

»» Third quarter of 2015: Demand for KfW promotion still rising



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Total commitment volume of EUR 59.5 billion (+17%)

Domestic promotional business volume rises to EUR 38.6 billion (+15%)

Efforts to help municipalities accommodate refugees successfully launched

Increase of EUR 4.2 billion (+26%) in international financing

Consolidated profit of EUR 1,730 million

Total assets roughly EUR 499 billion

In the first nine months of 2015, the promotional business of KfW Group reached a total volume of EUR 59.5 billion (prior-year period: EUR 50.7 billion, +17%). The development of **domestic promotion** was clearly positive in the first three quarters of 2015, with commitments totalling EUR 38.6 billion (EUR 33.7 billion, +15%). Demand for both SME and real estate financing contributed to this growth. In addition, the special promotion of refugee accommodation made an important contribution to helping German municipalities accommodate refugees. **International business** recorded an increase of EUR 4.2 billion, rising from EUR 16.1 billion to EUR 20.3 billion (+26%). The Export and project finance business sector was a major contributor to this growth (+ EUR 3.6 billion). KfW Development Bank and DEG Deutsche Investitions- und Entwicklungsgesellschaft mbH also played a part in the growth of the international business, with contributions of EUR 3.2

billion (EUR 2.7 billion) and EUR 0.8 billion (EUR 0.7 billion) respectively.

“Despite significant challenges, 2015 will have been a good year for Germany. The economy has picked up significantly during the year, and levels of investment are up in many sectors. KfW and its promotional programmes play an important part in the modernisation of our country,” said Dr Ulrich Schröder, CEO of KfW.

With **consolidated profit of EUR 1,730 million** (EUR 1,272 million), the positive development of the earnings position continued in the third quarter, exceeding expectations. This trend is above all due to the very strong valuation result, which is marked by extraordinary effects. The purely IFRS-related effects from the valuation of derivatives used for hedging purposes also overstate the earnings position by EUR 187 million. At EUR 1,544 million, **consolidated profit before IFRS effects from hedging** which is relevant for the management of KfW, came in higher than in the same period of 2014 (EUR 1,339 million).

“The positive development of results continued during the third quarter 2015. We expect a very satisfactory set of results for the year as a whole that will likely exceed the results for the previous year,” Dr Schröder said.

The **operating result before valuation** (before promotional activity) was EUR 1,510 million (EUR 1,544 million). Net interest income (before promotional activity) amounting to EUR 2,106 million (EUR 2,041 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 – with EUR 243 million came in lower than the previous year (EUR 267 million), which is due in particular to the reduced leeway for reductions given the low prevailing interest rates.

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 and in education finance. However, this was more than offset by positive extraordinary effects – especially as a result of the consolidation of Argentinean loan receivables. **Risk provisions for lending business** were reduced by EUR 37 million.

The still pleasing result from the **private equity and securities portfolio** amounting to EUR 165 million (EUR 230 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 slightly higher than at 31 December 2014 (EUR 489.1 billion), registering a figure of EUR 499.2 billion.

The **Group’s regulatory capital ratios** have increased compared to 30 June 2015. As of 30 September 2015, the total capital ratio stood at 16.0% (30 June 2015: 14.7%) and the tier 1 capital ratio at 15.9% (30 June 2015: 14.6%). This increase is due to both the good consolidated earnings and the improved risk exposure, to which have contributed, among other factors, decreases in the market value of derivatives.

Details on the business sectors' promotional results

The volume of new business at **Mittelstandsbank** (SME Bank) reached EUR 15.4 billion as of 30 September 2015 (EUR 14.4 billion). Among other things, this reflects an increased willingness to invest on the part of companies, which is supported by the stable economic trend and the continuation of favourable conditions for financing.

In the area of **start-ups and general corporate financing**, commitments came in at EUR 8.1 billion (EUR 7.5 billion). At EUR 2.7 billion, start-up financing, in particular, developed very positively, exceeding by far the previous year's figure (EUR 1.9 billion). Commitments in the field of innovation came in at EUR 0.4 billion (EUR 1.0 billion). This decline in demand for credit was due to the performance of the ERP innovation programme (EUR 0.4 billion), which experienced unusually high demand of EUR 0.9 billion in the same period of the previous year.

In the promotional area of **environment and energy finance**, new commitments with EUR 6.9 billion also exceeded the previous year's level (EUR 5.9 billion). At EUR 3.4 billion, promotion of renewable energies remains stable at a high level (previous year: EUR 3.2 billion). In the field of energy-efficiency, promotional business with EUR 2.7 billion (EUR 2.3 billion) also developed very well. The highly improved KfW energy efficiency programme was successfully launched onto the market in July. This means that the energy-related refurbishment and energy-efficient construction of commercial buildings, and investment in energy-efficient production facilities and processes, are being promoted much more heavily. With the renewed promotion offered in the field of commercial energy efficiency, KfW and the German Federal Ministry for Economic Affairs and Energy are making an important contribution towards achieving national environmental and climate targets.

The promotional business volume in the **Kommunalbank and Privatkundenbank/Kreditinstitute** (Municipal and private loans/credit institutions) business sector at EUR 23.2 billion has increased significantly, compared to the figure as of 30 September

2014 (EUR 19.3 billion). All promotional areas contributed to this increase.

At EUR 12.9 billion (EUR 11.2 billion), the **housing** key promotional area recorded the strongest growth. The very high level of demand in the energy-efficient construction and home ownership programmes reflects the continued robustness of the construction sector.

In the promotional area of **infrastructure financing**, the commitment volume of EUR 3.4 billion was also up significantly compared to the previous year's figure (EUR 2.7 billion). Both municipal enterprises and municipalities made substantial use of KfW promotional loans. The special "refugee accommodation" facility for investment in new construction and conversions, modernisation and the acquisition of accommodation for refugees was launched on 6 September 2015. This programme provides municipalities interest-free loans with terms of up to 30 years and fixed interest rates for 10 years. The programme was swiftly increased from EUR 300 million to EUR 1 billion due to consistently high demand. As a result, KfW can make an important and visible contribution to helping municipalities accommodate refugees. As of 2 November 2015 the commitment volume amounted to EUR 628 million.

Significant growth was recorded in the field of **general funding for promotional institutions of the federal states**, reaching a commitment volume of EUR 4.1 billion, compared to EUR 2.8 billion as of 30 September 2014. This is due in part to anticipatory effects that are expected to normalise by the end of the year. The volumes of promotion for **education financing** at EUR 1.9 billion (EUR 1.8 billion) and **individual financing banks** at EUR 0.9 billion (EUR 0.9 billion) have also developed favourably.

In the **Export and project finance** business sector, for which KfW IPEX-Bank is responsible, new commitments added up to EUR 16.3 billion. As in the preceding quarter, this puts the volume of commitments well above the figure for the previous year (EUR 12.8 billion). This is mainly due to the first two quarters, in which financing commitments for several cruise ships in particular resulted

in disproportionately high figures for commitments. As a result, the Maritime Industry department's contribution to the commitment figures for the first three quarters of the year remains high at EUR 4.7 billion (EUR 3.1 billion). Other key areas are the sector departments Power, Renewables and Water with EUR 2.7 billion (EUR 1.6 billion) and Aviation and Rail with EUR 2.4 billion (EUR 1.9 billion). As part of its close partnership with other German and international commercial banks, KfW IPEX-Bank passes on part of its loans over the course of the year in the form of syndications, as a result of which the total volume of its commitments falls again accordingly.

The volume of commitments in the **Promotion of developing and transition countries business sector** stood at EUR 4 billion. By the end of the third quarter of 2015, the business area **KfW Development Bank** had considerably increased its volume of commitments. The total commitment volume for programmes in developing and emerging countries stood at EUR 3.2 billion (EUR 2.7 billion). More than half of this amount went to Asia and sub-Saharan Africa. On the whole, 60% of the projects are directed at climate and environmental protection. New commitments of **DEG** also exceeded the previous year's level. As of 30 September 2015, it committed a total of EUR 816 million for investments by private companies in developing and emerging countries (EUR 706 million). The trend for commitments for small and medium-sized enterprises (one of DEG's strategic priorities) was particularly encouraging. At EUR 318 million, they rose by almost a fifth (EUR 267 million). EUR 238 million of new business have been provided for projects in Latin America (EUR 151 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 46.8 billion as of 30 September 2015. In October, KfW issued its second Green Bond denominated in euros since the Green Bond programme was launched. With a volume of EUR 1.5 billion, it was the biggest Green Bond so far this year. As of the end of October KfW has raised around EUR 59 billion. This means that funding for the whole of 2015 is almost finished.

Financial indicators (IFRS)

Key figures of the income statement (EUR in millions)	1 Jan 2015 – 30 Sept 2015	1 Jan 2014 – 30 Sept 2014
Operating result before valuations (before promotional activities)	1,510	1,544
Promotional activity (expense)	243	267
Consolidated profit	1,730	1,272
Consolidated profit before IFRS effects from hedging	1,544	1,339

Key figures of the statement of financial position (EUR in billions)	30 Sept 2015	31 December 2014
Total assets	499.2	489.1
Equity	24.8	21.6
Business volume	585.5	572.5

Key regulatory figures (in %) ¹⁾	30 Sept 2015	31 December 2014
Tier 1 capital ratio	15.9	14.1
Total capital ratio	16.0	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 – 9/2014	1 – 9/2015
KfW Group (consolidated)¹⁾	74.1	50.7	59.5
Domestic promotional business	47.6	33.7	38.6
Business sector Mittelstandsbank	19.9	14.4	15.4
Business sector Kommunal- und Privatkundenbank/Kreditinstitute	27.7	19.3	23.2
Business sector Capital markets	1.2	0.9	0.7
International business	25.5	16.1	20.3
of which:			
Business sector Export and project finance (KfW IPEX-Bank)	16.6	12.8	16.3
Business area KfW Development Bank	7.4	2.7	3.2
DEG	1.5	0.7	0.8

¹⁾ Adjustment for commitments of Export and project finance with refinancing from KfW programme loans (09/2014: EUR 105 million, 2014: EUR 153 million, 09/2015: EUR 134 million).

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