

»» First half of 2015: KfW promotion very high in demand



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**Total commitment volume of
EUR 41.5 billion (+ 31 %)**

**Domestic promotional business
volume rises to EUR 25.7 billion
(+ 21 %)**

**Strong demand for SME financing
after hesitant start of the year
(+ 10%)**

**Demand in international business
increases more than 50% to
EUR 15.4 billion**

**Consolidated profit of
EUR 1,152 million**

Total assets roughly EUR 505 billion

KfW Group achieved a total business volume of EUR 41.5 billion in the first half of 2015, up from EUR 31.7 billion in the same period of 2014 (+ 31 %). KfW's international operations (including KfW Development Bank, KfW IPEX-Bank and DEG) experienced particularly strong growth by approximately 55% to EUR 15.4 billion (H1 2014: EUR 10 billion). Domestic promotion also developed very well in H1, coming in at EUR 25.7 billion (EUR 21.3 billion, + 21 %). Demand for corporate financing picked up significantly following a hesitant start to the year, while demand for real estate financing remains high.

"Demand for KfW promotion rose sharply in the first half of 2015 in both domestic and international business. This is a good sign for the German economy. We are very pleased that we as KfW are able to

support this positive development with our financing", said Dr Ulrich Schröder, Chief Executive Officer of KfW Group.

The earnings position continued to evolve well in the first half of 2015 with a **consolidated profit of EUR 1,152 million** (EUR 889 million). This exceeded expectations and was primarily driven by the excellent valuation result.

"The positive development of KfW's operating result in the first quarter 2015 persisted during the second quarter 2015, but it is marked by various non-recurring effects. For this reason, the full-year result cannot be extrapolated from the half year figures", said Dr Schröder.

The **operating result before valuation** totaled EUR 1,009 million (EUR 1,034 million). Net interest income (before promotional activity) amounting to EUR 1,415 million (EUR 1,356 million) continues to be the main source of income based on KfW's persistently good funding conditions.

Promotional activity – mainly interest rate reductions for new business in 2015 – at EUR 181 million equals the previous year's level (EUR 186 million).

On the whole, the **risk situation** evolved very well. A modest need for writedowns was recorded in the Promotion of developing and transition countries business sector. However, this was more than offset by positive non-recurring effects in the context of the restructuring of Argentina's debt, as a result of which **risk provisions for lending business** could be reduced by EUR 18 million overall.

The still pleasing result from the **private equity and securities portfolio** amounting to EUR 135 million (EUR 133 million) is attributable especially to DEG's private equity business result that was positively influenced, among other factors, by the development of exchange rates.

Total assets came in higher than at 31 December 2014 (EUR 489.1 billion) registering a figure of EUR 504.5 billion. This development is primarily due to currency-related fair value changes in connection with hedging transactions.

The Group's regulatory capital ratios have increased compared to 31 March 2015. As of 30 June 2015, the total capital ratio stood at 14.7% (31 March 2015: 13.9%) and the tier 1 capital ratio at 14.6 % (31 March 2015: 13.8%). The increase is attributable in roughly equal part to the good consolidated comprehensive income and to the improved risk position.

Details on the business sectors' promotional results

The volume of new business at **Mittelstandsbank** (SME Bank) reached EUR 11.0 billion as of 30 June 2015 (EUR 10.0 billion). Especially in the key promotional areas of start-ups and general corporate financing, as well as environment and energy, loan demand rose perceptibly in the second quarter. This is due to favourable borrower conditions and a moderate growth of corporate investment.

In the area of **start-ups and general corporate financing**, commitments came in at EUR 5.7 billion (EUR 5.1 billion). Especially start-up financing developed very positively, with commitments rising to

EUR 1.8 billion (EUR 1.3 billion). In Q2 2015, KfW also used for the first time its new promotional instrument “ERP Venture Capital Funds Investments”, thus providing considerable impetus for improving the supply of venture capital for young, growth-oriented technology enterprises in Germany. Commitments in the field of **innovation** came in at EUR 0.3 billion.

In the field of **environment and energy** finance, new commitments with EUR 5.0 billion are also exceeding the previous year’s level (EUR 4.2 billion). Promotion of renewable energies rose to EUR 2.7 billion (EUR 2.3 billion). Key driver of this positive development was the demand for the financing of onshore wind farms. Moreover, KfW participated in the financing of the Veja Mate offshore wind farm with EUR 430 million. Promotion of energy efficiency measures is also above the previous year’s level with a volume of EUR 1.6 billion (EUR 1.5 billion).

The promotional business volume in the **Kommunalbank and Privatkundenbank/ Kreditinstitute** (Municipal and private loans/credit institutions) business sector with EUR 14.7 billion has increased significantly, compared to the first half of 2014 (EUR 11.3 billion). This encouraging performance was realised across all promotional areas. In **housing**, the largest key promotional area in terms of volume, commitments increased slightly to EUR 8.0 billion (EUR 7.6 billion). In particular, there was lively demand for the Energy-efficient Construction and Refurbishment programmes supported by the German Federal Government and the KfW Home Ownership Programme.

In the promotional area of **infrastructure financing** the commitment volume totaled EUR 2.0 billion – also an increase compared to the previous year (EUR 1.4 billion). Investment loans for municipal enterprises met with particularly strong demand. At EUR 1.1 billion, commitments here have almost doubled when compared with the pre-year period (EUR 0.6 billion).

The most significant growth was recorded in the field of **general funding for promotional institutions of the federal states**, reaching a commitment volume of EUR 2.7 billion, compared to EUR 0.7 billion as of 30 June 2014. The momentum of commitments picked up already in the second half of 2014 and became steady in the first half of 2015 in this key promotional area.

Education finance (EUR 1.2 billion vs. EUR 1.1 billion in the previous year) and **Individual financing banks** (EUR 0.7 billion vs. EUR 0.6 billion) also showed a positive trend.

In the **Export and project finance business sector**, for which **KfW IPEX-Bank** is responsible, new commitments added up to EUR 13.1 billion. This means that the volume of commitments is clearly exceeding the pre-year figure (EUR 7.9 billion). This trend is mainly attributable to a number of larger individual transactions including from the sector department **Maritime Industries**, which issued financing commitments for several new cruise ships in June alone and thus contributed EUR 4.2 billion (EUR 1.2 billion) to commitments. Other key areas are the sector departments **Power, Renewables and Water** with EUR 2.0 billion (EUR 0.6 billion) and **Aviation and Rail** with EUR 1.9 billion (EUR 1.5 billion). The final commitment volume will be significantly lower because a portion of the loans is due to be passed on to other banks in the course of the year as part of syndications and will thus be transferred from the books of KfW IPEX-Bank to those of its syndication partners. This also reflects the very close collaboration between KfW IPEX-Bank and German and international commercial banks in the context of syndicates.

New commitments in the **Promotion of developing and transition countries business sector** totalled EUR 2.3 billion (EUR 2.1 billion). In the first half of 2015, **KfW Development Bank** committed a sum of roughly EUR 1.6 billion

(EUR 1.6 billion) for projects and programmes worldwide. A total of 14% of the commitments pertain to social infrastructure such as healthcare, education and water supply, 20% to the finance sector and 41% to energy generation and supply. On the whole, 68% of the projects are directed at climate and environmental protection. As of 30 June 2015, **DEG** committed a total of EUR 669 million for investments by private companies in developing and emerging countries, exceeding by far the previous year’s level (EUR 475 million). Financing for FC projects/programmes in Latin America was more than doubled to EUR 212 million (EUR 82 million). In Africa, capital expenditure of EUR 185 million (EUR 114 million) was committed. A total of EUR 196 million was granted worldwide for investments in the industrial sector (EUR 99 million). EUR 250 million of new business is dedicated to venture capital financing in the form of equity investments and mezzanine financing (EUR 173 million).

To **fund** its promotional business, KfW has raised long-term funds in thirteen different currencies on the international capital markets amounting to the equivalent of EUR 29.6 billion as of 30 June 2015 (as of 31 July 2015: EUR 38.1 billion). KfW continues to anticipate a funding volume of EUR 55 billion to EUR 60 billion for the year as a whole.

Key financial figures (IFRS)

Key figures of the income statement (EUR in millions)	1 Jan 2015 – 30 June 2015	1 Jan 2014 – 30 June 2014
Operating result before valuations (before promotional activity)	1,009	1,034
Promotional activities	181	186
Consolidated profit	1,152	889
Consolidated profit before IFRS effects from hedging	1,083	877

Key figures of the statement of financial position (EUR in billions)	30 June 2015	31 December 2014
Total assets	504.5	489.1
Equity	24.0	21.6
Volume of business	595.0	572.5

Key regulatory figures (in %) ¹⁾	30 June 2015	31 December 2014
Tier 1 capital ratio	14.6	14.1
Total capital ratio	14.7	15.1

¹⁾ Calculated voluntarily for internal purposes on the basis of the relevant legal provisions.

Business activities of KfW Group

(EUR in billions)

	2014	1 – 6/2014	1 – 6/2015
KfW Group (consolidated) ¹⁾	74.1	31.7	41.5
Domestic promotional business	47.6	21.3	25.7
<i>Business sector Mittelstandsbank</i>	19.9	10.0	11.0
<i>Business sector Kommunal- und Privatkundenbank/Kreditinstitute</i>	27.7	11.3	14.7
Business sector Capital markets	1.2	0.5	0.5
International business	25.5	10.0	15.4
of which:			
<i>Business sector Export and project finance (KfW IPEX-Bank)</i>	16.6	7.9	13.1
<i>Business area KfW Development Bank</i>	7.4	1.6	1.6
DEG	1.5	0.5	0.7

¹⁾ Adjustment for commitments of Export and project finance with refinancing from KfW programme loans (06/2014: EUR 81 million, 2014: EUR 153 million, 06/2015: EUR 75 million).

Service: An overview of the business and promotional figures in table form is available for download at www.kfw.de/geschaeftszahlen.