Annual Report 2015

Financial Statements and Management Report

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH

››› Annual Report 2015

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››› DEG at a glance

EUR million	2015	2014
Finance		
Total financial commitments in financial year/new business	1,064	1,473
Portfolio (commitment obligation/own business) at year end	7,191	7,054
Total investments of co-financed enterprises/new business	5,690	9,285
Consultancy and other services		
Income from consultancy contracts, trust business and other services	14	15
Annual statements of accounts		
Balance sheet total	5,843	5,318
Subscribed capital	750	750
of which paid in	750	628
Reserves	1,435	1,274
Operating result before tax	245	301
Taxes	23	15
Profit for the financial year after taxes	78	164
Withdrawal from purpose-tied reserve fund	8	5
Net income	87	169

Developmental impacts of DEG's portfolio[1]	
Tax paid annually by co-financed enterprises	EUR 1,500 million
Number of jobs in co-financed enterprises	1 million
Renewables/annual production	8 TWh (terawatt hours)[2]

[1] 2014 analysis.
[2] Equivalent to the annual consumption of approx. 9 million people.

››› Report by the Supervisory Board

Advice to and supervision of the Management Board

During the 2015 reporting period, cooperation between the Supervisory Board and DEG's Management Board was characterised by a high level of mutual trust. The Supervisory Board received prompt and comprehensive reports on all important developments at DEG and was able to assure itself of the proper conduct of the Management Board's activities. The Supervisory Board exercised regular supervision of the Management Board and conferred with it over its leadership of the business. The Supervisory Board was involved in important decisions at DEG and, following extensive consultation and scrutiny of the issues in question, gave its consent to specific transactions where required.

DEG's rules and regulations comply in essential respects with the German Federal Public Corporate Governance Code PCGC (Public Corporate Governance Kodex des Bundes) and meet modern governance standards.

Meetings of the Supervisory Board

During the past calendar year, the Supervisory Board held four regular meetings. It was assisted in carrying out its work by the Audit Committee appointed from among its members, which met on four occasions.

The Loans Committee, which was newly established on 1 January 2015, held its first meeting on 2 February 2015. Seven more meetings followed over the course of the year. The decision to set up the committee had been taken the previous year in response to the Supervisory Board's mounting workload and in accordance with a consistent approach across the whole of the KfW Group. The Loans Committee takes the final decision on which of DEG's financing proposals shall be submitted to the Supervisory Board. This enhances both the effectiveness and the efficiency of the Supervisory Board's involvement.

The Supervisory Board focussed strongly on setting a sustainable direction for DEG's business. In the context of DEG's overall strategic policy, the Supervisory Board discussed business policy for 2016, including the outlook for the continuation of that policy from 2017 onwards, as well as risk strategy and financial planning for 2016.

In addition, the Supervisory Board addressed the following important strategic trends in more detail: German business, DEG's role in Africa and the challenges involved, launching business operations in Iran and Cuba as future markets, and agribusiness.

The Supervisory Board expressly welcomes the major developmental impacts of the investments financed by DEG. It would like to pay tribute to the fact that a good overall developmental rating was achieved for new commitments during the previous financial year. DEG's externally validated sustainability report, which covers both DEG's operational sustainability and the sustainability of its business, met with an equally favourably reception.

Since 2014, the Supervisory Board has performed a self-evaluation and an evaluation of DEG's Management Board annually. The Supervisory Board's self-evaluation, based on structured questionnaires, was undertaken in the fourth quarter of 2015. The survey showed that the work and efficiency of both the board as a whole and of its committees were judged to be very good by members of the Supervisory Board. The evaluation of DEG's Management Board was carried out at the end of 2015 and also based on structured questionnaires. The very favourable results of this survey testify to the high level of satisfaction among members of the Supervisory Board with the work of DEG's Management Board.

Annual statements of accounts and Management Report

KPMG AG Wirtschaftsprüfungsgesellschaft of Düsseldorf has audited both the annual statements of accounts, as drawn up in accordance with statutory regulations, and the management report. The report on the annual statements of accounts was awarded an unqualified audit certificate.

On the basis of the auditor's report, the Audit Committee appointed by the Supervisory Board reviewed and discussed the annual statements of accounts along with the management report and recommended that they be approved by the members of the Supervisory Board. No objections were raised during a final detailed review by the Supervisory Board. The members of the Supervisory Board agreed with the Audit Committee's recommendations and approved the findings of the auditor's report and the annual statements of accounts, including the management report.

The Supervisory Board recommended that the Shareholders' Meeting adopt the annual statements of accounts for 2015 and discharge the Management Board from its liabilities.

Changes in membership of the Supervisory Board

The Supervisory Board assigned the following board members to the Loans Committee, which was established as of 1 January 2015: Dr Norbert Kloppenburg (Chairman), Parliamentary State Secretary Hans-Joachim Fuchtel, Corinna Linner and Parliamentary State Secretary Dr Michael Meister.

Christiane Laibach was newly appointed as a member of DEG's Management Board for a period of five years with effect from 15 February 2015. She succeeded Dr Michael Bornmann, who retired from DEG's Management Board on 14 February 2015. The Supervisory Board would like to reaffirm its gratitude to Dr Bornmann – previously expressed in the Report of the Supervisory Board for the 2014 financial year – and wish Christiane Laibach every success in her new role.

Thanks and appreciation

The Supervisory Board would like to express its gratitude and appreciation to the Management Board for its cooperation, which has been open and marked by a high level of trust.

Special thanks and appreciation are due to DEG's staff. Their great dedication and capabilities have made it possible to achieve a good result for DEG even in challenging conditions.

Cologne, 14 March 2016

Chairman of the Supervisory Board
Hans-Joachim Fuchtel

»» Corporate Governance Report 2015

As a member of KfW Bankengruppe, DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) has made a commitment to act responsibly and transparently and open up its actions to scrutiny. DEG's Management Board and Supervisory Board accept the principles of the German Federal Government's Public Corporate Governance Code (PCGC) on behalf of DEG. A first Declaration of Conformity detailing compliance with the PCGC's recommendations was made on 30 March 2011. Since then, a declaration and explanation of any departures from the code has been made annually.

DEG has operated as a legally independent, wholly owned subsidiary of KfW since 19 June 2001. Its rules and regulations (Articles of Association, rules of procedure for the Supervisory Board and its committees, and rules of procedure for the Management Board) specify the basic features of the system via which it is managed and controlled by its corporate bodies.

DEG's Articles of Association and the rules of procedure for the Supervisory Board and its committees have been revised in order to set up a Credit Committee. The new version came into force on 1 January 2015.

Declaration of Conformity

The Management Board and Supervisory Board of DEG make the following declaration: "Since the previous Declaration of Conformity on 23 March 2015, the recommendations of the German Federal Government's PCGC, as adopted on 1 July 2009, have been and are being complied with, excepting only the recommendations below."

Deductible for D&O insurance

KfW has entered into D&O insurance contracts which, as corporate insurance, also extend protection to the members of DEG's Management and Supervisory Boards. In a departure from paragraph 3.3.2 of the PCGC, these only include the option to introduce a deductible. A decision on whether to exercise the option will be taken in consultation with the Chairman and the Deputy Chairman of KfW's Board of Supervisory Directors.

Responsibilities

With the agreement of the Supervisory Board and following a decision at the Shareholders' Meeting, the Management Board has compiled a set of procedural rules to regulate cooperation in managing the business. Under these rules, the Management Board alone lays down areas of responsibility in a schedule of responsibilities with the agreement of the shareholder, but – in a departure from paragraph 4.2.2 PCGC – without the additional agreement of the Supervisory Board. This ensures the necessary flexibility, should changes be required, and hence an efficient division of labour.

Remuneration

In a departure from paragraph 4.3.1 PCGC, responsibility for drawing up the remuneration system for members of the

Management Board lies with the Shareholders' Meeting rather than the Supervisory Board. This includes setting the level of remuneration and of variable remuneration components as well as dealing with any other remuneration issues.

Conflicts of interest

In departure from paragraph 4.4.3 PCGC, all members of the Management Board must immediately declare any conflict of interest to the Shareholders' Meeting rather than the Supervisory Board.

Secondary employment on the part of a member of the Management Board must be approved by the Chairman of the Executive Committee rather than the Supervisory Board. This is at variance with paragraph 4.4.4 PCGC.

Supervisory body

In a departure from paragraph 5.1.2 PCGC, the initial appointment of Christiane Laibach as a member of the Management Board is limited to a period of five years. This is warranted by the fact that Ms Laibach has several years' experience as Executive Director at KfW IPEX. The group takes the view that her appointment is therefore in the nature of a follow-up appointment.

Delegation to committees

The Supervisory Board is relieved of a portion of its workload by its committees, which benefit from greater familiarity with the issues and flexibility of scheduling. In some cases, the committees not only lay the groundwork for a decision by the Supervisory Board, but, in a departure from PCGC paragraph 5.1.8, and for reasons of practicality and efficiency, take the final decision themselves.

- In connection with DEG's finance business, the **Credit Committee** takes the final decision on measures and business of particular importance; on whether to initiate legal disputes, to waive debts beyond the scope of settlements and agree settlements where such legal disputes, waivers or settlements are of special importance. Having the Credit Committee make the final decision on such matters serves to speed up the process while also bringing the required expertise together in one place.
- The **Audit Committee** decides on the auditor's remuneration.

Composition of the supervisory body

In derogation from paragraph 5.2.1 PCGC, those members of the Supervisory Board chosen or deputed at the behest of the German Federal Government may in principle hold up to four mandates on supervisory bodies at the same time.

Cooperation of Management Board and Supervisory Board

The Management Board and the Supervisory Board work closely together for DEG's benefit. The Management Board, especially its Chairman, maintains regular contact with the Chairman of the Supervisory Board. The Management Board discusses DEG's strategic direction with the Supervisory Board and reports at appropriate intervals on the implementation of that strategy. The Management Board informs the Chairman of the Supervisory Board of all and any events of significant importance to the assessment of DEG's situation and development. The Chairman of the Supervisory Board informs the other members of the board and, if necessary, calls an extraordinary meeting.

In the year under review, the Management Board reported to the Supervisory Board as per the provisions of Article 90 of the German Stock Corporation Act (AktG) and provided comprehensive information on all relevant corporate issues related to planning, business development, risk situation, risk management and compliance, as well as on any important changes to the economic climate affecting the company.

Management Board

The members of the Management Board conduct DEG's business with the care of a fit and proper business person in accordance with the law, the Articles of Association, the rules of procedure for the Management Board, and the decisions of the Shareholders' Meeting and the Supervisory Board. The allocation of responsibilities among members of the Management Board is regulated by a schedule of responsibilities.

In agreement with the Supervisory Board, the shareholder appointed Christiane Laibach as a member of the Management Board for a period of five years with effect from 15 February 2015.

In the year under review, the areas of responsibility changed from 1 July 2015 due to a reorganisation. As a result, the members of DEG's Management Board had the following areas of responsibility over the course of the year:

From 1 January 2015 to 14 February 2015, the areas of responsibility were as follows:

Bruno Wenn as Chairman of the Management Board:
- Corporate Management Division
- Regions Division 1: Africa/Latin America
- Sectors Division
- Treasury
- Internal Audit

Dr Michael Bornmann:
- Regions Division 2: Asia/Europe (excluding Treasury)
- German Corporates/Programme Financing
- Legal & Compliance Division

Philipp Kreutz:
- Finance/Risk Division
- Credit Management/Analysis Division
- In-House Services Division

From 15 February 2015 to 30 June 2015, the areas of responsibility were as follows:

Bruno Wenn as Chairman of the Management Board:
- Corporate Management Division
- Sectors Division
- Legal & Compliance Division
- Internal Audit

Philipp Kreutz:
- Finance/Risk Division
- Credit Management/Analysis Division
- In-House Services Division

Christiane Laibach:
- Regions Division 1: Africa/Latin America
- Regions Division 2: Asia/Europe
- German Corporates/Programme Financing

From 1 July 2015, the areas of responsibility were as follows:

Bruno Wenn as Chairman of the Management Board:
- Corporate Development Division
- Financial Institutions/Project Financing Division
- Legal & Compliance Division
- Human Resources Department
- Internal Audit

Philipp Kreutz:
- Finance/Risk Division
- Credit Management/Analysis Division
- In-House Services Division

Christiane Laibach:
- Corporates Division 1
- Corporates Division 2
- Customer Solutions Division

The members of the Management Board are committed to DEG's corporate interest, may not pursue any personal interests in decision-making, and are subject to a comprehensive non-compete obligation while acting for DEG. The members of the Management Board must immediately inform the shareholder of any conflicts of interest arising. No such case occurred during the year under review.

Supervisory Board

DEG has a voluntary Supervisory Board.

The Supervisory Board advises and monitors the Management Board on the management of DEG.

Under DEG's Articles of Association, the Supervisory Board shall have a minimum of eight and a maximum of twelve members, of which four shall be representatives of the German Federal Government – one each from the German Federal Ministry for Economic Cooperation and Development, the Federal Ministry of Finance, the Federal Foreign Office and the Federal Ministry of Economic Affairs and Energy – and two shall be representatives of the shareholder. The Federal Government has the right of proposal in respect of its own representatives. The choice of additional members of the Supervisory Board is carried out in consultation with the German Federal Ministry for Economic Cooperation and Development. The members of the Supervisory Board are appointed by the Shareholders' Meeting. The Federal Ministry for Economic Cooperation and Development has the right to propose the Chairman or Chairwoman of the Supervisory Board, which it exercises in consultation with the shareholder. In the year under review, the Chairmanship of the Supervisory Board was held by Hans-Joachim Fuchtel, Parliamentary State Secretary under the German Federal Minister for Economic Cooperation and Development. The Supervisory Board had two female members in the year under review.

The following are excluded from being members of the Supervisory Board:

- Any member of DEG's Management Board
- A former member of DEG's Management Board if membership of the Supervisory Board already includes two former members of DEG's Management Board
- Anyone who already serves as an executive officer in another business and is, at the same time, a member of the administrative or supervisory body of more than two further businesses, or
- Anyone who is a member of the administrative or supervisory body of more than four businesses

Every member of the Supervisory Board shall disclose conflicts of interest to the Supervisory Board. Where a conflict of interest is assumed to exist, the board member in question shall not be involved in the discussion or decision on that item on the agenda. Any conflicts of interest in the person of a member of the Supervisory Board which are likely to prevent that member from exercising his or her mandate over a sustained and lengthy period of time shall result in the termination of the mandate. No such instance occurred in the year under review.

In the year under review, two members of the Supervisory Board attended fewer than half the board meetings in full.

Committees of the Supervisory Board

In order to perform its tasks efficiently, the Supervisory Board has formed three committees. Following the provisions of Article 25d of the Banking Act of the Federal Republic of Germany (KWG), their areas of responsibility are as follows:

The **Executive Committee** deals with HR issues and the principles of corporate governance. Its responsibilities include discussing matters to do with appointing and relieving members of the Management Board, dealing with remuneration systems and – where necessary – preparing for meetings of the Supervisory Board.

In connection with DEG's financing business, the **Credit Committee** acts for the Supervisory Board by taking final decisions on measures and transactions of special importance, on whether to initiate legal disputes, to waive debts beyond the scope of settlements and to agree settlements where such legal disputes, waivers or settlements are of special importance.

The **Audit Committee** deals with financial reporting and risk management issues, makes preparations for assigning the auditors of the annual accounts and sets priorities for the audit. It supports the Supervisory Board in monitoring the financial reporting process and the effectiveness of the risk management system, with particular focus on internal control systems and the Internal Audit. It also assists with carrying out the audits and the speedy elimination by the Management Board of any deficiencies uncovered by the auditor of the annual accounts. The Audit Committee also agrees the auditor's remuneration and gathers any information that may serve to evaluate the auditor's independence.

The committee chairmen or chairwomen report regularly to the Supervisory Board. The Supervisory Board may disband the committees, regulate their duties and reclaim their powers at any time.

In its report, the Supervisory Board provides information about its own work and the work of its committees during the year under review. A summary listing the members of the Supervisory Board and its committees may be found on DEG's website.

Shareholder

DEG's sole shareholder is KfW. The Shareholders' Meeting is responsible for all matters not assigned, by law or by the Articles of Association, to another body as its exclusive responsibility; in particular for: approving the annual statements of accounts and the appropriation of the annual result or net income; determining the sum available within the company for variable remuneration components; appointing and relieving members of the Supervisory Board; discharging members of the Supervisory and Management Boards from their liability; and appointing the auditor of the annual accounts. Members of the Management Board require the prior agreement of the Shareholders' Meeting to conduct any negotiations at CEO level that exceed the scope of the company's ordinary operations.

Supervision

DEG is a credit institution within the meaning of Article 1 (1) of the Banking Act of the Federal Republic of Germany (KWG). The German Federal Financial Supervisory Authority (BaFin) has issued revocable exemptions to DEG as per KWG Article 2 Section 4, which partially exempt it from the provisions of the act. However, DEG does on the whole apply the relevant standards of the Banking Act mutatis mutandis, especially the minimum requirements for risk management (MaRisk).

Public benefit

DEG exclusively and directly serves the public benefit within the meaning of the "Tax-deductible purposes" article of the German Fiscal Code (Abgabenordnung). The company's purpose is to promote development cooperation. DEG is non-profit-making.

Transparency

DEG makes key information about the company and its annual statements of accounts available on its website. The Communications Department also provides regular updates on current corporate developments. The annual Corporate Governance Reports, including the Declaration of Conformity in respect of the Public Corporate Governance Code PCGC, are permanently available on DEG's and KfW's websites. As of 1 January 2015, DEG also publishes information on its website about the projects and enterprises it finances.

Risk management

Risk management and risk controlling are key management tasks at DEG. The Management Board draws up the risk strategy, establishing the framework for business activities in relation to risk tolerance and risk-bearing capacity. This ensures that DEG is able, sustainably and over the long term, to maintain an acceptable risk profile while fulfilling its specific tasks. Monthly risk reports to the Management Board present a comprehensive analysis of the bank's overall risk situation. The Supervisory Board is regularly given a detailed update on the risk situation at least once per quarter.

Compliance

DEG's success depends to a significant degree on the trust which the shareholder, customers, business partners, staff members and the public place in its effectiveness and especially its integrity. This trust is substantially rooted in the implementation of, and compliance with, the relevant legal and regulatory requirements and in-house rules as well as other applicable laws and regulations. DEG's compliance organisation includes, in particular, provisions to ensure that data protection rules are followed, to guarantee securities compliance, to comply with the terms of financial sanctions, to prevent money laundering, the financing of terrorism and other criminal activities, and to achieve an appropriate level of information security. Accordingly, it has binding regulations and procedures that influence day-to-day values and corporate culture; these are continuously updated to reflect the legal framework and market requirements. The tasks that fall under compliance also include the work of the central office for MaRisk compliance. Regular training on all aspects of compliance is available to DEG employees, both in the form of e-learning programmes and classroom sessions.

Accounting and annual audit

On 24 March 2015, DEG's shareholder appointed KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor for the 2015 financial year. The Supervisory Board subsequently issued the audit mandate to KPMG on 1 September 2015 and established the priorities for the audit with the auditor. It was agreed with the auditor that the Chairman of the Supervisory Board would immediately be informed of any findings and circumstances of material significance to the duties of the Supervisory Board that might arise during the audit. It was further agreed that the auditor should inform the Chairman of the Supervisory Board or include a note in the audit if, while carrying out the audit, it ascertained facts that negated the accuracy of the Declaration of Conformity with the PCGC.

Efficiency review of the Supervisory Board

The Supervisory Board regularly reviews the efficiency of its activities. It carries out an annual evaluation of the Supervisory Board and the Management Board for this purpose.

COMPENSATION REPORT

The compensation report describes the basic structure of the remuneration system for the Management Board and the Supervisory Board and discloses the individual remuneration for members of both boards. The compensation report is part of the appendix to the annual statements of accounts.

Remuneration of the Management Board

The remuneration system for DEG's Management Board is designed to provide appropriate compensation for board members in accordance with their remit and areas of responsibility, taking into account their performance and the company's success.

Remuneration components

On 23 March 2015, DEG's Supervisory Board voted to retain without change the remuneration system for DEG's Management Board agreed on 18 March 2010. This system meets PCGC rules on variable remuneration components and includes a balanced mix of short- and medium-term incentives. For instance, only half of performance-related management bonuses, as measured by the meeting of targets, is immediately disbursed to the Management Board; the other half constitutes a provisional claim only and is paid from a "bonus account" in equal instalments over the following three years, provided business performance has not declined substantially. If the agreed profitability target is not met in subsequent years, payments from the bonus account shall be subject to a penalty.

The following summary shows total compensation for individual members of the Management Board, broken down by fixed and variable components and benefits in kind, as well as transfers to pension provision and the balance of their bonus accounts.

Responsibility

The shareholder discusses the remuneration system for the Management Board, including contractual elements, and

Compensation for the Management Board and members of the Supervisory Board

EUR thousand	2015	2014	Change
Management Board	1,316	1,318	–2
Former members of the Management Board & surviving dependants	905	761	144
Members of the Supervisory Board	28	24	4
Total	**2,249**	**2,103**	**146**

reviews it regularly. The shareholder agrees the remuneration system following consultation with the Supervisory Board. The adequacy of the remuneration was last reviewed in March 2015.

Benefits in kind

Benefits in kind primarily include contractual fringe benefits. Members of the Management Board are entitled to a company car for both business and personal use. In keeping with current tax regulations, any costs incurred due to personal use of the company car are met by the members of the Management Board. If a second residence is required for business purposes, the costs of running a second household are reimbursed as per tax regulations.

Members of the Management Board are insured under a group accident insurance policy. Health insurance and long-term care insurance are subsidised. In respect of the risks associated with their management activities on the governing bodies, members of the Management Board are insured under a policy that covers their liability for monetary damages (D&O insurance) and a supplementary policy covering them for monetary damages and legal expenses. These insurance policies are designed as group insurance.

At present, no deductible has been agreed. Members of DEG's Management Board are further covered in the exercise of their duties by a special group insurance policy for employees that meets any legal expenses incurred as a result of criminal prosecution.

Like all senior executives, members of the Management Board are entitled to participate in the Deferred Compensation Scheme, a supplementary company pension plan via deferred compensation payments deducted from salary. Under DEG's general rules, they are also entitled to long-service awards.

Contractual fringe benefits further include the cost of security measures carried out at residential properties occupied by members of the Management Board. The provision of this security is accounted for under operating charges rather than as benefits in kind.

Where contractual fringe benefits cannot be granted on a tax-free basis, they are subject to taxation as non-cash benefits, with any tax payable by the members of the Management Board.

In 2015, no member of the Management Board was in receipt of a loan from DEG or KfW.

In the past financial year, no member of the Management Board received benefits, or a pledge to that effect, from a third party in respect of his or her activities as a member of DEG's Management Board.

Entitlement to a retirement pension and other benefits in case of early retirement

Under Article 5 Section 1 of DEG's Articles of Association, the appointment of a member of the Management Board shall not continue beyond the attainment of statutory retirement

Annual compensation of members of the Management Board and transfers to pension provision for 2015 and 2016

EUR thousand[1]		Salary	Variable compensation[2]	Benefits in kind[3]	Total	Bonus account	Transfers to pension provision
Bruno Wenn (Chairman)	2015	344.9	80.0	14.4	**439.4**	79.2	1,026.6[4]
	2014	344.9	77.6	14.1	**436.6**	77.2	168.1
Dr Michael Bornmann	2015	42.2	80.9	7.6	**130.7**	80.5	0.0[5]
	2014	344.9	78.9	23.5	**447.3**	79.4	147.6
Philipp Kreutz	2015	344.9	79.8	12.0	**436.7**	78.8	277.5
	2014	344.9	77.3	12.0	**434.2**	76.9	173.9
Christiane Laibach	2015	300.9	0.0	8.1	**309.0**	0.0	2,096.3[6]
	2014	-	-	-	**-**	-	-
Total	**2015**	**1,032.9**	**240.7**	**42.1**	**1,315.7**	**238.5**	**3,400.4**
	2014	**1,034.8**	**233.7**	**49.6**	**1,318.2**	**233.5**	**489.6**

1) For computational reasons, the table may contain discrepancies due to rounding.
2) In a departure from the figures in the appendix, this table includes variable compensation actually paid out under the provision covering phased payments.
3) In a departure from the figures in the appendix, this table does not include the employer's contribution as per the German Social Security Act. The previous year's figures have been amended accordingly to provide a better basis for comparison. The total for 2015 is EUR 39.5 thou. (previous year EUR 33.8 thou.).
4) Includes entitlements from previous employment with KfW transferred in 2015.
5) Transfer to provision for pensions in 2015 is included in the sum transferred to provisions for former members of the Management Board presented on p. 14.
6) Includes entitlements from previous employment with KfW-IPEX transferred in 2015.

age. After they reach the age of 65 or the statutory retirement age respectively, and following expiry of their contract of employment as members of the Management Board, board members are entitled to pension payments. This also applies if their service ends due to invalidity.

In respect of contracts of employment for a term that began in 2014 or earlier, members of the Management Board may, at their own request, take early retirement after they have reached the age of 63. If their employment is not extended beforehand, and no important reason as per Article 626 of the German Civil Code (BGB) applies to the person of the member of the Management Board, he or she is entitled to agree a transitional allowance for the period until pension payments fall due.

Pension commitments for members of the Management Board and surviving dependants are based on the principles governing the employment of board members at German federal credit institutions (1992 version). PCGC provisions are taken into account when drawing up contracts of employment for members of the Management Board.

Where members of the Management Board were appointed or reappointed after 2011, their contracts of employment include a cap on any severance package in keeping with PCGC recommendations. Under the code, any pay-off to a member of the Management Board due to early termination of his or her activities as board member without important cause as per Article 626 of the German Civil Code will accordingly be limited to double the annual salary, or compensation due for the remaining period of his or her contract including fringe benefits, whichever is lower.

In general, the full retirement pension entitlement is equivalent to 49% of annual fixed remuneration. At initial appointment, the retirement pension entitlement routinely amounts to 70% of the full entitlement and rises over a period of ten years by 3% for every completed year of service.

If the employment contract of a member of the Management Board is terminated, or not renewed, due to a significant reason as per Article 626 of the German Civil Code, any pension entitlements are void in keeping with the principles developed by employment contract case law.

In 2014 and 2015, pension payments to former members of the Management Board and their dependants amounted to EUR 761.3 thou. and EUR 904.5 thou., respectively.

A transfer in the amount of EUR 905.6 thou. was carried out in respect of pension obligations towards former members of the Management Board and their surviving dependants as at the end of the 2015 financial year (previous year EUR 398.9 thou.).

No loans were provided to former members of the Management Board or their surviving dependants in the 2015 financial year.

Compensation for the Supervisory Board

Members of the Supervisory Board receive compensation at a level set by the Shareholders' Meeting as per Article 13 (1) of DEG's Articles of Association and in keeping with the company's character as an institution serving the public benefit.

In the year under review, compensation for ordinary members amounted to EUR 5,000. Chairmanship of the Supervisory Board attracts compensation in the sum of EUR 9,000, while the two Deputy Chairmen each receive EUR 8,000. With the exception of the Executive Committee, committee members each receive annual compensation of EUR 500, while the committee chairs receive compensation in the amount of EUR 1,000 per annum.

Where membership covers only part of a year, remuneration is paid pro rata.

An attendance fee of EUR 500 per meeting is paid (excepting only meetings of the Executive Committee) along with a daily allowance of EUR 12 per day of attendance. Any travel expenses incurred and any value-added tax payable are reimbursed.

The following tables provide details of the Supervisory Board's remuneration for the 2014 and 2015 financial years. The sums shown are EUR net and have all been paid. Travel expenses and other miscellaneous expenses were reimbursed upon presentation of receipts and are not included in the table.

There are no pension obligations towards members of the Supervisory Board.

Retirement pensions for former members of the Management Board or surviving dependants

	Number 2015	EUR thousand 2015	Number 2014	EUR thousand 2014
Former members of the Management Board	6	689.9	5	**551.5**
Surviving dependants	3	214.6	3	**209.8**
Total	**9**	**904.5**	**8**	**761.3**

In the year under review, members of the Supervisory Board received no remuneration for services provided in a personal capacity.

In respect of the risks associated with their activities as officers of the Supervisory Board, members of the Supervisory Board are insured under a policy that covers their liability for monetary damages (D&O insurance) and a supplementary policy covering them for monetary damages and legal expenses. These insurance policies are designed as group insurance. Currently, no deductible has been agreed. Members of the Supervisory Board are also covered in the exercise of their duties by a special group insurance policy for employees that meets any legal expenses incurred as a result of criminal prosecution.

No loans were made to members of the Supervisory Board during the year under review.

Cologne, 14 March 2016

The Management Board The Supervisory Board

Compensation of members of the Supervisory Board for the 2014 and 2015 financial years

EUR

No.	Name	Period of membership 2015	Supervisory Board membership	Committee membership	Daily allowance & attendance fee	Total
1.	Hans-Joachim Fuchtel[1]	01.01–31.12	-	-	-	-
2.	Dr Norbert Kloppenburg[1]	01.01–31.12	-	-	-	-
3.	Eberhard Brandes[2]	01.01–31.12	5,000	-	-	**5,000**
4.	Arndt G. Kirchhoff	01.01–31.12	5,000	-	1,024	**6,024**
5.	Corinna Linner	01.01–31.12	8,000	1,500	7,548	**17,048**
6.	Dr Michael Meister[1]	01.01–31.12	-	-	-	-
7.	Dr Ulrich Schröder[1]	01.01–31.12	-	-	-	-
8.	Stephan Steinlein[1]	01.01–31.12	-	-	-	-
9.	Brigitte Zypries[1]	01.01–31.12	-	-	-	-
Total net amount			**18,000**	**1,500**	**8,572**	**28,072**

EUR

No.	Name	Period of membership 2014	Supervisory Board membership	Committee membership	Daily allowance & attendance fee	Total
1.	Hans-Joachim Fuchtel[1]	18.02–31.12	-	-	-	-
2.	Dr Norbert Kloppenburg[1]	01.01–31.12	-	-	-	-
3.	Dr Harald Braun	01.01–20.01	-	-	-	-
4.	Eberhard Brandes[2]	01.01–31.12	5,000	-	-	**5,000**
5.	Arndt G. Kirchhoff	01.01–31.12	5,000	-	512	**5,512**
6.	Hartmut Koschyk[1]	01.01–29.01	-	-	-	-
7.	Corinna Linner	01.01–31.12	8,000	1,000	4,072	**13,072**
8.	Dr Michael Meister[1]	14.02–31.12	-	-	-	-
9.	Dr Ulrich Schröder[1]	01.01–31.12	-	-	-	-
10.	Stephan Steinlein[1]	18.02–31.12	-	-	-	-
11.	Brigitte Zypries[1]	24.02–31.12	-	-	-	-
Total			**18,000**	**1,000**	**4,584**	**23,584**

[1] Remuneration not claimed.

[2] Remuneration donated to WWF.

››› Management Report 2015

CORPORATE ESSENTIALS

Business model

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne (DEG) promotes the private sector in developing and emerging market countries within the context of entrepreneurial development cooperation. Work and an income are essential prerequisites if people's living conditions are to be improved and poverty overcome. Entrepreneurial initiative is a key driver in achieving this, since the vast majority of jobs are created in the private sector.

That is why DEG finances economically and developmentally sustainable, socially and environmentally sound investment schemes by private sector enterprises with loans and guarantees as well as with participating interests and loans with equity features. It addresses mainly medium-sized businesses ("Mittelstand") and small and medium-sized enterprises (SMEs) with its offerings. The aim is to contribute to the long-term success of private sector enterprises by providing reliable long-term finance and advice.

With their commitment, German enterprises can make an important contribution to development and benefit from excellent opportunities in developing and emerging market countries. That is why DEG finances and supports the activities of medium-sized German enterprises in these countries.

In order to serve its customers' individual needs, DEG additionally provides Business Support Services. They allow the developmental impact of investments to be enhanced or proposals to be suitably structured ecologically, socially and economically, so that they meet the conditions for a development finance provider to enter into a commitment. The assistance of outside experts is generally called upon to facilitate the process.

As a pioneer investor, DEG becomes involved in Africa and enters future markets in other regions. It demonstrates that entrepreneurial commitment is possible even in difficult conditions and boosts the leverage effect of its commitment by mobilising additional private sector capital.

Sustainable entrepreneurial success is not only determined by economic, but also by ecological and social factors. That is why DEG promotes high ecological and social standards and advises the enterprises it finances on how to implement them. Proposals of immediate benefit to the climate and the environment are a focus of DEG's activities.

As a development institution with a development policy mandate, DEG operates on the subsidiarity principle, providing finance where the market fails to offer financing to enterprises at an adequate level, or at all.

Within the scope of its activities, DEG thinks and operates like an entrepreneur. That includes generating risk-appropriate earnings.

Any surpluses DEG generates are used to strengthen its equity capital base. They enable DEG to pursue and expand its promotional business by drawing on its own resources.

With support services like develoPPP.de on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ), DEG additionally co-finances developmentally useful measures by private sector enterprises, e.g. pilot programmes, qualification measures or technology transfer. This is financed by a mix of public funds and funds provided by the businesses.

As a specialist for the promotion of the private sector in developing and emerging market countries, DEG is one of the mainstays of KfW Bankengruppe's involvement in foreign countries. Together with KfW Entwicklungsbank and KfW IPEX-Bank GmbH, it shapes KfW's range of international financing.

As one of the leading European development finance institutions, DEG works closely with other development finance providers, with the aim of jointly boosting efficiency, achieving a greater impact and improving visibility. Cooperation with the members of the European Development Finance Institutions (EDFI) is a special priority. Given the growing importance of entrepreneurial development cooperation, this association is committed to improving its visibility internationally, intensifying cooperation within the European Union framework, and further expanding European finance partnerships through a process of standardisation and harmonisation.

Comprehensive knowledge of the economic and political conditions in partner countries, close links to customers and a permanent presence on the ground are necessary if DEG's development policy mandate is to be fulfilled effectively.
To achieve this, DEG maintains representative offices and branches in 13 locations in Africa, Asia, Latin America and Eastern Europe. It also shares the use of KfW's 70+ international offices.

In the course of working to improve transparency, DEG has since 2015 routinely published details of new commitments on its website. DEG and FMO of the Netherlands had already established a joint complaints mechanism in 2014. This allows individuals or organisations that believe they have been adversely affected by co-financed projects to make a complaint. The complaints are reviewed and processed by an independent panel of international experts. DEG provides information about the current progress of complaints on its website.

Customer-centred DEG

As part of its annual strategy review in 2014, DEG launched an initiative called "customer-centred DEG". The aim was to further improve its customer focus.

One of the main areas of activity in the first half of 2015 involved configuring the organisational structure based on customer clusters and working with customer relationship managers and transaction managers to introduce new roles and functions in the front offices.

Other tasks included updating the IT systems and any pertinent organisational rules to ensure they were fit for the future. A new leadership model was also agreed.

The process of change continued in the second half of 2015. This time, the focus was mainly on such issues as the management of DEG, the streamlining and efficient organisation of work processes and the ongoing development of DEG's corporate culture.

DEG continuously refines not only the financing and advisory services it offers, but also its structures and processes. As a result, it is able to take advantage of any improvement potential. A project launched in 2015 and designed to sharpen up its business model and achieve a better focus on its strategic goals serves the same purpose.

Sustainability

DEG's commitments are intended to be environmentally and socially acceptable, which is why co-financed enterprises enter into a commitment to that effect. Investment proposals in developing countries offer considerable opportunities to improve the environmental and social situation on the ground, but there may also be significant inherent risks. That is why the evaluation of environmental and social risks is part and parcel of DEG's overall risk assessment. For every proposal, it instructs its Sustainability Department to verify whether human rights are being respected, fair working conditions offered and the enterprise is acting in an environmentally responsible way. Certain business activities are excluded from financing by DEG altogether. These may be found on an exclusion list published on DEG's website.

For all the proposals to which DEG committed finance in 2015, the enterprises concerned have contractually undertaken to comply with national regulations as well as meeting international environmental and social standards.

These include the IFC performance standards (in the version revised after 2012 with input from DEG) as environmental, social and human rights standards and the core labour standards set up by the International Labour Organization (ILO).

In 2015 as in previous years, DEG was again able to help improve the situation in the enterprises it co-financed by agreeing environmental and social action plans in cases where proposals carried a potentially higher environmental and social risk. DEG closely supports the enterprises for the entire duration and tracks the implementation of the action plans. Joint solutions are worked out for any issues that may arise.

DEG also supports sustainability initiatives in individual industries. For example, since 2013 it has supported financial institutions in Kenya and Sri Lanka in their efforts to develop voluntary compliance with principles of environmental and social acceptability. In the autumn of 2015, the principles were agreed by the majority of major banks in both countries.

DEG's own operations are also carried out in an environmentally compatible way. In addition to the health and safety of its staff, the sparing use of resources is a priority. All CO_2 emissions generated by operating the buildings and by business travel are offset by the purchase and retirement of emission credits as part of KfW Bankengruppe's policy of maintaining a climate-neutral rating.

Personnel

At the end of 2015, DEG retained 526 employees in total (2014: 503). Staff numbers broke down into 365 staff outside regular pay scales – of which 54 are senior executives – 161 staff on regular pay scales and 14 apprentices. They included 107 part-time employees (2014: 94); 282 members of staff (53.6%) were female (2014: 53.9%). The average age was 43.2 years (2014: 43.0). The proportion of severely disabled people was 2.3% (2014: 2.4%). A total of 21 members of staff were employed in DEG's representative offices along with 38 local experts.

DEG's highly qualified employees are dedicated to fulfilling their tasks and meeting DEG's targets. In doing so, they make a significant contribution to the success of the business. DEG benefits from their diverse academic backgrounds, professional careers and cultural heritage. Knowledge and experience of banking are just as useful as a detailed focus on specific countries or industries and a strong internationalist bent linked to development policy expertise.

In order to ensure DEG's long-term future viability where staffing is concerned, the business operates a strategy-based competence model that serves as a common thread running through a range of staff development tools. The talent management system is designed to develop staff potential in line with DEG's strategic needs.

Against the background of the "customer-centred DEG" initiative and the associated organisational changes, various staff development tools have been updated and the foundation laid for a demand-based, specialist and supra-disciplinary qualification. Among other things, a new leadership model was agreed, updated to reflect the new requirements and a new corporate agreement entitled "Staff Conversations at DEG" was ratified. Senior executives and specialists at DEG retain access to a comprehensive range of qualification measures, both within their own fields and beyond. Some of these are carried out in cooperation with KfW and EDFI.

Equality, diversity and the work/family balance are key elements of DEG's human resources policy. In 2012, DEG completed the charitable Hertie Foundation's "Work and Family Audit" programme and achieved certification for the first time. It was successfully re-audited in 2015, again with the involvement of senior executives and staff.

At 29.6%, the proportion of women in leadership positions was maintained at the same high level in 2015 as the year before. The aim is still to increase the proportion step by step.

In the year under review, DEG invested a total of EUR 1.2 million (2014: EUR 1.1 million) in training, professional development for specialists and senior executives, and its talent management system.

For junior employees, DEG offers trainee programmes in the fields of financing, risk management & financial controlling, and IT. In 2015 the places went to two female and two male university graduates. DEG also continues to support initial vocational training. In 2015 five apprentices began their training at DEG: two office administrators in the field of office management with distance learning (banker), two apprentice cooks and an IT specialist in applications development.

In 2015 as in earlier years, DEG supported students at both Cologne University and the Cologne University of Applied Sciences with scholarships. As well as six national scholarships, it continues to provide twelve scholarships for disabled or socially disadvantaged students.

Staff remuneration is governed by the corporate agreement on "Salary determination and remuneration at DEG".

At the beginning of every new financial year, DEG enters into a personal goal agreement with each member of staff. The goals specified in the agreement are partly based on DEG's strategic targets.

The main element of staff remuneration remains a fixed salary consisting of 13 monthly payments for staff outside regular pay scales. They receive variable, performance- and success-related remuneration if all performance parameters have been achieved by both the business and the staff member. A target bonus serves as a benchmark and is set as an appropriate proportion of the annual basic salary. The effective bonus is then paid in the following financial year. The maximum possible effective bonus is double the target bonus.

Staff on regular pay scales receive an annual salary equal to 13.5 monthly salaries. In addition, they may receive variable and performance-related compensation. This depends similarly on the success of the business and on employee performance parameters. Members of DEG's Management Board receive a management bonus that depends on achieving defined quantitative and qualitative targets. Provided the targets have been sustainably met, payment of this bonus is phased over a period of several years.

The summary below includes the information required under Section 16, Subsection 2, No. 3 of the German Regulation on Compensation by Financial Institutions.

DEG's social benefits include employer contributions to various corporate pension schemes, group accident insurance and the granting of loans. There are also recuperation allowances, special benefits in case of illness and emergencies, and a childcare allowance. DEG also provides its employees with a free pass for travel on public transport. Additionally, DEG has further expanded its corporate health management system and offers a wide range of preventative health measures as well as providing corporate sports groups.

The Management Board would like to express its gratitude to all members of staff for their great personal commitment in a challenging year for DEG. With their efforts, they have contributed to DEG's ability to fulfil its mandate in 2015 as in previous years and helped to ensure that it is well placed to face the future. Thanks are also due to the employees' representative bodies – the Staff Council and the Economic Committee – as well as to the Senior Staff Council for their co-operation, which has again proved loyal and most constructive.

ECONOMIC REPORT

Business environment

In 2015, world economic growth, running at 2.4%, fell short of the 3.0% expected, and it did not equal the previous year's figure of 2.6%. In the industrialised nations, economic growth rose by 2.0%, again outstripping the previous year. In the euro-zone, an escalation of the debt crisis in Greece was avoided, and overall, the economic recovery continued. The US economy displayed robust growth of approx. 2.6%, leading on from the previous year's 2.4%. Against this backdrop, the US Federal Reserve increased its base rate in December 2015, the first time it has done so in more than nine years.

At 4.3%, growth in emerging market and developing countries was again lower than in the previous year. In major emerging market countries, e.g. the BRICS group, economic potential was depressed due in part to deficient infrastructure, to a lack of economic diversification and dependence on raw materials at a time when commodity prices are dropping, to misguided economic decision-making and to neglect. The long-term need to modify the growth model, especially in China, was an additional burden on economic development. Another factor was turbulence in the capital markets, which resulted in difficult market conditions overall. The growing areas of political tension, e.g. the conflicts in Ukraine, Syria and Iraq, also acted to depress growth.

Brazil and Russia are in deep recession. In Russia, the impact of the sanctions imposed by the EU member states following the conflict in Ukraine is making itself felt. Because both countries are integrated into regional and international value chains, this development has also weakened growth in other countries. Moreover, the growth prospects of many emerging market and developing countries are impaired by the increasing (and in some cases significantly rising) debt burden in both the public and private sectors the weaker international trade in goods and the more restrictive lending terms in many places. By now, this combination of negative factors and the corresponding rise in the number of non-performing loans is also having a negative impact on banks in the industrialised nations with commitments in emerging market countries. Development might have been even weaker, had the favourable impact of the drop in the oil price and greater demand for imports in individual industrialised nations not served to counter it.

Remuneration 2015

	Number of employees (number of recipients of variable remuneration)	Total fixed salaries (gross) in EUR million	2015 management bonus (for performance in 2014) in EUR million	2015 bonus (for performance in 2014) in EUR million
Staff on regular pay scale	184[1] (134 recipients)	7.7	-	0.6[2]
Staff outside regular pay scale	362[1] (326 recipients)	29.6	5.4	-
Management Board	4 (3 recipients)	1.1[3]	0.2	-

[1] The number of employees comprises all persons active in 2015 including any who left over the course of the year. Recipients takes into account all members of staff who received variable remuneration in 2015 due to having achieved the agreed performance targets.

[2] Based on the new corporate agreement, the bonus amount includes the guaranteed bonus of one half of monthly salary plus a possible variable bonus.

[3] The total for the Management Board's remuneration includes the transitional payment made to Dr Bornmann (EUR 86.6 thou.).

Economic growth in Eastern Asia and the Pacific region fell again in 2015, although at 6.4% it remained high compared to the rest of the world. Growth in Sub-Saharan Africa of 3.4% was lower than the year before. This reflects the influence of countries such as Nigeria and South Africa, where the economy has clearly slowed. The main impact on Latin America was from the recession in Brazil. The economic upturn in individual countries such as Mexico could not make up for the fall in growth overall.[1)]

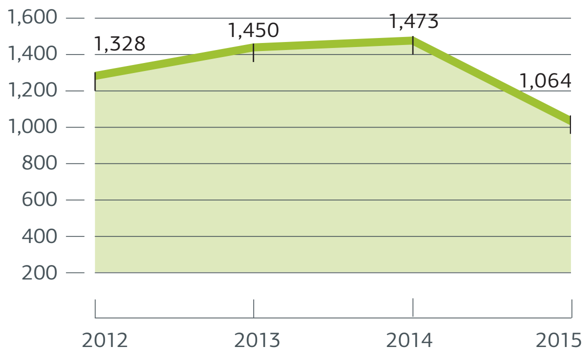
In keeping with its mandate as a development finance provider, DEG acts at a complementary level wherever the market fails to provide private sector enterprises with the required long-term finance altogether, or at adequate levels. In 2015 this remained the case in its partner countries.

Business development

With EUR 1,063.9 million DEG's financing commitments were lower in 2015 than the previous year and also below target (2014: EUR 1,473.4 million). Over the course of the year, DEG adjusted its targets for new business and concentrated on financing that required less capital and displayed a high developmental quality. The adjustment was made because the major commitment in Africa and other future markets (which was welcome in terms of development policy) and the encouragingly large proportion of risk capital finance over the previous year had tied up more economic capital than planned. There were also effects from the reorganisation as well as politically and economically challenging developments in important target markets.

In 2015, DEG committed financing for 75 investment proposals (2014: 113 proposals). These commitments, a key performance indicator for DEG's business operations, enabled entrepreneurial investments with a total volume of EUR 5,690.4 million (2014: EUR 9,285.0 million).

Development of annual financial commitments
EUR million

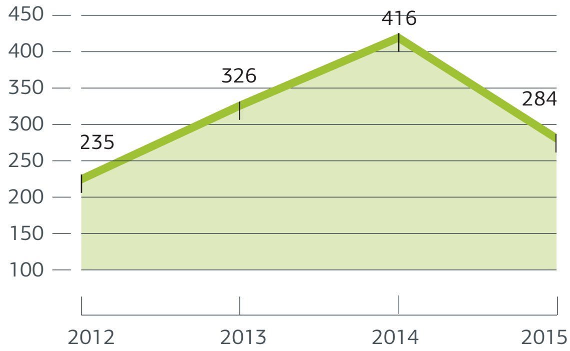


The commitment obligation (total of commitments paid out and new commitments on own account approved but not yet paid out) is another important performance indicator for DEG. As a result of the drop in new business, the increase in commitment obligation was lower than expected.

It rose in 2015 from EUR 7,053.9 million to EUR 7,191.1 million – spread across 719 involvements in 79 partner countries – and displayed a generally stable risk structure. At EUR 1,331.3 million, disbursements (own business) over the financial year slightly exceeded the previous year's total of EUR 1,199.7 million.

As for new business in 2015, the sum of EUR 631.7 million (2014: EUR 904.7 million) was committed for SMEs and medium-sized businesses ("Mittelstand"), which was encouraging. New commitments for Africa and other future markets came to EUR 565.8 million (2014: EUR 855.4 million). Of the funds committed, EUR 283.7 million was intended for Africa (2014: EUR 415.8 million).

New financial commitments for investments in Africa
EUR million



Risk capital financing – equity participations and loans with equity features – amounted to EUR 378.7 million overall in 2015 (2014: EUR 665.7 million).

In total, EUR 326.6 million of new commitments in 2015 were intended for proposals designed to protect the climate and the environment, or promote adaptation to climate change (2014: EUR 691.4 million). New commitments for investments in climate protection came to EUR 194.9 million (2014: EUR 446.2 million). The drop in new business in this segment was due partly to the low price of oil and high levels of liquidity in the markets.

In 2015, DEG reached 115 German enterprises with its financing and promotional programmes. It made EUR 137.7 million in equity finance available for proposals in emerging markets and developing countries (2014: EUR 253.0 million).

[1] Sources: World Economic Outlook, IMF, October 2015, p. 21 ff., KfW Capital markets outlook December 2015, World Economic Prospects, World Bank, January 2016 p. 3 ff., assessments by DEG experts.

DEG was able to make a further EUR 26.0 million available to German enterprises via development programmes (2014: EUR 13.8 million).

Financing commitments for 2015 were spread across 33 countries (2014: 49). By continent, the lion's share of commitments for 2015 again went to Asia with EUR 373.7 million (2014: EUR 603.2 million). The development of commitments to Latin America was encouraging. Compared to the previous year, they displayed a rise of around 14% to EUR 310.4 million (2014: EUR 273.0 million). Commitments for investments in Africa came to EUR 283.7 million (2014: EUR 415.8 million). Of the funds committed for Africa in 2015, EUR 235.2 million went to Sub-Saharan Africa (2014: EUR 240.4 million).

The Europe/Caucasus region received commitments of EUR 74.9 million in total (2014: EUR 125.0 million), of which EUR 9.1 million were intended for Eastern and south-eastern Europe (2014: EUR 84.5 million). The critical factor leading to the drop in this region was the political situation in Russia and Ukraine. Supra-regional proposals accounted for EUR 21.2 million (2014: EUR 56.5 million).

By economic sector, the majority of commitments in 2015 again went to the financial sector with EUR 412.8 million (2014: EUR 490.3 million). By providing funding for banks, funds and specialist finance providers, DEG aims to improve financing options for small and medium-sized enterprises, which have hardly any access to long-term investment capital in partner countries.

Investments by the manufacturing industry developed favourably; here, DEG was able to allocate EUR 294.0 million (2014: EUR 273.6 million). EUR 254.5 million was made available for infrastructure proposals (2014: EUR 460.3 million), of which approx. 40% was allocated to investments in renewables. In agribusiness and the food industry, the commitment volume was EUR 77.9 million (2014: EUR 131.5 million). Financing commitments in the services sector amounted to EUR 24.7 million (2014: EUR 117.8 million).

Of the new commitments, lendings accounted for EUR 806.9 million (2014: EUR 1,091.8 million), of which EUR 121.7 million was arranged as loans with equity features (2014: EUR 285.5 million). Newly committed lendings in USD equated to EUR 650.4 million (2014: EUR 818.0 million). EUR 257.0 million of new commitments were for equity participations (2014: EUR 380.2 million). There were no commitments relating to guarantees in 2015 (2014: EUR 1.5 million).

Development programmes and advisory services

With development programmes, DEG supports mainly German and European enterprises with their commitments in developing countries.

In 2015, a total of approx. EUR 29.7 million was available for development programmes carried out by DEG (2014: EUR 30 million). New commitments were made for 170 projects (2014: 159), of which 104 involved German enterprises.

In 2015, a total of EUR 19.2 million was made available under the programme "Development Partnerships with the Private Sector" operated by the Federal Ministry for Economic Cooperation and Development. The money went towards develoPPP.de, the special initiative "develoPPP.One World, No Hunger" (SEWOH), as well as feasibility studies, grants for transaction costs, Business Support Services and a programme of innovation vouchers. Usually, funding of up to 50% of costs is provided, with a maximum of EUR 200,000.

develoPPP.de enables European enterprises to carry out measures that have a developmental impact. These include pilot programmes, qualification, the development of innovative products and services, or improvements to the water or energy supply. In 2015, the sum of EUR 14.7 million (2014: EUR 15.6 million) was available for new commitments and current projects. A total of 67 develoPPP.de projects (2014: 62) were approved in the year under review. They included ten "strategic projects" with especially widespread developmental impacts. These were mainly in the fields of supplier qualification and staff training.

To assist businesses with the planning and preparation of specific investment proposals, DEG draws on BMZ funds to co-finance feasibility studies. In 2015 BMZ made EUR 1.8 million available for the purpose (2014: EUR 1.5 million); 12 feasibility studies were approved (2014: 14). Two proposals by medium-sized German businesses were supported with grants from BMZ funds of EUR 0.15 million (2014: EUR 0.1 million) to cover transaction costs.

The special initiative "develoPPP.One World, No Hunger" is designed to improve economic, social and ecological development in agriculture, mainly in Africa. DEG has received EUR 2.1 million in funds from BMZ for the period from 2014 to 2017. The funding was increased by a further EUR 2.35 million in 2015. DEG approved four projects in West Africa in 2015 (2014: one project).

The technical assistance previously provided by DEG has been further developed to create the advisory programme "Business Support Services (BSS)". This programme provides customers with tailor-made advisory solutions. The aim is to improve a business's "bankability" and performance, to reduce financing risks and boost the impacts on development. The BSS consultancy services are an integral part of DEG's range of products. In 2015, approval for Business Support Services was given in 73 cases (2014: 73). In total, EUR 4.9 million (2014: EUR 4.8 million) was committed for the purpose, of which EUR 1.8 million (2014: EUR 1.9 million) came from BMZ funds and EUR 3.1 million (2014: EUR 2.9 million) from DEG funds.

The programme “Climate Partnerships with the Private Sector”, operated on behalf of the Federal Ministry for the Environment, Nature Conservation and Reactor Safety (BMUB), aims to promote climate-friendly technologies in developing and emerging market countries. In 2015, BMUB made EUR 0.76 million (2014: EUR 0.85 million) available for six projects undertaken by enterprises in Brazil, South Africa and Turkey.

The “Up-Scaling” programme, which is funded by DEG, supports pioneer investments in developing and emerging market countries by SMEs that want to build on an innovative business model. DEG shoulders up to 50% of the total investment volume (EUR 500,000 max.), providing the customers contribute at least 25% of the financing. DEG’s contribution must be repaid if the scheme is successful. In 2015, financing was committed for six proposals, and EUR 3.2 million was disbursed (2014: EUR 2.3 million).

Phase II of the “Competitive African Cotton Initiative (COMPACI II)” has been running since 2013. The initiative was set up to improve income levels for African cotton farmers. Its implementation was entrusted to DEG and Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation, GIZ) by the Bill & Melinda Gates Foundation and BMZ.

Its overall volume is EUR 53.8 million. In 2015, DEG allocated EUR 1.9 million to the project (2014: EUR 3.5 million). Over its lifetime, the initiative is designed to benefit some 650,000 smallholders in twelve African countries.

The Bill & Melinda Gates Foundation also instructed DEG to undertake stewardship of the “Coffee Partnership for Tanzania (CPT)”, which has a project volume of EUR 22.5 million and is addressed to 90,000 coffee farmers. In 2015, DEG allocated EUR 1.6 million in funds to the partnership (2014: EUR 1.0 million). German enterprises are making a noteworthy contribution to the implementation of both programmes.

Cooperation with other development finance providers

DEG relies on international networks. It works very closely with the members of the European Develo,pment Finance Institutions (EDFI), an organisation of development finance providers for the private sector co-founded by DEG. Cooperation with its EDFI partners enables DEG to increase its presence in the markets and offer its customers additional financing while sharing the risks.

Since 2003, the co-financing vehicle European Financing Partners (EFP), which is operated by the European Investment Bank (EIB), by DEG and by twelve other EDFI members, has supported private investments of approx. EUR 1.0 billion in countries in the African, Caribbean and Pacific regions (the ACP Group of States). Eleven EDFI members, EIB and Agence Française de Développement (AFD) are also partners in the “Interact Climate Change Facility (ICCF)” designed to finance private sector proposals with a beneficial effect on the climate.

In 2015, EFP funds were allocated to finance two commitments, one of them led by DEG. Five commitments received ICCF funds in 2015, and again, DEG took the lead on one. Together, both facilities have financed private investments of just under EUR 1.5 billion to date.

In 2015, the EDFI members also cooperated with the European Commission to launch the Electrification Financing Initiative (ElectriFI). This initiative supports investment in rural electrification.

Within the framework of its close cooperation with Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) of the Netherlands and Société de Promotion et de Participation pour la Coopération Economique (PROPARCO) of France, DEG entered into 28 commitments with an overall volume of EUR 930.7 million (2014: EUR 1,305.0 million). DEG’s share of the financing was EUR 398.7 (2014: EUR 520.4 million).

In addition, DEG also regularly cooperates with other EDFI partners, with multilateral development banks – especially IFC and EBRD – as well as with regional financing institutions.

Developmental impact

In order to control and evaluate the quality of its commitments in relation to both business and development policy, DEG uses its Corporate Policy Project Rating (Geschäftspolitisches Projektrating, GPR) for both ex-ante and ex-post analyses. For this crucial performance indicator, each financing proposal is assessed and awarded points in four categories and then assigned to a business quality group and also a developmental quality group. The evaluation of new financing commitments for 2015 showed that the high developmental quality achieved in the previous year was maintained, with an average rating of 2.1. This was in line with DEG planning.

The enterprises co-financed in 2015 are likely to contribute approx. EUR 138 million annually in tax payments and will earn around EUR 582 million in net foreign exchange income per annum. Some 235,000 jobs were created or safeguarded as a result of the investments co-financed by DEG in 2015.

Financing provided by DEG also enables the generation of 1,015 GWh of green electricity a year, enough to supply more than 2.2 million people.

In addition, 68% of proposals financed made a direct contribution to achieving the Millennium Development Goals

(MDG), mainly as they relate to ensuring ecological sustainability, eradicating poverty and promoting gender equality. The Millennium Development Goals were replaced in 2015 by the more comprehensive Sustainable Development Goals (SDG) adopted by the UN.

Moreover, many of the co-financed enterprises accept more corporate social responsibility. For example, they pay above-average wages, offer pension or health insurance benefits and operate health centres, nurseries and schools.

STATUS REPORT

Profitability

DEG achieved a good operating result in 2015. Contributory factors included both the interest surplus and the result from participating interests. However, due to the sometimes difficult economic situation in several important partner countries, risk provisions had to be increased to a level similar to that of the previous year. The profit for the financial year before tax is lower than the previous year's, but may be regarded as satisfactory in view of the general business climate noted above.

The interest surplus makes a substantial contribution to the good operating result. In the year under review, it amounted to EUR 230.8 million and was consequently considerably higher than in the previous year (2014: EUR 190.1 million). This was due mainly to the impact of the revaluation of the USD on the interest margin, and to the rise in disbursements. There were also effects totalling EUR 3.5 million from managing the interest rate hedging instruments.

The result from participating interests is on target at EUR 115.4 million (2014: EUR 195.9 million) and is encouraging in view of the bleaker overall economic conditions in key partner countries.

Some 73.0% of the income from disposals of EUR 84.3 million is accounted for by direct investments and 27.0% by funds. The previous year's exceptionally high figure was due mainly to a single transaction.

Income from dividends also showed an encouraging rise to EUR 31.1 million. The main reason is because more enterprises paid a dividend than the year before.

Staff costs in the 2015 financial year rose by EUR 6.2 million. This was due mainly to an increased requirement for transfers to pension provision resulting from the fall in actuarial interest, to the salary increases provided for in the corporate agreement and to a small rise in staff numbers.

Non-staff costs rose by EUR 8.7 million in 2015. Apart from a basic cost effect (adjustment for inflation), this is due to the expenditure linked to the change process undertaken by DEG (becoming more customer-centred, IT). There was also a rise in costs from implementing regulatory requirements (KfW's compliance with the German Banking Act), from cost allocation within the group and from development programmes.

In order to account for the risks arising from the difficult economic environment, the net transfer to provision for risk in the year under review was EUR 127.9 million (2014: EUR 128.5 million). Some 52% of the net transfer is allotted to loans and 48% to participating interests. The transfers in the participating interests business were occasioned by exchange rate trends affecting many local currencies as well as by a fall in earnings expectations, downward trends in the capital markets and delays in business developments affecting individual commitments.

For the first time, a transfer to provision for risk was made in the loans business. This resulted primarily from the recessionary economic development in China, Russia and Latin America – which went hand in hand with plummeting currencies and a drop in prices – as well as from unfavourable country-specific requirements that led to additional costs or to delays in the investments financed. For commitments that were already non-performing, provision for risk had to be increased, in some cases significantly, due to continuing unfavourable economic developments.

The volatility of many currencies led to higher income and charges being realised from foreign currency. As a result of the allowable non-consideration of future payments in USD, the valuation unit in USD was rendered ineffective. Provision for contingent losses was made in this respect.

Financial position

In the past financial year, investments in partner countries and in bonds and notes under current fixed assets amounted to EUR 1,331.3 million. These disbursements were financed by cash inflows from loan repayments (EUR 987.7 million), disposals of participating interests (EUR 188.7 million), by newly raised debt capital and by cash gains from the operating result.

The debt capital was raised exclusively from KfW in the form of borrowers' notes and overnight loans. In 2015, EUR 2,347.0 million in funds was raised in total and EUR 2,362.3 million repaid. The debt capital was raised by taking advantage of a refinancing agreement with KfW.

Under the refinancing agreement, KfW provides DEG with refinancing funds in USD, EUR, GBP and CHF with a term of more than one year on the dates specified by DEG and at KfW's refinancing rate plus an internal transfer price set by KfW.

DEG was solvent at all times in 2015.

German accounting standards P&L – economic presentation

EUR million	2015	2014
Income from lendings	254.1	210.6
Other interest and similar income	4.0	0.7
of which income from interest rate hedging	3.5	0.0
Interest payable and similar charges	–27.3	–21.2
of which charges from interest rate hedging	0.0	–4.0
Interest surplus	**230.8**	**190.1**
Income from disposals[1]	84.3	171.9
Income from dividends[2]	31.1	24.0
Result from participating interests	**115.4**	**195.9**
Remaining other operating income[3]	**18.7**	**19.7**
Staff costs	–65.3	–59.1
Non-staff costs[4]	–54.8	–46.1
Administrative costs	**–120.1**	**–105.2**
Operating result before provision for risk and valuation effects from currency	**244.8**	**300.5**
Net provision for risk write-up (+)/write-back (–)	–127.9	–128.5
Valuation effects from currency[5]	–15.6	6.9
Profit for financial year before tax	**101.3**	**178.9**
Taxes	–22.9	–15.2
Transfer/withdrawal from purpose-tied reserve fund	8.1	5.2
Net income	**86.5**	**168.9**

[1] Itemised in P&L as “Other operating income”.
[2] Itemised in P&L as “income from participating interests”.
[3] Itemised in P&L as “Other operating income” without income from the disposal of participating interests and without valuation effects from currency.
[4] Itemised in P&L as “Other operating charges” and depreciation for impairment of tangible and intangible assets, without valuation effects from currency.
[5] Income from foreign currency (EUR 54.7 million) and foreign currency charges (EUR 70.3 million) are defined as valuation effects from currency.

Net worth position

Taking into account the effects from currency conversion, accruals to investments in partner countries in 2015 totalled EUR 2,180.8 million (of which EUR 782.2 million was due to foreign currency effects). Disposals came to EUR 1,656.5 million (EUR 455.1 million from foreign currency effects). Investments in partner countries at original cost rose by EUR 524.3 million to EUR 5,899.0 million.

Due to the previous year’s increase in new commitments for risk capital financing. participating interests at original cost rose by EUR 217.2 million to EUR 1,461.9 million.

Investments on the part of DEG mainly went toward further developing its financial architecture to create an IFRS-9-compliant system and towards expanding its office space because of a need to increase capacity.

The rise in other amounts owed and assets is due mainly to the higher balancing item for accountancy purposes from foreign currency valuation for the valuation units, arising partly from the use of the gross hedge presentation method and partly from hedging with off-balance sheet foreign currency transactions. Other amounts owed includes the balancing item for accountancy purposes for the macro valuation unit in USD; other assets includes the balancing item for accountancy purposes for the micro valuation units in other foreign currencies.

In the financial year 2015, KfW paid in the outstanding contribution to subscribed capital of EUR 122.1 million.

Taking into account the withdrawal of EUR 8.1 million from the purpose-tied reserve fund and the net profit for the financial year of EUR 86.5 million, equity increased overall by EUR 200.6 million to EUR 2,271.6 million.

Business volume (balance sheet total without trust business) rose to EUR 5,791.1 million, an increase of 10% over the previous year.

The equity ratio (ratio of equity to business volume) fell slightly from 39.4% to 39.2%. The pre-tax return on equity (ratio of annual net profit before tax to average equity) was 4.7% in 2015, which puts it in the satisfactory range. This results in a three-year average for 2013 to 2015 of 6.6%.

FOLLOW-UP REPORT

No material events of special significance for the earnings situation, financial or net worth position occurred after the end of the financial year.

INTERNAL CONTROL SYSTEM (ICS)

DEG defines its internal control system as all the corporate principles, processes and measures designed to ensure:

- the effectiveness and economic efficiency of its business operations
- the correctness and reliability of external and internal financial reporting
- compliance with any statutory regulations that apply to DEG
- protection of the assets and substance of its financial and net worth position

Based on KfW's ICS framework, DEG has formulated its own guidelines which describe the aims, structure and components of its ICS. These principles establish quality standards and the measures employed by DEG to achieve its goals and identify, evaluate and reduce risks. ICS design and implementation fall within the remit of the Management Board and those senior DEG executives who have strategic and operational ownership of the process. The ICS extends to all business units, including representative offices, and applies to all corporate functions and processes.

DEG's processes have been established in accordance with the principle of the separation of functions. The written organisational rules (Schriftlich Fixierte Ordnung SFO) include a description of these processes and detail the way competences and responsibilities are assigned in relation to them. They are regularly reviewed and updated in case of change.

The ICS is made up of the internal management system, which includes all the regulations designed to manage corporate activities, and the internal monitoring system intended to ensure the functionality of, and compliance with, these regulations. The scope of the internal management system includes regular monitoring of the implementation of the annual business and risk strategy, and reports are submitted to the appropriate bodies.

The internal monitoring system includes both monitoring measures integrated into the processes and others that are independent of them. In process-integrated monitoring, risks inherent in operational processes are identified and corresponding checkpoints set up as part of the processes.

The statement on the effectiveness of DEG's internal control system is based partly on an assessment of whether the ICS has been suitably designed. This is carried out as part of the checks performed during the Internal Audit. It is supplemented by a review of whether the controls are being correctly applied and carried out (ICS testing). Again, this falls within the remit of the Internal Audit. This report completes existing risk reporting.

During the function and effectiveness review for 2015, 139 key controls for risk classes II to IV (processes carrying medium risk and high risk, respectively) were subject to testing. Based on this test, DEG's ICS was judged to be basically effective.

OUTLOOK

World economic growth is expected to increase by 2.9% in 2016 – a slight improvement compared to the previous year (2015: 2.4%). On the one hand, this is due to the upward trend in the industrialised nations. On the other hand, economic performance in the major emerging market countries Brazil and Russia is unlikely to suffer another massive drop, while growth forecasts for regions such as Africa or countries like India are running at approx. 4% and over 7%, respectively. Individual developing countries in Latin America and Asia are also likely to maintain their stable growth trends. So overall, the very disparate development of the world economy seen in recent years is set to continue.

Continuing downward pressures on the world economy include structural challenges such as private sector debt, which is too high in some cases, inadequate infrastructure and failures of economic management in major emerging market countries. In addition, growing instability in many of DEG's markets may have an adverse impact on the business climate and the investment activities of the enterprises concerned. In 2016 as in earlier years, it will probably be necessary to take account of the uncertainty factor where China is concerned. The continuing slowdown in the country's growth, turbulence in the capital markets and the increasing misallocation of resources harbour risks that might easily prove contagious, with the international financial markets as the most likely vector. Against the backdrop of the interest rate turnaround in the US and the increased debt burden in emerging market and developing countries, both the slowdown of growth in the largest emerging market countries and unexpectedly high refinancing costs represent a risk in these countries[2)].

Corporate forecast

In 2016 as in previous years, DEG expects to be operating in a challenging market environment, but one that equally offers business potential in new and existing markets. Its target for 2016 is to achieve financing commitments of EUR 1.6 billion in total. Under these plans, new commitments will be allocated equally to Africa and other future markets, to financing for SMEs and medium-sized businesses ("Mittelstand"), to protection of the climate and environment and to risk capital financing. Financing and support for German enterprises is to expand in 2016.

DEG's services remain in demand among enterprises, as is clear from the applications for finance received by the end of 2015, which amounted to EUR 1.3 billion in total.

The proposals financed by DEG in 2016 are also expected to maintain their good developmental quality.

The commitment obligation is an important performance indicator for DEG's business operations. The 2016 targets provide for growth of approx. 6% based on foreign currency effects and a moderate increase in financing commitments. DEG expects the earnings trend to be favourable in 2016. The main sources will be income from participating interests – especially from disposals – and the interest surplus from the loans business. Staff and non-staff costs will display a more moderate rise than in the previous year. The increase is due, among other things, to higher transfers to provision for pensions and DEG's additional costs for measures occasioned by KfW coming into compliance with the German Banking Act (KWG).

Under current plans, net provision for risk in the 2016 financial year will increase to EUR 140 million in total. The profit for the financial year after tax is expected to be approx. EUR 80 million.

For 2016, DEG expects a pre-tax return on equity of roughly 6.2% on a three-year average. In respect of this important performance indicator, it should be noted that financial success is significantly reliant on provision for risk and on volatile earnings from participating interests, which are dependent on external market conditions.

The dynamic and disparate development of the markets makes high demands on DEG's market monitoring and customer relations. It fulfils an important yet intricate role in its partner countries. It sees potential demand in advanced emerging market countries ("BRICS") with more developed financial markets, especially for its equity and mezzanine products.

DEG plans to continue to open up those emerging markets known as "beyond BRICS", which are able to access the international capital markets. Many businesses in these countries are expanding both regionally and into other sectors. Here, DEG is able to offer the complete range of financing and advisory services and, at the same time, achieve high developmental impacts in relation to, for example, employment and the provision of infrastructure.

In future markets, DEG takes on the important role of a pioneer investor who mobilises additional capital. These countries display widely varying degrees of development. Here, DEG is especially sought after as a consultant that communicates and disseminates international standards. DEG expects that demand for its services from enterprises in these countries will continue to rise.

OPPORTUNITY AND RISK REPORT

Opportunity management

Against the backdrop of the global sustainability agenda agreed by the United Nations in 2015, promotion of the private sector is regarded as increasingly significant in national and international development cooperation. As a private sector development finance institution, DEG takes advantage of the opportunities this provides, and also of those that arise from economic developments and other changes in market parameters within the context of the regulatory requirements. DEG's priorities are to increase sustainable returns on the economic capital provided and to maintain and expand its risk-bearing capacity in order to be able to fulfil its development policy mandate over the long term.

DEG's front office departments in particular are constantly identifying and analysing suitable opportunities, which are taken up after coordinating with the Management Board and the relevant bodies. Long-term opportunities are additionally worked up jointly with the Corporate Development Division and included in the annual strategy review process.

At individual transaction and portfolio level, opportunities originate mainly in the participating interest and loans business as well as from restructuring in the non-performing section. Here, qualified portfolio management ensures that opportunities are seized if and when they occur.

[2] Sources: World Economic Outlook, IMF, October 2015, p. 21 ff., KfW Capital markets outlook December 2015, World Economic Prospects, World Bank, January 2016 p. 3 ff., assessments by DEG experts.

Based on the assessment as per the forecast, and taking into account the 2016 financial year and, above all, the medium term, DEG expects opportunities to open up mainly in risk capital financing as well as in future markets and the "beyond BRICS" countries.

The term "beyond BRICS" is applied to emerging market countries with access to international capital markets and developed financial markets. Examples are countries such as Columbia and Peru in Latin America as well as Indonesia and the Philippines in Asia. DEG sees considerable investment potential with high developmental impacts and a good risk/return ratio in those countries, especially in the fields of infrastructure and new technologies, in health and in agricultural commodities processing.

The fallout from subdued economic growth and structural deficits in major emerging market countries such as Brazil and China suggest that at best, only a slight economic upturn can be expected in DEG's partner countries. The development in Russia also remains a concern. Against this backdrop, DEG believes that any opportunities that might result from improved counterparty risks and the attendant reduction in provision for risk are limited.

In view of the increased risks and the continuing downward trend in business in the major emerging market countries, DEG sees more opportunities in the "beyond BRICS" countries. Given the attractive risk/return profile, business in these countries contributes to risk diversification and ties up less economic capital than commitments in future markets.

Future markets – post-conflict countries where the private sector is newly emerging and International Development Association (IDA) countries outside of Africa – display above-average growth potential and high demand for investment, on the one hand, and occasionally inadequate provision of long-term financing products, on the other. In future markets, DEG fulfils an important role as pioneer investor. This includes in-depth advice, the communication of the international standards that pertain in the financing business and the mobilisation of additional capital.

DEG's business model is especially suitable for operating in these target markets. If it is successful in consistently applying its market entry strategies in these future markets, DEG can look forward to good opportunities in terms of both volume and margins, matched by high levels of developmental impact.

The development of the participating interests portfolio in 2015 was again twofold. Over the course of the year, exchange rates (USD and local currencies) were very volatile. For the USD, the appreciation effects continued as predicted, resulting in hidden reserves. However, as at the reporting date, additional currency-related provision for risk had to be made for some local currencies after 2014, especially in the Russia portfolio. But in the medium term, and in isolation from the currency, the Russian participating interests portfolio is expected to generate positive effects.

DEG's experience in recent years has shown that the risk capital products it employs frequently display an attractive risk/return profile. However, an important prerequisite is that both political and macroeconomic developments in key markets remain satisfactory.

Risk management

DEG is exempt from key requirements of the German Banking Act (KWG). However, in addition to subscribing to KfW's basic corporate risk principles, which apply throughout the group, it has undertaken to maintain the standards of the Bank Supervision Act, in particular the Minimum Requirements for Risk Management (MaRisk) mutatis mutandis and to comply with them in its business operations. Now that KfW comes under the German Banking Act, DEG has to comply with additional requirements relating to group-wide risk management.

The design of DEG's organisational structure ensures that the front office and back office divisions up to and including Management Board level are separate from the back office divisions or functions. The Management Board, which is responsible for risk management, regularly reports on DEG's risk situation to both the Supervisory Board and KfW.

Active risk management is undertaken especially in the front office and back office divisions. In the course of their business operations, they are responsible for customers and products as well as for risk and returns.

The back office and non-market-dependent divisions are responsible for, among other things: risk controlling (risk strategy, risk methodology, evaluation, reporting and market conformity review), credit management (allocation of responsibilities in the credit business, preparation/approval of ratings, second vote, ownership of intensive support methods and processes, non-performing loans (restructuring, disposal)) and transaction management (processing of commercial transactions, payment transactions and custody).

DEG's risk management process essentially includes the following stages: identification, analysis and rating, management, monitoring/supervision and reporting. The requirements are defined in a central Risk Manual.

Overall responsibility for risk management rests with the Management Board.

It agrees DEG's business and risk strategy (factoring in KfW's corporate requirements, including processes to be used in measuring, managing and monitoring risk). Taking all relevant types of risk into consideration, the risk strategy defines strategic and operational requirements (budgets, limits, etc.) as well as risk policy orientation as applied to risk management, thus creating the basis for DEG's risk culture.

The compliance function is part of risk management. Responsible entrepreneurial action is based on complying with rules and laws. Compliance management ensures risk transparency and provides support for the prevention of such criminal activities as money laundering, the financing of terrorism, fraud, corruption or insider trading. At the same time, compliance with data protection rules, information security, the prevention of operational risks and the observance of financial sanctions is monitored. The MaRisk compliance function identifies compliance risks that might result in a threat to DEG's assets and rates the associated implementation of appropriate and effective measures. Moreover, the ICS supports the specialist divisions in their operational responsibility for the controls implemented within the processes.

The Supervisory Board advises and monitors DEG's Management Board in its running of the business. In this, it is supported by its committees, specifically the Credit Committee (approval of credit proposals), the Executive Committee (HR matters and principles of corporate governance) and the Audit Committee (accounting, financial and risk management issues). In this context, measures and transactions of special importance require the explicit approval of the Supervisory Board or the Audit Committee.

The Shareholders' Meeting is one of DEG's corporate bodies. As part of its role it receives quarterly risk reports from DEG. The Shareholders' Meeting approves the business and risk strategy annually.

In the year under review, DEG's Internal Audit reviewed the processes and methods of its risk management system. The priorities were: risk-bearing capacity, risk management and risk control processes, business and risk strategy including outsourcing strategy, reputation risk, outsourcing, and capital and success planning. A range of project support was also provided.

Risk policy

Key types of risk are identified in an annual risk inventory. The following risk types are significant for DEG: credit risk, market price risk, operational risk and liquidity risk. Given DEG's business model, credit risks are top of the list. The currency risks taken on by providing financing also display a higher degree of risk.

As part of DEG's strategy process, risk strategy is defined in line with the key risks resulting from its business strategy. The risk strategy includes risk management goals for key business activities and lists measures to achieve each risk target.

It includes fundamental statements on risk appetite as well as risk-bearing capacity, taking risk and earnings concentrations into account, and establishes general conditions for operational risk management. The risk strategy highlights the planned long-term approach by which defined risk targets are to be met.

The aim is to limit adverse developments affecting DEG. The risk strategy is the result of strategic planning and covers a medium-term planning period. Quantitative requirements (budgets, limits) are defined for a one-year period. Then an extrapolation of risk-bearing capacity over a period of several years is carried out, which includes a scenario featuring an adverse development. Steps have been taken to ensure that DEG's risk strategy and the risk control measures derived from it are consistently integrated into KfW's corporate risk strategy.

The risk strategy is implemented by means of specially targeted risk management processes and instruments. Monitoring is carried out monthly, mainly in the course of risk reporting. Where deviations from the risk strategy occur, the causes are analysed and commented on, recommendations for actions are derived and measures agreed.

Earnings and risk concentrations are regularly analysed and discussed by in-house bodies. If necessary, additional measures in keeping with the above-mentioned requirements are devised. The Audit Committee and Supervisory Board are regularly updated on DEG's risk situation in a quarterly report.

Risk strategy goals for DEG are to secure the economic solvency level (economic risk-bearing capacity) required and to maintain regulatory risk-bearing capacity based on the equity capital rules established by the supervisory authority, with which DEG complies voluntarily. On this basis, and taking into account the risk limits and qualitative requirements specified in the risk strategy, DEG decides whether risks are to be accepted, reduced, limited, avoided or transferred.

The Risk Management Committee (RMC) and Asset/Liability Steering (APS), both of which convene monthly, are the main bodies that discuss and decide on, or pave the way for decisions on, issues relevant to risk. APS focuses on matters relating to market price and liquidity risks, while the RMC is concerned with relevant situations to do with credit and operational risks (OpRisk). Both bodies discuss issues relating to the measurement, reporting and management of these risks. The RMC is additionally responsible for overarching issues such as risk strategy, risk-bearing capacity, stress testing, and the introduction and/or evaluation of new products.

Two additional corporate bodies are the Equity Risk Committee (ERC) and the Credit Risk Committee (CRC). The ERC is an advisory and steering body; its aim is the early identification of market movements and the cross-divisional management of risks in DEG's portfolio of participating interests. The CRC is an advisory and steering body which aims to identify increased risks in DEG's loans portfolio at an early stage, to monitor compliance with intensive support and discuss existing and potential payment delays.

DEG is represented in the corporate bodies that deal with risk management at KfW and thus integrated into the group's coordination processes.

Risk-bearing capacity

DEG's risk-bearing capacity is determined and monitored under both economic and regulatory aspects (monthly and quarterly respectively). For both views, minimum equity capital requirements are laid down and must be observed. This ensures that DEG's risk-bearing capacity is maintained under regulatory as well as economic aspects, and in terms of target date as well as over the period of several years that applies in capital planning (baseline and adverse scenario). The solvency level for economic risk-bearing capacity is defined as 99.96%.

Article 26 of Germany's Capital Requirement Regulation (CRR) defines regulatory risk coverage as the core capital, i.e. paid-up share capital including reserves, taking deductible items into account. The (as yet) unapproved quarterly result or profit for the financial year are taken into consideration in the risk coverage. In the calculation of economic risk-bearing capacity, the deductible items from participating interests in enterprises in the financial sector are not eliminated from risk coverage.

The economic capital requirement is established for all significant types of risk and compared to the risk coverage for a gone concern approach. The future outlook is considered by simulating risk-bearing capacity over a one-year period under downturn and stress conditions. In addition, risk-bearing capacity under going concern conditions is regularly calculated and monitored.

The economic capital required for credit risks arising from the financing business as well as from the derivatives business and the investment of funds (counterparty risks) is calculated using a credit portfolio model (Internal Ratings Based Approach (IRBA) formula) as per the CRR. The level of economic capital depends on individual borrower ratings and product-dependent loss ratios. Counterparty risks relate mainly to KfW.

The economic capital requirement for market price risks (interest rate and foreign currency risks) is measured and managed using Value at Risk (VaR). VaR methods are based on a variance/co-variance approach.

The risk rating is based on the present value of any portfolio positions subject to interest rate and foreign currency risks. Present values are determined daily. All positions bearing an interest rate or foreign currency risk are included in the present value calculation.

All cash flow components are considered for which an impairment may lead to the erosion of risk coverage.

In risk measurement, the cash flows are declared due on the next date on which the customer has the option of terminating.

The methods assume a holding period of two months (maximum time to close out the positions) for interest rate and foreign currency risks, and a solvency level of 99.96% in the calculation of economic risk-bearing capacity. For currencies without fungible hedging instruments in the markets, a holding period of one year is assumed.

For operational risks, individual types of earnings in defined business areas are weighted with special risk factors as required by BaFin in the standard approach under Basel II rules.

Overall, the risk situation has not changed significantly compared to 2014, despite increased foreign currency risks. However, the average probability of default in the portfolio has risen from 3.84% to 4.11% due to rating migrations.

Stress tests

DEG regularly carries out stress tests with the aim of modelling an assessment of the impact on risk-bearing capacity of a potentially adverse economic climate and identifying potentially significant risks and risk concentrations.

Scenarios, standard stress tests and individual stress scenarios are calculated and analysed quarterly. In a downturn view, the risk-bearing capacity for a target date twelve months ahead is calculated based on the assumption that recognisable risk potentials materialise as a slight economic downturn. In a stress view, the assumption is that a serious recession has occurred. In each instance, calculations are carried out to establish the effect on P&L, the impact on the economic capital requirement and the risk-bearing capacity.

DEG carries out reverse stress tests to analyse which scenarios might lead to the complete erosion of risk coverage potential.

In devising its stress test scenarios, DEG draws on the results of its measurement of risk concentrations and of its early warning system.

The assumption is made that risk factors are being affected by improbable but plausible changes and shocks. The selection of scenarios and the results from them are discussed quarterly in the RMC with Management Board involvement. All the results are used to assess risk-bearing capacity and taken into account in medium- to long-term planning.

The analysis of risk-bearing capacity under stress conditions showed that the risks undertaken by DEG were tenable, both on the effective date of 31 December 2015 and at all times throughout the year.

Types of risk

The following sections examine DEG's business operations in relation to key risk types.

Credit risk

Credit risk (in the wider sense) includes the risk of a possible deterioration of creditworthiness, with a default on the part of the contractual partner as a special case. Counterparty default risk (including counterparty risk, securities risk and country risk), migration risk and settlement risk are subsumed under credit risk in this wider sense.

As the breakdown of commitment obligation by region and by industries shows, DEG's risk policy positioning creates concentrations in its portfolio. The distribution by region is not critical in terms of risk.

Distribution by industry displays concentrations mainly in providing financing to financial institutions (proportion of banks and insurance companies: 30.4%; proportion of funds: 17.8%) and in enterprises in the energy sector.

To restrict such concentrations, DEG has defined limits at country level for these industries as well as, in the case of financial institutions (excluding funds), additional limits in relation to transnational risk entities.

Due to the wide diversification in many industries, the high percentage of investment in funds is not critical in terms of risk. Although manufacturing accounts for a large percentage, the portfolio displays a heterogeneous mix, so there is no need to define limits for the industry.

Because DEG's business model is shaped by development policy, its portfolio mix – as it relates to credit risk classes – displays a concentration of medium and high default risks, which is to be expected. For country risk classes, most financing provided by DEG has a good to medium default risk.

Limits have been defined for individual counterparties, countries, groups of associated customers and industries. Beyond that, DEG is integrated into KfW's corporate system of limits. Existing limits must be observed, whether set by DEG or by the group. The Management Board is immediately notified of any breach of the limits, and these are detailed in the risk report.

As at 31 December 2015, there were 32 breaches (of which 23 breached the limit relating to counterparties, seven breached the limit relating to groups of associated customers, one was a country limit breach and one breach affected the risk entity "financial institutions Central America"). A total of 31 of the 32 were passive breaches, mainly induced by ratings downgrades and exchange rate fluctuations.

These breaches were analysed and reported in keeping with the rules laid down in the Risk Handbook. On that basis, appropriate options for action were devised and measures implemented. The limits are defined based on DEG's earnings and equity capital situation and determine the scope within which its business strategy can be implemented.

Acute risks in countries and sectors are additionally limited based on risk guidelines prescribed by the group. These use a traffic-light system to monitor and manage transactions in the markets affected.

Risk-bearing capacity

EUR million	31.12.2014	31.12.2015
Economic capital requirement	**1,191**	**1,202**
Credit risks	861	859
Market price risks	277	283
of which interest rate risks	102	105
of which foreign currency risks	175	178
Operational risks	53	60
Economic risk coverage	**2,069**	**2,267**
Unrestricted equity	878	1,065

For most of its business, DEG employs KfW's corporate rating methods for banks, corporates, countries (for transfer/conversion risks) and equity funds. These are regularly validated on a group-wide basis.

To a lesser extent, DEG also uses its own rating methods, which are validated in-house.

The loans portfolio is also analysed and monitored for any interest or redemption payments in arrears by more than 30 days, in order to extrapolate possible early warning indicators. Non-performing obligations (commitment obligation with an M19 or M20 rating) as at 31 December 2015 amounted to EUR 593.9 million.

In order to measure the required provision for risk in individual cases, a determination is carried out at regular intervals, using the evaluation tools available, to establish the need for individual value adjustments in business on own account, or the need to make individual provisions for probable losses from guarantees and to pledge participating interests. If necessary, this determination is carried out immediately after any depreciation has been identified. Provision is also made in the form of a portfolio value adjustment based on the expected loss. Additional remarks describing the method of making provision for risk can be found in the Appendix under Accounting/valuation criteria.

For all commitments, a ratings review is carried out at regular intervals, or if early warning indicators are present. For an M16 rating or below, intensive support kicks in. This includes closer supervision of the commitment as well as measures designed to safeguard the assets. Where serious disruptions have occurred, e.g. persistent default, the well-founded suspicion of criminal conduct on the part of borrowers, or other circumstances leading to the expectation that fulfilment of the contract by the partners is at risk, the commitment moves on to be managed as a non-performing asset.

As required by the regulator, management of a non-performing asset is carried out by specialist staff and is designed to stabilise or wind up the commitment while not necessarily winding up the enterprise. The department responsible reports at least quarterly on the development of non-performing commitments and any insights gained.

If the economic outlook in our investment countries should fundamentally deteriorate, DEG would run the systematic risk of a worsening prospect of restructuring or winding up. In that case, the actual default might substantially exceed the provision for risk and have a significant negative impact on results.

Market price risk

DEG is not a trading book institution within the meaning of the Capital Requirement Regulation CRR; in other words, there is no trading on own account for the purpose of generating short-term revenue. Market price risks are confined to the asset book. Key types of market price risk for DEG are interest rate risks and foreign currency risks.

Interest rate risk

Interest rate risk is defined as the risk of losses due to a change in interest rate ratio unfavourable to DEG. In relation to DEG's financing business, interest rate risk refers to the potential loss that may result if a commitment made to a customer on specific terms is later refinanced at higher interest or on terms mismatched in some other way (period, method of interest calculation).

By entering into a limited exposure to open interest rate risk positions, DEG generates income from maturity transformations. This strategic interest rate risk position is managed based on the available budget and on fixed interest rates in the lending and borrowing business.

Regional distribution of industries by commitment obligation

Share of portfolio (commitment obligation per 31.12.2015)	Africa	Asia	Europe/ Caucasus	Latin and North America	Total	Prev. year 31.12.2014
Financial institutions	9.07%	13.7%	11.41%	14.05%	**48.23%**	45.2%
Manufacturing	1.91%	7.79%	2.59%	5.13%	**17.42%**	20.0%
Energy & water supply	3.25%	4.52%	1.49%	5.20%	**14.46%**	14.4%
Transport, telecoms, infrastructure	2.13%	1.57%	1.47%	1.06%	**6.23%**	6.8%
Other services, tourism	1.14%	1.43%	4.13%	2.29%	**8.99%**	9.4%
Agriculture, forestry, fisheries	0.80%	0.78%	0.63%	1.63%	**3.84%**	3.6%
Mining, quarrying, non-metallic minerals	0.64%	0.06%	0%	0.13%	**0.83%**	0.6%
Total	**18.94%**	**29.85%**	**21.72%**	**29.49%**	**100 %**	-
Prev. year, 31.12.2014	18.75%	28.96%	23.73%	28.56%		100%

Foreign currency risk

Foreign currency risk is the danger of losses due to a change in exchange rates that is unfavourable to DEG. DEG is only indirectly exposed to foreign currency risks in the context of its loans and equity participation business. DEG is affected by exchange rate risks as a result of fulfilling its development mandate. These are hedged where possible and where appropriate in P&L terms.

Where feasible and appropriate, open foreign currency positions are closed by means of refinancing or hedging transactions. The exceptions are transactions in non-liquid currencies where trading in the financial markets is either very limited or not possible at all. Transactions in USD are hedged in a macro control system, while micro-hedges are used for any other currencies that require hedging. Cash flows from the participating interests business are hedged provided the amounts are fixed and the payment date can be determined with sufficient accuracy.

DEG avoids volatility driven by exchange rates in its P&L by establishing valuation units in its loans business wherever possible and appropriate. Both macro valuation units (USD positions) and micro valuation units in local currencies – currently the Russian rouble, the Mexican peso, the South African rand and the Turkish lira – have been established.

Additional information on how the valuation units figure on the balance sheet can be found in the Appendix under Accounting/valuation criteria.

DEG measures interest rate and foreign currency risks monthly based on economic indicators. The economic capital requirement for interest rate and foreign currency risk is made up of a stop-loss buffer for cumulative present value losses over a year, and the possible present value loss that may occur when a position is closed (Value at Risk VaR).

Of primary relevance to risk control is economic risk-bearing capacity and hence the economic capital requirement per risk type. Where 90% of the stop-loss limit has been reached, any position control requires the express consent of the Management Board.

To examine the effects of extraordinary market fluctuations on the current portfolio, daily scenario calculations are additionally carried out for present value. These consider an interest rate shift of +/–200 bps across all currencies simultaneously (as per the regulatory requirements). The simulations apply to all the positions in DEG's asset book to which interest rate risk is relevant. The limit set by the regulator is 20% of the liable equity capital. In addition, monthly calculations are carried out for foreign currency risk, where the scenario involves an ad-hoc foreign exchange rate movement of 10%.

A daily risk report ensures that DEG has up-to-date information. This is supplemented by monthly reports and a previously introduced ad-hoc reporting process in case limits are breached.

The economic capital requirement for interest and foreign currency risks appears on page 33.

Liquidity risk

Liquidity risk can be subdivided into two variants: institutional liquidity risk and market liquidity risk. Institutional liquidity risk is the danger that DEG may not be able to meet its financial obligations at all, or not on time or in full (including call risk and maturity risk). Any insolvency risk on the part of DEG is significantly limited by the existing refinancing commitment by KfW, which assures DEG of access to liquidity via KfW. So any risk affecting DEG's solvency is directly linked to the group's liquidity risk. The risk associated with the banking group's solvency at all times is measured and managed by KfW.

Commitment obligation in the financing business by credit and country risk classes

Country or credit risk classes on the M scale	Credit risk	Commitment obligation at 31.12.2015			
		Country risk		Credit risk	
		EUR (thou.)	per cent	EUR (thou.)	per cent
M1 to M8	Investment grade	4,027,700	56%	291,592	4%
M9 to M15	Speculative grade	2,334,852	33%	5,229,444	73%
M16 to M18	Intensive support	823,775	11%	1,076,168	15%
M19 & M20	Default	4,755	0%	593,878	8%
Total		**7,191,082**	**100%**	**7,191,082**	**100%**

DEG is additionally responsible for independently measuring and managing its own liquidity. Ultimately, DEG is only exposed to liquidity risk in the stricter sense to a very minor degree, so it does not carry out a risk rating.

Moreover, DEG does not own a portfolio of liquid assets. Instead, it holds liquidity in the form of cash reserves as well as overnight and time deposits, so that asset liquidity is irrelevant.

The institutional liquidity risk is countered by secure liquidity provision at an appropriate level, by careful management and planning of payment flows from the financing business and from refinancing, as well as by short- and medium-term liquidity planning. Liquidity risks are limited by an indicator to safeguard minimum liquidity. At the balance sheet date, this amounted to 10% of non-disbursed commitments. This safeguards one month's disbursements during normal business operations. The Management Board is immediately informed if DEG falls short of the liquidity limit.

Market liquidity risk is the danger of losses if insufficient liquidity in the market renders DEG unable to trade assets or financing funds at all, in a timely manner, fully or in sufficient number or at fair market conditions. In DEG's case, this only affects liabilities. Here, the risk is that refinancing can only be obtained at a higher price via KfW, and that this higher price can only be passed on to the customers in part or not at all. This risk is measured using stress testing and countered by secure liquidity provision at an appropriate level, by careful management and planning of payment flows from the financing business and from refinancing, and by short- and medium-term liquidity planning.

The Capital Markets department ensures that liquidity costs are covered by the margin as part of systemic pricing. For exotic currencies, the liquidity costs are individually calculated for each commitment. Results to date show only minor effects on DEG's net worth, financial or earnings situation.

Operational risk

In addition to the risks to which banks are typically exposed, the management of operational risks (OpRisk) is significant. Operational risks are defined as the danger of losses incurred due to the unsuitability or failure of internal processes, personnel or systems, or because of external events. This definition includes legal risks, but excludes strategic risks.

Among the main OpRisk instruments are: annual OpRisk assessments carried out on the basis of expert appraisals supported by data; the ongoing compilation of loss events, which, provided they are above a minimum level of EUR 1,000, are recorded in an OpRisk events database; and comprehensive management reports.

To counter operational risks in its business operations, DEG has established an internal control system with principles, processes and measures. Both its IT landscape and its business processes are constantly being refined.

DEG's operational processes for IT are defined according to ITIL standards and are regularly reviewed internally and audited at least once a year by Internal Audit. The IT strategy is in line with DEG's corporate strategy and is annually updated in coordination with the Management Board. To ensure the management, control, protection and continuous optimisation of information security, DEG has defined a comprehensive and integrated management system, including rules and processes, based on international ISO/IEC 27001 standards. For insurable risks (e.g. fire or water damage), DEG has comprehensive insurance cover.

If unforeseeable external events occur, Business Continuity Management (BCM) describes a holistic management process that covers all aspects required to continue to maintain critical business processes and reduce losses. BCM includes both preventative and reactive components (contingency planning and emergency and crisis management, respectively).

The risk of failing to meet long-term corporate goals based on underlying business assumptions and forecasts is dealt with by continuously bringing new business and the portfolio into line with DEG's corporate policy development mandate, as well as by monitoring market and competitive conditions. Strategies and financial planning are developed using a systematic multi-year planning process, and the resulting investments and measures are regularly reviewed along with the portfolio mix.

Economic capital requirement

EUR million	31.12.2014	31.12.2015
Market price risks	277	283
of which interest rate risk	102	105
of which foreign currency risks	175	178

Legal risks play a major role for DEG, since its business operations extend across many countries with a range of different legal systems. Any risks to DEG's legal positions are countered by involving the legal department early on and by reviewing the formal and actual legal framework in investment countries.

Model risk is the possible loss an institution may suffer as the result of decisions being taken based mainly on the results of internal models where the development, implementation or application of such models has been faulty. For the most part, DEG uses models developed and validated centrally by the group (e.g. rating processes). DEG is integrated into the development processes and plays an active part in the validations. In cases where DEG develops its own models or has a significant role in the development, there are internal quality assurance processes designed to minimise model risk. The methods and processes DEG uses to determine risk-bearing capacity are regularly validated and refined if required. Models with no immediate influence on capital requirement are evaluated as part of OpRisk management and the OpRisk assessment, which has to be carried out annually.

Concentration risk

Concentration risk is understood to be the danger of serious losses (in value) or a serious impairment of DEG's liquidity situation caused by especially large individual risk positions or increased correlation of DEG's risk positions. A distinction is made between intra-risk and inter-risk concentrations.

The effects of these superordinate risks are part of the risk content of all other risk types. In addition, limits are set for observed risk concentrations in industries or regions (e.g. in the financial sector in Latin America).

Other risks

In its risk inventory, DEG reviews all types of risk within a defined risk universe at least once a year for relevance and significance. In 2015, DEG included the following relevant but not significant risk types as a group under "Other risks":

- Reputation risk: danger of a deterioration in the public perception of DEG in the view of relevant internal and external interest groups, with adverse consequences for DEG
- Business risk (distribution risk and risk due to a change in general legal (or economic) policy environment): the danger of losses due to unexpected fluctuations in results caused by external factors
- Strategic risk: danger of losses (in value) or a deterioration in the liquidity situation because of in-house decisions to do with DEG's fundamental strategic direction and development of its business operations, due to inadequate supervision of the way strategies are being implemented or because of the sustained pursuit of unprofitable business activities, while still observing DEG's development mandate.
- Risk due to pension obligations: danger of the earnings, net worth and liquidity situation coming under pressure as a result of rising pension obligations
- Real estate risk: danger of losses (in value) if real estate used by DEG or third parties, which is owned by DEG either directly or indirectly through real estate funds/companies, is affected by rent defaults, partial write-downs or other (disposal) losses
- Project risk: danger of losses due to events or circumstances which arise in particular from unsubstantiated planning assumptions and subsequently, during the implementation phase, have an impact on the achievement of the project goal in terms of cost, time or quality
- Outsourcing risk: danger of losses (in value) that may be caused by sub-standard or inadequate performance by the service provider or by a default on the part of the provider (failure to perform)
- Leverage risk: danger arising from DEG's exposure due to a debt that might require unforeseen corrections to the business plan
- Derivatives risk: danger of losses (in value) or an impairment of DEG's liquidity situation associated with derivatives transactions (swaps, options, forwards/futures, CDS) or with embedded derivatives (borrowers', issuers' or debtors' contractual voting rights

These risks are managed depending on how relevant each individual risk type is for DEG. Essentially, the risk management system outlined above is not capable of completely reducing and preventing all operational risks. No significant loss events took place in 2015, and there was no evidence of potential losses arising from the risk types deemed to be relevant but not significant.

In the period under review, both regulatory and economic risk-bearing capacity were guaranteed at all times. The company has sufficient reserves at its disposal to take account of any future adverse developments and any other risks that might become significant. No risks or developments are identifiable which might have a material effect on the future performance of the business.

Cologne, 17 February 2016
The Management Board

››› Annual statements of accounts 2015

BALANCE SHEET

PROFIT AND LOSS ACCOUNT

APPENDIX

BALANCE SHEET AT 31.12.2015

(with previous year's figures for comparison)

ASSETS			31.12.2015	31.12.2014
A. Fixed assets	**EUR**	**EUR**	**EUR**	**EUR thousand**
I. Intangible assets				
1. Purchased industrial property rights and similar rights and assets, including licences in such rights and assets			1,777,913	1,737
2. Payments in advance			2,990,993	0
			4,768,906	1,737
II. Tangible assets				
1. Land and buildings		45,109,500		44,421
2. Office equipment		2,859,078		2,952
3. Payments in advance		7,946,165		4,273
			55,914,743	51,646
III. Financial fixed assets				
1. Investments in partner countries				
a) Participating interests	1,187,208,323			1,000,393
b) Lendings to enterprises in which DEG has a participating interest	145,652,649			160,662
c) Other lendings	3,910,946,612			3,626,348
		5,243,807,584		4,787,403
2. Other financial fixed assets				
a) Bonds and notes under current fixed assets	103,926,202			122,537
b) Other lendings	2,479,338			1,748
		106,405,540		124,285
			5,350,213,124	4,911,688
Total A (I + II + III)			5,410,896,773	4,965,071
B. Current assets				
I. Debtors and other assets				
1. Amounts owed from investment activities		68,506,240		62,228
of which amounts owed by enterprises in which DEG has a participating interest		4,247,068		4,212
2. Amounts owed from disposal of investments		4,377,883		1,544
3. Amounts owed from consultancy and other services		814,120		203
4. Other assets		77,217,547		59,811
			150,915,790	123,786
II. Bonds and notes			1,550,505	1,100
III. Cash in hand, balances with Deutsche Bundesbank and with credit institutions			227,419,322	167,206
Total B (I + II + III)			379,885,617	292,092
C. Accruals and deferrals			322,932	334
D. Assets held under trust			51,535,784	60,798
Total assets			**5,842,641,106**	**5,318,295**

LIABILITIES			31.12.2015	31.12.2014
A. Shareholder's equity	**EUR**	**EUR**	**EUR**	**EUR thousand**
I. Subscribed capital				
1. Subscribed capital		750,000,000		750,000
2. Subscribed capital unpaid		0		–122,148
Called-up capital			750,000,000	627,852
II. Appropriated surplus				
1. Purpose-tied reserve fund				
as at 1 January	11,522,000			16,749
Transfer from net income for previous year	–8,051,000			–5,227
as at 31 December		3,471,000		11,522
2. Other appropriated surplus				
as at 1 January	1,262,811,298			1,181,295
Transfer from net income for previous year	168,854,085			81,516
as at 31 December		1,431,665,383		1,262,811
			1,435,136,383	1,274,333
III. Net profit			86,495,000	168,854
Total A (I + II + III)			2,271,631,383	2,071,039
B. Provisions for liabilities and charges				
1. Provisions for pensions and similar obligations		99,185,426		85,764
2. Provisions for taxes		393,853		0
3. Other provisions		37,887,343		23,316
Total B (1 + 2 + 3)			137,466,622	109,080
C. Creditors				
1. Amounts owed for financing investment activities		3,154,127,506		2,928,113
2. Trade creditors		1,351,537		1,582
3. Other creditors		226,528,275		147,683
of which tax payable		911,248		10,124
of which social security		40,190		13
Total C (1 + 2 + 3)			3,382,007,318	3,077,378
D. Liabilities for assets held under trust			51,535,784	60,798
Total liabilities			**5,842,641,106**	**5,318,295**

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 01.01 TO 31.12.2015

(with previous year's figures for comparison)

INCOME		01.01–31.12.2015 EUR	01.01–31.12.2014 EUR thousand
1. Income from participating interests		31,102,086	24,017
2. Income from long-term lendings		254,134,511	210,646
of which from affiliated enterprises		6,324,811	3,241
3. Other interest receivable and similar income		3,969,497	718
of which from affiliated enterprises		3,617,157	60
4. Income from write-ups and write-back of provisions in respect of lending business and participating interests			
a) Write-up of financial fixed assets	103,938,773		95,457
b) Write-up of amounts owed from investment business and from disposal of investments	3,792,534		1,664
c) Write-back of provisions in respect of lendings business and participating interests	6,615,239		809
		114,346,546	97,930
5. Other operating income			
a) from disposal of participating interests	84,265,790		171,930
b) from consultancy services	3,817,547		4,164
c) from trust transactions	511,605		518
d) from other services	9,285,430		10,662
e) other	59,784,409		37,330
		157,664,781	224,604
Total income		**561,217,421**	**557,915**

CHARGES		01.01–31.12.2015 EUR	01.01–31.12.2014 EUR thousand
6. Depreciation, value adjustments and transfer to provisions in respect of the lendings business and participating interests			
a) Depreciation and value adjustments in respect of financial fixed assets	221,274,955		218,398
b) Depreciation and value adjustments in respect of amounts owed from investment business and disposal of investments	19,942,832		7,394
c) Transfer to provisions in respect of lendings business and participating interests	992,000		689
		242,209,787	226,481
7. Interest payable and similar charges		27,270,978	21,227
of which to affiliated enterprises		22,222,133	16,699
8. Staff costs			
a) Wages and salaries	48,095,311		45,960
b) Social security, pensions and other benefits	17,232,808		13,172
of which pensions	10,882,555		7,200
		65,328,118	59,132
9. Depreciation and adjustments for impairment of intangible and tangible assets		2,763,492	3,421
10. Other operating charges		122,301,626	68,801
Total (6 + 7 + 8 + 9 + 10)		**459,874,002**	**379,062**
11. Profit on ordinary activities		101,343,419	178,853
12. Tax on income and profit		22,740,272	15,140
13. Other taxes		159,147	86
14. Profit for the financial year		78,444,000	163,627
15. Withdrawal from purpose-tied reserve fund		8,051,000	5,227
16. Net profit		**86,495,000**	**168,854**

APPENDIX FOR THE 2015 FINANCIAL YEAR

GENERAL NOTES ON THE STATEMENTS OF ANNUAL ACCOUNTS

Form of annual accounts

The Balance Sheet and Profit and Loss Account were laid out in compliance with the provisions for large corporations in Articles 266 & 275 of the German Commercial Code (HGB).

Due to business conducted, the items in the Balance Sheet and the Profit and Loss Account have been supplemented or re-designated in accordance with HGB Article 265. Itemisation in the Profit and Loss Account is based on income from participating interests.

Under HGB Article 340 and Article 1 of the Accounting Requirements for Financial Institutions and Financial Service Providers (RechKredV), DEG is exempt from the provisions on the financial statement forms for credit institutions.

Accounting/valuation criteria

Intangible and tangible assets acquired for a consideration are activated at original costs and subject to straight-line depreciation across their average useful life. After an analysis had shown an average useful life of five years for hardware and software systems and components, the depreciation period was extended from three to five years from 1 January 2015.

As a result of the change, the scheduled depreciation for the 2015 financial year was EUR 0.8 million.

The choice to activate internally produced intangible assets under current fixed assets as per the provisions of HGB Article 248 Paragraph 2 was not exercised.

The choice under Article 67 Section 4 Clause 1 of the Introductory Act to the Commercial Code (EGHGB), according to which lower valuations of assets based on depreciation under HGB Article 254 (version in force until 28 May 2009) may be retained, is exercised for the building in respect of the one-off tax depreciation from the transfer of silent reserves as per Article 6b of German Income Tax Law (EstG).

Low value assets are dealt with in accordance with EstG Article 6, Section 2, i.e. where the value is less than EUR 410, they are immediately recorded under other operating charges.

Financial fixed assets are recognised at original cost or at fair value if lower, regardless of whether the impairment is likely to be permanent.

To take account of counterparty risk, DEG makes provision for risk for both identifiable and latent default risks in its financing portfolio. The value adjustments are set off in the respective asset items. For guarantees issued by DEG in respect of its financing business, provisions are made in the case of identifiable and latent risks that a claim will be made.

The value of a participating interest is generally determined using the Discounted Cash Flow (DCF) method. Call and put options with sponsors using a suitable option price model are also considered when establishing the value of a participating interest.

Where market prices, e.g. stock market quotations, are available, DEG will verify whether, after a critical review of the assumptions underlying the valuation and pricing, the stock market price represents an appropriate valuation and should replace the Discounted Cash Flow method. If the participating interest was acquired less than a year earlier, DEG will generally fall back on the purchase price. However, if, after acquiring the participating interest, DEG becomes aware of important factors affecting the value which did not enter into the determination of the purchase price, the DCF method is used to determine the value of the participating interest even during the first year, taking the new finding into account. If a firm offer to purchase the participating interest is received, the proposed purchase price replaces the DCF method as the basis for the value of the participating interest. Country risks are taken into account for participating interests by an upward adjustment of the discount factors. If the value of the participating interest, calculated as described above, is lower than the purchase price or the lower book value, a corresponding value adjustment is made.

For lendings and bonds and notes under current fixed assets, the counterparty non-payment risk of a commitment is initially identified by using trigger events to assess whether provision for risk is required on those grounds. If such a trigger event has taken place, the level of provision for risk is estimated based on the present value of expected future repayments on the loan in question.

For latent default risks, DEG also makes a portfolio value adjustment for lendings without an individual value adjustment. Depending on the rating, the portfolio value adjustment is calculated based on the standard risk cost approach and takes into account both counterparty non-payment risks and country risks.

Using the method outlined above, DEG also makes provision for latent non-payment risks in respect of the guarantees it issues as part of its financing business.

Amounts owed and other assets are recognised at their nominal value. Actual default risks are catered for by value adjustments.

As per HGB Article 246 Section 2 Clause 2, assets that are exempt from creditor access and serve only to settle debts from pension obligations under the deferred compensation scheme were offset against those debts in the sum of EUR 1.3 million as at the balance sheet date. The original costs and the fair value of the assets each amounted to EUR 1.3 million as at 31 December 2015. The offset debts were discounted as at 31 December 2015 at a projected market interest rate (3.89%) resulting from an assumed residual maturity of 15 years. Charges and income of EUR 30,620 were offset.

Other bonds and notes under current assets are recognised at original cost, applying the strict lowest value principle and observing the value appreciation requirement.

Provisions for pensions and similar obligations are calculated at their going-concern value using the Mortality Tables 2005 G (Richttafeln 2005 G) published by Dr Klaus Heubeck.

Other provisions were made at the level of the anticipated settlement value and take all actual risks and contingent liabilities into account. Any provisions with a residual term of more than one year were discounted in accordance with their residual terms at the average market rate across the past seven years as published by Deutsche Bundesbank.

Amounts owed are recorded as liabilities with repayment amounts.

Deferred tax liabilities are offset against deferred tax assets. The choice not to activate deferred tax liabilities that exceed deferred tax assets is exercised under the provisions of HGB Article 274 Section 1 Clause 2.

At the time of acquisition, all assets and debts currently or originally denominated in foreign currency are converted into EUR at the rate of exchange current at the time of purchase.

Some lendings not hedged and denominated in foreign currency are valued at the mean rate of exchange at the balance sheet date, taking original cost into account as the upper value limit.

Other lendings, bonds and notes under current fixed assets, overnight and time deposits, debts and derivative financial instruments used for currency management and denominated in foreign currency, are summarised in valuation units pursuant to HGB Article 254. Along with one macro valuation unit for USD, additional micro valuation units were established for the other foreign currencies (RUB, MXN, ZAR, TRY). The foreign currency valuation units are recognised in the balance sheet using the gross hedge presentation method.

In accordance with DEG's risk strategy, currency risks associated with lendings, bonds and notes under current fixed assets, and overnight and time deposits are hedged with reverse value adjustments via matching currency refinancing or with derivative financial instruments in foreign currency. For the macro valuation unit in USD, all on-balance sheet transactions in USD (lending/deposit transactions) are considered jointly; the resulting (net) currency risk remaining is hedged with appropriate derivatives transactions. For the micro valuation units, the currency risks arising from individual basic transactions are hedged with individual hedging instruments. Currency risks are further limited by currency. The future effectiveness of the hedging relationship can therefore be assumed.

The macro valuation unit in USD comprises basic transactions in the form of lendings in foreign currency with a book value after deduction of individual value adjustments equivalent to EUR 3,435.2 million, overnight and time deposits of EUR 111.1 million, bonds and notes under current fixed assets of EUR 23.3 million and liabilities for financing the investment business (borrowers' notes and overnight loans) of EUR 2,510.4 million. The remaining (net) currency risks that required hedging amounted to EUR 1,059.2 million in total as at 31 December 2015. This net position was hedged with off-balance sheet transactions (interest rate swaps and forward exchange transactions) in the sum of EUR 1,132.4 million in total. In order to bring the macro valuation unit in USD created for accounting purposes into line with the management of USD currency risks in the context of the risk management system, overnight and time deposits were incorporated into the USD macro valuation unit for the first time in the 2015 financial year. The currency gains from overnight and time deposits of EUR 2.4 million were offset in the USD macro valuation unit against foreign exchange losses from other basic transactions.

At balance sheet date, the basic transactions subsumed into the macro valuation unit showed an unrealised currency gain of EUR 186.8 million. To hedge the currency risk, hedging transactions were used which conversely showed a market value of EUR –203.8 million. The market values were determined using the dollar offset method.

Provision for contingent losses of EUR 17.0 million was made for the ineffective portion of the macro valuation unit.

The micro valuation units comprise basic transactions in the form of lendings in foreign currency of EUR 185.2 million, which were hedged with off-balance sheet transactions (cross currency swaps) in the same amount.

At the effective date of 31 December 2015, DEG carried out a calculation using the present value method as per the IDW RS BFA 3 principles issued by the German Institute of Certified Public Accountants, whereby provision for contingent losses must only be made if the book value of the banking book exceeds its present value. The calculation shows no requirement to make provision as at 31 December 2015.

Derivatives transactions that neither enter into the foreign currency valuation unit nor serve to control interest rate risks are valued according to the imparity principle at the balance sheet date. In accordance with HGB Article 249 Section 1 Clause 1, this has resulted in provision for contingent losses of EUR 0.3 million. Accrued interest is recognised for all derivatives.

NOTES ON ASSETS

Fixed assets

Please see the table "Movements in fixed asset balances" for details.

Tangible assets

Another building was purchased in Cologne with a contract of sale dated 10 December 2014. However, the economic transfer of ownership only took place when the purchase price of EUR 1.55 million was paid in the 2015 financial year.

Payments in advance under tangible assets includes the sum of EUR 6.8 million for an office building under construction and EUR 1.1 million for work to extend the existing office building.

Depreciation for impairment of tangible assets amounted to EUR 2.3 million in total for 2015 (previous year EUR 2.6 million). This includes depreciation on office equipment of EUR 1.0 million and on the buildings of EUR 1.3 million.

Depreciation on DEG's building in Kämmergasse for the 2009 financial year included one-off tax depreciation under HGB Article 254 (old version) of EUR 1.0 million from the transfer of silent reserves from the proceeds of the sale of the land and buildings in Belvederestraße as per EstG Article 6b. The 2015 annual result increased by the sum of EUR 30,000 as a result.

Investments in partner countries

This item shows investments from funds on own account of EUR 5,243.8 million, which are made up of participating interests and lendings. Investments from trust funds of EUR 51.5 million are itemised as assets held under trust.

Own-account investments were made in 586 enterprises in 79 countries. These included six enterprises where the investments were part-financed from German federal trust funds and by other trustee lenders. In ten enterprises, third parties entered into risk sub-participations in the form of counter-guarantees.

Foreign currency lendings with a nominal value equivalent to EUR 3,831.2 million are almost wholly hedged by currency swaps and by taking up foreign currency loans.

Movements in fixed asset balances

	Original costs				
	01.01.2015	Accruals	Book transfers	Disposals	31.12.2015
	EUR	EUR	EUR	EUR	EUR
I. Intangible assets					
1. Purchased industrial property rights and similar rights and assets, including licences in such rights and assets	6,897,346	548,472	0	625,018	6,820,800
2. Payments in advance	0	2,990,993	0	0	2,990,993
	6,897,346	3,539,465	0	625,018	9,811,793
II. Tangible assets, land and buildings					
1. Land and buildings	53,396,121	1,979,851	0	0	55,375,972
2. Office equipment	10,675,332	919,127	0	4,112,816	7,481,643
3. Payments in advance	4,467,257	3,673,431	0	0	8,140,688
	68,538,710	6,572,409	0	4,112,816	70,998,303
Total (I + II)	75,436,057	10,111,874	0	4,737,834	80,810,096
III. Financial fixed assets					
1. Investments in partner countries					
a) Participating interests	1,244,787,773	336,283,655	0	119,132,927	1,461,938,501
b) Lendings to enterprises in which DEG has a participating interest	170,654,382	63,477,448	−26,046,212	43,473,705	164,611,913
c) Other lendings	3,959,249,868	1,781,033,090	26,046,212	1,491,854,757	4,272,474,413
Total 1 (a + b + c)	5,374,692,023	2,180,794,193	0	1,656,461,389	5,899,024,827
2. Other financial fixed assets					
a) Bonds and notes under current fixed assets	121,955,901	12,772,147	0	31,249,339	103,478,709
b) Other lendings	1,747,566	1,286,297	0	554,525	2,479,338
Total 2 (a + b)	123,703,467	14,058,444	0	31,803,864	105,958,047
Total III (1 + 2)	5,498,395,490	2,194,852,637	0	1,668,265,253	6,004,982,874
Total (I + II + III)	**5,573,831,547**	**2,204,964,511**	**0**	**1,693,003,087**	**6,085,792,970**

Movements in fixed asset balances (continued)

	Value adjustments		Book value	Depreciation
	Write-up	Accumulated depreciation	31.12.2015	2015
	EUR	EUR	EUR	EUR
I. Intangible assets				
1. Purchased industrial property rights and similar rights and assets, including licences in such rights and assets	0	5,042,887	1,777,913	497,869
2. Payments in advance	0	0	2,990,993	0
	0	5,042,887	4,768,906	497,869
II. Tangible assets				
1. Land and buildings	0	10,266,472	45,109,500	1,291,264
2. Office equipment	0	4,622,565	2,859,078	974,359
3. Payments in advance	0	194,523	7,946,165	0
	0	15,083,560	55,914,743	2,265,623
Total (I + II)	0	20,126,447	60,683,649	2,763,492
III. Financial fixed assets				
1. Investments in partner countries				
a) Participating interests	32,995,152	274,730,178	1,187,208,323	90,316,226
b) Lendings to enterprises in which DEG has a participating interest	1,051,868	18,959,264	145,652,649	10,917,655
c) Other lendings	69,776,430	361,527,801	3,910,946,612	116,512,398
Total 1 (a + b + c)	103,823,450	655,217,243	5,243,807,584[1]	217,746,279
2. Other financial fixed assets				
a) Bonds and notes under current fixed assets	115,322	1,693,637	101,785,072[2]	159,646
b) Other lendings	0	0	2,479,338	0
Total 2 (a + b)	115,322	1,693,637	104,264,410	159,646
Total III (1 + 2)	103,938,772	656,910,880	5,348,071,994	217,905,925
Total (I + II + III)	**103,938,772**	**677,037,327**	**5,408,755,643**	**220,669,417**

[1] Of which EUR 65,981,164 hedged with third-party counter-guarantees (unfunded risk participation).
[2] Without accrued pro-rata interest.

Financial fixed assets with a residual maturity term of up to one year

	EUR million
1. Investments in partner countries	
a) Participating interests	-
b) Lendings to enterprises in which DEG has a participating interest	11.1
c) Other lendings	685.5
2. Other financial fixed assets	
a) Bonds and notes in current fixed assets	24.4
b) Other lendings	0.2
Total	**721.2**

Please see the table “Movements in fixed asset balances” for details.

Bonds and notes in current fixed assets

Bonds and notes in current fixed assets represents financing committed by DEG which has been securitised.

The item Bonds and notes under current fixed assets (EUR 103.9 million) comprises one convertible bond (EUR 13.0 million) and six further bonds (EUR 90.5 million). Accrued interest at balance sheet date was EUR 2.1 million. The portfolio value adjustment was EUR 1.7 million.

Amounts owed from investment activities

The EUR 52.6 million in amounts owed comprises largely dividends and interest due (including accrued interest at year end and commitment fees as well as other amounts owed but not yet due), as well as various reimbursement claims.

This item also includes accrued interest from swap agreements (EUR 15.9 million).

Amounts owed from disposal of investments

This item shows the purchase money proceeds from the sale or transfer of participating interests and lendings as well as amounts owed with respect to these (e.g. interest payable on purchase money proceeds).

Amounts owed from consultancy and other services

These are reimbursements from trust funds charged to the Federal Ministry for Economic Cooperation and Development (BMZ).

Other assets

Other assets largely consists of balancing items for accountancy purposes relating to foreign currency transactions in respect of the foreign currency valuation units in MXN, ZAR, RUB and TRY (EUR 47.3 million), amounts owed by consortium partners (EUR 16.9 million) and by the tax office (EUR 10.5 million).

Bonds and notes under current assets

The item Bonds and notes under current assets comprises a bond acquired in the amount of EUR 1.6 million to hedge part-time work programmes for employees approaching retirement age.

Balances with banks

Balances with banks covers investments in the money market of EUR 184.1 million invested with the shareholder KfW as well as current account balances of EUR 43.3 million. These include corporate funds temporarily awaiting investment in enterprises in partner countries.

Assets held under trust

This item comprises investments in partner countries from trust funds in the form of participating interests of EUR 10.8 million and lendings of EUR 35.1 million. At the end of 2015, any remaining amounts held in trust from BMZ and the American development agency USAID for loan guarantees in Afghanistan were transferred to the Afghan Credit Guarantee Foundation ACGF in Cologne, which was established in 2014.

Amounts owed on a trust basis of EUR 5.6 million are also shown here.

EUR 27.4 million of lendings is accounted for by the "Federal Republic of Germany's Lending Programme for Business Start-ups to Promote Start-ups of Small and Medium-sized Enterprises by Natural Persons in Developing Countries" based on special joint lending funds with partner countries or institutions.

Deferred tax assets

There are taxable temporary differences arising specifically from the transfer of hidden reserves as per EstG Article 6b and from provision for risk, which result in deferred tax liabilities of EUR 0.2 million. These are offset by deductible temporary differences, especially from provisions for risk and other provisions, which result in deferred tax assets in the amount of EUR 10.5 million. The choice to refrain from taking the deferred tax asset surplus into consideration was exercised. The deferred tax liabilities were calculated based on an overall tax rate of 32.45%.

NOTES ON LIABILITIES

Residual maturity profile of debtors, investments and other assets

EUR million				**Residual maturity**	
	up to 3 months	**more than 3 months up to 1 year**	**more than 1 year up to 5 years**	**more than 5 years**	**Total**
Amounts owed					
1. from investment activities	68.5	-	-	-	68.5
2. from disposal of investments	4.4	-	-	-	4.4
3. from consultancy and other services	0.8	-	-	-	0.8
Other assets	76.0	0.6	0.6	-	77.2
Total	**149.7**	**0.6**	**0.6**	**0.0**	**150.9**

Subscribed capital

Subscribed capital amounts to EUR 750.0 million.

In the 2015 financial year, the unpaid subscribed capital was paid in by the sole shareholder KfW, Frankfurt am Main.

As a subsidiary of KfW, Frankfurt am Main, DEG is included in the consolidated accounts. These, along with the management report, may be obtained from KfW.

As a general rule under DEG's Articles of Association, profits are not distributed, so the limitation of profits distribution provided for by HGB Article 268 Section 8 does not apply.

Purpose-tied reserve fund

Business Support Services are designed to enhance the developmental impacts of existing DEG commitments and create improved conditions to facilitate new financing commitments on the part of DEG. They include, in particular, enterprise-level training and qualification measures, technical assistance with environmental and social issues, pre-investment studies, specific consultancy measures and the assignment of external experts. After being transferred to reserves, the funds are deployed for up to five years.

In the 2015 financial year, the sum of EUR 6.3 million was transferred from existing reserves for support services of this type; EUR 1.8 million was written back, since the five-year allocation period for the funds had run out.

Provisions for pensions and similar obligations

In accordance with HGB Article 253 Section 2 Clause 2, provisions were discounted across the board at the average market interest rate of 3.89%, which results from an assumed residual maturity of 15 years. A rise in annual salaries of 2.8% and a pension rise of 2% or 1%, respectively, were assumed, depending on remuneration or pension scheme.

Provision for taxes

The item Provision for taxes includes trade tax for the 2015 financial year of EUR 0.2 million and withholding tax of EUR 0.2 million from the partial sale of a participating interest, which will be accounted for in 2016.

Other provisions

In the 2015 financial year, provisions for contingent losses were made for the ineffective portion of the foreign currency valuation unit in USD (EUR 17.0 million) and for derivatives transactions that neither enter into the foreign currency valuation units nor are used to manage interest rate risks (EUR 0.3 million).

The item also includes provisions for variable remuneration (EUR 6.1 million), for services in respect of risk management under service level agreements with the shareholder (EUR 2.9 million), for part-time work programmes for employees approaching retirement age (EUR 2.8 million) and for leave and compensation for overtime (EUR 2.0 million).

Amounts owed for financing investment activities

Amounts owed here refers specifically to loans against borrowers' notes in the amount of EUR 3,126.6 million placed with the shareholder KfW Bankengruppe (2014: EUR 2,648.5 million).

Other amounts owed

Other amounts owed includes EUR 186.9 million in balancing items for accountancy purposes relating to foreign currency transactions in respect of the macro valuation unit in USD, liabilities of EUR 17.1 million in respect of consortium partners and borrowers, EUR 7.9 million in liabilities in respect of project sponsors, and liabilities of EUR 7.5 in respect of the Bill & Melinda Gates Foundation.

Residual maturity profile of amounts owed

EUR million	Residual maturity				
	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
1. Amounts owed for financing investment activities	246.9	1,964.7	428.1	514.4	3,154.1*
2. Amounts owed to trade creditors	1.4	-	-	-	1.4
3. Other amounts owed	217.7	0.5	8.3	-	226.5
Total	**466.0**	**1,965.2**	**436.4**	**514.4**	**3,382.0**

* Of which EUR 3,149.1 million to the shareholder (2014: EUR 2,923.1 million).

Liabilities for assets held under trust

The following were made available to DEG on a trust basis for the purpose of financing investments in partner countries and for business start-up loans: EUR 49.5 million from BMZ and 2.0 EUR million from the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB).

Deferred tax liabilities

Since deferred tax liabilities were balanced out against deferred tax assets, they are not shown.

NOTES ON INCOME

Income from participating interests and long-term lendings

Income from participating interests and from lendings in partner countries is largely made up of dividends, interest on lendings and bonds and related hedging transactions, and commitment fees and commissions on loans. The breakdown by region (excluding the results from hedging transactions of EUR –8.2 million) is as follows:

EUR million	2015	2014
Africa	63.5	44.6
America	86.5	72.5
Asia	100.3	81.2
Europe	43.0	41.1
Total	**293.3**	**239.4**

Other interest receivable and similar income

This income includes EUR 3.5 million in income from the sale of fixed interest rate swaps in USD and income of EUR 0.1 million from sureties and guarantees.

Other operating income

This item comprises in particular income from the disposal of participating interests (EUR 84.3 million), realised gains from exchange rate movements (EUR 43.5 million), income from other services (EUR 9.3 million), income from forward exchange transactions (EUR 6.7 million) and from consultancy (EUR 3.8 million).

Income of EUR 4.5 million (2014: EUR 11.1 million) resulted from foreign currency valuation as per HGB Article 256a, where residual maturity is a year or less.

NOTES ON CHARGES

Interest payable and similar charges

These charges were incurred largely on loans against borrowers' notes and bank loans (EUR 12.7 million) and also include the next result from derivatives hedging (EUR 9.6 million). For the 2015 financial year, the item also includes interest charges from the compounding of interest on pension and other long-term staff-related provisions in the sum of EUR 4.0 million (2014: EUR 4.1 million).

Staff costs

The charges for pensions and other benefits of EUR 10.9 million in total consist largely of the transfer of provisions for pensions and early retirement (EUR 9.5 million) and contributions to the Pension Association of Publicly Sponsored Companies (Versorgungsverband bundes- und landesgeförderter Unternehmen e.V. VBLU) (EUR 1.2 million).

Other operating charges

This item includes, in particular, realised charges in respect of exchange rate movements (EUR 40.3 million), charges for expert consultants and advisers (EUR 23.0 million), for forward exchange transactions (EUR 8.0 million), for travel expenses (EUR 4.7 million) and in relation to foreign currency valuation as per HGB Article 256a, where residual maturity is a year or less (EUR 4.8 million, 2014: EUR 6.1 million).

Other operating charges also comprises EUR 17.3 million in total to make provision for contingent losses for the macro valuation unit in USD (EUR 17.0 million) and EUR 0.3 million for other derivatives transactions.

Income and charges relating to other periods

The administration of DEG's private equity fund participations was outsourced in the 2015 financial year. In the course of this process, the acquisition costs of the participations recognised by DEG were reconciled with the acquisition costs identified by the outsourcing business and adjusted as required. This led to income of EUR 1.7 million and charges of EUR 0.4 million, both relating to other periods.

Other operating charges include EUR 1.4 million in respect of services under service level agreements with the shareholder relating to risk management for the previous year. The write-back of other provisions resulted in EUR 1.1 million in income relating to other periods.

Statement of auditing fees as provided by Article 285 Clause 1 No. 17

In the 2015 financial year the following auditing fees were taken into consideration:

2015	**EUR**
Auditing fee	444,132
Other certification services	30,000
Tax consultancy services	21,553
Other services	483,178
Total	**978,863**

Write-backs of provisions from 2014 in the sum of EUR 19,470 are offset in the statement of fees for auditing and tax consultancy services.

Taxes on income and profit

Tax charges of EUR 22.7 million in total comprise tax on profits for the 2015 financial year of EUR 21.1 million and foreign tax charges of EUR 1.6 million.

PROFIT FOR THE FINANCIAL YEAR/NET INCOME

The net income of EUR 86.5 million recognised exceeds the profit for the financial year by EUR 8.1 million, the sum withdrawn from the purpose-tied reserve fund and the sum written back respectively; as stipulated in the Articles of Association, it may not be distributed.

NOTES ON DERIVATIVES TRANSACTIONS

In the context of its risk management, DEG regularly engages in futures trading and makes use of derivatives products. These instruments are not used for trading purposes in the sense of items posted in the trading book, but are deployed primarily to hedge interest rate and currency risks in the asset book.

The market values of derivatives held in the portfolio represent current replacement costs. The positive and negative market values recorded are largely calculated based on in-house models. The main determinants of these in-house models are interest rate ratios and related rates of exchange.

MISCELLANEOUS

Liability/contingent liabilities

DEG stands surety to the value of EUR 3.1 million for eight enterprises as collateral for borrowing.

No provisions were made in respect of individual cases for the possibility that contingent liabilities may be incurred. Provision in the amount of EUR 0.5 million was made for latent risks.

At the balance sheet date, DEG's shares in two participating interests with a book value of EUR 11.0 million were pledged as collateral in respect of liabilities of the enterprises in question.

Given the enterprises' credit ratings, any liability/contingent liabilities incurred are not expected to exceed the provision for risk made for this purpose as at the balance sheet date.

Other financial obligations

DEG is required to pay a total of EUR 0.8 million annually under tenancy agreements that run until 2020.

A total of EUR 0.6 million will be payable in fees on leasing contracts for the remaining term until 2018.

Obligations from undisbursed participating interests and lendings amount to EUR 1,185.1 million.

In individual cases, employees of DEG, or third parties instructed by DEG, undertake executive functions in associated companies. The risks arising are generally covered by directors' and officers' liability insurance (D&O insurance) taken out by the company in question. In cases where no effective insurance cover exists, liability risks may result for DEG.

Derivatives transactions

Volumes

EUR million	Nominal values*		Positive market values	Negative market values
	31.12.2014	31.12.2015	31.12.2015	31.12.2015
Contracts with interest rate risks				
Interest rate swaps	694.5	631.4	29.6	2.4
Total interest rate risks	694.5	631.4	29.6	2.4
Contracts with currency risks				
Forward foreign exchange transactions, swaps	90.1	48.6	0.0	0.3
Currency and cross-currency interest rate swaps	1,314.6	1,448.7	67.0	222.8
Total currency risks	1,404.7	1,497.3	67.0	223.1
Total	**2,099.2**	**2,128.7**	**96.6**	**225.5**

Counterparties

EUR million	Nominal values*		Positive market values	Negative market values
	31.12.2014	31.12.2015	31.12.2015	31.12.2015
OECD banks	2,099.2	2,128.7	96.6	225.5
Total	**2,099.2**	**2,128.7**	**96.6**	**225.5**

Maturities

Nominal values*, EUR million	Interest rate risks		Currency risks	
	31.12.2014	31.12.2015	31.12.2014	31.12.2015
Residual maturities				
up to 3 months	0.0	0.0	91.2	76.2
more than 3 months up to 1 year	0.0	118.9	20.6	285.9
more than 1 year up to 5 years	644.5	462.5	935.1	836.5
more than 5 years	50.0	50.0	357.8	298.7
Total	**694.5**	**631.4**	**1,404.7**	**1,497.3**

* Nominal values are calculated as the sum of whichever nominal amount (input and output side) is higher on the effective date of the conversion.

AVERAGE NUMBER OF STAFF OVER THE YEAR

Staff not covered by regular pay scales and senior executives	349
Staff covered by regular pay scales	172
Total	**521**

Number of female staff	272
Number of male staff	249
Total	**521**

These figures include part-time staff (121) and temporary staff (25) but not members of the Management Board, staff on parental leave, apprentices, interns or local staff in foreign countries.

REMUNERATION OF CORPORATE BODIES

Total charges for the Supervisory Board in the year under review came to EUR 34,687, of which EUR 22,255 was made up of annual remuneration for membership of the Supervisory Board and its committees. Attendance fees, daily allowances and travel expenses accounted for EUR 12,432.

Management Board remuneration for the 2015 financial year came to EUR 1,320,715 in total. Current annual salary components were set at a uniform rate for all members of the Management Board and amount to EUR 1,032,919. Overall remuneration further includes a sum of EUR 42,097 for benefits in kind and other emoluments. The performance-related management bonus for 2015 was EUR 245,699 in total, of which EUR 122,850 will be paid over several years. In 2015, phased payments of EUR 117,876 were made from the deferred management bonuses for the years 2012 to 2014.

Total payments made to former members of the Management Board and surviving dependants amounted to EUR 904,457. Pension provisions for these persons amounted to EUR 12,299,303.

Information on DEG's investment holdings as of 31.12.2015 as per Article 285 No. 11 HGB (from 20%)

	P. No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = ... CU[2] (as at 31.12.2015)	DEG holding in per cent	Equity[3] in TCU[4]	Result in TCU[4]
A. Home							
1.	P4216	PCC-DEG Renewables GmbH Duisburg, Germany	EUR	1.00000	40.00%	19,351	415
2.	P5506	CGFT Capital Pooling GmbH & Co. KG Berlin, Germany	EUR	1.00000	40.00%	12,427	–43
2.1.	P5506	CGFT Capital Pooling Verwaltungsgesellschaft mbH Berlin, Germany	EUR	1.00000	40.00%	19	–6
2.1.1.	P5506	CGFT – Credit Guarantee Fund Tadjikistan Berlin, Germany	EUR	1.00000	39.99%	–247	–809
B. Abroad							
	I. Africa						
3.	P4181	Tourism Promotion Services Ltd. Kigali, Rwanda	RWF	812.43000	26.67%	11,795,808	1,210,681
4.	P4300	Global Credit Rating Company Ltd. Sandton, Johannesburg, South Africa	USD	1.08870	26.98%	516	2,597
5.	P4422	Banyan Tree Growth Capital LLC Port Louis, Mauritius	USD	1.08870	27.00%	107,337	21,417
6.	P5122	Berkeley Energy Wind Mauritius Ltd. Ebene, Mauritius	EUR	1.00000	25.80%	82,986	4,739
7.	P5283	Lereko Metier Solafrica Fund I Trust Johannesburg, South Africa	ZAR	16.95300	47.50%	84,286	–1,435
8.	P5533	Takura II Feeder Fund Partnership, Cape Town, South Africa	USD	1.08870	25.00%	10,028	–1,009
9.	P5745	Lereko Metier REIPPP Fund Trust Sandhurst, South Africa	ZAR	16.95300	26.077%	[5]	[5]
10.	P5793	The Kibofund II LLC Ebene, Mauritius	USD	1.08870	25.00%	272	–936
11.	P5837	Aavishkaar Frontier Fund Ebene, Mauritius	USD	1.08870	22.222%	[7]	[7]
12.	P5942	Emerald Sri Lanka Fund I Limited Port Louis, Mauritius	USD	1.08870	23.53 %	[7]	[7]

Continuation of the table on the following pages.

Information on DEG's investment holdings as of 31.12.2015 as per Article 285 No. 11 HGB (from 20%) (continued)

	P. No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = ... CU[2] (as at 31.12.2015)	DEG holding in per cent	Equity[3] in TCU[4]	Result in TCU[4]
	II. America						
13.	P2782	The SEAF Central and Eastern Europe Growth Fund Washington D.C., USA	USD	1.08870	23.90 %	6,087	–766
14.	P3977	SAE Towers, LP. Washington D.C., USA	USD	1.08870	26.92 %	[6]	[6]
15.	P4534	Kendall Court Mezzanine (Asia) Bristol Merit Fund L.P.	USD	1.08870	24.37 %	35,579	4,494
16.	P4557	Tolstoi Investimentos S.A. SAO Paulo, Brazil	BRL	4.31350	31.14 %	[7]	[7]
17.	P4580	Acon Latin American Opportunities Washington D.C., USA	USD	1.08870	39.9995 %	64,643	–19,360
18.	P4942	EMX Capital Partners LP Mexico City, Mexico	USD	1.08870	20.08 %	23,332	–6,196
19.	P5102	Worldwide Group, Inc. Morning Star Charlestown, St. Chr. and Nevis	USD	1.08870	32.28 %	18,998	578
20.	P5140	Fundo Mútuo de Investimentos em Empresas Emergentes Stratus Fleet	BRL	4.31350	39.69 %	32,704	3,179
21.	P5142	Russia Partners Technology Fund LP New York, USA	USD	1.08870	21.59 %	80,765	2,262
22.	P5240	Grassroots Business Investors Fund I L.P. Washington D.C., USA	USD	1.08870	30.90 %	21,388	–1,505
23.	P5321	Adobe Social Mezzanine Fund, L.P. Mexico City, Mexico	USD	1.08870	24.75 %	4,130	–854
24.	P5331	CoreCo Central America Fund I L.P. Miami, Florida, USA	USD	1.08870	22.00 %	3,848	–9,277
25.	P5569	Portland Caribbean Fund II, L. P. George Town, Cayman Islands	USD	1.08870	20.99 %	8,852	–1,260
26.	P5583	Acon Latin American Opportunities Fund IV -A, L.P. Washington D.C., USA	USD	1.08870	39.9000 %	3,346	–1,618
27.	P5662	AQ Investments LLC Miami, Florida, USA	USD	1.08870	28.08 %	22,952	2,177
28.	P5715	Frontier Bangladesh II L.P. Grand Cayman, Cayman Islands	USD	1.08870	20.00 %	[7]	[7]
29.	P6086	Aqua Agro Fundo de Investimento SAO Paulo, Brazil	BRL	4.31350	29.87 %	[7]	[7]

[1] ISO currency code.
[2] CU currency units in local currency.
[3] Equity as per Art. 266 & 272 HGB.
[4] TCU = 1,000 currency units in local currency.
[5] Enterprise in start-up phase, no annual statements of accounts available yet.
[6] Enterprise being wound up. No annual statements of accounts available.
[7] No current annual statements of accounts available.

	P. No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = … CU[2] (as at 31.12.2015)	DEG holding in per cent	Equity[3] in TCU[4]	Result in TCU[4]
	III. Asia						
30.	P2787	Benetex Industries Ltd. Dhaka, Bangladesh	BDT	85.46325	28.30 %	[7]	[7]
31.	P3807	Zhejiang Wanfeng MotorcycleWheel Co. Ltd. Xinchang, China	CNY	7.06080	25.00 %	846,620	185,191
32.	P3878	Ace Power Pvt. Ltd. Colombo, Sri Lanka	LKR	157.09550	26.00 %	3,520,766	476,828
33.	P4518	OJSC Tourism Promotion Services Dushanbe, Tajikistan	TJS	7.28504	21.00 %	10,847	–36,549
34.	P4538	Asia Insurance 1950 Company Ltd. Bangkok, Thailand	THB	39.26025	24.62 %	303,132	64,685
35.	P4545	WPD Energy Vietnam Company Ltd. Hanoi, Vietnam	VND	24.48729	30.00 %	530,831	4,857,034
36.	P4976	Windprojektentwicklung Thailand Bangkok, Thailand	THB	39.26025	33.33 %	[6]	[6]
37.	P5505	ADP Enterprises W.L.L. Manama, Bahrain	EUR	1.00000	23.50 %	185,570	57,170
38.	P5661	Grassland Finance Ltd. Hong Kong, Hong Kong	HKD	8.43760	24.950 %	476,920	–13,177
39.	P5713	Orilus Investment Holdings Pte. Ltd. Singapore, Singapore	USD	1.08870	32.98 %	47,731	6,910
40.	P6048	Medisia Investment Holdings Pte. Ltd. Singapore, Singapore	USD	1.08870	32.65 %	[5]	[5]
	IV. Europe						
41.	P2562	Knauf Gips Kaptschagai Too Kapchagay, Kazakhstan	KZT	371.29000	40.00 %	11,405,943	3,759,967
42.	P3445	Tirana International Airport Partners SHPK Rinas, Albania	EUR	1.00000	31.70 %	26,875	8,439
43.	P3511	Center-Invest Bank Rostov-on-Don, Russian Federation	RUB	80.67360	20.65 %	9,585,477	1,107,056
44.	P3665	TOO Isi Gips Inder Rayon Inderskij, Kazakhstan	KZT	371.29000	40.00 %	1,500,261	142,292
45.	P4095	Emerging Europe Leasing and Finance (EELF) B.V. Amsterdam, Netherlands	EUR	1.00000	25.00 %	17,140	991
46.	P4193	Bucharagips AG Bukhara, Kagan, Uzbekistan	UZS	3033.85000	25.00 %	2,989,259	3,844,192
47.	P4971	Knauf Gips Buchara OOO Bukhara, Uzbekistan	UZS	3033.85000	24.88 %	97,094,318	23,115,061
48.	P5125	EMF NEIF (A) L.P. Southampton, UK	USD	1.08870	21.84 %	7,415	951
49.	P5622	Microcredti Financial Institution Kontakt A.D. Podgorica, Montenegro	EUR	1.00000	28.049 %	5,109	–600
50.	P5935	Kibele Aviva EMF HoldCo. B.V. in Gründung Amsterdam, Netherlands	USD	1.08870	22.25 %	[5]	[5]
51.	P6129	NAVEGAR II (Netherlands) B.V. Amsterdam, Netherlands	USD	1.08870	29.167 %	[7]	[7]

CORPORATE BODIES

Supervisory Board

Hans-Joachim Fuchtel
Chairman
Parliamentary State Secretary
Federal Ministry for Economic
Cooperation and Development,
Berlin

Dr Norbert Kloppenburg
First Deputy Chairman
Member of the Board of Managing
Directors, KfW,
Frankfurt am Main

Corinna Linner
Second Deputy Chairwoman
Auditor

Eberhard Brandes
CEO, WWF Germany,
Berlin

Arndt G. Kirchhoff
Managing Partner
Kirchhoff Automotive GmbH & Co. KG,
Attendorn

Dr Michael Meister
Parliamentary State Secretary
Federal Ministry of Finance,
Berlin

Dr Ulrich Schröder
Chairman of the Executive Board, KfW,
Frankfurt am Main

Stephan Steinlein
State Secretary Federal Foreign Office,
Berlin

Brigitte Zypries
Parliamentary State Secretary
Federal Ministry for Economic Affairs
and Energy,
Berlin

Management Board

Dr Michael Bornmann
(up to 14.02.2015)

Philipp Kreutz

Christiane Laibach
(from 15.02.2015)

Bruno Wenn (Chairman)

Cologne, 17 February 2016

DEG – Deutsche Investitions- und
Entwicklungsgesellschaft mbH

The Management Board
Laibach Kreutz Wenn

AUDITOR'S REPORT

We have audited the annual statements of accounts – consisting of Balance Sheet, Profit and Loss Account and Appendix – including the accounting system and the Management Report of DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne, for the financial year from 1 January to 31 December 2015. Responsibility for keeping the books and records and preparing the annual statements of accounts and the Management Report in compliance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the Articles of Association rest with the company's Management Board. Our task is to provide an opinion, based on our audit, on the Annual Statements of accounts, including the accounting system, and on the Management Report.

We conducted our audit of the annual statements of accounts in accordance with HGB Article 317 and in compliance with the German standards for audits of financial statements established by Institut der Wirtschaftsprüfer (German Institute of Public Auditors IDW). Those standards require that we plan and perform the audit with reasonable assurance of detecting any material misstatements and infringements with a substantial impact on the presentation of the net worth, financial and earnings situation in the annual statements of accounts as prepared in accordance with German accounting principles, as well as in the Management Report. The audit procedures adopted take account of information about the company's business activities and its economic and legal environment, as well as of expectations relating to possible errors. The effectiveness of the accounting-related internal control system and the evidence supporting the entries in the books and records, the annual statements of accounts and the Management Report are largely examined on the basis of spot checks. The audit includes an evaluation of the accounting principles applied and of the main assessments made by the Management Board as well as an appraisal of the overall presentation of the annual statements of accounts and the Management Report. We are of the opinion that our audit provides a sufficiently sound basis for our evaluation.

Our audit has not given rise to any objections.

In our judgment, based on the audit findings, the annual statements of accounts comply with the statutory regulations and the supplementary provisions in the Articles of Association and give a true and fair view of the net worth, financial and earnings situation of the company in accordance with German accounting principles. The Management Report conforms to the annual statements of accounts, provides an accurate understanding of the company's situation overall, and presents an accurate picture of the opportunities and risks of future development.

Düsseldorf, 18 February 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Kügler	Lehnen
Auditor	Auditor

Imprint

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management report is also available in German.

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