exports and foreign investments as these industries internationalise.

cult for Germany to retain its role as growth driver. The US economy remains robust. Growth in emerging markets continues at the level of previous years, although the low price of oil could boost the economic performance of certain countries in 2015. In this respect, the demand for exports from Germany and Europe and consequently also for appropriate financing is likely to remain stable.

The banking market is characterised by ongoing keen competition and high liquidity. The latter effect is enhanced by the entry of institutional investors seeking alternative investment opportunities with stable cash flows and driven by permanent investment pressure given the current low-rate environment. KfW IPEX-Bank will confront the market conditions impacted by a variety of factors and develop solutions to support the export and investment plans of German and European industry in constructive collaboration with its partners in the financing market.

KfW IPEX-Bank aims to further strengthen its position in 2015 as a leading specialist financier of, and reliable partner to, important key industries of the German and European economy. Overall, the develop-

ment in the sales markets in industrialised and emerging market countries continues to offer export opportunities for German and European companies. KfW IPEX-Bank will therefore continue to focus in 2015 on providing support to German and European enterprises through tailored medium and long-term financing of exports and foreign investments as they increase their internationalisation efforts. The business sector Export and project finance continues to plan moderate organic growth for financial year 2015. The new commitment volume target for 2015 is EUR 14.2 billion (2014 target: EUR 13.2 billion).

»» We promote development

Our goal is to improve the living conditions of people in developing and emerging market countries and to promote a climate-friendly economy. The business area KfW Development Bank and KfW subsidiary DEG are therefore promoting climate and environmental protection, expansion of public infrastructure, and private economic initiatives as drivers of sustainable economic and social progress.

»» At a glance:

Promotion of developing and emerging market countries in 2014

KfW and DEG are working on behalf of the Federal Government to help developing and emerging market countries reduce poverty and achieve social and economic progress. Protecting the climate and environment plays a key role here. 2014 was the world's warmest year since records began. The promotional mandate of KfW and DEG includes working with

partners to develop responses to climate change. We therefore support effective projects to protect the climate, adapt to climate change, increase energy efficiency in industry and buildings, expand renewable energies, manage forests, agriculture and waste sustainably, and conserve biodiversity.

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“Green savings accounts” in Vietnam

Poisonous defoliants were used in the Vietnam war to hinder camouflage in the jungle. This not only caused human suffering, but inflicted serious environmental damage too. Given the increasing need for agricultural land as well for wood to use in construction, heating and cooking, additional large areas were deforested in the decades that followed. This caused soil erosion, floods, blocked irrigation channels and as a result, failed harvests. New ways to use forests, secure incomes and, at the same time, protect the forest and climate are being demonstrated in Vietnam by the “green savings account” model financed by KfW on behalf of the Federal Ministry for Economic Cooperation and Development (“BMZ”). Small farmers are granted the right to use state-owned forests as well as receiving seedlings and fertiliser to plant new trees. As forests need several years to grow and the farmers lack the financial resources to survive this period without help, the scheme gives them a savings account from project funds, which contains their wage for the first few years. Interest is earned and paid out over six to nine years in annual instalments. As soon as they are able to earn an income from the land, the farmers draw their income directly from production. This scheme has already recultivated 130,000 hectares of forest, and some 125,000 farming families now have a long-term income.



The desert sun

It once served as the backdrop for the classic film “Lawrence of Arabia” – the Moroccan town of Ouarzazate, “gateway to the desert”. Here, on the edge of the Sahara, the sun shines with an intensity of 2,500 kilowatt hours per square metre per year. The perfect place, then, to build the world’s largest solar farm with a total output of up to 560 megawatts. The pilot project being constructed just outside the town could set a trend in other North African countries, too. In Morocco, four solar power plants will soon be generating electricity for 1.3 million people. This will avoid more than 900,000 tonnes of carbon emissions per year. October 2015 will see the first electricity generated by the solar farm. A molten salt reservoir will also enable it to keep producing even after the sun has set. KfW is promoting the project using funds from the Federal Ministry for Economic Cooperation and Development (“BMZ”), the Federal Ministry for the Environment, Nature Conservation, Building

and Nuclear Safety (“BMUB”) and six other sponsors including the European Commission and World Bank. The total costs are approximately EUR 2.2 billion. KfW is the largest financier with a share of 40%.

Climate adaptation in Mozambique

Mozambique is one of the African countries worst affected by cyclones and flooding. Calculations show that climate change will increase the severity of extreme weather events, particularly along the 2,700 km of coast. The coastal city of Beira, which lies only just above sea level, is particularly threatened. On behalf of the BMZ, KfW provided EUR 13 million of funding for the restoration of the Rio Chiveve tidal river, which, until it was built over in the 1960s, functioned as a natural drainage system. The river’s original course is now being restored and a flood barrier put in place to protect against storm surges. This protects residents and their livelihoods from flooding, which also lowers the risks to health. In addition, a collaboration

initiated by KfW between the RheinMain University of Applied Sciences and the Catholic University in Beira is intended to raise awareness about climate protection among young people. The two universities are working together in environmental management and town and regional planning.

Further development policy institutions are also pulling together with KfW in Beira. A new waste disposal and drainage system is being introduced in cooperation with Deutsche Gesellschaft für Internationale Zusammenarbeit (“GIZ”) and the municipal authorities. In order to preserve the mangrove ecosystem along the Chiveve, more than 2,000 new trees are being planted and educational campaigns organised with a local NGO. With the aid of a World Bank project, the green belt is being enhanced into a local recreational area, improving the city’s quality of life and attractiveness. The project is unique in Africa and will serve as a model.

Pilot project for North Africa: the world’s largest solar farm with a total output of 560 megawatts located near the Moroccan town of Ouarzazate will produce clean energy for 1.3 million people.



The Global Climate Partnership Fund

The Global Climate Partnership Fund (“GCPF”) is an innovative instrument in international climate financing that combines private and public commitment.

Created on the initiative of the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (“BMUB”) and KfW, it provides funding for investments in energy efficiency and renewable energies in developing and emerging market countries. Since 2011, the financing mobilised through the fund has been granted to local financial institutions, which pass it on as loans to small and medium-sized enterprises as well as private households. Local banks are sup-

ported in developing suitable credit products for investments in climate protection and in implementing the programmes. The fund also invests directly in climate protection projects in the target countries, for example in the South African company Hidoplex, which leases energy-efficient equipment.

The fund’s objective is to achieve a reduction in greenhouse gas emissions of at least 20% compared to the original level and promote a climate-friendly economy via individual investment projects. Of the current fund volume of USD 330 million, USD 292 million was awarded to 15 partner institutions in 12 countries, financing some 22,000 loans in climate-friendly

investments. Accumulated CO₂ savings amounted to around 480,000 tonnes in 2014.

The innovative fund concept provides incentives for additional private investments. The GCPF offers various risk classes for public and private sector investors. Public sector funds serve as a risk buffer for the private investments. KfW acts as a trustee for the federal budget funds and also invests its own financial resources.

DEG: Investing sustainably in developing countries

As one of the largest European development financiers for promoting the private sector, DEG works to enable entrepreneurial

initiatives in developing and emerging market countries. After all, businesses are a key driver of development, they generate jobs, income and prospects for people. DEG also advises and funds companies that invest in developing countries and play a responsible role. DEG’s finance offering includes long-term loans, equity investments and mezzanine financing, all of which are particularly in demand in these countries.

Protecting the climate and environment while also finding sustainable ways to meet the demand of the world’s growing population for food, energy and consumer goods is a key challenge of our times. Investing in climate and environmental

protection is a strategic focus for DEG. In 2014, it granted approximately EUR 691 million in climate and environmental protection funding and for projects for adapting to climate change.

These included funding for investments in renewable energies including solar and wind power, such as the construction of the largest wind farm in sub-Saharan Africa currently underway at Lake Turkana in Kenya. DEG provided the operator SPV Lake Turkana Wind Power Ltd. (“LTWP”) with a quasi-equity loan to develop and build the facility. The wind farm is to be gradually expanded until 2017. The plant is expected to supply around 17% of the

country’s electricity needs in the first year of operation alone.

Conscious and efficient use of resources

DEG advises its clients extensively to help them use resources as sparingly as possible. For example, it offers resource efficiency checks. With the help of experienced experts, companies can have their operations analysed for potential savings in energy, water, land and biomass. The offer is aimed especially at businesses in the industrial and agricultural sectors. Thirty-three such checks were conducted in 2014 alone.



The largest wind energy plant in sub-Saharan Africa is to be built on Lake Turkana in north-east Kenya. DEG is involved in the funding.

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Green construction for sustainable urban development

Living space is in short supply and construction activity often out of control in fast growing cities. Promotora de Viviendas Integrales, S.A. de C.V. (“PVI”), an SME in the construction sector in Mexico City, builds houses and apartments to green standards and has received multiple awards. DEG provided PVI with a loan of EUR 17 million in local currency for the construction of 3,000 houses for families on low and medium incomes.

Energy-efficient construction also plays a role in commercial property. In the historical centre of the Armenian capital Yerevan, for instance, a new office complex is taking shape, which, with its combination of historical and modern elements, is set to become the country’s first building certified using Building Research Establishment Environmental Assessment Methodology (“BREEAM”). DEG is contributing to the financing with a loan of USD 9 million.



Yerevan, Armenia

SMEs: A key to development

Small and medium-sized enterprises (“SMEs”) are important drivers of economic growth and job creation. In developing and emerging market countries in particular, SMEs often lack access to the financial services they require to develop their innovative ability and growth potential.

DEG has worked to support SMEs since it was founded. It not only provides direct financing, but also makes targeted investments in developing countries, for example in banks that lend to SME customers. It supplied EUR 905 million for SMEs in 2014 alone.

DEG created the “SME Finance Innovation Award” in the same year. The award is aimed at financial institutions and recognises innovative products, services and

sales channels for SMEs in developing and emerging market countries. The jury gave the first of its awards to the Costa Rican Banco BAC San José in October 2014.

Major expansion in future market commitment

Involvement in future markets is another strategic focus of DEG. As a pioneer investor, DEG enters young markets in Africa and other regions, promoting private economic initiatives there. It shows that entrepreneurial commitment is possible even under difficult conditions. The development of DEG’s new business for investments in Africa and other future markets was particularly encouraging in 2014:

EUR 855 million of long-term financing was provided to companies there – a new record. EUR 416 million of this was des-

tined for Africa. This was also the highest ever level of funding DEG committed to the continent of opportunity in a financial year.

The countries in which DEG provided investment funds in 2014 included Zambia and Tanzania in Africa, Vietnam in Asia and Nicaragua in Latin America.

Clear increase in new business with German companies

There was also a substantial increase in financing for German businesses in 2014. DEG provided EUR 253 million to this important target group. DEG’s financing and promotional programmes reached some 100 German companies in 2014. The total volume stood at almost EUR 267 million.

Investing with vision – boosting development

DEG has been working with the Aga Khan Fund for Economic Development (“AKFED”) for over 25 years. AKFED promotes entrepreneurial initiatives in Africa, the Middle East and in South and Central Asia. Together with other development financiers, DEG AKFED supplied a long-term loan of USD 189 million in late 2014, of which USD 67 million was provided by DEG. AKFED will use the loan to expand its commitment in Africa and Asia.

Added value for businesses and countries

As a development finance institution, DEG has successfully financed and advised private enterprises for more than 50 years. Successful enterprises create skilled jobs and generate income.

Investments co-financed by DEG created or secured around 843,000 jobs in 2014 alone. DEG’s new loans are also enabling production of 4,000 gigawatt-hours of green electricity, supplying 5.5 million people.

DEG’s current portfolio totals around EUR 7.8 billion for 760 projects of companies in 84 countries. In addition, financing from DEG mobilises additional private capital on a large scale. The new commitments in 2014 alone are enabling investments totalling EUR 9.2 billion.

Founded in 1962, DEG has been a subsidiary of KfW since 2001. As a development finance institution for the private sector, it forms a pillar of KfW Group’s business outside Germany.

DEG launched the “Client-focused DEG” initiative in 2014 to further improve its client focus. This aims to develop DEG into an organisation that is even more closely aligned with clients’ needs. The initiative’s action areas include structures and processes, along with management and corporate culture.

Business area

KfW Development Bank – for better future prospects worldwide

KfW promotes development programmes in Africa, Asia, Latin America and South-eastern Europe on behalf of the Federal Government. It supports developing and emerging market countries in improving living conditions and protecting the climate and environment. The business area KfW Development Bank also financed numerous investments in 2014 which were urgently needed in those locations and often had an impact beyond the bounds of the actual project; these include new power supply lines in India to transmit electricity from renewable energy sources, the first solar thermal power plant in Chile and the first fund for sustainable housing construction in Africa.

KfW's role in German Financial Cooperation is that of both an experienced bank and a development policy institution.

The business area KfW Development Bank recorded a significant increase in its financial commitments again last year, providing around EUR 7.4 billion (2013: EUR 5.3 billion) for development programmes around the world. A significant increase was recorded in particular in promotional funds for climate and environmental protection measures in 2014; this share rose from 53 % in the previous

year to a current 64 %. Commitments to the poorest partner countries also remained at a high level – around 40 % of federal budget funds went to projects in sub-Saharan Africa.

Bank and development institution

KfW has supported the Federal Government for more than 50 years now in achieving its goals in development policy and international cooperation. The Federal Government's strategic guidelines and policies thus serve as the basis for KfW Development Bank's scope of activities.

KfW's role in German Financial Cooperation is that of both an experienced bank and a development policy institution. It promotes and supports programmes and projects on behalf of the Federal Government – from the first conceptual idea through implementation to the subsequent assessment of results. To this end, KfW also applies the experience it has gained in its domestic promotional business. The projects are established in such a way that they motivate follow-up activities, providing an incentive for private sector participation and thereby laying the groundwork for broad-based transformation processes.

Commitments by KfW Development Bank from 2010 to 2014, by financing instrument

	2014	2013	2012	2011	2010
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Financing instruments					
Grants	1,490	1,611	1,347	1,336	1,036
Standard loans	83	139	179	145	179
Development loans	2,847	977	1,600	1,713	2,142
of which budget funds	85	66	112	134	215
of which KfW funds	2,762	911	1,487	1,579	1,927
Promotional loans	2,596	2,135	1,603	996	913
Delegated funds	340	406	187	343	183
Total	7,356	5,268	4,916	4,532	4,452

Differences in the totals are due to rounding.

Source of funds for KfW Development Bank commitments from 2010 to 2014

	2014	2013	2012	2011	2010
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Budget funds	1,658	1,816	1,639	1,614	1,430
KfW funds	5,358	3,046	3,091	2,575	2,840
Funds from other donors	340	406	187	343	183
Total	7,356	5,268	4,916	4,532	4,452

Differences in the totals are due to rounding.

Development financing from federal budget and own funds

A portion of the funds used stems from the Federal Government's budget. KfW also relies to a great extent on own funds it has raised on the capital market. This approach is successful; demand for loans from KfW funds rose to around EUR 5.4 billion in 2014 (2013: EUR 3.0 billion). Own funds thus constitute a 73% share of total new commitments of the business area KfW Development Bank (2013: 58%).

The lion's share of own funds are counted as German Official Development Assistance (ODA). In this way, KfW supports the Federal Government in meeting its interna-

tional obligations in combating poverty and protecting the climate and environment.

Responses to climate change

Climate change is advancing. The Intergovernmental Panel on Climate Change (IPCC) even expects acceleration of the global warming forecast thus far. KfW helps to find answers and implement solutions to this problem. Developing intelligent approaches for adaptation to climate change, enabling climate-friendly business practice and protection of forests, coasts and oceans, and consequently preserving biodiversity, are part of KfW's promotional mandate of contributing to climate protection.

KfW supports the Federal Government in meeting its international obligations in combating poverty and protecting the climate and environment.

KfW Development Bank commitments by region in 2014

	Budget funds		Total commitments	
	EUR in millions	%	EUR in millions	%
Sub-Saharan Africa	640	39	1,233	17
Asia and Oceania	377	23	2,217	30
Europe and Caucasus	86	5	823	11
Latin America	142	9	1,201	16
North Africa/Middle East	332	20	1,345	18
Supraregional	81	5	537	7
Total	1,658	100	7,356	100

Differences in the totals are due to rounding.

KfW finances measures to protect against natural disasters in developing countries, thereby facilitating adaptation to climate change.

Emerging market countries with high rates of economic growth, such as India, also receive support in meeting major ecological challenges.

Some examples:

- As the consequences of climate change are already particularly tangible in developing countries, KfW is increasingly financing measures to protect against floods and natural disasters, in order to increase climate resilience, or the ability of partner countries to adapt to climate change. For instance, KfW created the “Climate Insurance Fund”, which supports local insurance and reinsurance companies in developing concepts to compensate for climate-related damage to affected regions and agricultural operations. The bank stocked the fund with EUR 50 million.
- Emerging market countries with high rates of economic growth, such as India, also face major ecological challenges. These countries need international support to sustainably meet the energy requirements that increase along with economic performance. One important project in India is the “Green Energy Corridors”, which feed electricity from renewable energy sources into the national power grid, thus helping to render that subcontinent’s traditional coal-fired energy supply more climate-friendly and to increase the share of renewable energies to 15% by 2020. KfW is lending India a total of EUR 1.0 billion on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) for the construction of these transmission networks.

- The Geothermal Development Facility (GDF), which will be utilised to finance the preparation and construction of geothermal energy power plants in ten Latin American countries, was presented at the UN Climate Change Conference in Lima at the end of 2014. KfW has promoted this climate initiative with more than EUR 760 million on behalf of the BMZ. Additional international donors are the European Union (EU), the European Investment Bank (EIB), the World Bank and the Inter-American Development Bank (IDB).

New multilateral partnerships

2015 is an important year for climate protection, with conclusion of a new global climate change agreement expected. One major focal point in the agreement will be provision of funds for climate protection and adaptation. Last year, a group of industrialised and developing countries committed payments totalling over EUR 10 billion to the new **UN Green Climate Fund** (GCF), EUR 750 million of which is to come from the German Federal Government alone. As an accredited GCF implementing entity, KfW aims to combine some loans with fund resources in the future in order to be able to offer partner countries favourable financing.



Initiatives for climate protection

KfW implements a variety of climate protection initiatives on behalf of the Federal Government, including the Initiative for Climate and Environmental Protection (IKLU) for the BMZ, the International Climate Initiative (IKI) for the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) and the German Climate Technology Initiative (DKTI) on behalf of both aforementioned ministries. An agreement on a development loan of EUR 100 million was signed with Chile in 2014 as part of the DKTI. These BMUB funds are to finance construction of Chile’s first solar thermal power plant.

In Mexico, USD 128 million was employed on behalf of the German Federal Government to finance around 38,000 particularly energy-efficient and 600 passive houses for low-income households. The project is part of the “EcoCasa” energy-efficiency programme, sponsored by the BMUB and the UK’s Department of Energy and Climate Change (DECC). This cooperation served to finance Nationally Appropriate Mitigation Actions (NAMAs), which enable developing countries to implement climate protection programmes with financial assistance from industrialised countries. KfW and local partners in countries including Burkina Faso, Chile, Colombia, Peru and Tajikistan have planned additional NAMA programmes.

KfW Development Bank disbursements from 2010 to 2014

	2014	2013	2012	2011	2010
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Financing instruments					
Standard loans/grants	1,445	1,291	1,378	1,391	1,306
Development loans	1,096	885	765	1,109	1,192
Promotional loans	1,949	1,080	615	554	661
Delegated funds	103	91	110	199	134
Total	4,593	3,348	2,869	3,253	3,292

Differences in the totals are due to rounding.

KfW also supports the United Nations' efforts to combat hunger and malnutrition. On behalf of the BMZ, KfW awarded a loan of EUR 400 million in 2014 for the first time to the UN organisation **International Fund for Agricultural Development** (IFAD), which deploys funds in rural regions of advanced developing countries in which poverty is still widespread.

LDCs and fragile countries remain important partners

The **least developed countries** (LDCs) with average gross national income per capita of less than USD 992, according to the UN, are important partners to KfW, along with emerging market countries. These countries receive financial support from the Federal Government via KfW, above all in the form of grants and highly concessionary loans. A significant portion of budget funds – EUR 640 million or 39% – was put to use in sub-Saharan Africa in 2014.

Support was provided to countries confronted with **crises, conflicts and political instability** in 2014 as well.

– The BMZ had already decided in mid-August – even before the long-term ceasefire agreement – to make EUR 9 million available to the local water supply company in Gaza as quickly as possible. These funds are to be employed so that damaged water supply and sanitation systems can be repaired. An additional EUR 7 million from existing Financial Cooperation programmes was reallocated for urgent measures in Gaza. Moreover, the BMZ has made EUR 20 million available through KfW to the United Nations Re-

lief and Works Agency for Palestine Refugees (“UNRWA”) for repair and reconstruction of damaged homes in Gaza. All emergency measures were commenced in the second half of 2014.

– KfW committed a promotional loan of USD 100 million on behalf of the BMZ to support implementation of the peace talks agenda in Colombia. Disbursement of the funds is tied to fulfilment of the agreed reform measures.

– In the fight against Ebola, KfW is financing the development of rapid tests that enable reliable disease diagnosis under the conditions prevailing in Western Africa. The funds stem from the Federal Ministry of Education and Research (*Bundesministerium für Bildung und Forschung – BMBF*).

On behalf of the BMZ, KfW also supports **countries plagued by natural disasters**. In the aftermath of Typhoon Haiyan in the Philippines, for example, KfW issued a grant of EUR 13 million to reconstruct municipal infrastructure destroyed by the storm.

Tailor-made financing

KfW adapts its financing instruments to varied and complex conditions, offering its partners tailor-made solutions. Only in this manner can projects and programmes develop the maximum impact.

The type of promotion employed depends on the country's amount of debt, economic strength, development status, project partner efficiency and also the type of project. The financing models comprise pure grants, loan and grant combinations,

KfW partners also include the least developed countries, with a three-year average gross national income per capita of less than USD 992.

Partner countries benefit from KfW's favourable refinancing opportunities based on its AAA credit rating as well as partial risk assumption by the Federal Government.

and KfW's own funds in a framework of low-interest loans with long repayment terms, loans on terms close to the going market rate and equity investments.

Grants from federal budget funds are primarily awarded to poor and weakly developed countries. These funds are not repaid. However, development policy criteria must be met, with important prerequisites being self-responsibility and commitment on the part of the partner country. Further developed countries may also receive grants for projects that contribute directly to combating poverty or preserving global public goods such as tropical rain forests.

However, more economically advanced countries usually receive loans – particularly development and promotional loans – that are closer to capital market terms. The partner countries in these cases benefit from KfW's favourable refinancing opportunities (due to its AAA rating) and from partial risk assumption by the Federal Government.

Debt conversion, cancellation and restructuring

For partner countries with particularly high external debt, debt conversion was again used as a development policy instrument in 2014. In such case, a partner country promises Germany it will use funds for development projects in its own country. In return, the German Federal Government waives debt of at least that amount. KfW participates in the debt

conversion on the German side. It examines and assesses the proposed projects and then concludes an agreement with the partner country.

KfW signed new debt conversion agreements in the past year with Côte d'Ivoire and Peru, thereby securing the prospect of debt cancellation totalling EUR 24 million. Germany also cancelled debts of Egypt, Indonesia, Montenegro and Peru totalling EUR 72 million on the basis of previously concluded agreements.

KfW also participated in international debt agreements in 2014 negotiated within the donor community through the Paris Club. A debt restructuring and cancellation agreement of just under EUR 508 million was signed with Myanmar in February. A declaration on old debt was concluded with Argentina in May to form the basis of a bilateral agreement involving claims totalling around EUR 71 million, which is now being negotiated.

On behalf of the Federal Government

The German Federal Government invested around EUR 1.7 billion in development projects worldwide via KfW in 2014. The BMZ is the primary ministry on whose behalf these projects are promoted. KfW also operates on behalf of other federal ministries, such as the Federal Foreign Office (AA), the Federal Ministry for Economic Affairs and Energy (BMWi), BMUB and the BMBF.

The German Federal Government invested around EUR 1.7 billion in development projects worldwide via KfW in 2014. The BMZ is the primary ministry on whose behalf these projects are promoted. KfW also operates on behalf of other federal ministries.



The most important FC financing instruments

Grant/standard loan: financing provided exclusively from German Federal Government budget funds. Standard loans – highly subsidised loans from federal budget funds – have to be repaid by the borrower; grants do not.

Development loan: combination of federal budget funds and funds that KfW raises on the capital market. Combining funds enables the loan terms and conditions to be adjusted to the economic strength of the borrower country and features of the project.

Promotional loan: loans to partners in developing countries as mandated by the Federal Government, which KfW fully refinances on the capital market. The loans are used for projects that have a development impact, but for which financing via the commercial banking sector alone is not offered (for example, due to the longer financing period necessary).

... and Europe

After the ministries of the German Federal Government, the EU is the most important public partner and client of KfW Development Bank. The focus remains on cooperation in connection with EU blending, which is a combination of EU grants and loans from development banks aimed at enabling larger investment projects and more efficient use of public EU development funds. Blending enables provision of long-term low-interest financing for important infrastructure projects in developing and emerging market countries, above all in renewable energies, water supply/sanitation, and financial sector development.

The EU laid the foundation for further development of its blending facilities in 2014. KfW supported this process in close collaboration with the Federal Government and other European partners. This also includes developing innovative incentives for mobilising additional capital for development funding. The successful collaboration with other European development banks and donors, for example, within the framework of the Mutual Reliance Initia-

tive of KfW, the EIB and the French Agence Française de Développement (AFD), was continued in 2014.

Reliable development partnership

Responsibility for the programmes financed by KfW always lies with an institution in a partner country – these are usually ministries, authorities or other governmental agencies. We also work with NGOs and private banks. The joint projects proposed by partner countries in negotiations with the Federal Government must meet the development policy criteria of the Federal Government and of the partner country. KfW evaluates projects on behalf of the Federal Government to determine whether they have developmental benefits. If all criteria are met, KfW experts offer project partners their know-how and years of development experience for the duration of the project. They ensure that both tenders and awards comply with internationally recognised regulations. If difficulties arise during the course of the project, despite careful planning and preparation, KfW seeks solutions together with its partners. Continuous dialogue is important,

Responsibility for the projects and programmes financed by KfW always lies with an institution in a partner country – these are usually ministries, authorities or other governmental agencies.

KfW Development Bank commitments from 2013 to 2014, by OECD/DAC development sector¹⁾

	2014		2013	
	EUR in millions	%	EUR in millions	%
Social Infrastructure & Services	1,589	22	1,609	31
Education	325	4	257	5
Health	267	4	297	6
Population Policy/Programmes & Reproductive Health	58	1	110	2
Water Supply & Sanitation/Waste Disposal	588	8	726	14
Government & Civil Society	324	4	176	3
Other Social Infrastructure & Services	27	0	43	1
Economic Infrastructure & Services	4,358	59	2,906	55
Transport & Storage	107	1	202	4
Energy Generation/Distribution	2,837	39	1,461	28
Finance	1,408	19	1,243	24
Business & Other Services	5	0	0	0
Production Sectors	396	5	161	3
Agriculture, Forestry, Fishing	380	5	160	3
Industry, Construction, Mineral Resources & Mining	16	0	1	0
Humanitarian Aid	142	2	68	1
Other	872	12	524	10
Total	7,356	100	5,268	100

Differences in the totals are due to rounding.

¹⁾ Consistent with CRS (Creditor Reporting System) sector names of the OECD's (Organisation for Economic Cooperation and Development) DAC (Development Assistance Committee)

particularly in difficult times. It enables knowledge transfer and also supports the project partner in establishing additional capacities and skills.

Representative offices in almost 70 countries

KfW Development Bank has offices in almost 70 countries, in addition to the Frankfurt, Berlin and Brussels locations. Maintaining a continuous local presence enables better cooperation with partners as well as with other donors. It also allows the progress made by the projects promoted to be continually supervised and evaluated.

A new KfW office was opened in Yangon last year. This enables resumption of Financial Cooperation with Myanmar, which was discontinued in 1988 due to political developments. The focal areas of the new cooperation are rural development and sustainable economic development.

2014 was also an anniversary year: KfW's first offices in Cairo and New Delhi celebrated their 20th anniversary. The New Delhi office, which opened 20 years ago with a staff of three, now has 15 employees. The number of KfW-seconded staff and local professionals is increasing along with the rising demand for international cooperation.

Focal areas of promotion

- KfW Development Bank is one of the largest finance providers in the area of international climate and environmental protection. Around 64% (around EUR 4.7 billion) of all new commitments by KfW Development Bank were made for climate and environmental financings in 2014. Based on calculations by KfW, these funds will save around 10.5 million tonnes of greenhouse gas emissions annually in the next few years, which is approximately equal to the annual carbon emissions of Luxembourg.
- KfW used a large portion of promotional funds (around EUR 4.4 billion) to finance **economic infrastructure** last year, particularly in **renewable energies**. The energy projects to which a total funding volume of EUR 2.8 billion was committed in the past year alone helped at least 2.1 million more people to have

first-time access to modern energy supply. This is an important step towards helping the Federal Government achieve its target of ensuring that a total of 100 million more people have access to modern energy by 2030. Promoting the **financial sector**, which has traditionally been a high priority for KfW, is a further focal point. A commitment volume of EUR 1.4 billion went to microfinance institutions in 2014, primarily to small companies

- Around EUR 1.6 billion was employed for **social infrastructure** in 2014. On behalf of the Federal Government, KfW is helping partner countries to build schools and healthcare facilities, for example. A total of 4.4 million people, mainly children and young people, are benefiting from the EUR 325 million committed to **education projects** last year. The newly committed healthcare projects directed, for instance, at the fight against infectious disease, will reach almost 41 million people. The **water, sanitation and waste disposal sector** are also given high priority. KfW committed a volume of EUR 588 million to new projects in this area alone last year in order to improve the living conditions of 31 million people worldwide.
- The commitments for **agriculture and irrigation** represent a contribution to improving the living and working conditions of around 5.5 million people.
- In the **peace and security area**, commitments were made in 2014 totalling more than EUR 500 million, which will reach around 15 million people in 22 countries. The projects largely serve to aid refugees as well as the reconstruction of basic infrastructure.
- Overall, the commitments made in 2014 represent a contribution to the creation and safeguarding of nearly 1.8 million permanent jobs.

Results assessment

KfW's independent evaluation department is responsible for ensuring that KfW projects are not forgotten once concluded.

Headed by Eva Terberger, Professor at the University of Mannheim, the department determines a number of years after completion of the project phase whether the agreed goals were met for the long term,

2014 was an anniversary year:

KfW's first offices abroad were opened in Cairo and New Delhi 20 years ago.

KfW Development Bank is one of the largest finance providers in international climate and environmental protection, with 64% of all new commitments in 2014 made for this area.

and assesses the result. KfW publishes all results in order to learn from them itself, and to share the experience with other development policy institutions. The success rate is high: around 80% of projects financed by KfW are rated as successful.

**KfW Development Bank commitments by country in 2014,
ranked by budget funds**

Rank	Country	Budget funds (BMZ, AA, BMUB)	KfW funds	Funds from other departments/donors
		EUR in millions	EUR in millions	EUR in millions
1	Afghanistan	133.70	0.00	13.56
2	Egypt	78.80	133.12	36.18
3	Democratic Republic of Congo	59.65	0.00	0.00
4	Uganda	55.00	0.00	0.50
5	Vietnam	52.38	187.00	0.00
6	Mozambique	49.36	0.00	0.00
7	Yemen	46.50	0.00	0.00
8	Senegal	43.00	0.00	0.00
9	Ethiopia	41.00	0.00	0.00
10	Mali	39.00	0.00	59.49
11	Palestinian territories	39.00	0.00	6.97
12	Ecuador	38.50	0.00	33.95
13	Benin	36.40	0.00	0.00
14	Indonesia	31.71	157.47	0.02
15	Bangladesh	25.51	45.00	0.00
16	Kenya	23.30	105.00	4.76
17	Tajikistan	23.00	0.00	0.00
18	Pakistan	21.57	0.00	0.00
19	South Sudan	20.65	0.00	0.00
20	South Africa	20.00	67.11	0.00
21	Bolivia	20.00	0.00	0.00
22	Guatemala	19.00	0.00	0.00
23	Laos	18.50	0.00	0.00
24	Jordan	18.04	50.00	0.00
25	Malawi	16.50	0.00	0.00
26	Burkina Faso	16.00	0.00	0.00
27	Cameroon	16.00	0.00	0.00
28	Nigeria	15.00	163.15	0.00
29	Madagascar	15.00	0.00	0.00
30	Armenia	13.95	140.00	15.00
31	Rwanda	13.70	0.00	0.00
32	Philippines	13.00	0.00	0.00
33	India	12.95	972.71	0.00
34	Myanmar	11.00	0.00	0.00

Differences in the totals are due to rounding.

KfW Development Bank commitments by country in 2014,
ranked by budget funds

Rank	Country	Budget funds (BMZ, AA, BMUB)	KfW funds	Funds from other departments/donors
		EUR in millions	EUR in millions	EUR in millions
35	Zambia	10.50	0.00	0.50
36	Cambodia	9.00	7.29	0.00
37	Central African Republic (CAR)	8.50	0.00	0.00
38	Tanzania	8.48	0.00	0.00
39	Brazil	7.87	247.82	0.00
40	Togo	7.50	0.00	0.00
41	Kyrgyzstan	7.00	0.00	0.00
42	Lebanon	7.00	0.00	0.00
43	Bosnia and Herzegovina	6.50	141.00	16.99
44	Guinea	6.34	0.00	0.00
45	Mexico	6.00	149.03	4.24
46	Kosovo	6.00	0.00	9.44
47	Nepal	5.71	0.00	0.00
48	Georgia	5.00	0.00	8.00
49	Mauritania	5.00	0.00	0.00
50	Niger	5.00	0.00	0.00
51	Peru	4.69	46.58	3.00
52	Azerbaijan	4.50	16.07	0.00
53	China	4.15	456.55	0.00
54	Tunisia	4.00	95.00	0.00
55	Ukraine	3.83	0.00	0.00
56	Albania	3.00	0.00	1.25
57	Montenegro	2.09	20.00	0.46
58	Moldova	2.00	0.00	0.00
59	Serbia	1.00	65.00	1.50
60	Ghana	0.75	0.00	0.00
61	Morocco	0.50	654.00	0.00
62	Russian Federation	0.21	0.00	0.00
63	Namibia	0.10	0.00	0.00
64	Turkey	0.00	300.00	0.00
65	Colombia	0.00	159.86	0.00
66	Chile	0.00	120.50	15.00
67	Uruguay	0.00	60.00	0.00
68	El Salvador	0.00	23.56	0.00
69	Syria	0.00	0.00	38.50
	Supra-national	419.39	775.37	70.39
	Total	1,658.27	5,358.19	339.69

Differences in the totals are due to rounding.

DEG: Financing opportunities – shaping development

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH funds entrepreneurial initiatives in developing and emerging market countries to create sustainable growth and better living conditions for their people. To this end, it provides private companies long-term financings and advises them on planning and implementing their investment projects.

Employment and income are essential prerequisites for overcoming poverty and providing people with prospects for the future. Entrepreneurial initiative is the most important driver in achieving this aim, as most jobs are created in the private sector. For this reason, DEG finances economically and developmentally sustainable investment projects by private companies through loans and guarantees as well as equity investments and quasi-equity loans. It directs its offering particularly at small and medium-sized enterprises (SMEs).

As a promotional institution with a development policy mandate, DEG operates on the principle of subsidiarity. It provides funding to companies where it is not offered by the market or not to a sufficient degree. As a pioneer investor, DEG consciously enters future markets at an early stage, promoting expansion of the private sector even under difficult circumstances – as a driver of development.

DEG thinks and acts in an entrepreneurial manner. This includes generating risk-appropriate returns to increase equity. These returns constitute a material basis for DEG promotion and its expansion.

Sound knowledge of the economic, social, ecological and political conditions in the investment countries, proximity to customers and permanent local presence are essential to effectively fulfilling the promotional mandate. To ensure this, DEG maintains 13 local offices in Africa, Asia, Latin America and Eastern Europe. It also

shares use of KfW's more than 70 foreign representative offices.

DEG: high demand for services continued in 2014

High demand for DEG long-term investment financing continued in 2014 as well. With an increase of 4.4 %, economic growth in developing and emerging market countries in 2014 was somewhat less than in the previous year, investment capital for companies frequently remained unavailable in these countries. DEG succeeded once again in meeting the demand in this area, also offering larger financing volumes in cooperation with other European and international development financiers.

Thanks to ongoing demand, commitments reached a new high in 2014; EUR 1,473 million was committed for 113 investment projects in 49 countries. Bhutan, Cambodia, Tanzania and Uganda are among the least developed countries (LDCs) to which DEG provided funding.

The portfolio rose to EUR 7,771 million, distributed across 760 commitments in 84 partner countries.

There was also demand for DEG's advice and support to companies in areas such as corporate governance, environmental management and resource efficiency.

Enabling pioneer investments

Africa and other future markets are particularly important for DEG as a pioneer investor. With commitments totalling EUR 855 million, more than 50 % of new business was destined for these regions for the first time in 2014, EUR 416 million of which went to Africa.

DEG also achieved new records in other strategic aims in 2014. For example, EUR 905 million of commitments in 2014 went to SMEs. Equity investments and quasi-equity loans amounted to a commitment volume totalling EUR 666 million.

DEG financing commitments achieved a new record level of EUR 1.5 billion in 2014.

Financing commitments for German businesses were considerably increased in 2014.

DEG places particular importance on climate and environmental protection programmes. A total of EUR 691 million in new commitments in 2014 was earmarked for projects that promote climate and environmental protection as well as adaptation to climate change. New commitments for climate protection investments reached EUR 446 million.

DEG provided EUR 253 million to German companies that invest in developing and emerging market countries – a considerable increase over the previous year and a new record high. This increase underscores the interest of German companies in doing business in developing and emerging market countries. DEG also systematically expanded its activities to target this important customer group. This concerned commitments for investments in the manufacturing industry and agricultural production, as well as in renewable energies, in countries including China, Kenya and Mexico.

Africa received the second-largest number of DEG new commitments for the first time in 2014 – with Asia again receiving the largest.

By continent, the lion's share of commitments – EUR 603 million – went to projects in Asia again in 2014. With commitments totalling EUR 416 million, Africa moved to second place. Of the funds committed to Africa in 2014, EUR 240 million went to Sub-Saharan Africa.

EUR 273 million was provided for commitments in Latin America. A total of EUR 125 million was provided for the Europe/Caucasus region, of which EUR 85 million went to Eastern and South-eastern Europe. EUR 57 million went to supra-regional projects.

Broken down by industry, the financial sector received the largest share of commitments again in 2014, at EUR 490 million. Infrastructure projects received commit-

ments of EUR 460 million. It was primarily investments in renewable energies as well as in the healthcare and transport sector that were financed with the DEG funds committed in 2014.

DEG committed EUR 274 million to investments in the manufacturing industry. The commitment volume for the agricultural and food industry totalled EUR 132 million. Financing commitments in the service sector amounted to EUR 118 million.

Sustainable action as a prerequisite

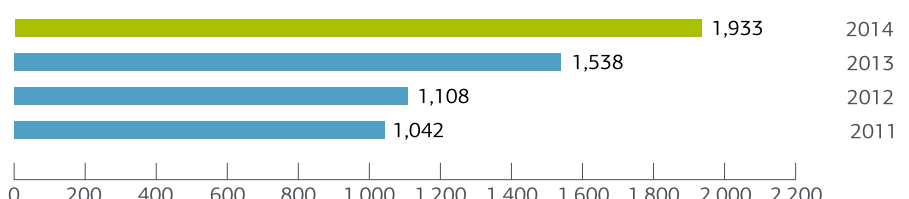
The prime requirement in qualifying for DEG support is that the co-funded investment projects are environmentally and socially sound. Consideration of environmental and social risks is thus an integral aspect of DEG's overall risk assessment. It examines every project to determine whether human rights are respected, fair working conditions are provided and operations are environmentally sound.

For all projects that DEG committed financing to in 2014, the companies were obliged to comply with national requirements as well as international environmental and social standards. These include the performance standards of the International Finance Corporation (IFC) in their revised 2012 form, which also take the UN's Universal Declaration of Human Rights into account, as well as the core labour standards of the International Labour Organization (ILO).

By agreeing environmental and social action plans, DEG once again assumed an important role in projects with potentially higher environmental and social risks in 2014, in order to also promote compliance with international standards in partner countries. DEG closely supported the companies in implementing action plan

DEG Africa portfolio (as of 31 December of each year stated)

EUR in millions



requirements. It monitors the agreed activities and steps for the entire duration of financing.

DEG also conducts its own operations in an environmentally responsible manner. It focuses in particular on the efficient use of resources. The use of energy, water and paper for buildings and by staff remained at a very low level in 2014, despite an increase in number of employees. All carbon emissions resulting from building operations and business trips are neutralised through the purchase and retirement of emission certificates, in line with KfW's climate neutral status.

Cooperation for increased efficiency and customer benefit

DEG works closely together with other bilateral and international private sector financiers to jointly achieve higher efficiency and improved customer benefit. The cooperation with members of the European Development Finance Institutions (EDFI) is a particular priority.

DEG and twelve other EDFI members have been promoting private investments totalling around EUR 1 billion in the African, Caribbean and Pacific Group of States (ACP) along with European Financing Partners (EFP) – the European Investment Bank's (EIB) co-financing instrument – since 2003. Eleven EDFI members, the EIB and Agence Française de Développement (AFD) are partners in the Interact Climate Change Facility (ICCF) to finance private-sector projects with a positive impact on the climate. DEG provided a further EUR 20 million in 2014 to top up the facility. In addition, the EDFIs were extensively involved in the context of the UN and the EU Sustainable Energy for All (SE4All) initiative in 2014.

They received EUR 48 million for an EU-EDFI Private Sector Development Facility (EEDF) to promote renewable energy in Sub-Saharan Africa.

DEG committed to 35 projects with a volume of EUR 1,305 million, which is a considerable increase over the previous year, as part of its close collaboration with the Dutch Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden

N.V. (FMO) and the French Participation pour la Coopération Economique (PROPARCO). DEG's share of total financing in this area amounted to EUR 520 million.

DEG also regularly cooperates with other EDFI partners, multilateral development banks, in particular the IFC and the EBRD as well as regional financing institutions.

Promotional programmes increase development opportunities

DEG offers private enterprises a variety of promotional programmes for measures with developmental benefits. These combine public financings and company funds. A total of around EUR 30 million was available in 2014 for the promotional programmes carried out by DEG. New commitments were made to 159 projects, 74 of which involved German companies. Funds totalling around EUR 20 million were provided through the BMZ programme for public-private partnerships for accompanying measures, "develoPPP.de", feasibility studies, grants to cover transaction costs, and an innovation credit programme.

DEG carries out accompanying measures in order to offer specific customer-focused solutions in financing measures and to further increase developmental impacts. This supports companies in improving their "bankability" in advance of their projects, taking energy efficiency measures in existing projects or creating adequate environmental and social management systems. Commitments were made to 73 accompanying measures in 2014.

Total funds of around EUR 5 million were employed to this end, EUR 2 million of which were BMZ funds, and around EUR 3 million DEG funds.

The "develoPPP.de" programme enables companies to realise developmental measures. Commitments were made to 62 new develoPPP.de projects in 2014.

The DEG "Upscaling" programme financed from DEG reserves promotes SMEs in developing and emerging market countries that want to expand an innovative business

The joint financings carried out by DEG, FMO and PROPARCO were considerably expanded in 2014.

DEG's committed financings in 2014 enable production of 4,000 gigawatt-hours of green electricity per year, supplying around 5.5 million people.

model. Six financings were committed and over EUR 2.0 million was disbursed in 2014.

DEG created a credit guarantee facility in Afghanistan with funds provided by BMZ and the United States Agency for International Development (USAID) to give SMEs access to financing and also contribute to stabilisation of the financial sector. This project transitioned to a self-supporting structure at the end of 2014 upon creation of the Afghan Credit Guarantee Foundation.

The second phase of the programme to secure the income of African cotton farmers, the Competitive African Cotton Initiative Phase II (COMPACI II), has been underway since 2013. DEG and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) were mandated by the Bill & Melinda Gates Foundation and the BMZ to implement it. DEG provided around EUR 4.0 million to the project in 2014. The initiative is expected to benefit around 650,000 small-scale farmers in twelve African countries. The promotional programme Coffee Partnership for Tanzania (CPT), with a project volume of around EUR 23 million and aimed at 85,000 coffee farmers, is also being implemented of behalf of the Bill & Melinda Gates Foundation. DEG provided funds of EUR 1.0 million for the project in 2014. German companies are involved in executing both programmes.

Development quality of investments reaffirmed

DEG regularly evaluates the development quality and effectiveness of its projects. An average rating of 2.1 resulted from the assessment of 2014 new business – a sign of sustained high development quality. Through tax payments in partner countries, the co-financed companies contribute an estimated EUR 663 million to annual public revenues, and continue to generate annual net foreign exchange revenues of an estimated over EUR 4 billion. DEG co-financed investments created or secured around 843,000 jobs in 2014.

Of the projects financed, 72 % contribute directly to the Millennium Development Goals (MDGs), particularly to ensure environmental sustainability, combat poverty and promote gender equality.

DEG's new financings also enable annual production of 4,000 gigawatt-hours of green electricity, supplying 5.5 million people.

In addition, many of the companies co-financed by DEG also observe corporate social responsibility. They pay above-average wages, offer pension and health insurance benefits, and operate health-care facilities, kindergartens and schools.

DEG: economic success

DEG's financing and structuring services remained in high demand in 2014. It succeeded in expanding its promotional business as planned, despite weak economic momentum in its partner countries. It also achieved an excellent operating result in 2014.

Profit for the year after risk provisioning and taxes amounted to EUR 164 million. Taking into account withdrawals of around EUR 5 million from the special-purpose reserve earmarked for accompanying measures, this resulted in net retained earnings of around EUR 169 million.

Well positioned for different markets

At a global growth rate of an estimated 3.0%, stronger global economic performance is expected again in 2015. The economic development in industrialised as well as developing and emerging market countries is also contributing to this recovery. Developing and emerging market countries with an expected 4.8% continue to record higher growth in GDP than developed countries at 2.2%.

DEG assumes important and varied roles in existing and new markets. In emerging market countries, DEG focuses increasingly on equity investments and mezzanine financing as well as on its advisory services. In developing countries with recognisable progress, DEG offers its entire product range, while also assuming the role of pioneer investor in future markets. The demand for long-term financings from companies in these markets willing to invest is likely to continue overall, and actually increase. In order to better utilise development and business opportunities, DEG aims to focus even more strongly on customer needs in future.

Against this backdrop, DEG expects to implement its goals in 2015 as well and be able to further expand its promotional business both qualitatively and quantitatively. Long-term achievement of its development and business policy mandate and future-oriented, risk-adequate portfolio management will remain central management factors for DEG in the future. DEG's strategic image of the future developed in 2012 and confirmed by annual review constitutes DEG's basis for the priority areas of its activities.

»» Capital markets

Liquidity and top credit quality are the success factors of KfW bonds. As one of the world's largest financiers of climate protection, KfW takes a holistic approach to the issue of sustainability. This also includes its business on the capital market. "Green Bonds – made by KfW" make an important contribution to capital-market based promotion and financing of climate and environmental protection measures.

KfW bonds in great demand

KfW is one of the most active and largest bond issuers in the world. It funds its business activities almost exclusively via international money and capital markets. KfW Group bundles its refinancing activities and liquidity, currency, interest rate and asset management for the entire group in the business sector Capital markets. This business sector manages investments in commercial securitisation transactions for capital-market-oriented promotion of SMEs and is also responsible for performing the capital market-related tasks commissioned by the Federal Government. These include executing holding arrangements in the privatisation of Deutsche Telekom and Deutsche Post.

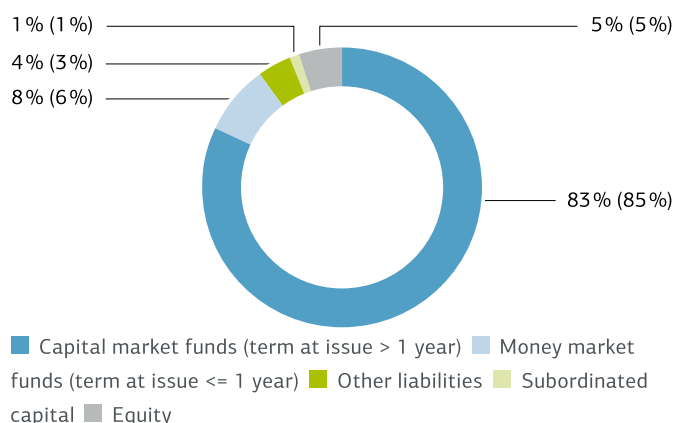
2014 capital market developments

International money and capital market conditions were favourable in financial year 2014. The ECB key rate cuts combined with further monetary policy measures served to stimulate the markets even more. Market volatility was clearly felt particularly in the second half of the year due to geopolitical and economic events such as the Ukraine crisis and the decline of the oil price.

Expansionary monetary policy by central banks and the high liquidity on financial markets led to a further decrease in yield premiums across all asset classes of many issuers in 2014. KfW's safe and highly liquid bonds remained highly appreciated at a very low interest-rate level, and experienced continued heavy demand from international institutional investors, particularly banks and central banks.

Capitalisation of KfW Group

2014 (2013), total: EUR 455.8 (432.1) billion



Differences in the totals are due to rounding.

Excellent capital market presence

KfW enjoys an excellent reputation on the international capital markets due to its diversified and reliable funding strategy. This reputation and the explicit direct guarantee provided by the Federal Republic of Germany, along with a reliable shareholder structure form the foundation for KfW Group's successful issuing activity.

KfW raised a total of EUR 57.4 billion in 13 different currencies and 250 individual transactions in 2014. It recorded considerably stronger demand for foreign currency bonds in the second half of the year, whose share rose to around 76% (first half of year: 47%). At mid-year, KfW's funding volume target range for 2014 of EUR 65 billion to EUR 70 billion was adjusted to a volume range of EUR 55 billion to EUR 60 billion. This was done in particular because of the high unscheduled repayments of promotional loans due to the low-rate environment and KfW's very healthy liquidity level.

Prize-winning capital market presence

KfW was once again commended on several occasions by the international trade press in 2014, providing a visible sign of its successful capital market presence. For example, "Global Capital" magazine presented the KfW team responsible for the issue business the award for "most impressive supranational/agency funding team" for the sixth time in a row. Moreover, KfW's first US-dollar Green Bond was recognised as "SSA SRI Bond of the Year". The US finance magazine "Global Finance" declared KfW the "World's Safest Bank" – likewise for the sixth time in a row. The Australian "KangaNews" distinguished KfW with its "Market Achievement Award for the German Agency Issuers", recognising its successful market launch with its bonds denominated in Australian dollars. The information service "cmdportal" declared KfW "Best Overall Issuer" for its 2014 capital market presence. Moreover, the "International Financial Review" magazine recognised KfW's euro-denominated Green Bond as "SRI Bond of the Year".



First-class credit rating

The Federal Republic of Germany has been explicitly liable for the bonds issued by KfW since 1998 in accordance with article 1 a of the KfW Law. KfW's credit rating is thus primarily based on the creditworthiness of the Federal Republic and reflects its rating awarded by rating agencies.

KfW's credit quality is assessed by the international ratings agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's. As part of their regular assessment of credit ratings, all three agencies also confirmed their best possible assessments for both KfW's short-term and long-term rating again in 2014 with a stable outlook.

At year end 2014, KfW's ratings were as follows:

KfW's ratings

As of 31 Dec. 2014	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Short-term rating	F1 +	P-1	A-1+
Long-term rating	AAA	Aaa	AAA
Outlook	Stable	Stable	Stable

Top rankings for sustainability at KfW

The experiences of recent years show that sustainability aspects play an increasingly large role in investment decisions. KfW bonds offer attractive investment opportunities for socially responsible investors.

KfW's long-term positioning in all areas, whether promotional business, building management or personnel policy, is confirmed through excellent external ratings. Such distinctions underscore KfW's credibility as a sustainable issuer and help it to position itself as a leading sustainable promotional bank and remain true to its claim: "Responsible banking".

As of the end of 2014, KfW was rated as follows by independent sustainability rating agencies:

- **oekom research:** KfW received "prime status" within the group of financial institutions with the highest ratings; for sustainability, KfW earned a B– rating (on a scale of A+ to D–). KfW thus ranks third out of a total of 23 financial institutions assessed.
- **Sustainalytics:** In the sustainability rating awarded by Sustainalytics, KfW received 82 out of a total of 100 possible points, thus ranking it fourth out of a total of 191 listed and non-listed banks assessed.
- **imug:** KfW ranked top overall in the sustainability rating out of 126 national and international issuers of bank bonds. KfW was also ranked the highest overall among the twelve national and international promotional banks rated.

Green Bonds and renminbi bond in Frankfurt – KfW's 2014 capital market innovations

KfW was present on the capital market with two product innovations in 2014. May 2014 saw the issue of KfW's first renminbi bond listed on the Frankfurt stock exchange. KfW also successfully placed its first two Green Bonds in EUR and USD on the capital market in the second half of 2014; both achieved record volume.

Frankfurt Stock Exchange listing for KfW renminbi bond

For international issuers such as KfW, geographic diversification in terms of currencies included is of strategic importance. The importance of the Chinese renminbi, in particular, as a global currency in these terms, is expected to increase over the next few years. Systematically continuing its RMB Initiative launched in 2012, initially with a Hong Kong listing, KfW issued the first RMB bond listed on the Frankfurt Stock Exchange in April 2014 (volume: RMB 1.0 billion, or EUR 115 million). With these issues, KfW has tapped a promising capital market segment, and as an issuer of global importance, set a clear example in establishing financial centre Frankfurt as a European renminbi centre. Given the increasing maturity of the swap market, issues in Chinese renminbi are becoming increasingly attractive.

In support of these activities, KfW also issued a number of commercial papers in renminbi during the reporting year through a variety of business partners.

Overall, KfW aims to continue gradually expanding funding via the Chinese renminbi in future.

KfW Green Bonds

Sustainability is a key component of KfW's self-image. As a bank committed to responsibility, KfW is already one of the world's largest financiers of climate protection. KfW supplemented its product portfolio in 2014 through the issue of its first two Green Bonds, thus directly linking its promotional business to capital market funding.

KfW successfully placed two liquid Green Bonds with record volumes in euro and US dollar (1.5 billion each with a five-year maturity) in the second half of 2014. Green Bonds are bonds whose issue proceeds are used to finance climate and environmental protection projects. "Green Bonds – made by KfW" enable bond buyers to link their investments to a measurable climate protection effect via the direct link of funds raised with KfW's "Renewable Energies – Standard" programme. A EUR 1 million investment in KfW Green Bonds has been proven to save around 800 tonnes of CO₂ equivalent per year. Due to the high standards of

transparency and impact measurement, the two KfW Green Bonds have been extremely well received by both long-term and traditionally oriented investors.

KfW aims to help shape this new market segment and provide valuable new impetus on the basis of its many years of experience in climate and environmental protection financing as well as its excellent reputation on the international capital markets. The overall long-term objective of the KfW Green Bond Initiative is to make an active contribution to climate protection, which extends beyond the commitment the bank has already made in the lending business, its internal organisation, corporate governance and corporate social responsibility. To this end, KfW makes an effort to actively use its good reputation and expertise to more strongly anchor the issue of "sustainability in the capital market" in dialogue with market participants. It will intensively advocate the further development of minimum standards in the new market segment.

KfW is currently assessing creating its own Green Bond portfolio in its systematic continuation of the holistic sustainability approach and also in active support of the still new Green Bonds market segment as an investor. To this end, it aims to develop and communicate its own minimum investment standards for Green Bonds and to collaborate, for example, on "Green Bond Principles" for qualitative development of the market segment.

Green Bond issues 2014

	Volume	Term	Interest rate in %
KfW EUR Green Bond	EUR 1.5 billion	5 years	0.375
KfW USD Green Bond	USD 1.5 billion	5 years	1.750

Continuity, professionalism and diversification – KfW's funding strategy

KfW has to continuously optimise its funding costs in order to fulfil its promotional mandate as well as possible. An important component of this is the wide range of options in terms of structure and currency denomination. These enable KfW to react very flexibly to changes in the market environment and investor demand.

Benchmark bonds remain important in 2014

KfW's funding activities are based on a three-pillar model, enabling a wide variety of investor groups to be targeted. The first pillar comprises high-volume benchmark bonds denominated in euros and US dollars with high liquidity. It is traditionally KfW's most important source of refinancing in terms of volume. As in previous years, KfW offered its investors bonds along the entire yield curve (maturities of two, three, five, seven and ten years) in 2014. The choice of suitable issue timing and a systematic focus on market demand were key contributing factors in the successful placement and stable secondary market development of our bonds. The bonds issued in 2014 were characterised by their record-low coupons. The highlight of the KfW benchmark programme was a bond issued in November with a volume of USD 5 billion, representing the largest USD global bond to date from a European issuer with a ten-year term. The average issue volume of the nine transactions within this first funding pillar stood at the equivalent of almost EUR 3.6 billion in 2014.

The overall proportion of bonds in the benchmark programmes representing long-term KfW financing remained high at 57% in 2014 (2013: 59%). Institutional investors from Europe and Asia were the dominant investor groups for benchmark bonds in euros and US dollars. The main investor groups to subscribe KfW bonds were central banks (38%) and banks (35%). KfW benchmark programme bonds met with great interest above all among Asian central banks.

The second pillar of KfW's funding concept comprises all public transactions outside the benchmark programmes. These include lower-volume bonds in the core currencies euro and US dollar as well as in other important currencies such as the pound sterling and the Australian dollar. The share of these public KfW bonds in the total funding volume was just under 39% in 2014, similar to the previous year (2013: 37%). The average issue volume of the total 133 transactions within this second funding pillar was the equivalent of almost EUR 169 million.

The third pillar of KfW's funding comprises privately placed KfW securities. These are tailored to the individual requirements of institutional investors in terms of currency, structure and maturity. At just under 4%, the share of these private placements in the total funding volume was constant year-on-year (2013: 4%). The average issue volume of the total 108 transactions within this third funding pillar was the equivalent of almost EUR 23 million.

EUR Benchmark Programme 2014

	EUR in billions	Maturity	Interest rate as %
KfW EUR Benchmark I/2014	5.0	7 years	1.625
KfW EUR Benchmark II/2014	5.0	5 years	0.875
KfW EUR Benchmark III/2014	3.0	10 years	1.500
KfW EUR Benchmark IV/2014	3.0	3 years	0.050

USD Programme 2014

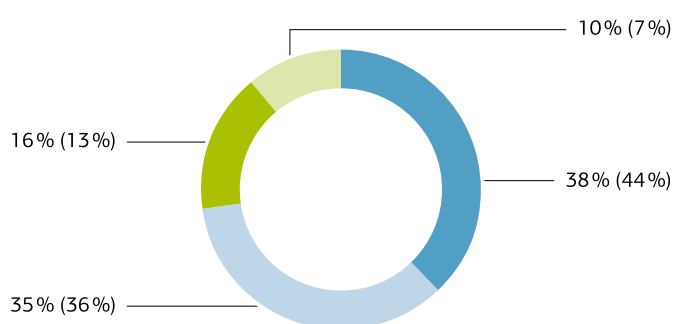
	USD in billions	Maturity	Interest rate as %
KfW USD Benchmark I/2014	4.0	5 years	1.875
KfW USD Benchmark II/2014	4.0	3 years	0.750
KfW USD Benchmark III/2014	6.0	2 years	0.500
KfW USD Benchmark IV/2014	3.0	3 years	0.875
KfW USD Benchmark V/2014	5.0	10 years	2.500

Funding in 2014/2013 by instrument

	2014		2013	
	EUR in billions	%	EUR in billions	%
Securities	57.4	100	65.4	100
Benchmark bonds	32.5	57	38.9	59
Other public bonds	22.7	39	24.0	37
Private placements	2.3	4	2.5	4

Differences in the totals are due to rounding.

Investors in KfW Benchmark Bonds 2014 (2013)



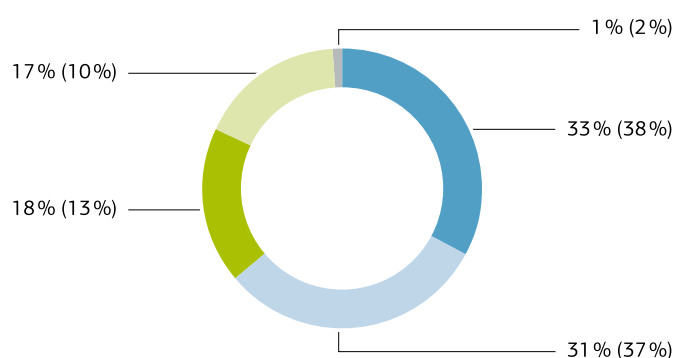
■ Central banks ■ Banks ■ Asset managers ■ Other

Differences in the totals are due to rounding.

Diversity of currencies: a key strategy component of KfW funding

In 2014, KfW processed 83% of its funding in the two core currencies euro and US dollar – its most important funding currencies. KfW can currently issue bonds in 25 different currencies and thus provide an offering for a widely diversified investor base. Demand in the reporting year was primarily for bonds in Australian dollars (AUD), pounds sterling (GBP) and Japanese yen (JPY). These currencies made up over 17% of total funds raised in 2014 (2013: 13%). Overall, KfW placed bonds in 13 different currencies in 2014 (2013: 13), and at the end of the financial year, had bonds outstanding in 21 different currencies (2013: 23).

Placement of KfW Benchmark Bonds 2014 (2013)



■ Asia ■ Europe (excl. Germany) ■ Germany
■ North and South America ■ Other regions

Differences in the totals are due to rounding.

Euro and US dollar most important KfW funding currencies

EUR

The euro is KfW's most important funding currency. With a volume of EUR 25.8 billion, KfW raised 45% of its total funding volume in this currency in the reporting period (2013: 48%). This included a total of four high-volume benchmark bonds with three, five, seven and ten-year maturities, three of which were issued in the first half of 2014. KfW raised additional funds of EUR 9.8 billion via other EUR bonds and promissory note loans.

USD

The US dollar remained KfW's second most important funding currency. KfW raised funds with an equivalent value of EUR 21.7 billion in the year under review. This included a total of five high-volume benchmark bonds with two, three, five, and ten-year maturities. This corresponds to 38 % of the funding volume (2013: 39 %).

Healthy demand and attractive results in other foreign currencies, too

AUD

KfW issued bonds in Australian dollars in an amount equivalent to EUR 3.1 billion in 2014. This corresponded to a share of the total funding volume just short of 5 % (2013: 4 %). This issue volume meant that KfW was again the largest issuer in its segment of the "kangaroo" market.

GBP

KfW has been a very active issuer with a solid market position in pounds sterling for years now. KfW considerably increased its issue volume in pounds sterling in 2014 over the previous year from EUR 1.5 billion to EUR 3.0 billion. This corresponds to 5 % of its funding volume (2013: 2 %).

JPY

The Japanese capital market has traditionally been a key source of funding. In 2014, KfW issued a total of 113 largely individually tailored yen bonds (2013: 71) in a total volume of EUR 1.5 billion. The highlight of the year was the largest KfW bond ever denominated in Japanese yen in the equivalent of EUR 243 million. This issue volume in yen corresponded to 3 % of total funding volume (2013: 2 %). KfW funding in the yen market is characterised not only by high volumes but also by high quantities.

Other

The proportion of other currencies to the total funding volume amounted to 4 % in 2014 (2013: 5 %). Of this, around 1 % was attributable each to the Canadian dollar (CAD), the Brazilian real (BRL), the New Zealand dollar (NZD) and the Turkish lira (TRY). Other currencies in the reporting year were the South African rand (ZAR), the Chinese renminbi (CNY), the Norwegian krone (NOK), and the Swedish krona (SEK). The value of other currencies in KfW's total funding volume was EUR 2.4 billion.

Tried and tested capital market strategy to continue in 2015 – KfW funding on a sound foundation

In 2015, KfW expects to see a funding volume comparable to the 2014 level of between EUR 55 billion and EUR 60 billion. In addition to public bonds and private placements, highly liquid benchmark bonds denominated in euros and US dollars will continue to represent the most important pillars of KfW's funding in the future. The wide range of products in the issue business will continue to take investors' needs into account.

In view of the persisting low rate of interest, KfW expects that the share of foreign currencies in the total funding volume will continue to increase in the future.

KfW plans to further expand its Green Bond offering in 2015. New currencies, such as the Australian dollar and British pound, and new products such as private placements, are to be offered in addition to issues in the core currencies euro and US dollar.

With the explicit, direct guarantee by the German Federal Government, KfW is well positioned on the capital market. Its reliable and future-oriented issue policy has been very well received by investors around the world. KfW's funding will thus remain on a solid foundation.

Funding in 2014/2013 by currency

	2014		2013	
	EUR in billions	%	EUR in billions	%
EUR	25.8	45	31.4	48
USD	21.7	38	25.4	39
AUD	3.1	5	2.6	4
GBP	3.0	5	1.5	2
JPY	1.5	3	1.6	2
Other currencies	2.4	4	3.1	5
American currencies (BRL, CAD)	1.2	2	1.9	3
European currencies (SEK, NOK, TRY, CHF, RUB)	0.5	< 1	0.7	1
Oceanic currencies (NZD)	0.5	< 1	–	–
Asian currencies (SGD, CNY)	0.1	< 1	0.1	< 1
African currencies (ZAR)	0.1	< 1	–	–
Total	57.4	100	65.4	100

Differences in the totals are due to rounding.

Short-term funding – commercial paper for liquidity management

KfW's business activities in the money market segment developed very encouragingly in 2014. The demand for safe and short-term investments in KfW commercial paper remained high.

KfW provides commercial paper in all major currencies. This also gives investors the opportunity to acquire short-term securities with German sovereign risk that are not denominated in euros. In the short-term market segment, KfW has been successfully defending its position among the world's largest commercial paper issuers with its Multicurrency and US Commercial Paper Programme for years now.

KfW uses its two commercial paper programmes, which are important components of the KfW Group's liquidity management, to raise short-term funds for a term of up to twelve months.

The Multicurrency Commercial Paper Programme designed for global investors has a programme volume of EUR 40 billion and is the most important short-term source of funding for KfW. It provides investors with investment opportunities in all major currencies. Commercial paper was issued in 13 different currencies in 2014, of which the most important were the US dollar, the British pound and the euro. The issue volume in the Multicurrency Commercial Paper Programme was, as planned, considerably higher year-on-year in 2014. The outstanding commitment volume amounted to EUR 25.2 billion at the end of 2014 (year-end 2013: EUR 19.9 billion).

The US Commercial Paper Programme with a programme volume of USD 10 billion was specially designed for the US market. KfW uses this programme to cover most of its need for short-term funds in US dollars. The issue volume was considerably higher than in the previous year. The outstanding commitment volume amounted to USD 7.6 billion at the end of 2014 (year-end 2013: USD 7.8 billion).

KfW issued a total of 1,311 securities in the two commercial paper programmes together in 2014 (2013: 1,015).

Responsibility on the capital market – KfW as sustainable investor

At KfW, securities business involves first and foremost managing financial investments to control liquidity across the group in the form of a liquidity portfolio. This is designed to ensure that KfW remains capable of taking action even if it has no access to the capital market.

KfW pursues a conservative investment policy and invests exclusively in fixed-income securities with good (i.e. investment grade) credit ratings. It invests in the “Pfandbriefe” (German covered bonds), “public sector”, “bank bonds”, “supranational institutions and agencies” and “asset-backed securities” asset classes. Furthermore, a large portion of the bonds must be eligible for the European Central Bank (ECB) collateral pool, giving KfW access to the equivalent volume of ECB primary liquidity. KfW’s liquidity portfolio volume totalled EUR 23.8 billion at the end of 2014 (2013: EUR 21.8 billion).

For a number of years, KfW has been assessing not only the credit rating of the securities investments it holds to secure liquidity, but also compliance with sustainability standards by bond issuers. Sustainability is measured on the basis of environmental, social and governance (ESG) criteria. Including these criteria means that particularly sustainable issuers will be overweighted in the liquidity portfolio. KfW regularly communicates the results of its sustainability assessment to the issuers in order to encourage them to maintain and develop their sustainability commitment.

In addition to the ESG criteria, KfW applies exclusion criteria to non-governmental issuers based on the World Bank Group debarment list. The aim is to avoid possible negative effects in the environmental, social and governance areas, which could be caused by KfW bond investments.

KfW has been an active member of the United Nations initiative Principles for Responsible Investment (PRI) since 2006

As a signatory to the United Nations Principles for Responsible Investments (PRI) and in response to dwindling resources and climate change, KfW is committed to the further development of “sustainable investment.” In addition to managing its own liquidity portfolio as a responsible investor, KfW has engaged in dialogue with issuers on “responsibility on the capital market” for many years. As a Green Bond issuer and investor, it aims to systematically develop and expand this dialogue with investors in order to obtain a stronger commitment to climate protection from them.

Promoting commercial enterprises via the capital market

KfW promotes financing of commercial enterprises via the capital market. In this capital market-based financing, KfW invests primarily in high-quality securitisation transactions with receivables from SMEs.

The securitisation market stabilised in 2014. The issue volume increased slightly year-on-year for the first time again. In addition to ongoing uncertainty regarding future regulatory treatment of securitisation products, the market was largely affected last year by the ECB's potential ABS purchase programme.

Current European level initiatives to develop a high quality ABS segment and initiatives to strengthen capital market financing offer considerable scope to repair the damaged image of securitisation instruments resulting from the financial crisis. One particular challenge is to come up with an appropriate definition of this segment and to include it in regulatory law.

KfW provided SME funding in this market environment via investments in securitisation transactions of EUR 1.2 billion (2013: EUR 0.7 billion). As last year, support for leasing finance constituted a focal area.

The securitisation market is expected to recover further in 2015. In addition to declining regulatory uncertainties, positive impetus is expected from initiatives by public institutions, particularly from the ECB's purchase programme. KfW will continue its promotion of capital market-based SME financing in 2015.

Special capital market-related tasks commissioned by the Federal Government

KfW has assumed an important function in the privatisation of Deutsche Telekom and Deutsche Post.

As part of the privatisation of Deutsche Telekom AG and Deutsche Post AG, and the special transactions commissioned by the Federal Government, KfW had been buying shares from the Federal Government, and selling some of them in various capital market transactions, in several stages from 1997 onward. KfW and the Federal Government have agreed that the privatisation of Deutsche Telekom and Deutsche Post will be continued for the long term. Where the market situation is deemed appropriate, KfW will be exploiting suitable capital market windows for further privatisation measures in close consultation with the Federal Government.

Shareholders in Deutsche Telekom AG were also allowed to choose in 2014 to have the dividend for the past financial year paid out in cash or as shares. After delivery of new shares from the exercise of subscription rights based on their dividend claims, KfW received around 791.2 million shares in Deutsche Telekom AG at the end of 2014. This corresponded to around 17.4% of the share capital of Deutsche Telekom AG as of 31 December 2014.

KfW holdings in Deutsche Post AG during the course of 2014 remained unchanged at 253.9 million shares. This corresponded to 21 % of the share capital of Deutsche Post AG as of 31 December 2014.

»» The men and women on our staff
In fulfilling our promotional mandate and achieving business success, there is one aspect that is particularly important to us: being a responsible and attractive employer. After all, only a strong workforce can provide the key competitive advantage for future success.

An employer committed to responsibility

High demands continued to be placed on KfW and its employees in financial year 2014. In addition to a high volume of business, the bank continued its previously launched modernisation projects for strategic focus, further professionalisation, increased efficiency and customer orientation, in a targeted manner. All our staff contributed to the success of these objectives through their great dedication and commitment, demonstrating continued extraordinary performance. Personnel policy in 2014 focused on further development of issues with a cultural impact.

Personnel

As of end-2014, KfW Group employed a total of 5,740 people (previous year: 5,539) at KfW, FUB, DEG and KfW IPEX-Bank, 4,541 of whom worked at the KfW parent company (previous year: 4,365).

The growth of the workforce in 2014 was thus moderately above that of previous years.

The proportion of KfW employees not covered by collective agreements remained constant at around two-thirds. At the end of the year, 24.2 % of employees worked part-time, a further increase on the previous year (22.7 %).

The average age of employees was 42.7, only slightly higher than in recent years. The staff turnover rate – after adjustments for retirement – of 1.0% remained very low (previous year: 1.6%).

2014 – a further year of change

2014 was another year of important changes for KfW. In addition to implementing Copernicus, these were advanced in particular through the portfolio of major projects. These projects, which have a heavy IT focus, contribute to KfW's modernisation and ensure compliance with regulatory requirements. KfW's HR department's professional personnel and change management contributed to targeted advancement of the projects together with the members of staff involved. The increased range of change management tools and competencies has proven effective and will continue to be expanded in the years to come.

HR strategy

In the process of modernisation, KfW's HR department also reviewed its strategic focus, and consequently refocused and expanded its HR policy tools and areas of activity. This ensures that KfW's HR work strictly adheres to its corporate strategy and mission statement. The HR strategy's realignment was characterised in particular by KfW's "Responsible Banking" motto, which reflects the strategic components of sustainability, efficiency and professionalism, employee guidance, social conduct, performance and creativity. The HR strategy also takes into account internal and external factors that have been identified for the next few years, resulting, for example, from demographic change and the regulatory environment. KfW's HR strategy will ultimately ensure that the number of personnel with the appropriate level of professional qualification required for permanent corporate success are available, and that these staff members will have the right conditions for optimum performance. Key strategic areas of activity, initially for the years 2015-2018, are in strategic personnel planning and hiring, staff and executive development, change management, further modern development of the corporate and management culture, and further development of the remuneration systems and working conditions in line with requirements.

KfW's guiding principle

Long-term successful modernisation of KfW requires a comprehensive approach. In addition to a transparent and clear definition of responsibilities, processes and structures, management and teamwork culture within the company are always critical to the success of all modernisation projects. To this end, the Executive Board initiated a revision of the KfW guiding principle. The reworded guiding principle was presented at the management conference in autumn 2014 based on extensive and in-depth dialogue with management and employees at all levels and in all areas of the company. All KfW employees must adhere to the guiding principle in their day-to-day activities. It demonstrates how they are to correctly perform their duties and act responsibly towards customers, colleagues, owners, the community and the bank. The KfW guiding principle has large overlaps with KfW's HR tools and issues – currently in particular management, gender balance, health management and working hours. It supports the comprehensive interrelation of these personnel issues that impact corporate culture.

Management

KfW developed a management skills model some years ago, which clearly defines the management concept and establishes successful management behaviour. KfW's modernisation process resulted in changes in the basic conditions and consequently also requirements of managers. In light of this, the objective of the "Management Responsibility" project in 2014 was to revise the current skills model to even better meet current and future requirements. The project was aimed at honing skills still relevant to success and adding new ones that have become essential to successful management due to developments at KfW.

The new skills model was developed with a holistic, participatory approach. The model was checked to ensure that it reflects the core values of the guiding principle and the results of the work on gender balance were also taken into account. KfW considers the two central requirements of its management to be personal credibility and self-confident appearance and action.

The individual HR development tools, particularly for manager selection and development, supervisor assessment and succession management will be gradually adapted to the new management skills model from 2015.

Gender balance at KfW

Exploiting full potential and actively using the different skills and personality types of both genders and all nationalities constitute an important requirement for KfW's long-term success in "responsible banking". KfW's Gender Balance Concept promoting a gender-sensitive approach to management and teamwork was adopted by KfW in 2012 and won the "Deutscher Personalwirtschaftspreis" (German HR award). A set of Gender Balance Objectives for KfW was developed in 2014, in which two interactive formats ensured extensive staff involvement and constructive dialogue. Gender Balance Forums initiated in-house dialogue about basic conditions in modern worlds of work, which were followed up by Gender Balance Dialogues on the key question: What will a future KfW look like in which all men and women can develop and contribute their full potential? The participation of external guests and speakers presented a much bigger picture and provided impetus from business and academia for the internal discussion.

The Gender Balance Objectives define a culture of management and teamwork which is based on appreciation and mutual trust, and enables men and women in every phase of life to contribute and develop their abilities as far as possible in line with individual lifestyles and work models. To continue and further implement the Gender Balance Concept, strategic issues were identified under the headings Behaviour and values, Work and life, Development, Management, and finally (Work) capacities, to make an important contribution to KfW's future viability in tomorrow's world of work.

An increasingly balanced distribution of management responsibility between males and females will contribute to culture change in terms of gender balance. Women should hold a third of all management positions by 2015. Despite the fact that very specific professional requirements were to be met in many cases, a woman was appointed to one in every two open management positions in 2014, bringing the percentage of women in all management positions to 29.9% (2013: 28.9%).

The established "KfW Mentoring" format entered its third round in 2014 to prepare women for assuming management responsibility either for the first time or at a higher level. Senior managers support junior managers for an extended period of time, acting as mentors to share their personal experience in a confidential environment. The "KfW Shadowing" personnel development tool was also employed again in 2014. Employees with an interest in and potential for a management role accompany managers at director and first vice president level, thus obtaining as practical an insight as possible into day-to-day management work.

Health management

The KfW Executive Board commissioned an occupational health management system at the end of 2013. The objective is to supplement the broad offering that KfW has traditionally had to promote health but is aimed overall at creating workflows, organisation and culture at KfW that promote good health and thus support employee efficiency.

One initial focal point in implementing the concept was to involve managers at all hierarchy levels from 2014. An initial training seminar focused on the general relationship between management and health and the current environment of change at KfW. On the basis of the results, the subject of health is to be embedded in day-to-day management practice, with specific needs-based and practical offerings for managers and their units. Initial training sessions revealed the relationship between health-conscious management and behaviour, particularly in view of the planned introduction of autonomous working hours for all non-tariff employees but also the entitlement to work-life and gender balance. Every perspective includes enabling employees to contribute good performance at KfW while maintaining personal health and in balance with their private lives. Managers are primarily responsible for creating the necessary framework.

KfW staff at all locations were directly involved in 2014 by means of health days. A wide variety of information, support and experience was offered on the focal points stress management, change management and ergonomics.

Implementation of additional health management components is planned for 2015. These will take into account results from analyses of hazards to mental health in the workplace.

Work-life balance

The subject of work-life balance, which corresponds to those of gender balance, working hours and health, has a long tradition at KfW. KfW was certified as one of the first family-friendly companies in Germany by the Hertie Foundation in 2001. In 2014, the Hertie Foundation combined its fourth recertification with a formal recognition of KfW's sustainable family-aware personnel policy and the corresponding offering to its employees.

Fair Play staff agreement

The Fair Play staff agreement was extended for a further three years at the beginning of the reporting year. At the heart of this agreement is an advisory concept that offers means of resolving escalated conflicts. In case of such conflicts, trained conflict officers are available who can initiate common resolution approaches with and lend support to the parties involved as early as possible. Fortunately, these policy measures were not necessary in 2014.

New structures, new tasks, new function profiles

The modification of structures and processes involved in KfW's modernisation process resulted in significant changes to the majority of functions previously performed. For this reason, the profiles of functions in the business areas initially affected by modernisation were redefined starting in 2013; the remaining non-tariff function profiles were redefined and updated in 2014. This means the changes of recent years throughout KfW have been detailed by HR on a "function map", and the KfW-wide uniform standards are guaranteed to be maintained. Cross-comparisons involving managers from all areas ensured transparency throughout KfW.

The new function profiles systematically focus on the distinguishing features of each function and are worded in a much more standard form. The number of positions described was reduced by more than 60%, making an important contribution to efficiency.

Employer branding

Following the successful launch of KfW's new career website in December 2013, efforts continued on the "KfW" employer brand in financial year 2014. The significant increase in clicks on the KfW career website with links to Internet job portals as well as the high number of spontaneous applications indicate that the campaign has taken root and reached the relevant target groups.

This has been recognised externally, by the “Fair Company” designation, among others, which KfW again received in 2014. KfW also completely updated its image outside the career website. On a range of different platforms specific to target groups, KfW presents itself as an employer with a very authentic image and offering a variety of perspectives on tasks and the world of work at the bank. The job postings, KfW’s calling card on many job sites, were also completely updated, and are now presented with a new look.

Promoting young talent

KfW has traditionally placed high priority on its training programmes, which is also evidenced by the fact that KfW regularly places top programme graduates in vocational occupations and sandwich degree programmes. The bank follows a needs-based approach to the training it offers at all three KfW locations, in different careers, sandwich degrees and trainee programmes. As a result of demand, the vocational training offering at the Frankfurt and Berlin locations was expanded by adding the occupation of “bank clerk”.

At the end of 2014, 132 young people were undergoing their first vocational training course (previous year: 140), of whom 76 were sandwich students (previous year: 87). The number of graduate trainees stood at 34 as of 31 December 2014 (previous year: 32). In the course of the year 104 students completed internships at KfW (previous year: 117). The total number of interns, sandwich students, vocational and graduate trainees was 196 as of 31 December 2014 (previous year: 195). This equated to a training rate of 4.3% (previous year: 4.5%).

Boards and committees/Elections

Re-elections were held in the reporting year for the offices of equal opportunities officer and deputy, as well as representative for staff with severe disabilities, and for youth and vocational trainees. KfW is confident that the constructive cooperation of the past will continue with the newly elected representatives.

Thank you

KfW’s employees continued to deal with a high business and promotional volume in 2014. Many of them also worked on the modernisation and corporate culture projects, contributing considerable additional effort.

We would like to thank all members of staff, as well as the employee representatives, equal opportunities officers and representatives for employees with severe disabilities, and of youth and vocational trainees, for the good working relationship we enjoyed with them in 2014.

In memoriam

We mourn the loss of our colleague who passed away in 2014:

Dr Achim Machauer

We also mourn the deaths of the following retired members of our staff:

Thomas Balzien
Karl-Heinrich Bender
Hedwig Bucher
Christiane Eckardt-Naprawnik
Irmgard Gaulke
Hans Guhlke
Bettina Hofmann
Ursula Katzwinkel

Heinz Kirschke
Dr Gustav Koch
Josef Kurenbach
Hannelore Leckel
Jan Oltmann
Ursula Richter
Wolfgang Röhreke
Dr Dietrich von Rotenhan

Wolfgang Spielmann
Klaus Stang
Dr Klaus Sturm
Reimar Tomberg
Dr Franz Wagner
Ernst Wendt

We will remember all of them with gratitude.

»» Financial reporting

The earnings position in 2014 was characterised by a declining year-on-year operating result combined with a major improvement in the valuation result.

Financial reporting

The complete consolidated financial statements including the group management report are included in our Financial Report, which is available for download from our website. The annual financial statements and the management report of KfW are also available for download. The auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft issued an unqualified opinion on both the consolidated and the individual financial statements as of 3 March 2015.

Basic information on KfW Group

KfW Group consists of KfW and five consolidated subsidiaries. As the promotional bank of the Federal Republic of Germany – which owns 80 % of KfW while the German Federal States own 20 % – KfW is one of the world's leading promotional banks. In addition to KfW, the group's main operating subsidiaries are IPEX-Bank GmbH, which provides project and export financing, and DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, which is active in promoting the private sector in developing and emerging market countries.

KfW Group has a set of strategic objectives in place that defines KfW's targeted medium-term positioning. KfW's primary objective is promotion – the heart of KfW's business activities – abiding by the principles of subsidiarity and sustainability. KfW addresses the primary objective of promotion largely by focusing its promotional activities on the socially and economically important megatrends of “climate change and the environment”, “globalisation and technical progress”, and “demographic change”. The primary objective is complemented by a set of secondary objectives or strict ancillary conditions that reflect profitability and risk-bearing capacity aspects.

KfW has a closely intertwined strategy and planning process. The results of the strategic planning process are summarised in the business strategy adopted by the Executive Board, which comprises planning at group and business sector level. This forms the basis for the risk strategy.

General economic environment

Overall, the development of the global economy was disappointing in 2014. Momentum in major countries and economic areas was considerably lower than anticipated at the beginning of the year. Among the industrialised countries, this was particularly the case for the euro area and Japan. Other industrialised countries performed surprisingly well (particularly the USA). As a group, the developing and emerging market countries continued to grow faster than the industrialised countries. Nevertheless, growth in many emerging market countries has fallen to a very low level, and some face real crises.

Economic recovery was moderate in member states of the European Economic and Monetary Union ("EMU") in 2014 and the growth environment remained very fragile. This was due to increased geopolitical risks, ongoing high unemployment and the continuing difficulties in accessing credit for many businesses and private households.

The key factors influencing the financial markets in 2014 were the worsening geopolitical conflicts and continuing expansionary monetary policy of the world's largest central banks. Financial markets around the world thus continue to benefit from abundant liquidity. In the euro area, the European Central Bank continued to lower key rates in the course of 2014, in a reaction to the fragile economic environment and declining inflation, and resolved its first ever negative deposit rate. A considerable decrease in euro-area money market rates was observed against this backdrop starting in mid-year, while US money market rates trended almost sideways, rising somewhat only at the end of the year. Over longer maturities, interest rates in the euro area saw a clear downward trend in 2014. This decline was stronger than for US capital market rates. In the USA, the average slope of yield curves increased in 2014 compared to 2013, while those in Europe flattened. The diverging monetary policy prospects in the euro area and the USA put considerable downward pressure on the EUR/USD exchange rate.

Major financial developments for KfW Group

The earnings position in 2014 was characterised by a declining year-on-year operating result combined with an improvement in the valuation result from the loan, securities and equity investment portfolio. This resulted in a consolidated profit of EUR 1,514 million, exceeding both the previous year's result (EUR 1,273 million) and expectations.

With this result, KfW is improving its capital base in order to safeguard its promotional activities for the long term and ensure it can meet higher regulatory requirements.

Earnings in 2014 were largely characterised by the following developments:

Operating result below expectations

At EUR 2,023 million (2013: EUR 2,302 million), the Operating result before valuation (before promotional activity) was below both the prior-year figure and expectations.

This was due, in particular, to the development of Net interest income (before promotional activity), which is characterised by declining interest structure contributions in the current low-interest rate environment.

At EUR 313 million (2013: EUR 280 million), Net commission income (before promotional activity) exceeded expectations. This was principally due to non-recurring effects from the renegotiation of collateral agreements.

At EUR 1,059 million (2013: EUR 976 million), the increase in Administrative expense (before promotional activity) was substantial and exceeded the targets. The decisive factors in this development were both the extensive investments in modernising KfW and, in particular, measures connected to KfW's subjection to the KWG.

Charges from risk provisions for lending business lower than expected

Charges from risk provisions for lending business totalled EUR 143 million. This was far below the projected standard risk costs and significantly lower than the previous year's level (EUR 311 million), which was still characterised by high net allocations in the Maritime industry segment.

Positive developments in the securities and equity investment portfolios

The securities portfolio continued to benefit from the abundant liquidity on the financial markets, achieving a contribution to earnings through profit, as in financial year 2013, of EUR 57 million. In addition, positive value developments were recognised directly in equity in the revaluation reserve. The total volume of securities and investments not carried at fair value resulted in net positive differences to market values in 2014.

A contribution to earnings of EUR 122 million (2013: EUR 46 million) from the equity investment portfolio largely resulted from the Promotion of developing and transition countries business sector.

The result from foreign currency translation had a negative effect with a charge of EUR 57 million (2013: EUR –10 million). Hedge accounting, borrowing recorded at fair value, including derivatives used for hedging purposes, and other derivatives transactions had a total net negative effect on earnings of EUR 54 million (2013: EUR 56 million).

Demand-related decline in KfW's promotional activity

The promotional activity KfW performed in the Domestic promotional business at the expense of its own earnings decreased to EUR 364 million in 2014 (2013: EUR 597 million).

The decrease was caused by a decline in interest rate reductions as a result of the lower demand for, and volume of, subsidised lending commitments (EUR 345 million; 2013 EUR 584 million).

Development of net assets and financial position

Consolidated total assets rose by EUR 24.3 billion to EUR 489.1 billion in 2014. This increase is primarily due to interest-rate and exchange-rate-induced fair value changes in derivatives used for hedging purposes and their recognition in hedge accounting. The increase in the volume of new business is reflected in the EUR 7.1 billion rise in Net loans and advances to EUR 365.3 billion. Unscheduled repayments in domestic promotional lending business decreased year-on-year.

The promotional business is primarily financed through the international capital markets. The volume of own issues reported under Certificated liabilities amounted to EUR 404.0 billion (year-end 2013: EUR 385.5 billion).

Development of the risk situation

Despite stabilisation of economic parameters in some peripheral countries (Ireland, Spain), European banks' asset quality continued to reflect diverging economic performance in Europe. Peripheral country banks, in particular, continue to hold large portfolios of non-performing loans. The sale of non-strategic assets resulting in further balance sheet reductions as well as cautious lending on the part of European banks were noticeable in the months prior to the ECB/EBA's balance sheet and stress tests. In addition, a number of participating banks strengthened their equity via capital increases, thus improving the banks' overall capital adequacy in 2014. The results of the balance sheet tests, with a negative focus particularly on Italian banks, were comprehensible, and hardly came as any surprise. Refinancing of European institutions was rendered more stable through increased deposit financing in combination with asset reduction. Furthermore, peripheral banks continued to return to the capital markets. Thanks to considerably declining risk costs and a stabilising economic environment, US banks made a positive impression compared to the relatively weak earnings posted by European banks. However, high burdens resulted from fines levied on certain financial institutions, setting a new overall record for the US banking sector.

The European banking sector will remain structurally vulnerable in 2015 as well, due to the renewed deterioration of the economic outlook. In addition, the low-interest environment, as well as regulatory requirements and the costs of legal disputes will negatively affect the profitability of European banks. For this reason, restructuring in the European banking sector, combined with a further reduction in non-strategic assets (in Italy, among other countries) is likely to continue. The political uncertainty in Greece could also shift the European sovereign debt crisis back into focus, with a largely negative impact on the still fragile banks of the peripheral countries. In addition, the persisting geopolitical tensions between Russia and Ukraine are likely to have increasingly adverse effects on the banks active in those countries – primarily Austrian and French. The gradual interest rate increases expected from the US Federal Reserve pose a rise in potential risks to banking markets of emerging countries with export deficits (such as Brazil, Turkey and South Africa) due to continued capital outflows and a further depreciation of own currencies.

The German and European economies were marked by stagnation last year, which we expect to continue this year. On the whole, the performance of businesses remained stable in this environment, even if investment was cautious due to the disappointing developments in Europe and various geopolitical uncertainties. It should be noted that companies are benefitting from favourable terms and lending structures that are gradually being eased due to plentiful credit availability.

The automobile industry, which is important for Germany, continues to grow thanks to brisk demand in developing countries and the USA; Europe, too, seems to have bottomed out after a number of difficult years, despite increasing sectoral risks. The merchant shipping situation remains difficult, with the exception of the gas tanker segment.

KfW Group has been affected by the aforementioned developments due to its international promotional mandate. Overall, however, the KfW portfolio recorded stable performance. The merchant shipping crisis meanwhile is likely to be largely resolved for the portfolio. All recognisable risks are measured using conservative standards and are taken into account in KfW Group's new business management through systematic implementation of risk guidelines. The regularly performed calculations of risk-bearing capacity show that KfW Group can bear the risks assumed in the context of its mandate – even based on conservative stress scenarios.

Risk management within the KfW Group chiefly serves to preserve the group's risk-bearing capacity. For the risk-bearing capacity analysis, risk is measured and compared to risk-covering potential by means of a capital requirement calculation.

As of 31 December 2014, KfW had sufficient economic risk-bearing capacity to satisfy a solvency level of 99.99%. Any additional capital requirements for stress scenarios are covered by the unrestricted portion of the risk-covering potential, ensuring that risk-bearing capacity at a solvency level of 99.99% would be attained even if unfavourable macroeconomic conditions were to occur.

KfW Group's regulatory capital ratios have decreased significantly in comparison to 31 December 2013. As of year-end 2014, the total capital ratio taking into account consolidated comprehensive income was 15.1 % (year-end 2013: 22.3 %), and the Tier 1 capital ratio was 14.1 % (year-end 2013: 20.6 %). The reason for the decrease is the very sharp increase in the total receivable amount. This is largely due to the additional burdens CRR places on risk assets as well as the shift to calculating risk assets on an IFRS basis. The decline in the capital ratio was offset by somewhat higher risk covering potential. Negative effects, arising primarily from the remeasurement of pension obligations, the transition to IFRS and CRR-related burdens, were overcompensated in particular by the positive annual result.

International money and capital market conditions improved considerably in financial year 2014. The ECB key rate cuts combined with further monetary policy measures and higher overall volatility served to stimulate the markets. Expansionary monetary policy by central banks and the high liquidity on financial markets led to a further decrease in yield premiums across all asset classes of many issuers.

Outlook

Overall, the development of the global economy was disappointing in 2014. The assumption is that the global growth rate will also remain unsatisfactory in 2015, increasing slightly at best. The group of industrialised countries is growing at a slower rate than developing and emerging market countries, although it generates important impetus. Overall, performance was highly divergent among the industrialised countries. Broad deviation in performance also continues in developing and emerging market countries. Geopolitical risks remain serious and their development as well as their global economic effects are barely calculable. The major central banks will continue their expansionary monetary policy in 2015. The structural low-interest environment will therefore continue. For the euro area in particular, there is very little potential for raising interest rates.

As part of KfW's assessment of risk-bearing capacity for 2015, forecasts for the KfW Group's tier 1 and total capital ratios demonstrate that KfW remains well capitalised. However, the capital ratios are expected to remain considerably above the legally required minimum levels in 2015 as well. Stable overall development is anticipated for the group's economic risk-bearing capacity (99.99 % solvency level) in 2015. Potential changes in economic, political and legal conditions may have a significant impact on capital ratios and economic risk-bearing capacity. There is thus considerable uncertainty regarding the forecast for 2015.

The planned new business volume of EUR 69.5 billion for 2015 is slightly below the 2014 figure (EUR 74.1 billion). A negligible decrease in promotional volume is forecast for both German and foreign business sectors. To implement KfW Group's strategic objectives, the plans for the group's business sectors contain measures with a strategic focus on promotional quality and an orientation of business activities towards the key areas of "climate change and environment", "globalisation and technical progress" and "demographic change". The portion of new commitment volume dedicated to climate and environmental protection funding is planned to be 36 %, thereby slightly exceeding the strategic objective requirement of approximately 35 %. At 45 %, the share of planned financing for SMEs in domestic promotion (the SME ratio) is expected to be within the range of the ambitious level set in the strategic objectives (approximately 50 %).

The focus in KfW's domestic promotional business will remain on SME financing and ensuring the future viability of companies. KfW's international business sectors are stabilising their growth in the medium term in order to support the internationalisation of German companies as part of globalisation.

KfW anticipates a high funding volume over the next two years. In 2015, KfW expects to see a funding volume comparable to the 2014 level of between EUR 55 billion and EUR 60 billion.

In its current earnings projections for the group, KfW expects to achieve Consolidated profit (before IFRS effects from hedging) of just under EUR 1 billion in financial year 2015, based on anticipated macroeconomic conditions. The expected result is thus at the lower end of the strategic objectives range. Anticipated contributions from Net interest income and Net commission income (before promotional activities in each case) are at a high level similar to that of previous years; however the negative effects due to the ongoing low interest environment are increasingly noticeable. Thus interest rate margins from the lending business that are slightly higher than in 2014 are offset by declining results from interest rate and liquidity maturity transformation. Further negative effects on earnings result from the noticeable increase in Administrative expenses (before promotional activity) compared to 2014. This is largely due to cost increases from modernisation and regulation issues; otherwise barely any increases in costs are anticipated beyond those of personnel costs associated with collective agreements.

While current efficiency projects are having a dampening effect on costs, they cannot fully offset the cost increase planned for 2015. The risk provisions for lending business, which are expected to be higher than 2014 based on projected standard risk costs will have a negative effect on earnings. There is an increase in planned promotional activity over 2014; a rise will be recorded in particular at Mittelstandsbank.

KfW's business model is designed for the medium to long term. Opportunities and risks for Consolidated profit may arise in particular from differences between actual and forecast interest rate movements, from risk provisions that deviate from those planned as well as from temporary effects on results arising from the valuation of economically effective hedges (IFRS-related effects on results).

»» Corporate Governance

Report of the Board of Supervisory Directors



Dr Wolfgang Schäuble, Federal Minister of Finance

Meetings of the Board of Supervisory Directors

The Board of Supervisory Directors and its committees constantly monitored the conduct of KfW's business activities and the management of its assets. It has taken the necessary decisions on the provision of financing and the conduct of other business in accordance with the conditions set forth in the KfW Law and the Bylaws. The Board of Supervisory Directors met three times in 2014 for this purpose; the Executive Committee (since August 2014: Presidial and Nomination Committee), Credit Committee (since August 2014: Risk and Credit Committee) and Audit Committee each met four times. The Remuneration Committee, which was established in August 2014, met twice.

At the meetings the Executive Board informed the Board of Supervisory Directors of:

- KfW's 2013 annual and consolidated financial statements,
- the business activities and current developments in KfW's individual business sectors,
- the Group's net assets, the earnings position and risk situation in general, particularly sensitive areas such as the exposure to EU states, Ukraine and Russia, the ship portfolio, as well as any possible impacts of the low interest rate environment,
- the application of KWG standards at KfW and KfW's activities in implementing these requirements including the timetable and budget,
- the current status of the major project portfolio, particularly concerning the progress in renewing the financial architecture (including the "SAPFin project") and the associated costs and risks,
- KfW's increased European commitment in the form of global loans, consulting for European partner countries, funding and various activities in European promotional bank networks,
- KfW's risk and business strategy for 2015,
- the concept of the training for members of the Board of Supervisory Directors to gain and maintain expertise, due to commence in 2015.

In the reports on the activities of the individual business sectors, the primary focus was on the following developments:

- With regard to **domestic promotion** activities, the Executive Board reported on the planned reorientation of equity finance, which is intended to help resolve the shortage in supply of venture capital in the area of follow-on financing. The energy efficiency programme is being expanded to mobilise existing potential in the commercial sector.
- With regard to the business sector "**Promotion of developing and transition countries**", the Executive Board reported on lighthouse projects in Financial Cooperation and the expansion of development finance based on the bank's own funds,

largely qualifying as ODA (Official Development Assistance), the expansion of joint development financings with the EU, KfW's position as the world's leading bilateral development financier in the area of climate and the environment, and the business results of DEG.

- As for KfW IPEX-Bank GmbH, that is the **Export and project finance** business sector, the focus was on their role as a reliable partner to the German economy and increasingly taking the lead in complex export and project financing. The Executive Board also presented information on the business results of KfW IPEX-Bank GmbH.
- The Executive Board gave regular reports on capital market development and the refinancing status of KfW's business activities. 2014 saw the issue of KfW's first Green Bonds in EUR and USD and the first Renminbi bond admitted to stock exchange trading in Frankfurt.
- The Board of Supervisory Directors was also informed of KfW Group's environmental and sustainability commitment.

The Board of Supervisory Directors was informed at the meetings as well as quarterly, in writing, of the Group's net assets, earnings position and risk situation, and of the development of its promotional business. Internal Auditing began reporting to the Board of Supervisory Directors on a quarterly basis in Q3.

The Executive Board informed the Board of Supervisory Directors about the focus areas of the business strategy – particularly in the areas of climate change and the environment, globalisation and SMEs – including KfW's activities in Europe. The bank's multifaceted European commitment includes lending, consulting for countries and promotional institutions, forming strategic partnerships with other national promotional banks and collaborating with multilateral institutions such as the European Investment Bank and European Investment Fund. The Executive Board informed the Board of Supervisory Directors that although the Group's earnings remained very positive, the regulatory risk-bearing capacity had decreased as a result of the capital requirements introduced through Basel III. The Board of Supervisory Directors approved the business strategy and related planning for 2015.

Each member of the Board of Supervisory Directors informs the Chairman of the Board of Supervisory Directors or the relevant committee about conflicts of interest before a resolution is made. A member of the Board of Supervisory Directors temporarily stepped down until 3 June 2014 in order to avoid potential conflicts of interest. On some occasions during the reporting year, members of the Board of Supervisory Directors and its committees abstained from voting or refrained from participating in resolutions due to conflicts of interest.

Eight members of the Board of Supervisory Directors attended fewer than half of the board meetings in the reporting year. No members attended fewer than half of the meetings of the Executive Committee/Presidial and Nomination Committee. The same applies to the Remuneration Committee. Two members attended fewer than half of the meetings of the Credit/Risk and Credit Committee. One member of the Audit Committee attended fewer than half of the meetings.

Implementation of the corporate governance regulations under the German Banking Act

The KfW Regulation issued in October 2013 and based on the amended KfW Law of July 2013 specifies that KfW must comply from 1 June 2016 with the majority of those provisions of the German Banking Act (*Kreditwesengesetz* – “KWG”) that have been declared applicable. The provisions of Sections 25c and 25d of the KWG on corporate governance have already been applicable since 1 July 2014. The Board of Supervisory Directors resolved an amendment on 2 July 2014 to the KfW Bylaws and procedural rules for the Board of Supervisory Directors and its committees, as well as for the Executive Board, which took effect from 1 August 2014 and reflects the detailed requirements of Sections 25c and 25d KWG (regarding managers and members of the supervisory body as well as requirements concerning the tasks of the supervisory body and the composition of committees).

Committees of the Board of Supervisory Directors

Before the amended regulations came into effect, all committees were informed of their roles and responsibilities under the amended KfW Bylaws effective from 1 August 2014.

In exercising its responsibilities prescribed in the bylaws, the **Presidial and Nomination Committee** discussed Executive Board matters and the amendments to KfW regulations in the context of implementing the KWG provisions on corporate governance. It also discussed real estate matters and was informed about legal disputes, the KfW Stiftung and the application of the KWG. In-depth discussions were held with the Executive Board on the major projects. The committee also prepared job descriptions and candidate profiles for Executive Board positions and for the appointment of Supervisory Directors. It approved the changes in business responsibilities within the Executive Board.

The **Risk and Credit Committee** reviewed the commitments and equity investments that must be presented to it under the KfW Law and Bylaws as well as the scope of funding required by KfW for its refinancing and the related swap transactions necessary for hedging, and was informed about the risk situation. The Committee discussed KfW's exposure in crisis-hit European

countries, selected emerging markets, and Ukraine and Russia. Detailed reports were also presented on the risk profile of the business sector Export and project finance and the comprehensive assessment of KfW IPEX-Bank GmbH by the European Central Bank.

The **Audit Committee** addressed the accounting process, the quarterly reports, the reports by Internal Auditing and Compliance as well as the annual financial statements of KfW Group 2013. It made corresponding recommendations to the Board of Supervisory Directors for the approval of the annual financial statements 2013. It was informed about the efficiency of the risk management system, the Internal Control System (ICS) and the internal audit system. In addition, it addressed auditor independence and certain focal points of the annual audit 2014 and discussed the initial results of the annual audit 2014 in detail. The Committee approved the audit plan of the Internal Auditing department for 2015. It was informed about the progress of the activities for application of provisions of the German Banking Act at KfW, the comprehensive assessment of KfW IPEX-Bank GmbH and major projects, particularly the renewal of the financial architecture. The in-depth discussions held by the Audit Committee with the Executive Board on this basis about the major projects involving assessments by external consultants (e.g. the auditor) were addressed by the Board of Supervisory Directors. With regard to the development of costs and earnings, the effects of a sustained low interest rate scenario and the development of administrative costs were discussed at an additional Audit Committee meeting. The planning of administrative expenses for 2015 was discussed. The Audit Committee was also informed about the risk situation until the Risk and Credit Committee was formed in August 2014.

The **Remuneration Committee**, which has been in place since August 2014, discussed remuneration issues and was informed about the remuneration system for KfW employees and key aspects of the contracts for the management of subsidiaries.

The committee chairpersons reported to the Board of Supervisory Directors regularly on the work of the committees.

Changes on the boards

Dr Ingrid Hengster joined the KfW Executive Board on 1 April 2014. Her predecessor, Dr Axel Nawrath, stepped down from the KfW Executive Board upon expiration of his contract as of 31 March 2014. The Board of Supervisory Directors would like to thank Dr Nawrath for his committed service to KfW.

In accordance with Article 7 (1) no. 1 of the KfW Law, in my capacity as Federal Minister of Finance, I assumed the position of Chairman of the Board of Supervisory Directors for 2015 from my colleague Sigmar Gabriel, Federal Minister for Economic Affairs and Energy.

Dr Hans-Peter Friedrich, Dr Jürgen Koppelin, Claus Matecki, Dr Michael Meister, Dr Ulrich Nußbaum and Michael Sommer stepped down from the Board of Supervisory Directors in 2014. New members to the Board of Supervisory Directors in 2014 were Hans-Dieter Brenner, Robert Feiger, Klaus-Peter Flosbach, Reiner Hoffmann, Stefan Körzell and Christian Schmidt. Dr Markus Kerber returned to the board on 3 June 2014 following a leave of absence. Norbert Barthle, Bartholomäus Kalb and Carsten Schneider stepped down with effect from 31 December 2013 and were reappointed according to schedule with effect from 31 January 2014. Kerstin Andreae joined the Board of Supervisory Directors after the reporting period on 1 January 2015. The Board of Supervisory Directors would like to thank the members stepping down for their work.

Annual financial statements

KPMG AG, who was appointed auditor for the 2014 financial year, has audited the annual financial statements and the management report of KfW as well as the consolidated financial statements and the group management report of KfW Group, all of which were prepared as of 31 December 2014 by the Executive Board, and issued an unqualified auditor's report thereon. The financial statements and the management report were prepared in accordance with the provisions of the German Commercial Code (HGB), and the consolidated financial statements and the group management report were prepared in accordance with International Financial Reporting Standards (IFRS) as applicable within the European Union.

At its meeting on 14 April 2015 the Board of Supervisory Directors approved the financial statements and the consolidated financial statements, both of which were prepared by the Executive Board, as stipulated in Article 9 (2) of the Law Concerning KfW following a recommendation by the Audit Committee.

Frankfurt am Main, 14 April 2015

THE BOARD OF SUPERVISORY DIRECTORS



Chairman

Corporate Governance Report

As the promotional bank of the Federal Republic of Germany, KfW has committed itself to making responsible and transparent action comprehensible. The Executive Board and the Board of Supervisory Directors of KfW recognise the Public Corporate Governance Code (*Public Corporate Governance Kodex* – “PCGK”) of the Federal Republic of Germany. A Declaration of Compliance with the recommendations of the PCGK was issued for the first time on 6 April 2011. Since then any potential deviations are disclosed and explained on an annual basis. KfW is a public law institution under the Law Concerning KfW (KfW Law). The Law sets out KfW’s main structural features. For example, KfW does not have a general shareholders’ meeting.

The shareholders are represented on the Board of Supervisory Directors of KfW and exercise control and shareholder functions (e. g. approval of the financial statements and adopting resolutions concerning the KfW Bylaws). The number of members, composition and duties of the Board of Supervisory Directors are set out in the KfW Law. The KfW Law also provides that the Board of Supervisory Directors is subject to legal supervision by the Federal Ministry of Finance in consultation with the Federal Ministry for Economic Affairs and Energy as well as direct control of the Federal Audit Office (*Bundesrechnungshof*). The KfW Law in conjunction with the “Regulation concerning key banking supervision standards under the German Banking Act to be declared applicable by analogy to KfW and supervision of compliance to these standards to be assigned to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – “BaFin”)” (KfW Regulation), dated 20 September 2013, further stipulates that KfW is subject to supervision by BaFin in collaboration with the Bundesbank. In implementing the relevant provisions regarding corporate governance under Sections 25c and 25d KWG, applicable effective 1 July 2014, KfW amended its bylaws, among other things creating the legally prescribed committees of the Board of Supervisory Directors as from when the amendments took force on 1 August 2014. The statements contained in the 2013 Corporate Governance Report apply *mutatis mutandis* up to such time.

Declaration of Compliance

The Executive Board and Board of Supervisory Directors of KfW hereby declare: “Since the last Declaration of Compliance issued on 10 April 2014, the recommendations of the PCGK, as adopted by the Federal Government on 1 July 2009, were and will be fulfilled to the extent applicable to KfW as a public law institution with the exception of the following recommendations.”

D&O insurance excess

KfW has taken out D&O insurance for members of the Executive Board and the Board of Supervisory Directors, which – in derogation of clause 3.3.2 of the PCGK – only contain the option of including a policy excess. Exercise of the option is to be decided on in consultation with the Chairman of the Board of Supervisory Directors and his deputy.

Delegation to committees

The KfW Law sets out the size of the Board of Supervisory Directors at 37 members. To ease the work of the Board of Supervisory Directors, committees more specialised in the subject matter and flexible in terms of time are in place, whose composition is prescribed by law. In some cases, the committees not only prepare the decisions of the Board of Supervisory Directors but also – in derogation of clause 5.1.8 of the PCGK – make final decisions. This is done for reasons of practicality and efficiency.

– The **Presidial and Nomination Committee** takes final decisions in the following cases: It adopts measures dealing with important legal and administrative matters and can make urgent decisions in pressing matters. It also draws up job descriptions with candidate profiles for Executive Board positions and for appointments to the Board of Supervisory Directors; it grants approval for the distribution of responsibilities within the Executive Board and significant changes thereto, resolves the compensation system for the Executive Board, with the decision on the basic structure of the compensation system nonetheless remaining the responsibility of the Board of Supervisory Directors. The Presidial and Nomination Committee also accepts reports on Executive Board member conflicts of interest, in lieu of the Board of Supervisory Directors, in derogation of clause 4.4.3 of the PCGK. The Chairman of the Presidial and Nomination Committee approves secondary employment of Executive Board members instead of the Chairman of the Board of Supervisory Directors, in derogation of clause 4.4.4 of the PCGK.

– The **Risk and Credit Committee** takes final decisions on all financing requiring approval pursuant to the KfW Bylaws as well as on funding through the issue of bonds or taking out loans in foreign currencies and via swap transactions. It is standard procedure at banks for the final decision in such matters to be taken by a committee. It serves to accelerate and bundle committee expertise.

Loans to board members

Pursuant to its bylaws, KfW may not grant individual loans to members of the Executive Board or Board of Supervisory Directors. For equal treatment reasons, this does not apply – in derogation of clause 3.4 of the PCGK – to utilisation of promotional loans made available under the KfW programmes. Due to standardisation of lending and the principle of on-lending through applicants' own banks, there is no danger of conflicts of interests concerning programme loans. The Board of Supervisory Directors must, however, be informed of programme loans granted to members of the Board of Supervisory Directors.

Cooperation between Executive Board and Board of Supervisory Directors

The Executive Board and Board of Supervisory Directors work closely together for the benefit of KfW. The Executive Board maintains regular contact with the Chairman and Deputy Chairman of the Board of Supervisory Directors and discusses important issues concerning the management of the bank and strategy with them. The Chairman of the Board of Supervisory Directors informs the Board of Supervisory Directors of serious issues and, if necessary, convenes an extraordinary meeting.

During the reporting year, the Executive Board informed the Board of Supervisory Directors about all relevant matters regarding the bank's planning, results of operations, risk assessment, risk management and financial position.

Executive Board

The Executive Board is responsible for managing the activities of KfW pursuant to the KfW Law, the KfW Regulation, the KfW Bylaws and the procedural rules for the Executive Board. A schedule of responsibilities stipulates business responsibilities within the Executive Board. As of 1 August 2014, the Executive Board requires prior approval of the Presidial and Nomination Committee regarding significant changes to responsibility within the Executive Board.

Due to Dr Axel Nawrath's resignation from the KfW Executive Board and replacement by Dr Ingrid Hengster as Executive Board member effective 1 April 2014, as well as changes in the responsibilities with effect from 18 September 2014 and 11 November 2014, the KfW Executive Board members were responsible for the following departments during the reporting year:

- Dr Ulrich Schröder – Chief Executive Officer, Management Affairs and Communication, Group Development (including Central Project Management Office since 18 September 2014) and Economics, Internal Auditing, Compliance and Sustainability; since 11 November 2014 also Environmental Issues;
- Dr Günther Bräunig – Financial Markets, Human Resources, Legal Affairs and Central Services;
- Dr Norbert Kloppenburg – International Finance (Promotion of developing and transition countries, Export and project finance), including KfW Development Bank, DEG, and KfW IPEX-Bank;
- Dr Edeltraud Leibrock – Organisation and Consulting, Transaction Management; Information Technology (until 17 September 2014), and Central Services (since 18 September 2014);
- Bernd Loewen – Risk Management and Controlling, including Restructuring, Accounting, Portfolio Credit Service (until 17 September 2014) and Information Technology (since 18 September 2014);
- Dr Axel Nawrath – (until 31 March 2014) Domestic Finance (Mittelstandsbank, Kommunal- und Privatkundenbank/Kredit-institute), Sales, New Business Credit Service; also Environmental Issues;

– Dr Ingrid Hengster – (since 1 April 2014) Domestic Finance (Mittelstandsbank/Management, Kommunal- und Privatkundenbank/Kreditinstitute), Sales, New Business Credit Service; also Environmental Issues from 1 April 2014 to 10 November 2014.

Executive Board members are obliged to act in the best interests of KfW, may not consider personal interests in their decisions, and are subject to a comprehensive non-competition clause during their employment with KfW. Executive Board members must inform their Board colleagues of any conflicts of interests prior to adopting resolutions and disclose them to the Chairman of the Presidial and Nomination Committee without delay. Due to a potential conflict of interest that occurred and was disclosed in 2013, one Executive Board member refrained from participating in relevant decisions in 2014 until he stepped down. Executive Board members refrained from voting on resolutions in the event of potential conflicts of interest.

Board of Supervisory Directors

The Board of Supervisory Directors supervises and advises the Executive Board in the management of the bank.

In accordance with the KfW Law, the Board of Supervisory Directors consists of 37 members. In accordance with the law, seven Federal Ministers are members of the Board of Supervisory Directors. The remaining members are appointed by the German Bundestag, Bundesrat or Federal Government. The Federal Minister of Finance and the Federal Minister for Economic Affairs and Energy alternate on a yearly basis as Chairman of the Board of Supervisory Directors. The Chairman of the Board of Supervisory Directors in the reporting year was Federal Minister Sigmar Gabriel. There were two female members on the Board of Supervisory Directors during the reporting year.

No member of the Board of Supervisory Directors may have business or private dealings with KfW or its Executive Board members which are based on a substantial and more than temporary conflict of interests. Each member of the Board of Supervisory Directors informs the Chairman of the Board of Supervisory Directors or the relevant committee about conflicts of interest before a resolution is made. A member of the Board of Supervisory Directors temporarily stepped down until 3 June 2014 in order to avoid potential conflicts of interest. On some occasions during the reporting year; members of the Board of Supervisory Directors and its committees refrained from participating in resolutions due to conflicts of interest.

Eight members of the Board of Supervisory Directors attended fewer than half of the board meetings in the reporting year.

Committees of the Board of Supervisory Directors

With effect from 1 August 2014, the Board of Supervisory Directors created four committees in accordance with Section 25d KWG in order to increase efficiency in performance of its duties. They committees are listed below. The statements contained in the 2013 Corporate Governance Report apply *mutatis mutandis* until such time.

The **Presidial and Nomination Committee** is responsible for all legal and administrative matters, as well as the bank's business and corporate policy matters; it also makes urgent decisions in pressing matters. The Presidial and Nomination Committee is also responsible for handling nominations. Moreover, it draws up job descriptions with candidate profiles for Executive Board positions and for appointments to the Board of Supervisory Directors. It identifies candidates to fill positions on the Executive Board and thus ensures with the Executive Board that long-term succession planning is in place for it. It can support the government bodies which make the appointments in selecting the individuals to be appointed to the Board of Supervisory Directors.

The **Remuneration Committee** deals with remuneration matters. It deals in particular with the appropriate structure of the compensation system for the KfW Executive Board and employees and advises the Presidial and Nomination Committee on remuneration of the Executive Board members.

The **Risk and Credit Committee** is responsible for advising the Board of Supervisory Directors on risk issues, such as, in particular, the group's overall risk tolerance and strategy. The Risk and Credit Committee is also in charge of handling credit matters and the approval of KfW's fundraising and swap transactions.

The **Audit Committee** is responsible for accounting and risk management issues. In particular, it deals with monitoring the accounting process, the effectiveness of the internal controlling system, the internal audit system and risk management system, auditing the annual and consolidated financial statements, the required independence of the auditor, determining the focus areas of the audit, and monitoring the prompt elimination of any deficiencies on the part of the Executive Board found by the auditor.

The chairs of the committees report to the Board of Supervisory Directors on a regular basis.

The Board of Supervisory Directors provides information about its work and that of its committees during the reporting year in its report. An overview of the members of the Board of Supervisory Directors and its committees is available on KfW's website.

Shareholders

The Federal Government owns 80% of KfW's share capital, the German Federal States 20%. In accordance with Article 1a of the KfW Law, the Federal Republic of Germany is liable for certain of KfW's liabilities. There is no profit distribution. The KfW Law does not require a general shareholders' meeting; the Board of Supervisory Directors performs the function of a general shareholders' meeting.

Supervision

In accordance with Article 12 of the KfW Law, KfW is subject to legal supervision by the Federal Ministry of Finance in consultation with the Federal Ministry for Economic Affairs and Energy. The supervising authority has the power to take all measures necessary to ensure that KfW operates its business activities in

accordance with the law, the KfW Bylaws and other rules and regulations.

KfW is not considered a credit institution within the meaning of Section 2 (1) no. 2 of the German Banking Act (*Kreditwesengesetz* – “KWG”) and is thus generally exempt from the direct application of banking supervision regulations with the exception of a few individual provisions. It has nonetheless thus far applied the relevant norms of the German Banking Act, particularly the Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement*– “MaRisk”) and the German Solvency Regulation (*Solvabilitätsverordnung*– “SolvV”).

However, the KfW Regulation dated 20 September 2013 declares central banking supervisory provisions henceforth applicable by analogy to KfW, and subjects KfW to supervision by the German Federal Financial Supervisory Authority (BaFin) in collaboration with the Bundesbank regarding KfW’s compliance with these regulations. The KfW Regulation is being phased into effect by 1 January 2016. Pursuant to these regulations, BaFin has been entitled since 9 October 2013 to conduct regulatory inspections in collaboration with the Bundesbank. Sections 25c and 25d KWG with their corporate governance requirements became applicable to KfW effective 1 July 2014. The remaining provisions stipulated in the KfW Regulation will become applicable on 1 January 2016.

The group companies KfW IPEX-Bank GmbH and DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) are, on the other hand, credit institutions within the meaning of the KWG. KfW IPEX-Bank GmbH is subject to the provisions of the KWG in full, while for DEG, certain restrictions apply.

Transparency

KfW provides all important information about the bank’s annual and consolidated financial statements, the quarterly and semi-annual reports and the financial calendar on its website. Investor relations activities and corporate communications also involve regular announcements on the latest company developments. The annual Corporate Governance Reports of KfW and the group companies KfW IPEX-Bank GmbH and DEG including the Declaration of Compliance with the PCGK are always available on KfW’s website.

Risk management

Risk management and risk control are primary responsibilities of overall bank management at KfW. Using the risk strategy, the Executive Board defines the framework for the bank’s business activities regarding risk tolerance and risk-bearing capacity. This ensures that KfW fulfils its unique responsibilities with an appropriate risk profile effectively and for the long term. The bank’s overall risk situation is subject to comprehensive analysis in monthly risk reports to the Executive Board. The Board of Supervisory Directors regularly receives detailed information on the bank’s risk situation, at least once a quarter.

Compliance

The success of KfW Group is largely based on the confidence its shareholders, customers, business partners, employees and the general public place in its efficiency and above all in its integrity. This confidence rests not least on the implementation of and compliance with relevant statutory, supervisory and internal regulations and other relevant laws and rules. Compliance at KfW includes, in particular, measures to comply with data protection regulations and securities compliance as well as measures for the prevention of money laundering, terrorism financing and other criminal activities. There are therefore binding rules and procedures that influence the day-to-day implementation of values and the corporate culture, which are continually updated to reflect the current law as well as market requirements. Compliance’s responsibilities also include coordinating complete fulfilment of the requirements of the KWG (as applicable under the KfW Regulation) as well as the central function for compliance in accordance with MaRisk. Regular training sessions on compliance and anti-money laundering are held for KfW’s employees. E-learning programmes are also available in addition to classroom seminars.

Accounting and auditing

As the supervisory authority, the Federal Ministry of Finance in consultation with the Federal Audit Office (*Bundesrechnungshof*) appointed KPMG AG Wirtschaftsprüfungsgesellschaft as auditor for financial year 2014 on 24 April 2014. The appointment was based on the proposal made by KfW’s Board of Supervisory Directors on 10 April 2014. The Audit Committee prepared this recommendation. The bank and the auditor agreed that the Chairman of the Audit Committee would be informed without delay of any potential grounds for bias or disqualification discovered during the audit that were not immediately rectified. It was furthermore agreed that the auditor would immediately inform the Audit Committee Chairman about any qualifying remarks or potential misstatements in the Declaration of Compliance with the PCGK. A declaration of auditor independence was obtained.

Efficiency review of the Board of Supervisory Directors

The Board of Supervisory Directors has regularly reviewed the efficiency of its activities. A two-year frequency was set for the efficiency review; the last was performed in 2013. Since the applicability of Section 25d (11) KWG since 1 July 2014, the Pre-sidial and Nomination Committee is required to evaluate both the Board of Supervisory Directors and Executive Board on an annual basis. Both evaluations are to be formed in mid-2015 for the first time and to be repeated every year.

Compensation report

The compensation report describes the basic structure of the remuneration plan for members of the Executive Board and Board of Supervisory Directors; it also discloses the remuneration of the individual members.

Overview of total compensation of members of the Executive Board and Board of Supervisory Directors

	2014	2013	Change
	EUR in thousands	EUR in thousands	EUR in thousands
Members of the Executive Board	4,217.7	3,866.8	350.9
Former members of the Executive Board and their surviving dependants	4,141.1	3,954.8	186.3
Members of the Board of Supervisory Directors	180.2	172.7	7.5
Total	8,539.0	7,994.3	544.7

Compensation of the Executive Board

The compensation system for KfW's Executive Board is aimed at appropriately compensating members of the Executive Board for their duties and responsibilities. Executive Board contracts are drawn up based on the 1992 version of the policy for hiring executive board members at credit institutions of the Federal Government (*Grundsätze für die Anstellung der Vorstandsmitglieder bei den Kreditinstituten des Bundes*). The Federal Public Corporate Governance Code (*Public Corporate Governance Kodex des Bundes – "PCGK"*) is taken into account when drawing up contracts. The individual contracts contain adjustments.

Components of compensation

One Executive Board member who was appointed to the Executive Board prior to June 2009 and who stepped down in 2014 received compensation on a pro rata basis in 2014, paid out in equal monthly sums; that member also received a fixed end-of-year bonus, paid annually upon approval of the financial statements by the Board of Supervisory Directors; the last payment will be made in 2015 on a pro rata basis for 2014. The remaining Executive Board members receive fixed monetary compensation paid in equal monthly sums.

The compensation of the Chief Executive Officer is an exception; based on an agreed set of annual targets, he receives a variable end-of-year bonus in addition to his fixed salary. This will be at least EUR 175,571 for financial year 2014. This minimum bonus payment does not apply if KfW's net income for a financial year is insufficient to ensure allocation to the statutory reserves. The annual targets agreed for financial year 2014 comprise promotional, economic and regulatory targets with a 60% quantitative to 40% qualitative weighting. A cap on the end-of-year bonus has been agreed.

The following table shows total compensation, broken down into fixed and, where applicable, variable components and other forms of compensation, as well as additions to pension provisions for the individual members of the Executive Board.

Responsibilities

The Executive and Nomination Committee has discussed the Executive Board compensation system including contract components since the committee structure was modified in accordance with the applicable Section 25d of the German Banking Act (*Kreditwesengesetz – "KWG"*) and adopts and regularly reviews it. The Executive and Nomination Committee is advised on these

Annual compensation of the Executive Board and additions to pension provisions in financial years 2014 and 2013¹⁾

	Salary ²⁾		Variable compensation		Other compensation		Total		Additions to pension provisions	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands	
Dr Ulrich Schröder (Chief Executive Officer)	707.3	698.6	269.0	260.0	80.7	81.9	1,057.0	1,040.5	1,454.7	421.7
Dr Günther Bräunig	634.7 ⁴⁾	518.8	0.0	0.0	37.1	30.2	671.8	549.0	2,155.2	477.7
Dr Ingrid Hengster ³⁾	373.5	0.0	0.0	0.0	26.2	0.0	399.7	0.0	690.6	0.0
Dr Norbert Kloppenburg	634.7 ⁴⁾	518.8	0.0	0.0	43.6	42.3	678.3	561.1	2,169.6	479.8
Dr Edeltraud Leibrock	525.3	518.8	0.0	0.0	52.7	51.4	578.0	570.2	810.9	293.2
Bernd Loewen	535.2	508.1	0.0	0.0	35.6	46.0	570.8	554.1	1,189.7	392.0
Dr Axel Nawrath ³⁾	237.2 ⁵⁾	491.5	0.0	0.0	24.9	100.4	262.1	591.9	4,403.5 ⁶⁾	553.8
Total	3,647.9	3,254.6	269.0	260.0	300.8	352.2	4,217.7	3,866.8	12,874.2	2,618.2

¹⁾ Amounts in the table are subject to rounding differences.

²⁾ The discount rate for pension provisions decreased during the year under review due to the trend in long-term interest rates on the capital market from 3.30% (31 December 2013) to 1.75% (31 December 2014), resulting in greater additions to provisions. This also applies to the pension provisions for Executive Board members.

³⁾ Dr Ingrid Hengster since 1 April 2014; Dr Axel Nawrath until 31 March 2014.

⁴⁾ Includes an anniversary bonus in accordance with KfW's general company policy.

⁵⁾ Includes a fixed end-of-year bonus.

⁶⁾ Includes additions to provisions to cover an early retirement benefit.

matters by the Remuneration Committee, which in turn considers the results of certain analyses of the recently established Risk and Credit Committee regarding the incentive effects of the compensation systems. Likewise after consulting with the Remuneration Committee on the matter, the Board of Supervisory Directors decides upon the basic structure of the Executive Board's compensation system. The information in the 2013 Corporate Governance Report applied *mutatis mutandis* up to the amendment of the bylaws effective 1 August 2014.

The Executive and Nomination Committee discussed compensation issues on numerous occasions during the reporting year, most recently in its meeting of 11 December 2014.

Fringe benefits

Other compensation largely comprises fringe benefits. Executive Board members are entitled to a company car with a driver for business and private use. Executive Board members reimburse KfW for using a company car with a driver for private purposes in accordance with the applicable tax regulations. They are reimbursed under tax regulations for the cost of maintaining a secondary residence for business reasons.

Executive Board members are insured under a group accident insurance policy. Allowances are provided for health and long-term care insurance. Executive Board members are covered by a directors and officers liability insurance policy, which insures them against the risks of financial loss associated with their actions in their capacity as Executive Board members and by a supplemental legal expenses insurance policy. There currently is no excess. KfW Executive Board members acting in their management capacity are also protected by a special legal expenses group policy for employees covering criminal action.

No compensation is paid to members of the Executive Board for assuming executive body functions at group companies. As with all other executives, Executive Board members may also opt to participate in the deferred compensation programme – a supplemental company pension scheme financed via tax-free salary conversion. Moreover, they are entitled to anniversary bonuses in accordance with KfW's general company policy.

Moreover, the fringe benefits contain the cost of security systems at Executive Board members' residences; these benefits are not recognised as other compensation but as Non-personnel expenses.

The fringe benefits are subject to taxation as benefits in money's worth for Executive Board members if they cannot be granted on a tax-free basis or if such treatment is not contractually agreed.

There were no loans by KfW to any members of the Executive Board in 2014.

No Executive Board member was granted or promised any benefits by a third party during the past financial year with

a view to his or her position as a member of the KfW Executive Board.

Pension benefits and termination benefits

In accordance with Article 1 (3) of the KfW Bylaws, the appointment of an Executive Board member should not generally extend beyond reaching the legal age of retirement. The Chief Executive Officer is exempt from this provision; he will be slightly above the statutory retirement age at the end of his current period of office on 31 December 2017. Upon reaching the age of 65 or statutory retirement age and the expiry of their Executive Board contract, Executive Board members are entitled to claim pension payments. Executive Board members whose service contracts were signed before 2013 may retire early at their own request upon turning 63. Pension benefits for Executive Board members as well as their surviving dependants are based on the 1992 version of the Federal Government's policy for hiring executive board members at credit institutions. The Federal Public Corporate Governance Code was taken into account when drawing up the Executive Board contracts.

Executive Board member contracts include a severance pay cap in accordance with the recommendations of the Federal Public Corporate Governance Code. In other words, payments to these Executive Board members due to early termination of the Executive Board function without good cause in accordance with Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch – "BGB"*) should not exceed the equivalent of two years' salary or compensation including fringe benefits for the remainder of the contract, whichever is lower.

Executive Board contracts which were concluded before 2010 generally provided for early retirement benefits after two terms on the Board, regardless of age and even in the case that KfW did not extend the Executive Board contract. For Executive Board members reappointed to the Executive Board since 2010, any early retirement benefit entitlements were grandfathered by converting them into claims with a time limit. Moreover, Executive Board members are entitled to pension benefits if their employment relationship ends due to permanent disability.

The full pension benefit totals 70% of the pensionable remuneration. The pensionable remuneration is 70% of the last remuneration. The pension benefit – with the exception of the Chief Executive Officer – normally amounts to 70% of the full entitlement upon initial appointment and increases by 3 percentage points for every year of service completed, and in one case by 2.5 percentage points.

The Executive Board contracts contain additional individual provisions, in particular concerning vesting of pension benefits.

Pension payments to former Executive Board members or their surviving dependants were as follows in 2014 and 2013:

Pension payments to former Executive Board members or their surviving dependants

	Head-count 2014	EUR in thous- ands 2014	Head- count 2013	EUR in thous- ands 2013
Former members of the Executive Board	19	3,260.6	18	3,164.1
Surviving dependants	11	880.5	11	790.7
Total	30	4,141.1	29	3,954.8

Pension payments were initiated for one person in 2014.

Provisions in the amount of EUR 69,100.9 thousand had been set up at the end of the financial year 2014 for pension obligations to former members of the Executive Board and their surviving dependants (previous year: EUR 55,384.2 thousand).

No loans were granted to former Executive Board members or their surviving dependants in financial year 2014.

Compensation of members of the Board of Supervisory Directors

The amount of compensation for members of the Board of Supervisory Directors is determined by the supervisory authority in accordance with Article 7 (10) of the KfW Bylaws. With the last revision in May 2010, compensation for members of the Federal Government who are members of the Board of Supervisory Directors pursuant to Article 7 (1) No. 1 and No. 2 of the KfW Law was set to EUR 0.

For the reporting year, compensation for other members of the Board of Supervisory Directors pursuant to Article 7 (1) Nos. 3-6 of the KfW Law amounted to EUR 5.1 thousand p.a.; compensation for sitting on a committee of the Board of Supervisory Directors was a standard amount of EUR 0.6 thousand p.a. for each member. Committee chairs received no special compensation. Compensation is provided on a pro rata basis for joining the Board of Supervisory Directors during the year.

Upon request a daily allowance (EUR 0.2 thousand per meeting day) is paid and travelling expenses (including VAT) are reimbursed.

The following table provides details on the compensation paid to the Board of Supervisory Directors in financial year 2014: all amounts are shown net in thousands of euros. Travelling expenses are reimbursed upon submission of receipts and are not taken into account in the table.

Compensation of members of the Board of Supervisory Directors for the financial year 2014

No.	Name	Dates of membership	Board of Supervisory Directors membership ¹⁾	Committee membership ¹⁾	Daily allowance	Total
		2014	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
1	Sigmar Gabriel	1 Jan.–31 Dec.	0.0	0.0	0.0	0.0
2	Dr Wolfgang Schäuble	1 Jan.–31 Dec.	0.0	0.0	0.0	0.0
3	Norbert Barthle	31 Jan.–31 Dec.	5.1	0.8	0.6	6.5
4	Jan Bettink	1 Jan.–31 Dec.	5.1	1.0	0.0	6.1
5	Anton F. Börner	1 Jan.–31 Dec.	5.1	0.6	0.0	5.7
6	Hans-Dieter Brenner	18 June–31 Dec.	3.0	0.3	0.6	3.9
7	Frank Bsirske	1 Jan.–31 Dec.	5.1	0.0	0.0	5.1
8	Jens Bullerjahn ²⁾	1 Jan.–31 Dec.	5.1	0.6	0.0	5.7
9	Alexander Dobrindt	1 Jan.–31 Dec.	0.0	0.0	0.0	0.0
10	Georg Fahrenschon	1 Jan.–31 Dec.	5.1	2.0	0.4	7.5
11	Robert Feiger	8 Jan.–31 Dec.	5.1	0.3	0.8	6.2
12	Klaus-Peter Flosbach	1 Feb.–31 Dec.	4.7	0.5	0.8	6.0
13	Dr Hans-Peter Friedrich	1 Jan.–17 Feb.	0.0	0.0	0.0	0.0
14	Hubertus Heil	1 Jan.–31 Dec.	5.1	1.5	0.6	7.2
15	Dr Barbara Hendricks	1 Jan.–31 Dec.	0.0	0.0	0.0	0.0
16	Prof. Dr Hans-Günter Henneke	1 Jan.–31 Dec.	5.1	0.0	0.4	5.5
17	Reiner Hoffmann	18 June–31 Dec.	3.0	0.5	0.0	3.5
18	Gerhard Hofmann	1 Jan.–31 Dec.	5.1	1.0	0.0	6.1
19	Bartholomäus Kalb	31 Jan.–31 Dec.	5.1	0.5	0.8	6.4
20	Dr Markus Kerber ³⁾	1 Jan.–31 Dec.	3.0	0.6	0.0	3.6
21	Stefan Körzell	1 July–31 Dec.	2.6	0.5	0.4	3.5
22	Dr h. c. Jürgen Koppelin	1 Jan.–31 Dec.	5.1	0.5	0.6	6.2
23	Dr Gesine Löttsch	1 Jan.–31 Dec.	5.1	1.1	0.6	6.8
24	Claus Matecki	1 Jan.–30 June	2.6	0.0	0.2	2.8
25	Dr Michael Meister ⁴⁾	1 Jan.–31 Jan.	0.0	0.0	0.0	0.0
26	Dr Gerd Müller	1 Jan.–31 Dec.	0.0	0.0	0.0	0.0
27	Dr Ulrich Nußbaum ²⁾	1 Jan.–10 Dec.	5.1	0.6	0.0	5.7
28	Joachim Rukwied	1 Jan.–31 Dec.	5.1	0.5	0.6	6.2
29	Dr Nils Schmid ²⁾	1 Jan.–31 Dec.	5.1	0.5	0.0	5.6
30	Christian Schmidt	17 Feb.–31 Dec.	0.0	0.0	0.0	0.0
31	Andreas Schmitz	1 Jan.–31 Dec.	5.1	2.0	1.0	8.1
32	Carsten Schneider	31 Jan.–31 Dec.	5.1	1.0	0.8	6.9
33	Peter-Jürgen Schneider ²⁾	1 Jan.–31 Dec.	5.1	0.0	0.6	5.7
34	Holger Schwannecke	1 Jan.–31 Dec.	5.1	1.5	0.6	7.2
35	Erwin SELLERING ²⁾	1 Jan.–31 Dec.	5.1	0.8	0.0	5.9
36	Dr Markus Söder ²⁾	1 Jan.–31 Dec.	5.1	0.8	0.0	5.9
37	Michael Sommer	1 Jan.–15 May	2.1	0.3	0.0	2.4
38	Dr Frank-Walter Steinmeier	1 Jan.–31 Dec.	0.0	0.0	0.0	0.0
39	Dr Norbert Walter-Borjans ²⁾	1 Jan.–31 Dec.	5.1	0.5	0.0	5.6
40	Dr Martin Wansleben	1 Jan.–31 Dec.	5.1	0.5	0.0	5.6
41	Dr Kai H. Warnecke	1 Jan.–31 Dec.	5.1	0.0	0.0	5.1
Total			148.5	21.3	10.4	180.2

¹⁾ The amounts had not yet been paid out as of the reporting date of 31 December 2014.

²⁾ Amount governed by state law.

³⁾ This seat was in abeyance until 2 June 2014 inclusive.

⁴⁾ No compensation drawn since 16 December 2013.

Compensation of members of the Board of Supervisory Directors for the financial year 2013

No.	Name	Dates of membership	Board of Supervisory Directors membership ¹⁾	Committee membership ¹⁾	Daily allowance	Total
		2013	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
1	Dr Wolfgang Schäuble	1 Jan.–31 Dec.	0.0	0.0	0.0	0.0
2	Dr Philipp Rösler	1 Jan.–17 Dec.	0.0	0.0	0.0	0.0
3	Sigmar Gabriel	17 Dec.–31 Dec.	0.0	0.0	0.0	0.0
4	Ilse Aigner	1 Jan.–30 Sept.	0.0	0.0	0.0	0.0
5	Peter Altmaier	1 Jan.–17 Dec.	0.0	0.0	0.0	0.0
6	Norbert Barthle	1 Jan.–31 Dec.	5.1	1.2	0.4	6.7
7	Jan Bettink	1 Jan.–31 Dec.	5.1	1.2	0.0	6.3
8	Anton F. Börner	1 Jan.–31 Dec.	5.1	0.6	0.0	5.7
9	Volker Bouffier ²⁾	1 Jan.–31 Dec.	5.1	0.6	0.0	5.7
10	Frank Bsirske	1 Jan.–31 Dec.	5.1	0.0	0.0	5.1
11	Jens Bullerjahn ²⁾	1 Jan.–31 Dec.	5.1	0.6	0.0	5.7
12	Alexander Dobrindt	17 Dec.–31 Dec.	0.0	0.0	0.0	0.0
13	Ingeborg Esser	1 Jan.–31 Dec.	5.1	0.6	0.0	5.7
14	Georg Fahrenschon	1 Jan.–31 Dec.	5.1	1.8	0.0	6.9
15	Dr Hans-Peter Friedrich	30 Sept.–31 Dec.	0.0	0.0	0.0	0.0
16	Hubertus Heil	1 Jan.–31 Dec.	5.1	1.2	0.2	6.5
17	Dr Barbara Hendricks	17 Dec.–31 Dec.	0.0	0.0	0.0	0.0
18	Prof. Dr Hans-Günter Henneke	1 Jan.–31 Dec.	5.1	0.0	0.6	5.7
19	Gerhard Hofmann	1 Jan.–31 Dec.	5.1	1.2	0.0	6.3
20	Bartholomäus Kalb	1 Jan.–31 Dec.	5.1	0.6	0.8	6.5
21	Dr Markus Kerber ³⁾	1 Jan.–31 Dec.	1.7	0.2	0.0	1.9
22	Dr h. c. Jürgen Koppelin	1 Jan.–31 Dec.	5.1	0.6	0.6	6.3
23	Dr Gesine Löttsch	1 Jan.–31 Dec.	5.1	0.6	0.6	6.3
24	Claus Matecki	1 Jan.–31 Dec.	5.1	0.0	0.6	5.7
25	Dr Michael Meister ⁴⁾	1 Jan.–31 Dec.	4.9	0.6	0.6	6.1
26	Franz-Josef Möllenberg	1 Jan.–31 Dec.	5.1	1.2	0.4	6.7
27	Dr Gerd Müller	17 Dec.–31 Dec.	0.0	0.0	0.0	0.0
28	Dirk Niebel	1 Jan.–17 Dec.	0.0	0.0	0.0	0.0
29	Dr Ulrich Nußbaum ²⁾	1 Jan.–31 Dec.	5.1	0.6	0.0	5.7
30	Dr Peter Ramsauer	1 Jan.–17 Dec.	0.0	0.0	0.0	0.0
31	Joachim Rukwied	1 Jan.–31 Dec.	5.1	0.6	0.8	6.5
32	Dr Nils Schmid ²⁾	1 Jan.–31 Dec.	5.1	0.6	0.4	6.1
33	Andreas Schmitz	1 Jan.–31 Dec.	5.1	1.8	0.4	7.3
34	Carsten Schneider	1 Jan.–31 Dec.	5.1	1.2	0.8	7.1
35	Holger Schwannecke	1 Jan.–31 Dec.	5.1	1.2	0.6	6.9
36	Erwin Sellering ²⁾	1 Jan.–31 Dec.	5.1	0.0	0.0	5.1
37	Dr Markus Söder ²⁾	1 Jan.–31 Dec.	5.1	0.6	0.0	5.7
38	Michael Sommer	1 Jan.–31 Dec.	5.1	0.6	0.0	5.7
39	Dr Frank-Walter Steinmeier	17 Dec.–31 Dec.	0.0	0.0	0.0	0.0
40	Dr Norbert Walter-Borjans ²⁾	1 Jan.–31 Dec.	5.1	0.6	0.0	5.7
41	Dr Martin Wansleben	1 Jan.–31 Dec.	5.1	0.0	0.0	5.1
42	Dr Guido Westerwelle	1 Jan.–17 Dec.	0.0	0.0	0.0	0.0
Total			144.3	20.6	7.8	172.7

¹⁾ The amounts had not yet been paid out as of the reporting date of 31 December 2013.

²⁾ Amount governed by state law.

³⁾ This seat has been in abeyance since 19 April 2013.

⁴⁾ No compensation drawn since 16 December 2013.

There are no pension obligations for members of the Board of Supervisory Directors.

Members of the Board of Supervisory Directors received no compensation in the reporting year for personal services provided.

No direct loans were granted to members of the Board of Supervisory Directors in the reporting year.

Members of the Board of Supervisory Directors are also covered by a directors and officers liability insurance policy, which insures them against the risks of financial loss associated with their actions in their capacity as Supervisory Directors and by a supplemental legal expenses insurance policy. There is currently no excess here either. KfW's Supervisory Directors acting in that capacity are also protected by a special legal expenses group policy for employees covering criminal action and by a group accident insurance policy.

Frankfurt am Main, 14 April 2015

The Executive Board

The Board of Supervisory Directors

Executive Board

Dr Ulrich Schröder (Chief Executive Officer) | **Dr Günther Bräunig** | **Dr Ingrid Hengster**
Dr Norbert Kloppenburg | **Dr Edeltraud Leibrock** | **Bernd Loewen**

Directors

Dr Stefan Breuer
Dr Frank Czichowski
Andreas Fichelscher
Eberhard Fuchs (interim)
Dr Lutz-Christian Funke
Helmut Gauges
Werner Genter
Dr Volker Groß
Detlev Kalischer

Klaus Klüber
Dirk Kuhmann
Cherifa Larabi
Dr Katrin Leonhardt
Dr Velibor Marjanović
Andreas Müller
Klaus Neumann
Werner Oerter
Stephan Opitz

Christiane Orlowski
Dr Stefan Peiß
Dr Jürgen Schneider
Matthias Schwenk
Roland Siller
Birgit Spors
Klaus Weirich

Managing Directors of KfW IPEX-Bank GmbH

Christiane Laibach | **Christian K. Murach** | **Markus Scheer** | **Klaus R. Michalak** (CEO)

KfW IPEX-Bank is responsible for the international export and project finance business. Since the beginning of 2008, it has been a legally independent subsidiary of KfW which is subject to the German Banking Act (Kreditwesengesetz – KWG) and banking supervisory regulations.

Managing Directors of DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH

Dr Michael Bornmann | **Philipp Kreutz** | **Bruno Wenn** (Chairman)

DEG was founded in 1962 and has been a wholly-owned subsidiary of KfW Group since 2001. DEG is one of the largest European development finance institutions for long-term project and corporate financing. It has been financing and structuring investments by private companies in developing and emerging market countries for more than 50 years.

Members and tasks of the Board of Supervisory Directors

The Board of Supervisory Directors supervises the conduct of KfW's business activities and the management of its assets. It approves, among other things, the annual financial statements. The Board of Supervisory Directors consists of 37 members. In the year under review, the Chairman was the Federal Minister for Economic Affairs and Energy, and the Deputy Chairman was the Federal Minister of Finance.

Dr Wolfgang Schäuble

Federal Minister of Finance
Deputy Chairman
(1 January 2014 – 31 December 2014)
Chairman
(since 1 January 2015)

Sigmar Gabriel

Federal Minister for Economic
Affairs and Energy
Chairman
(1 January 2014 – 31 December 2014)
Deputy Chairman
(since 1 January 2015)

Kerstin Andreae

Member of the German Bundestag
Member appointed by the
German Bundestag
(since 1 January 2015)

Norbert Barthle

Member of the German Bundestag
Member appointed by the
German Bundestag

Jan Bettink

President of the Association of
German Pfandbrief Banks
Representative of the mortgage banks

Anton F. Börner

President of the Federation of German
Wholesale and Foreign Trade
Representative of trade

Hans-Dieter Brenner

Chief Executive Officer of
Helaba Landesbank Hessen-Thüringen
Representative of industrial credit
(since 18 June 2014)

Frank Bsirske

Chairman of ver.di –
United Services Trade Union
Representative of the trade unions

Jens Bullerjahn

Deputy Minister President
Minister of Finance of the State of
Saxony-Anhalt
Member appointed by the
German Bundesrat

Alexander Dobrindt

Federal Minister of Transport and
Digital Infrastructure

Georg Fahrenschon

President of the German Savings Banks
Association (DSGV)
Representative of the savings banks

Robert Feiger

Chairman of the Federal Executive
Committee of the
IG Bauen-Agrar-Umwelt
trade union (IG Bau)
Representative of the trade unions

Klaus-Peter Flosbach

Member of the German Bundestag
Member appointed by the
German Bundestag

Hubertus Heil

Member of the German Bundestag
Member appointed by the
German Bundestag

Dr Barbara Hendricks

Federal Minister for the Environment,
Nature Conservation, Building and
Nuclear Safety

Prof. Dr Hans-Günter Henneke

Managing Member of the Executive
Committee of the Federation of
German Districts (DLT)
Representative of the municipalities

Reiner Hoffmann

Chairman of the German Trade Union
Confederation (DGB)
Representative of the trade unions
(since 18 June 2014)

Gerhard Hofmann

Member of the Board of Managing
Directors of the National Association of
German Cooperative Banks (BVR)
Representative of the cooperative banks

Bartholomäus Kalb

Member of the German Bundestag
Member appointed by the
German Bundestag

Dr Markus Kerber

Director General and Member of the
Presidential Board of the Federation of
German Industries (BDI)
Representative of industry
(mandate in abeyance until 2 June 2014)

Stefan Körzell

Member of the Executive Board of the German Trade Union Confederation (DGB)
Representative of the trade unions
(since 1 July 2014)

Dr h. c. Jürgen Koppelin

Member appointed by the German Bundestag
(until 31 December 2014)

Dr Gesine Löttsch

Member of the German Bundestag
Member appointed by the German Bundestag

Claus Matecki

Member of the Executive Board of the German Trade Union Confederation (DGB) (ret.)
Representative of the trade unions
(until 30 June 2014)

Dr Gerd Müller

Federal Minister of Economic Cooperation and Development

Dr Ulrich Nußbaum

Former Senator of Finance for Berlin
Member appointed by the German Bundesrat
(until 10 December 2014)

Joachim Rukwied

President of the German Farmers' Association (DBV)
Representative of agriculture

Dr Nils Schmid

Minister of Finance of the State of Baden-Württemberg
Member appointed by the German Bundesrat

Christian Schmidt

Federal Minister of Food and Agriculture

Andreas Schmitz

Member of the Presidency of the Association of German Banks (BdB)
Chairman of the Management Board of HSBC Trinkaus & Burkhardt AG
Representative of the commercial banks

Carsten Schneider

Member of the German Bundestag
Member appointed by the German Bundestag

Peter-Jürgen Schneider

Minister of Finance of the State of Lower Saxony
Member appointed by the German Bundesrat

Holger Schwannecke

Secretary General of the German Confederation of Skilled Crafts (ZdH)
Representative of the skilled crafts

Erwin Sellering

Minister President of the State of Mecklenburg-Vorpommern
Member appointed by the German Bundesrat

Dr Markus Söder

Bavarian State Minister of Finance, Regional Development and Regional Identity
Member appointed by the German Bundesrat

Michael Sommer

Chairman of the German Trade Union Confederation (DGB) (ret.)
Representative of the trade unions
(until 15 May 2014)

Dr Frank-Walter Steinmeier

Federal Minister for Foreign Affairs

Dr Norbert Walter-Borjans

Minister of Finance of the State of North Rhine-Westphalia
Member appointed by the German Bundesrat

Dr Martin Wansleben

Chief Executive of the Association of German Chambers of Commerce and Industry (DIHK)
Representative of industry

Dr Kai H. Warnecke

Managing Director Haus & Grund Germany
Representative of the housing industry

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