KfW

Rating Report

Rating rationale and Outlook

The AAA rating of Kreditanstalt für Wiederaufbau (KfW) is equalised with the AAA rating of the Federal Republic of Germany, given the explicit, unconditional, unlimited, statutory, direct and irrevocable guarantee of the Federal Republic of Germany (AAA/Stable) for all of KfW's obligations. This includes all outstanding loans and debt securities issued by KfW, fixed forward transactions or options entered into by KfW, other credits extended to KfW as well as credits extended to third parties that are expressly guaranteed by KfW.

The rating is further underpinned by i) a mature and very supportive legal set-up, which makes changes to KfW's business model or guarantee structure unlikely; ii) the bank's high strategic importance to the federal government as a key national promotional bank implementing economic and social policies with a countercyclical role; and iii) the bank's excellent fundamentals, including its high capitalisation and asset quality, strong liquidity and funding profile, and excellent capital market access. KfW's market presence is underpinned by its role as the largest German development bank and one of Europe's largest and most frequent SSA issuers over past decades.

Challenges, which are driven by the bank's public policy mandate, are i) the modest but stable profitability, and ii) the concentrated loan portfolio with high exposures to the financial sector and the German economy.

Figure 1: Scope's approach to rating KfW

KfW		
Public sponsor	**Federal Republic of Germany (AAA/Stable)**	
Step 1: Integration with the public sponsor (QS1)	Rating approach	Top-down
Step 2: Equalisation factor	Rating equalisation?	Yes (AAA)
Final rating	**AAA/Stable**	

Source: Scope Ratings

Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Local currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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Credit Strengths and Challenges

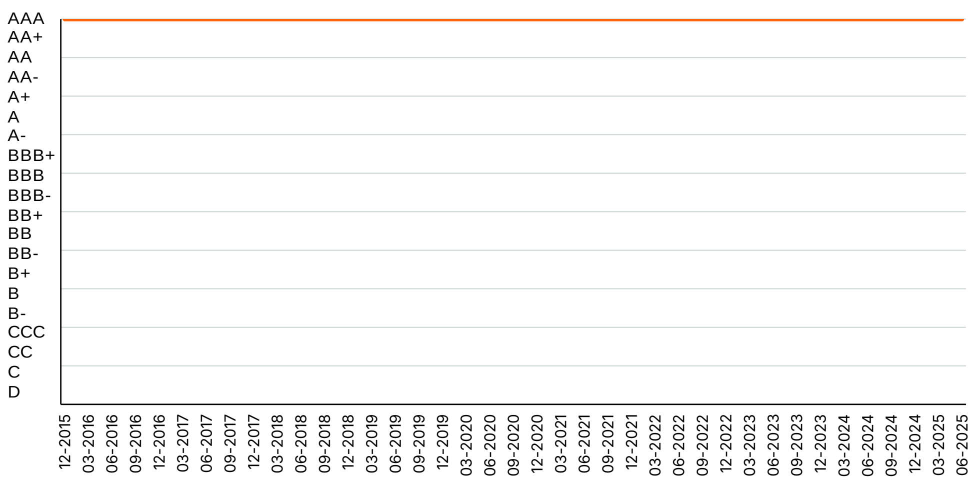
Credit strengths	Credit challenges
• Explicit guarantee from the Federal Republic of Germany • Supportive legal framework • High strategic importance to Germany • Sound asset quality and high capitalisation • Excellent liquidity profile and capital market access	• Modest but stable profitability, driven by mandate • Sectoral and geographical concentration of loan portfolio, driven by regional development mandate

Rating Outlook and Sensitivities

The Stable Outlook is aligned with the Stable Outlook on the rating of the Federal Republic of Germany and reflects our assessment that the risks KfW faces are balanced.

Positive rating divers	Negative rating drivers
• Not applicable	• Downgrade of the Federal Republic of Germany • Changes to guarantee framework, leading to weaker government support

Figure 2: Rating history[1]



[1] Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Integration with the Federal Republic of Germany

Strong integration with Federal Republic of Germany

Established in 1948, KfW is one of the world's leading promotional banks and the largest in Germany. The bank has total assets of EUR 542bn as of 31 March 2025 and provided EUR 112.8bn in new commitments during 2024. With 8,493 employees as of 2024, KfW operates from its headquarters in Frankfurt, regional offices in Berlin and Bonn, and around 80 offices worldwide. Besides domestic lending programmes, KfW provides financial services via subsidiaries including KfW IPEX-Bank, Deutsche Investitions- und Entwicklungsgesellschaft (DEG), KfW Capital, and the business unit KfW Entwicklungsbank.

KfW is an institution under public law (Anstalt öffentlichen Rechts) and delivers essential, competition-neutral services, qualifying it as a GRE as defined[1] by our GRE methodology. Around 70% of KfW Group's loan portfolio was attributable to the euro area, including Germany, and the services provided are instrumental to Germany's implementation of policy objectives. Further details on KfW's business and financial profile are provided in the **supplementary analysis**.

Top-down approach for rating analysis

We have used a 'top-down' approach to assign KfW's ratings, with Germany's AAA rating as the starting point. This is driven by our assessment of KfW's 'strong' integration with the Federal Republic (see **Qualitative Scorecard 1** in **Appendix I**) based on the following considerations:

- KfW's public legal status as an 'Anstalt des öffentlichen Rechts' (public law institution) legally exempts it from insolvency procedures and German income tax, in line with most German regional development banks. Any changes to the bank's legal form, which we deem an unlikely scenario, would require formal legislative action by the German federal government and parliament, as well as scrutiny from the European Commission to assess compliance with state aid rules or implications for market competition.
- KfW's operating activities are performed on behalf of the German federal government and federal states and are governed and regulated by the Law Concerning KfW (KfW Law).[2] The bank's activities have a 'high' strategic importance for its public sponsors. It fulfils a central role in promoting sustainable economic, environmental, and social development in Germany and internationally. Domestic activities particularly focus on providing SME financing to support innovation, digitalisation and growth, improving energy efficiency and climate protection in Germany's housing stock and transportation infrastructure, promoting affordable housing and urban development, and supporting education and social infrastructure.

  KfW's strategic relevance and adaptability have been highlighted in recent years. During the Covid-19 pandemic, the bank played a key role in supporting companies by offering loan financing and liquidity support on behalf of the central government. In response to the Covid-19 pandemic and the energy and cost-of-living shock in 2022, the bank acted as a financing intermediary for the Economic Stabilisation Fund (WSF). WSF funding was used to fund the special coronavirus programme and to support liquidity of energy sector companies and Germany's energy infrastructure.

  We assess risks to KfW's position as the Federal Republic's development bank and its provision of competition-neutral activities, which are underpinned by a stable and supportive legal framework on national and European levels[3], as remote.
- KfW is majority owned by the Federal Republic of Germany (rated AAA/Stable), with an 80% stake, while the remaining 20% is held by the German federal states. This ownership structure ensures robust oversight of its operations.

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1 See point 1.1 of our Government Related Entities Rating Methodology for the definition of a GRE.
2 Law Concerning Kreditanstalt für Wiederaufbau, a specific law governing KfW.
3 An agreement called 'Verständigung II' in 2002 between the European Commission and the German federal government defines regulations for legally independent development banks engaging in competition-neutral infrastructure and development business. This ensures that German development banks will continue to benefit from state support. We therefore do not expect changes in the bank's ownership status, business model, policy role or guarantee structure that would be subject to amendments in the respective laws.

Rating equalisation with the Federal Republic of Germany

Equalisation with Germany's AAA rating

The AAA rating of KfW is equalised with the AAA/Stable sovereign credit rating of the Federal Republic of Germany. This reflects the explicit, unconditional, unlimited, statutory, direct and irrevocable guarantee of the Federal Republic of Germany for all existing and future obligations of KfW in respect of money borrowed, bonds and notes issued, and derivative transactions entered into by KfW, as well as obligations of third parties that are expressly guaranteed by KfW.

As the guarantee is set in public law, it can only be amended, revoked or restricted through an act of parliament (Germany's Bundestag). Any change would only apply to future obligations entered into after the act is enacted. Any such change is unlikely.

Extensive guarantee framework provided by the Federal Republic of Germany

KfW benefits from two additional ownership liability support mechanisms:

- The 'Anstaltslast' (institutional liability), requires the Federal Republic of Germany to ensure that KfW can operate and meet its obligations at all times, including during financial distress, by providing support if needed. While this is not a formal guarantee, and creditors have no direct claim against the state, the principle effectively means KfW's obligations are backed by the credit of the Federal Republic; and
- 'Gewährträgerhaftung' (guarantor liability), which comprises the Federal Republic of Germany's unlimited legal obligation to cover KfW's liabilities in the event of the bank's liquidation. The guarantor liability is only relevant in certain and unlikely circumstances as KfW is exempt from insolvency procedures as it is chartered under public law and benefits from the institutional liability described above.

IPEX-Bank excluded from guarantees

In a formal understanding reached in March 2002, the European Commission confirmed that KfW's promotional activities will continue to benefit from the statutory guarantee of the Federal Republic of Germany and Anstaltslast. However, the institution must separate these activities from its commercial business (i.e. activities that are not considered promotional).

Since 2008, IPEX-Bank has been conducting the commercial export and project finance business as a wholly owned, legally independent subsidiary of KfW group. IPEX-Bank was legally separated from KfW to comply with EU state aid rules. KfW continues to fund IPEX-Bank internally on an arm's length basis, at market rates and without granting any institutional liability or guarantee from the German government.

Supplementary analysis

Governance and regulatory frameworks

Business profile determined by public policy mandate

While KfW is not considered a credit institution or financial services institution under the German Banking Act or relevant EU directives and regulations, it is subject to bank regulatory provisions, including capital adequacy requirements and a specialised regime for minimum requirements for risk management. KfW remains, however, exempt from liquidity rules, disclosure requirements, and recovery and resolution regulations. Supervision of compliance falls to the German Federal Financial Supervisory Authority (BaFin) in collaboration with the Bundesbank. KfW is also subject to legal supervision by the Federal Ministry of Finance in consultation with the Federal Ministry for Economic Affairs and Energy.

In contrast, the KfW group companies IPEX-Bank and DEG are considered credit institutions. Until financial year 2024, IPEX-Bank was supervised by BaFin in cooperation with the Deutsche Bundesbank. On 29 November 2024, the IPEX-Bank was designated as a significant institution by the ECB, falling under the framework of the Single Supervisory Mechanism (SSM). As a result, the ECB assumed direct supervision of IPEX Bank effective 1 January 2025.

DEG is a credit institution under the German Banking Act. BaFin has issued revocable exemptions to DEG, which partially exempt it from the provisions of the Act. DEG nevertheless voluntarily applies provisions at individual institution level that represent "best practices" in the banking industry. Additionally, KfW Capital, another group company, operates as a medium-sized investment firm and is subject to regulatory requirements outlined in the German Securities Trading Act and the Investment Firm Act.

Business model and strategy

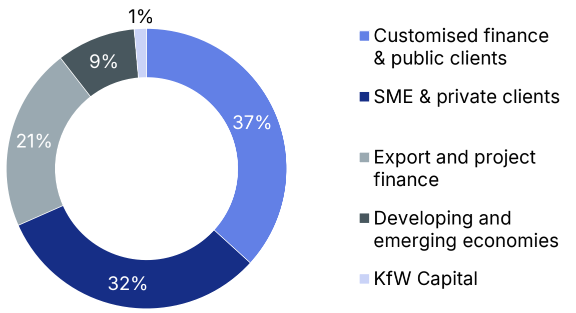
KfW is self-supporting and primarily funds itself through the capital markets, rather than through deposits like most commercial banks. The bank's funding costs are low, underpinned by the extensive guarantee framework. The government and federal states have occasionally increased KfW's equity to support new mandates, such as climate financing or infrastructure initiatives, but KfW has never required financial support due to capital shortfalls or liquidity crises, and we do not consider that financial support will be needed. Other strengths are its high capitalisation, prudent risk management, strong asset quality, and high liquidity buffers with excellent market access.

70% of promotional business focussed on domestic economy

KfW's banking activities primarily focus on the domestic economy which accounted for 70% of promotional business in 2024 and includes support for SMEs, private clients, and public clients. The remaining 30% focusses on export and project finance, and funding in developing countries and emerging economies (**Figure 3**). Across its offerings, KfW has demonstrated an ability to adapt to current needs of the economy and society, and its public sponsor's longer-term green and digital policy agenda, underpinning its high strategic relevance to the federal government.

Figure 3: Promotional business shares 2024

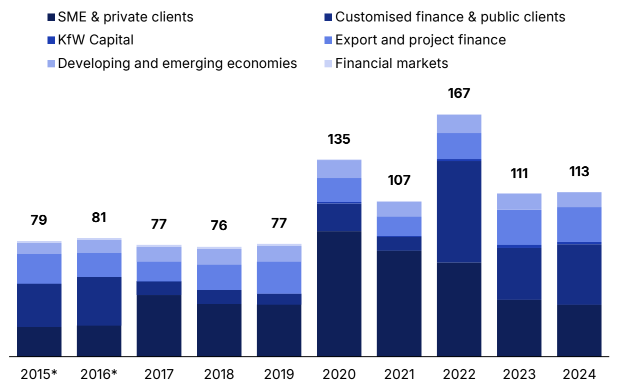
% of total



Source: KfW, Scope Ratings

Figure 4: Promotional business volumes

EUR bn



*Since 2017, private clients are reported together with SME instead of public clients.
Source: KfW, Scope Ratings

KfW's domestic promotional activities are organised into three business areas: i) SME bank and private clients, which integrates standardised financing products for SMEs, business founders, start-ups, self-employed professionals and private individuals; ii) customised finance and public clients, which caters to regional development banks and financing services for municipalities and social infrastructure; and iii) KfW Capital, which aggregates KfW's venture capital investments and aims to sustainably improve the supply of venture and growth capital for innovative technology companies in Germany and Europe.

International activities include export and project finance, and support to developing countries

KfW's international activities include export and project finance as well as international promotional finance. Through IPEX-Bank, KfW finances German and European companies in global markets to support the competitiveness and internationalisation of German and European exporters and ensure the supply of credit to the German export industry. This occurs where export transactions are at risk due to lack of liquidity supply from banks.

KfW also supports economic and social progress in developing and emerging countries through KfW Entwicklungsbank and DEG. The business unit KfW Entwicklungsbank finances development projects worldwide on behalf of the German federal government, primarily the Federal Ministry for Economic Cooperation and Development and the European Union. DEG finances and advises German and local companies active in developing and emerging countries.

EUR 500m of own funds used to strengthen subsidised financing

KfW maintained a strong promotional performance in 2024, adapting to economic challenges while continuing to support sustainable development and innovation both within Germany and globally (**Figure 4**). The bank also used EUR 500m of its own funds to support promotional business to strengthen its capacity to offer subsidised financing, the highest amount in more than a decade.

Business volume of EUR 113bn in 2024, slightly above 2023

Total promotional business volume amounted to EUR 112.8bn in 2024, slightly above the EUR 111.3bn recorded in 2023. Domestic promotion saw a modest increase to EUR 79.0bn (2023: EUR 77.1bn), with notable growth in the Private Clients (EUR 22.4bn) and Customised Finance & Public Clients (EUR 41.6bn) segments. However, the SME segment experienced a decline to EUR 13.4bn (2023: EUR 20.4bn), attributed to the challenging economic environment.

KfW Capital's commitments to startups and innovative technology companies amounted to EUR 1.6bn, slightly down from EUR 2.1bn in 2023. The Export and Project Finance sector nearly matched the previous year's record, with new commitments of EUR 23.9bn (2023: EUR 24.2bn). Promotional business in developing countries and emerging economies reached EUR 10.3bn in commitments (2023: EUR 10.9bn), of which KfW Development Bank contributed EUR 7.8bn (2023: EUR 9.0bn) while DEG, KfW's subsidiary for private investments, increased its commitments to EUR 2.5bn (2023: EUR 1.9bn), supporting private sector development in developing countries.

Continued strong business volumes expected in 2025

We expect continued strong promotional business volumes in 2025. In Q1 2025, new commitments totalled EUR 17.7bn, slightly above the EUR 17.5bn recorded in Q1 2024. Domestic promotional business saw a significant increase to EUR 12.5bn (Q1 2024: EUR 10.7bn), driven by heightened demand from SMEs for financing in climate, environmental, and innovation projects. Private customers also showed strong interest, particularly in energy-efficient building programmes, including heating system promotions. Export and project finance commitments reached EUR 4.5bn, slightly below the EUR 6.1bn in Q1 2024, due to the nature of the business involving large individual transactions. Internationally, KfW Development Bank maintained a stable commitment level at EUR 509m (Q1 2024: EUR 508m), while DEG's financing commitments were EUR 129m (Q1 2024: EUR 228m).

KfW set to support government's fiscal expansion to strengthen infrastructure and military

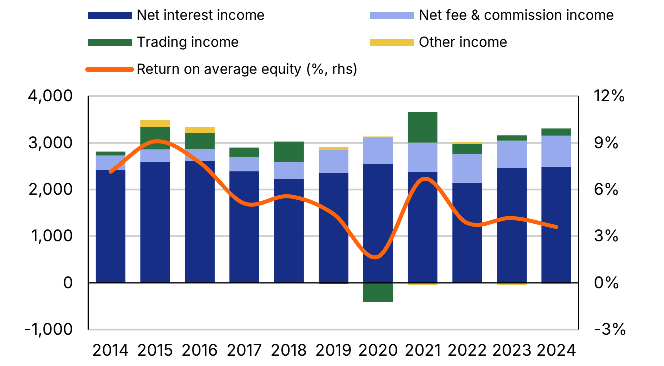
KfW is set to play a pivotal role in Germany's fiscal expansion following the parliamentary approval of a EUR 500bn special fund aimed at overhauling the nation's infrastructure, and additional central government borrowing to strengthen military capabilities. A substantial portion of the fund is allocated to modernising Germany's infrastructure and advancing climate goals. Approximately EUR 100bn is earmarked for the Climate and Transformation Fund, targeting energy transition and climate protection projects, including renewable energy systems, storage technologies, and smart grids. KfW is expected to facilitate these investments by providing financing solutions, leveraging its expertise in promoting sustainable development. KfW's involvement may also include providing financing options for projects in the defence sector, aligning with the government's commitment to strengthen Germany's military capabilities.

Net interest income is the principal revenue source

Net interest income continues to be KfW's principal revenue source. Supported by sustained high interest rates, it remained robust at EUR 2.49bn in 2024 (2023: EUR 2.46bn) (**Figure 5**). Excluding promotional expenses, growth was more pronounced, reaching EUR 2.9bn compared to EUR 2.7bn the previous year. This was largely driven by higher returns from KfW's own investment funds and borrowings, although a decline in interest margin income and a significant rise in interest expenses partially offset these gains.

Figure 5: Operating results breakdown

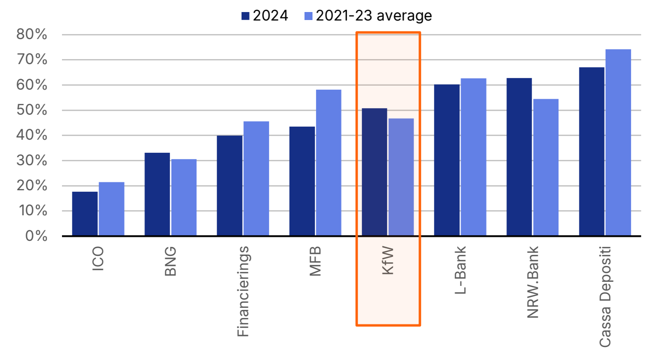
EUR m (LHS), % (RHS)



Source: SNL, Scope Ratings

Figure 6: Cost-to-income ratio

EUR m (LHS), % (RHS)



Source: SNL, Scope Ratings

While profit maximisation is not KfW's goal as a development bank, management maintains a focus on operational efficiency. Personnel costs rose to EUR 0.96bn in 2024 from EUR 0.87bn in 2023, reflecting both inflation-driven wage increases and expanded staffing needs linked to new promotional initiatives. As a result, the cost-income ratio according to SNL data increased slightly by one percentage point to 51% (**Figure 6**). The total cost-income ratio before promotional expenses amounted to 46% and was in line with the previous year.

Profitability and capitalisation

Modest profitability due to mandate

KfW's profitability has proven stable at moderate levels reflecting its public development banking mandate. In 2024, net consolidated profit stood at EUR 1.4bn, down 10% from 2023, but aligned with the five-year average. While the operating result before promotional expenses, taxes, and IFRS effects exceeded the previous year, KfW allocated approximately EUR 500m of its own funds to enhance promotional conditions, the highest such commitment in over a decade. The bank intends to continue deploying similar levels of internal resources in the coming years.

Cost pressures and weak economic growth to weigh on profitability in 2025

Looking ahead to 2025, a slight decline in profitability is anticipated. Rising personnel costs, along with investments in modernisation, digitalisation, and compliance with regulatory requirements, are expected to increase administrative expenses. With the German economy projected to stagnate and the moderate economic outlook across Europe, loan demand may remain muted, potentially weighing on revenue growth and leading to increased risk provisioning.

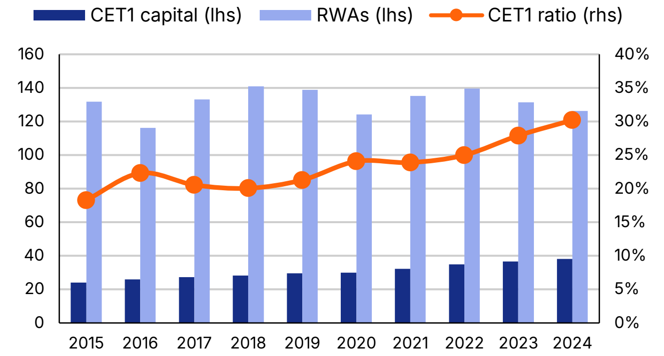
At the same time, KfW benefits from continuous internal capital generation and operates under a statutory mandate that prohibits profit distribution as per Article 10 (3) KfW Law. Consequently, annual profits are retained to support capitalisation levels or reinvested to further its development and promotional activities.

CET1 ratio of 28.6% in Q1 2025

Supported by continued earnings retention, KfW's CET1 ratio increased from 18% in 2014 to 30% in 2024 (**Figure 7**). The rise of around 2.4pps in 2024 was driven by an increase in regulatory capital as well as a decrease in RWAs following method adjustments and rating improvements for on-lending banks. The bank's total risk-bearing capacity remains high despite the introduction of the more capital-intensive CRR III rules in January 2025. Following the regulatory change, the CET1 ratio declined to 28.6% in Q1 2025. The increase in risk exposure, especially in credit risk, was balanced by a further strengthening of regulatory capital following the inclusion of Q2 2024 results.

Figure 7: CET 1 capital and risk-weighted assets

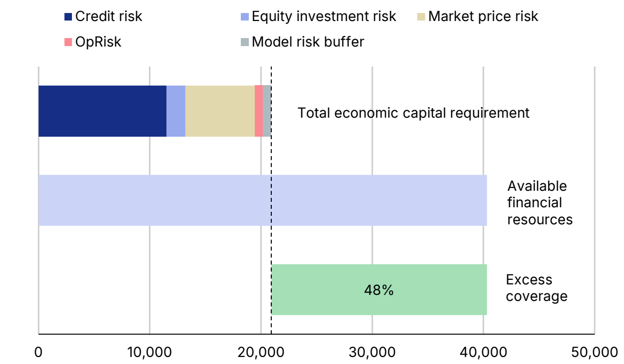
EUR bn (LHS), % of RWA (RHS)



Source: SNL Financial, Scope Ratings

Figure 8: KfW's economic risk-bearing capacity, YE 2024

EUR m, %



Source: KfW, Scope Ratings

Prudent risk management ensures capital adequacy

KfW benefits from strong internal risk management processes, including an internal capital adequacy assessment process ("ICAAP"). This ensures compliance with the CRR and the German Banking Act but also fosters a proactive approach to monitor the economic environment via different scenario and stress tests evaluating the bank's resilience to shocks.

As of Q1 2025, KfW maintains significant capital in excess of the overall capital requirement, and we expect this buffer to remain high. Total SREP capital requirements decreased by 0.75pps in 2024 given the supervisory decision to lower the individual capital add-on.

Significant capital buffers

The economic perspective of the ICAAP serves to ensures sufficient internal capital to meet risks stemming from activities that may entail economic losses. At the end of 2024, KfW identified around EUR 21bn value-at-risk (VaR), mostly consisting of credit risk and market price risk (**Figure 8**). While growth in capital requirements outpaced growth in available financial resources in 2024, the excess coverage buffer remains very high at 48%.

Portfolio risk and asset quality

The bank's asset quality has remained resilient throughout the COVID-19 pandemic and the energy crisis from 2020 to 2023, supported by prudent lending practices and substantial government measures to stabilise the real economy. Despite ongoing geopolitical and macroeconomic uncertainty, KfW's asset quality is expected to remain solid. This stability is further underpinned by comprehensive risk management and appropriate provisioning. Although future business volumes may grow as KfW plays a greater role in the federal government's fiscal expansion plans, we anticipate that its asset quality will continue to be robust.

Double-recourse loan protection for its on-lending business

KfW's high asset quality is underpinned by the bank's double-recourse loan protection for its policy mandated lending business. Domestic promotional business is mainly conducted through the banking sector via on-lending. Typically, KfW has a direct claim against the intermediary bank to whom it provided the initial loan (the 'house-bank principle') as well as the ultimate borrower.

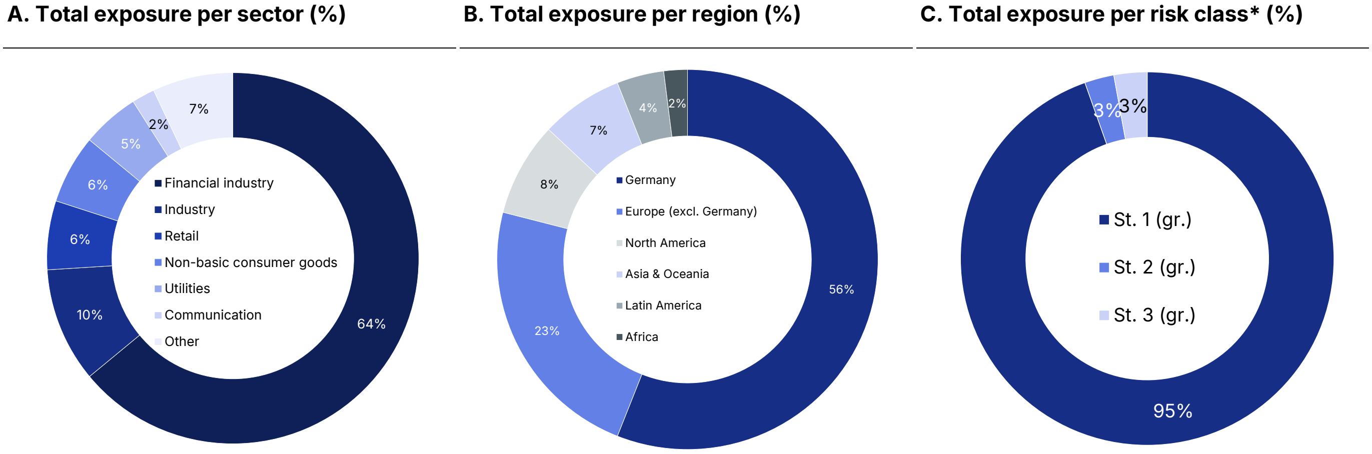
In accordance with its statutory mandate, KfW typically involves financial institutions in the distribution of promotional funding. Loans are extended to banks, which subsequently pass on the funds to the ultimate borrowers. In Germany, KfW provides loans to commercial banks and regional development banks (Landesförderinstitute), which administer promotional activities within their respective federal states. Consequently, KfW's aggregate exposure is mostly towards financial institutions (64% of total exposure) and the proportion of loans directly extended to final borrowers, such as municipalities, project finance ventures, and education programmes, is relatively small (**Figure 9.A**).

Over half of total exposures (56% in 2024) are in Germany and 23% in the rest of Europe (**Figure 9.B).** Given KfW's operational model and mandate, some regional and sectoral concentration is inevitable, but these exposures are well collateralised. This approach is stipulated in KfW's internal risk assessment practices and aligns with standard regulatory limits for large exposures.

Strong asset quality with low non-performing exposures

Despite growing geopolitical and macroeconomic uncertainties, KfW’s NPL ratio declined to 2.72% at year-end 2024, down from 3.05% in 2023. Stage 3 loans amounted to EUR 4.2bn as of the end of 2024, marking an 11% year-on-year decline (**Figure 9.C**). Loan loss provisions showed a net reversal of EUR 39m, significantly outperforming the budgeted standard risk cost of EUR 495m. This positive outcome was driven by a strong risk profile in KfW’s loan portfolio, particularly through net reversals of EUR 51m for Stage 1 and 2 risk reserves. Additionally, net additions of EUR 50m for Stage 3 loans were largely balanced by EUR 43m in recoveries on previously written-off loans.

Figure 9: Exposure concentration and asset quality, YE 2024



* Note: Risk class definitions as per IFRS 9.
Source: KfW, SNL, Scope Ratings

Direct lending also well protected

In addition to on-lent funds via intermediary commercial banks, KfW’s other, direct exposures also benefit from strong asset quality and protection. Much of the Stage 3 loans comprise federal guarantees and credit insurance. Overall credit quality of the portfolio remains stable with 81% of net exposure classified as investment grade in 2024.

Funding and liquidity

Favourable financing conditions

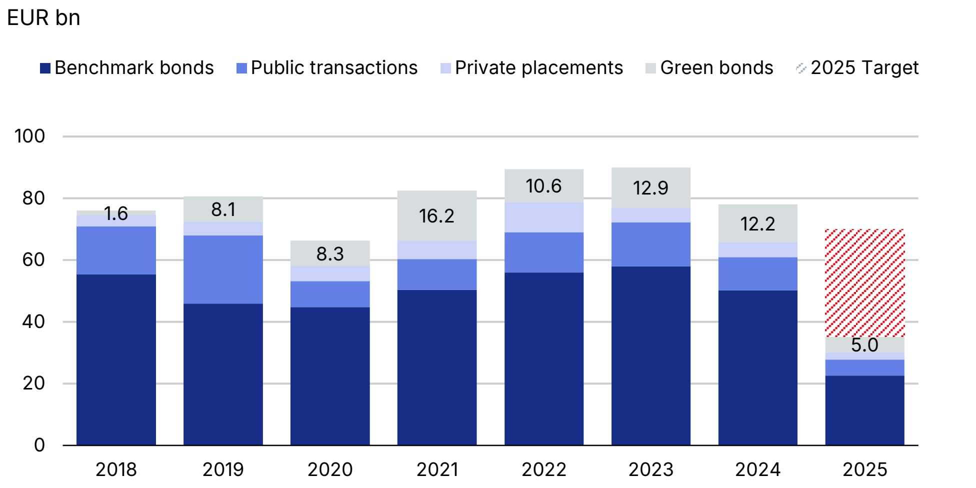
Given the explicit liability support from the federal government, KfW benefits from strong market access and the preferential regulatory treatment of its debt obligations. With a total volume of all outstanding bonds and notes totalling EUR 423bn at end-2024, KfW is one of the world’s largest EUR SSA issuers, predominantly funding its operations by issuing short- and long-term debt securities as it is not permitted to accept deposits.

KfW’s EUR Benchmark Programme is central to its funding operations. In periods of market uncertainty and heightened volatility, KfW’s benchmark bonds are widely recognised as safe haven assets and highly liquid investments. It is complemented by KfW’s USD Global programme, which led to KfW being one of the largest USD SSA issuers worldwide. The bank maintains a strong focus on market liquidity by issuing regularly across all benchmark maturities and closely tracking activity in the secondary market. This strategy is backed by a broad and diverse investor base, both geographically and by investor type.

2025 planned funding volume of EUR 65-70bn

Each year, KfW determines its overall term-funding requirement based on the activities it expects to finance. To fund its involvement in various initiatives to mitigate the economic and social consequences of the Russia-Ukraine war and high demand in Germany, KfW raised a total of EUR 78.1bn on capital markets in 2024 (**Figure 10**). The planned funding volume for 2025 is EUR 65-70bn, of which around EUR 10bn is to be issued as green bonds. KfW raised around EUR 45.3bn by end-May 2025, completing more than half of its planned funding for the year.

Figure 10: Capital market funding volume



Source: KfW, Scope Ratings

Favourable regulatory treatment

KfW's debt securities carry a 0% regulatory risk weight, are recognised as Level 1 high-quality liquid assets for liquidity coverage ratio requirements and are eligible for preferential treatment under Solvency II. The bank's bonds are also eligible for the ECB's monetary policy operations, including its asset purchase programmes.

The bank aims to optimise its market terms by basing its funding strategy on diversifying its instruments, currencies and investors. Interest rate and currency risks are mitigated through hedging instruments and partly by matching funding liabilities with loans.

KfW regularly raises funds in a broad range of currencies – 7 currencies in 2025 so far, and 17 currencies since the launch of the commercial paper programme. Both the EUR and USD are considered core currencies, together accounting for more than 80% of new capital market funding over the past few years. In 2024, bonds denominated in EUR accounted for 62% (2023: 54%) of the total funding volume, while USD denominated bonds accounted for 25% (2023: 29%), while the share of GBP denominated bonds remained unchanged at 9%.

KfW has access to funds from the Economic Stabilisation Fund (WSF) for the financing of special programmes to support the German economy. As of end-2024, KfW's funding obtained through the WSF via promissory note loans declined by EUR 14.5bn, bringing the total to EUR 21.4bn. Of this amount, EUR 17.4bn was allocated to support the special coronavirus programme, while EUR 4.0bn was used to finance initiatives aimed at maintaining liquidity for energy sector companies and supporting essential infrastructure.

Low liquidity risk

Liquidity risk is very low for KfW. The bank operates large EUR commercial paper (EUR 90bn) and USD commercial paper (USD 30bn) programmes, which are mainly used for short-term liquidity purposes. In addition, the group maintains a liquidity portfolio of EUR and USD denominated fixed-income securities and balances with central banks which amounted to EUR 35.6bn as of December 2024. Loans and advances to banks repayable on demand declined by EUR 20.6bn, from EUR 48.2bn to EUR 27.6bn at end-2024, primarily due to a reduction in overnight deposits. This decrease was mainly driven by an intentional EUR 11bn reduction in liquidity and the reallocation of EUR 6.5bn from ECB liquidity to alternative money market instruments.

Leading role in the digital transformation in European capital markets

Finally, KfW has established itself as a leader in blockchain-based digital bond issuance, pioneering the use of distributed ledger technology (DLT) in the European public sector. In July 2024, KfW issued its first blockchain-based digital bond under Germany's Electronic Securities Act, marking a significant milestone in the digitalisation of capital markets. A syndicated digital bond issuance followed in July 2024. Through the publication of an analysis in February 2025 assessing the maturity of the DLT-based capital market in Germany and Europe, KfW has further established itself as a key contributor to the digital transformation in European financial sector.

Environmental, Social and Governance Factors (ESG)

Material ESG factors are captured by Scope's rating approach through several analytical areas.

Governance and social considerations

Governance and social considerations are material to KfW's credit rating and are included in the assessment of: i) the level of integration with the public sponsor, highlighting the supportive legal framework that requires the bank to comply with its statutes and fulfil its role as a competition-neutral public-law institution, including the promotional activity to support the domestic economy; and ii) KfW's standalone fundamentals in the supplementary analysis, highlighting its conservative risk profile and management.

Climate and environmental aspects are central in promotional business

The KfWplus initiative is central to the bank's strategic agenda, emphasising a foundational focus on climate and environmental aspects in its promotional business. It aims to harmonise three strategic objectives:

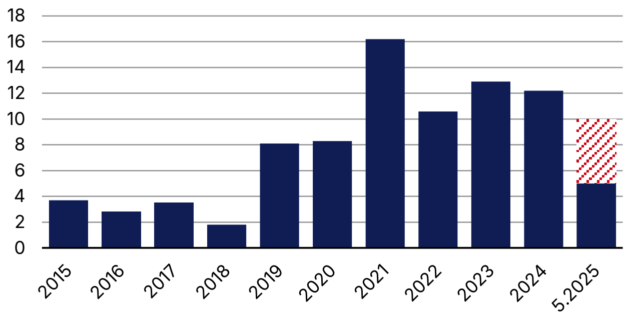
- Mapping KfW's financing activities to the UN Sustainable Development Goals (SDGs). KfW aims to map 100% of annual new business to at least one SDG. In the financial year 2024, 98.2% of new promotional commitments could be allocated to an SDG.
- The "tranSForm" project guided KfW's strategic efforts in the area of sustainable finance from 2020 until end-2024. This includes alignment of financing activities with a 1.5° climate target under the Paris Agreement and underscores KfW's commitment to support the federal government's goal of reducing emissions.
- An environment quota target with the aim of 38% of new commitment volumes to focus on financing climate-related and environmental public promotional programmes. The environment quota of 44% at group level in 2024 was above the target and slightly below the prior-year quota of 45%.

To strategically advance the group's long-term commitment to sustainability, the 2029 strategic objectives include a target of achieving an average position among the top three development and promotional banks within a designated "Best of the Best" peer group. This group consists of the ten highest-rated development and promotional banks as assessed by the respective peer categories of three leading ESG rating agencies: ISS, MSCI, and Sustainalytics.

KfW's green bond framework, which was initially introduced in 2014, supports various project categories aimed at climate change mitigation and sustainable development and is regularly revised to align with market standards and comply with the EU taxonomy. The latest update to the framework became effective from January 2024. As the green finance market evolves, KfW periodically reviews the framework, including its alignment with updated versions of the ICMA Green Bond Principles, with the aim of maintaining or improving transparency and reporting disclosures.

Figure 11: Green bond issuance

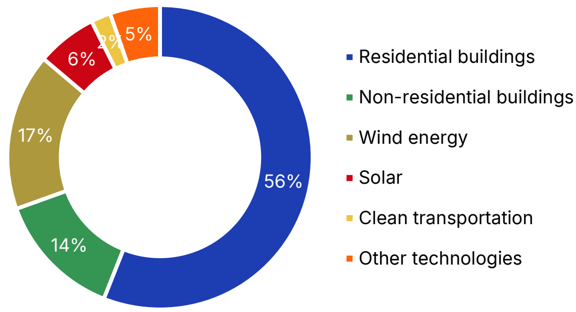
EUR bn



Source: KfW, Scope Ratings

Figure 12: Underlying green assets

%



Source: Bloomberg Financial L.P., Scope Ratings

Global top tier green bond issuer

Finally, KfW has been an active player in the green bond market and stands as one of the largest issuers globally, with outstanding EUR green bond issuances totalling EUR 54bn as of end-May 2025. The bank issued EUR 12.2bn in green bonds during 2024 while disbursements for eligible green projects amounted to EUR 13.4bn and it intends to issue approximately EUR 10bn in 2025 (**Figure 11**). KfW continues to actively contribute to the qualitative development of the green bond market through market initiatives and direct engagement with market participants.

Appendix I. Qualitative Scorecards

Qualitative Scorecard 1: Integration with the Federal Republic of Germany (AAA/Stable) and Rating Approach

Analytical component (weight)	Assessment (score)	Analytical rationale
Legal status (40%)	High (100)	As a bank established under public law, KfW cannot be the subject of insolvency proceedings. KfW's public legal status as an Anstalt des öffentlichen Rechts (public law institution) legally exempts it from insolvency procedures, in line with most other German state development banks. Any changes to the bank's legal form would require legislation passed by the Bundestag and Bundesrat. KfW is supervised by BaFin and the German Central Bank (Deutsche Bundesbank). Legally, KfW is not a credit institution within the meaning of the German Banking Act and is exempt from the EU's Bank Recovery and Resolution Directive. However, since 2016, key banking supervisory regulations apply by analogy through reference to the CRR and the German Banking Act and have been fully implemented. These include capital adequacy requirements and a special regime for minimum risk management requirements. However, KfW remains exempt from rules on liquidity, disclosure and recovery and resolution.
Purpose & activities (20%)	High (100)	KfW is Germany's largest state-owned development bank. Under the direction of the Federal Ministry of Finance and within the framework of a statutory mandate, KfW plays a decisive role in the implementation of German economic policy. KfW's function and business activities are defined in the "Law concerning KfW". Under the law, KfW is obliged to carry out financing or other promotional activities assigned to it by the Federal Republic of Germany. In addition to its activities in Germany, KfW is also active in the EU and worldwide through co-financing of EU initiatives, loan syndications and export financing.
Shareholder structure (20%)	High (100)	The bank is 80% owned by the Federal Republic of Germany and 20% by the German federal states.
Financial interdependencies (20%)	High (100)	KfW plays a crucial role in financing public investments and supporting economic development at the national, regional and local levels. This includes i) the provision of low-interest loans and/or grants for infrastructure, schools, hospitals, public transport, social housing, and digitalisation; (ii) crisis support to municipalities and businesses, for example during the Covid-19 pandemic; and (iii) cooperation with state-owned development banks to provide additional funding and credit lines. KfW does not rely on direct budgetary allocations for its core operations and instead refinances itself through capital markets. However, certain government programmes (e.g. energy transition initiatives) may receive subsidies.
Approach adopted		**Top down**

Source: Scope Ratings

Appendix II. Balance sheet and income statement summary

	2020	2021	2022	2023	2024
Balance sheet summary (EUR m)					
Assets					
Cash and interbank assets	339,677	350,738	365,805	371,947	346,986
Total securities	64,379	58,325	23,771	33,559	43,480
of which, derivatives	25,536	18,468	-14,372	-7,006	374
Net loans to customers	138,991	138,770	162,305	152,571	152,510
Other assets	3,337	2,859	2,747	2,664	2,390
Total assets	**546,384**	**550,692**	**554,628**	**560,741**	**545,366**
Liabilities					
Interbank liabilities	22,570	13,753	11,662	5,997	6,687
Senior debt	425,340	447,669	424,913	452,281	455,518
Derivatives	13,708	6,401	14,519	12,013	9,259
Deposits from customers	48,519	44,697	63,768	49,108	30,808
Subordinated debt	0	0	0	0	0
Other liabilities	4,450	3,965	3,187	3,269	3,521
Total liabilities	**514,587**	**516,485**	**518,049**	**522,668**	**505,793**
Ordinary equity	31,797	34,207	36,579	38,073	39,573
Equity hybrids	0	0	0	0	0
Minority interests	0	0	0	0	0
Total liabilities and equity	**546,384**	**550,692**	**554,628**	**560,741**	**545,366**
Core tier 1/ common equity tier 1 capital	*29,896*	*32,279*	*34,891*	*36,646*	*38,104*
Income statement summary (EUR m)					
Net interest income	2,547	2,386	2,148	2,456	2,493
Net fee & commission income	573	623	617	593	664
Net trading income	-413	653	213	114	151
Other income	17	-39	35	-47	-32
Operating income	**2,724**	**3,623**	**3,013**	**3,116**	**3,276**
Operating expenses	1,310	1,454	1,515	1,551	1,662
Pre-provision income	**1,414**	**2,169**	**1,498**	**1,565**	**1,614**
Credit and other financial impairments	781	-196	124	-169	-39
Other impairments	32	12	10	10	10
Non-recurring income	0	0	0	0	0
Non-recurring expense	0	0	0	0	0
Pre-tax profit	**600**	**2,353**	**1,365**	**1,724**	**1,641**
Income from discontinued operations	0	0	0	0	0
Income tax expense	76	137	-1	165	239
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	0	0	0	0	0
Net profit attributable to parent	**525**	**2,215**	**1,365**	**1,559**	**1,402**

Source: SNL Financial, Scope Ratings

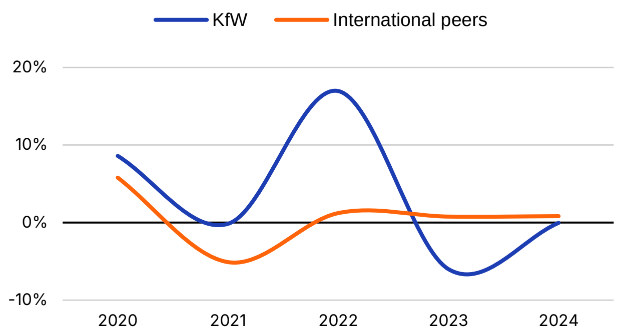
Appendix III. Selected financial ratios

	2020	2021	2022	2023	2024
Funding and liquidity					
Net loans/ deposits (%)	274%	296%	242%	295%	480%
Liquidity coverage ratio (%)	NA	NA	NA	NA	NA
Net stable funding ratio (%)	NA	NA	NA	NA	NA
Asset mix, quality and growth					
Net loans/ assets (%)	25.4%	25.2%	29.3%	27.2%	28.0%
Problem loans/ gross customer loans (%)	13.2%	3.2%	3.3%	3.1%	2.7%
Loan loss reserves/ problem loans (%)	9.8%	37.6%	34.7%	35.8%	40.4%
Net loan growth (%)	8.6%	-0.2%	17.0%	-6.0%	0.0%
Problem loans/ tangible equity & reserves (%)	55.8%	12.7%	13.9%	11.9%	10.2%
Asset growth (%)	8.0%	0.8%	0.7%	1.1%	-2.7%
Earnings and profitability					
Net interest margin (%)	0.5%	0.4%	0.4%	0.4%	0.5%
Net interest income/ average RWAs (%)	1.9%	1.8%	1.6%	1.8%	1.9%
Net interest income/ operating income (%)	93.5%	65.9%	71.3%	78.8%	76.1%
Net fees & commissions/ operating income (%)	21.0%	17.2%	20.5%	19.0%	20.3%
Cost/ income ratio (%)	48.1%	40.1%	50.3%	49.8%	50.7%
Operating expenses/ average RWAs (%)	1.0%	1.1%	1.1%	1.1%	1.3%
Pre-impairment operating profit/ average RWAs (%)	1.1%	1.7%	1.1%	1.2%	1.3%
Impairment on financial assets / pre-impairment income (%)	55.2%	-9.0%	8.3%	-10.8%	-2.4%
Loan loss provision/ average gross loans (%)	0.6%	-0.1%	0.1%	-0.1%	0.0%
Pre-tax profit/ average RWAs (%)	0.5%	1.8%	1.0%	1.3%	1.3%
Return on average assets (%)	0.1%	0.4%	0.2%	0.3%	0.3%
Return on average RWAs (%)	0.4%	1.7%	1.0%	1.2%	1.1%
Return on average equity (%)	1.7%	6.7%	3.8%	4.2%	3.6%
Capital and risk protection					
Common equity tier 1 ratio (%, transitional)	24.1%	23.9%	25.0%	27.9%	30.2%
Total capital ratio (%, transitional)	24.3%	23.9%	25.2%	27.9%	30.3%
Leverage ratio (%)	NA	NA	NA	NA	NA
Asset risk intensity (RWAs/ total assets, %)	22.7%	24.5%	25.2%	23.4%	23.1%

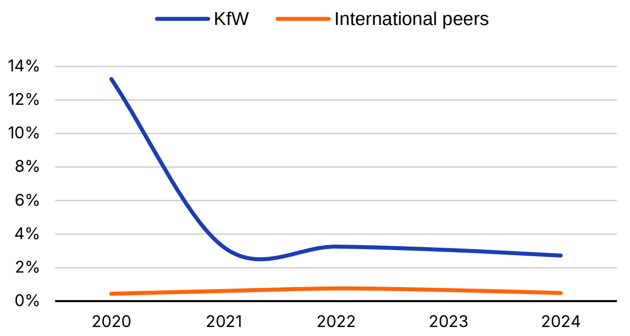
Source: SNL Financial, Scope Ratings

Appendix IV. Peer comparison

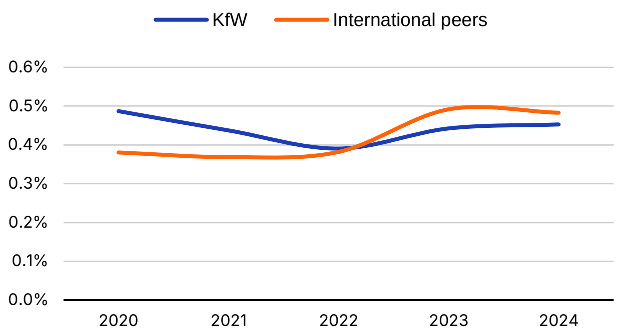
Net loans growth (%)



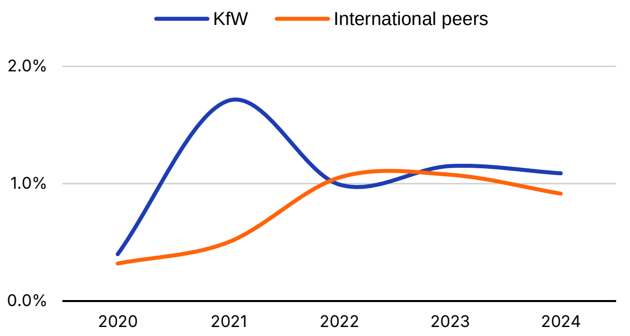
Problem loans to gross loans (%)



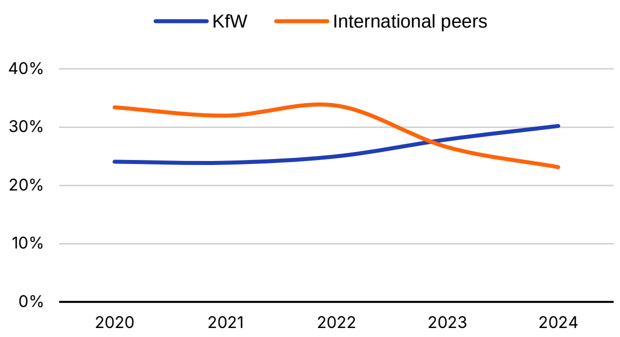
Net interest margin (%)



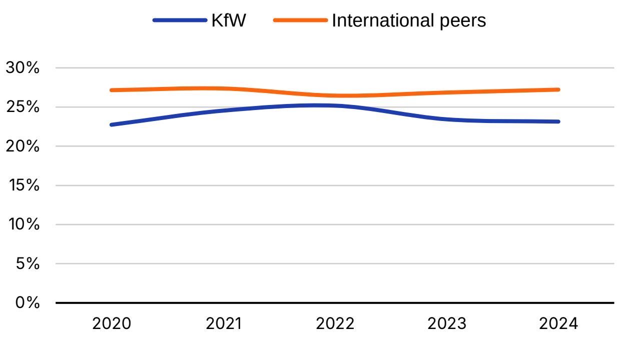
Return on average RWAs (%)



Common equity tier 1 ratio (%, transitional)



Asset risk intensity (RWAs as % total assets)



Source: SNL, Scope Ratings
International peers: other promotional institutions such as BNG, Cassa Depositi, LfA Foerderbank Bayern, NRW Bank, ICO, L-Bank.

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