KfW, Frankfurt/Main, Federal Republic of Germany
(an institution organized under public law of the Federal Republic of Germany)

A$30,000,000,000

Medium Term Note Programme

Supplement to the Information Memorandum dated 10 March 2004

Arranger/Manager

CommonwealthBank

20 July 2011

IMPORTANT NOTICE

This Supplement supplements and should be read in conjunction with, the Information Memorandum dated 10 March 2004, as supplemented on 23 December 2005, 3 April 2006, 26 May 2008 and 7 December 2009 (together, the "**Information Memorandum**") issued by KfW. This Supplement relates solely to the Australian Dollar Medium Term Note Programme ("**Programme**") for KfW, under which KfW may issue Medium Term Notes ("**Notes**").

Unless otherwise defined in this Supplement, terms defined in the Information Memorandum have the same meaning when used in this Supplement. This Supplement is incorporated in, forms part of, and to the extent relevant, supplements and updates, the Information Memorandum. A reference to this Supplement is a reference to all or any part of it and a reference to the Information Memorandum is to the Information Memorandum as supplemented by this Supplement. This Supplement is authorised for distribution only when accompanied by the Information Memorandum.

This Supplement has been approved by KfW, which has provided and accepts responsibility for the information contained in it.

The only role of the Arranger and Manager, the Dealer and the Registrar in the preparation of this Supplement has been to review and authorise its own details set out in the section entitled "*Directory*" below. No other information contained in this Supplement has been independently verified by the Arranger and Manager, any Dealer or the Registrar. Accordingly, no representation, warranty or undertaking is made or may be implied and no responsibility or liability is accepted by the Arranger and Manager, any Dealer or the Registrar to or for the origin, accuracy, completeness or distribution of, or any errors or omissions from this Supplement whether arising out of negligence or otherwise (other than the abovementioned section in this Supplement).

The information in this Supplement has been prepared and is correct as of its date ("**Effective Date**"). The delivery at any time after the Effective Date of this Supplement does not imply that the information contained in this Supplement is correct at any time subsequent to the Effective Date. Accordingly, neither the delivery of this Supplement nor any offer or sale of Notes implies or should be relied upon as a representation or warranty that:

- there has been no change since the Effective Date in the affairs or financial condition of KfW; or

- the information contained in this Supplement remains correct at any time after the Effective Date.

INCREASE OF PROGRAMME LIMIT

Effective on and from 20 July 2011, the Programme Limit pursuant to which KfW may issue Notes under the Programme up to a maximum aggregate amount outstanding at any time of A$20,000,000,000 was increased to A$30,000,000,000.

DOCUMENTS INCORPORATED BY REFERENCE

For the purposes of the documents incorporated by reference into the Information Memorandum, the most recently published reports of KfW are, as at the date of this Supplement, the consolidated financial statements of KfW for the year ended 31 December 2010.

DESCRIPTION OF KFW

KfW wishes to advise that the text of the Description of KfW, set out in the Information Memorandum, is replaced by the following text:

Overview

KfW is a public law institution (*Anstalt des öffentlichen Rechts*) serving domestic and international public policy objectives of the Federal Government (the "**Federal Government**") of the Federal Republic of Germany ("**Federal Republic**").

KfW was established on November 5, 1948, under the Law Concerning the Kreditanstalt für Wiederaufbau (the "**KfW Law**") as a public law institution with unlimited duration. Its offices are located at Palmengartenstraße 5–9, D-60325 Frankfurt am Main, Germany. KfW also maintains branch offices in Berlin and Bonn, Germany, and a liaison office to the European Union in Brussels, Belgium.

According to Article 2 of the KfW Law, KfW's business purposes are the following:

- Performance of promotional tasks, in particular financings, pursuant to a state mandate in the following areas: financing of small and medium-sized enterprises ("**SMEs**"), liberal professions and business start-ups; risk capital; housing; environmental protection; infrastructure; technical progress and innovations; internationally agreed promotional programmes; development cooperation; and in other promotional areas, which are specifically stated in laws, regulations or published guidelines on state economic policy that are assigned to KfW by the Federal Republic or one of the federal states (each a "***Land***" and together, the "***Länder***");

- Granting of loans and other forms of financing to territorial authorities *(Gebietskörperschaften)* and special purpose associations under public law *(öffentlich-rechtliche Zweckverbände)*;

- Financing of measures with purely social goals as well as for the promotion of education; and

- Granting of other financings in the interest of the German and European economy.

Except with a special mandate from the Federal Government, KfW may conduct other business only insofar as such business is directly connected with the performance of its functions described above. In such capacity, KfW may, in particular, purchase and sell claims and securities, incur obligations in the form of bills of exchange and promissory notes, and conduct its treasury and risk management. KfW may also refinance at market conditions the project and export finance subsidiary which has been established as a result of the understanding with the European Commission (see "– Relationship with the Federal Republic – Understanding with the European Commission").

KfW promotes its financing activities under the umbrella brand name KfW Bankengruppe. In accordance with its business purposes pursuant to Article 2 of the KfW Law, KfW currently conducts its business in the following business areas:

- KfW Mittelstandsbank (KfW SME Bank) promotes SMEs, business founders, start-ups and self-employed professionals;

- KfW Privatkundenbank (KfW Private Client Bank) provides housing-related loans and grants as well as financing for education to private individuals;

- KfW Kommunalbank (KfW Municipal Bank) offers financing for infrastructure projects, primarily for municipalities, and grants global funding instruments to promotional institutions of the German *Länder* (*Landesförderinstitute*) and other financial institutions;

- Export and project finance: KfW IPEX-Bank GmbH ("**KfW IPEX-Bank**") offers customized financing for exports and project and corporate financing worldwide. KfW IPEX-Bank is a legally independent entity wholly owned by KfW;

- Promotion of developing and transition countries: KfW Entwicklungsbank (KfW Development Bank) is responsible for KfW's public sector development cooperation activities, and DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH (German Investment and Development Company, "**DEG**") finances private-sector investments in developing countries. DEG is a legally independent entity wholly owned by KfW; and

- Capital markets, which comprises KfW's treasury, funding, securitization and other capital markets-related activities.

Ownership

The Federal Republic holds 80% of KfW's capital, and the *Länder* hold the remaining 20%. Shares in KfW's capital may not be pledged or transferred to entities other than the Federal Republic or the *Länder*. Capital contributions have been, and are expected to continue to be, made to KfW in such proportions as to maintain the relative shares of capital held by the Federal Republic and the *Länder*.

Legal Status

KfW is organized under the KfW Law as a public law institution with unlimited duration. As a public law institution serving public policy objectives of the Federal Government, KfW itself is not subject to corporate taxes (although certain of its subsidiaries are) and as a promotional bank does not seek to maximize profits. KfW does, however, seek to maintain an overall level of profitability that allows it to strengthen its equity base in order to support its promotional activities and to grow the volume of its business. KfW is prohibited from distributing profits, which are instead allocated to statutory and special reserves. KfW is also prohibited from taking deposits, conducting current account business or dealing in securities for the account of others.

Relationship with the Federal Republic

Guarantee of the Federal Republic

The KfW Law expressly provides that the Federal Republic guarantees all existing and future obligations of KfW in respect of money borrowed, bonds and notes issued and derivative transactions entered into by KfW, as well as obligations of third parties that are expressly guaranteed by KfW (KfW Law, Article 1a). Under this statutory guarantee (the "**Guarantee of the Federal Republic**"), if KfW fails to make any payment of principal or interest or any other amount required to be paid with respect to securities issued by KfW, or if KfW fails to make any payment required to be made under KfW's guarantee when that payment is due and payable, the Federal Republic will be liable at all times for that payment as and when it becomes due and payable. The Federal Republic's obligation under the Guarantee of the Federal Republic ranks equally, without any preference, with all of its other present and future unsecured and unsubordinated indebtedness. Holders of securities issued by KfW or issued under KfW's guarantee may enforce this obligation directly against the Federal Republic without first having to take legal action against KfW. The Guarantee of the Federal Republic is strictly a matter of statutory law and is not evidenced by any contract or instrument. It may be subject to defenses available to KfW with respect to the obligations covered.

Institutional Liability (*"Anstaltslast"*)

KfW is a public law institution (*Anstalt des öffentlichen Rechts*). Accordingly, under the German administrative law principle of *Anstaltslast*, the Federal Republic, as the constituting body of KfW, has an obligation to safeguard KfW's economic basis. Under *Anstaltslast*, the Federal Republic must keep KfW in a position to pursue its operations and enable it, in the event of financial difficulties, through the allocation of funds or in some other appropriate manner, to meet its obligations when due. *Anstaltslast* is not a formal guarantee of KfW's obligations by the Federal Republic, and creditors of KfW do not have a direct claim against the Federal Republic. Nevertheless, the effect of this legal principle is that KfW's obligations, including the obligations to the holders of securities issued by it or issued under KfW's guarantee, are fully backed by the credit of the Federal Republic. The obligation of the Federal Republic under *Anstaltslast* would constitute a charge on public funds that, as a legally established obligation, would be payable without the need for any appropriation or any other action by the German Parliament.

Understanding with the European Commission

In order to clarify that the Federal Republic's responsibility for KfW's obligations was and is compatible with European Union ("**EU**") law prohibitions against state aid, the German Federal Ministry of Finance and the European Commissioner for Competition held discussions which were formalized in an understanding reached on March 1, 2002. In the understanding with the European Commission, it was agreed that, in respect of the promotional activities for which KfW is responsible, KfW will continue to benefit from *Anstaltslast* and the Guarantee of the Federal Republic. The understanding acknowledged that KfW's role in providing financing for, in particular, small and medium-sized enterprises, risk capital, environmental protection, technology/innovation, infrastructure and housing, as well as its cooperation with developing countries, is promotional and thus compatible with EU rules.

In the area of export and project finance, the understanding with the European Commission required KfW to transfer to a legally independent subsidiary that portion of export finance and domestic and international project finance activities which the European Commission deemed to fall outside the scope of the promotional activities of KfW. The transfer of such activities was to be effected by December 31, 2007 and as from that date KfW has not been permitted to fund the subsidiary at other than market rates of interest or to extend to the subsidiary any benefits of *Anstaltslast* or the Guarantee of the Federal Republic.

KfW continues to be permitted, however, to engage directly in the following promotional export and project finance activities:

- implementation of international promotional programmes, such as the interest-rate subsidized CIRR (Commercial Interest Reference Rate) and LASU (Large Aircraft Sector Understanding) schemes, which are recognised as promotional activities in accordance with the OECD consensus;

- participation in syndicated financing activities outside the EU, the European Economic Area and countries holding the status of official candidate for EU membership, subject to certain conditions, and sole financing activities in countries in which sufficient sources of financing do not exist; and

- participation in projects in the interest of the EU that are co-financed by the European Investment Bank or similar European financing institutions.

The European Commission transformed the understanding into a decision, which the Federal Republic formally accepted. A part of the Promotional Bank Restructuring Act (*Förderbankenneustrukturierungsgesetz*) implemented the understanding with the European Commission and amended the KfW Law and KfW's by-laws accordingly.

On January 1, 2008, KfW IPEX-Bank GmbH, a limited liability corporation (*Gesellschaft mit beschränkter Haftung*) formed as a wholly owned subsidiary of KfW, commenced operations as a legally independent entity, thus satisfying the requirements set forth in the understanding with the European Commission. KfW IPEX-Bank conducts those export and project finance activities which the European Commission deemed to fall outside the scope of KfW's promotional activities directly and on its own behalf. KfW provides funding for KfW IPEX Bank at market rates based on the ratings assigned to KfW IPEX-Bank by international rating agencies. The permitted promotional export and project finance activities are conducted by KfW IPEX-Bank in its own name on behalf of KfW on a trust basis. In accordance with the understanding with the European Commission, KfW IPEX-Bank obtained a banking license and is subject to the German Banking Act (*Kreditwesengesetz*) and the corporate tax regime.

Supervision

Under the KfW Law, the Federal Ministry of Finance, in consultation with the Federal Ministry of Economics and Technology, supervises KfW and has the power to adopt all measures necessary to safeguard the compliance of KfW's business operations with applicable laws, KfW's by-laws and other regulations. Subject to the foregoing, the Federal Ministry of Finance does not have the right to influence business decisions made by KfW's Executive Board or Board of Supervisory Directors. KfW's overall activities are supervised by its Board of Supervisory Directors, which consists of seven Federal Ministers, seven appointees of each of the two houses of Parliament, the *Bundesrat* and the *Bundestag*, and representatives of various sectors and institutions of the German economy.

KfW is generally exempt from the requirements of the German Banking Act. There are, however, plans to subject KfW to certain provisions of the German Banking Act to the extent appropriate. These plans may lead to amendments of KfW's by-laws. Any decision as to whether and how to proceed with respect to such amendments will be made by the Federal Government. KfW is currently unable to predict whether, when or in what form such plans may be realized or such amendments will be implemented.

In addition to the annual audit of its financial statements, KfW, as a government-owned entity, is subject to an audit that meets the requirements of the Budgeting and Accounting Act (*Haushaltsgrundsätzegesetz*). The Budgeting and Accounting Act requires that this audit and the resulting reporting be designed so as to enable the Board of Supervisory Directors, the responsible Federal Ministries, and the Federal Court of Auditors (*Bundesrechnungshof*) to form their own opinions and to take action as and when required. One of the specific aspects to be covered by this audit and the related reporting is the proper conduct of KfW's business by its management.

Under the terms of various agreements concluded between KfW and the government authorities sponsoring KfW's programmes, KfW is also required to have an auditor to report on the proper discharge of KfW's duties and the efficiency and effectiveness of its administration.

Australian Banking Act

The Issuer is not a bank which is authorised under the Banking Act 1959 of Australia. Notes issued under the Programme are not the obligations of the Australian Government and are not guaranteed by the Commonwealth of Australia.

DIRECTORY

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