TERMS SHEET

24 March 2014

To: **DEUTSCHE BANK AG, SYDNEY BRANCH**
(ABN 13 064 165 162)
Level 16
Deutsche Bank Place
Corner of Hunter and Phillip Streets
Sydney NSW 2000
Australia

AND

NOMURA INTERNATIONAL PLC
1 Angel Lane
London EC4R 3AB
United Kingdom

From: **KfW**
Palmengartenstraße 5-9
D-60325 Frankfurt am Main
Germany

KfW - A$30,000,000,000 NOTE PROGRAMME

We hereby confirm the following agreement for the issue by us of Notes, each having the terms and conditions set out below, and otherwise in accordance with the terms and conditions of the Deed of Terms and Conditions dated 16 March 2004 made by the Issuer, the Manager and the Registrar. Terms not defined herein have the meanings given to them in the Deed of Terms and Conditions.

Overall Note Details

Issuer:	KfW
Principal Amount (face amount) on the Issue Date of each Note:	A$1,000 (Note: subject to minimum consideration within Australia of A$500,000)
Number of Notes to be issued:	250,000 (to be consolidated and form a single Series with the 1,000,000 Notes comprising the Issuer's A$1,000,000,000 3.75% Notes due 18 July 2018, issued on 18 January 2013, the 400,000 Notes comprising the Issuer's A$400,000,000 3.75% Notes due 18 July 2018, issued on 15 March 2013 and the 300,000 Notes comprising the Issuer's A$300,000,000 3.75% Notes due 18 July 2018, issued on 24 May 2013)
Total Principal Amount of the Series:	A$1,950,000,000 (being the Total Principal Amount of this tranche, the A$1,000,000,000 3.75% Notes due 18 July 2018, issued on 18 January 2013, the A$400,000,000 3.75% Notes due 18 July 2018,

	issued on 15 March 2013 and the A$300,000,000 3.75% Notes due 18 July 2018, issued on 24 May 2013)
Type of Notes:	☐ Amortised Notes ☐ Dual Currency Notes ☑ Fixed Rate Notes ☐ Floating Rate Notes ☐ High Interest (premium) Notes ☐ Indexed Notes ☐ Low Interest (discount) Notes ☐ Structured Notes ☐ Zero Coupon Notes ☐ Other (specify)
Maturity Date:	18 July 2018
Issued at:	☐ Par ☐ Discount ☑ Premium
Purchase Price:	A$252,095,000 (being 100.144 per cent. of the Principal Amount of A$250,000,000 plus accrued interest payable for the period from and including 18 January 2014 to but excluding 26 March 2014 of 67 days of A$1,735,000)
Issue Price:	A$252,392,500 (being 100.263 per cent. of the Principal Amount of A$250,000,000 plus accrued interest payable for the period from and including 18 January 2014 to but excluding 26 March 2014 of 67 days of A$1,735,000)
Issue Date:	26 March 2014
Clearing System (if any):	☑ Austraclear ☑ Euroclear ☑ Clearstream Banking ☐ Other (specify): ______________________

On admission to the Austraclear System, interests in the Notes may be held through Euroclear Bank SA/NV as operator of the Euroclear System ("Euroclear") or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). In these circumstances, entitlements in respect of holdings of interests in the Notes in Euroclear would be held in the Austraclear System by HSBC Custody Nominees (Australia) Limited as a nominee of Euroclear while entitlements in respect of holdings of interests in the Notes in Clearstream, Luxembourg would be held in the Austraclear System by a nominee of J.P. Morgan Chase Bank, N.A. as custodian for Clearstream, Luxembourg.

The rights of a holder of interests in Notes held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, Luxembourg, the terms and conditions of agreements between Euroclear and Clearstream, Luxembourg and their respective nominee and the rules and regulations of the Austraclear System.

Interest Calculation and Payment, Repayment

(a) **Amortised Notes**

Redemption Amount: N/A

Redemption Price: N/A

Reference Price: N/A

Other details (specify): N/A

(b) **Dual Currency Notes**

Rate of Exchange: N/A

Determination of:

- rate of interest: N/A
- accrual of interest: N/A
- interest amounts: N/A
- interest payment dates: N/A
- other (specify): N/A

(c) **Fixed Rate Notes**

Fixed Interest Rate(s): 3.75 per cent. per annum payable semi-annually

Interest Payment Dates: 18 January and 18 July in each year from, and including, 18 July 2014 to, and including, the Maturity Date (subject to adjustment in accordance with clause 8.6 of the Deed of Terms and Conditions)

Redemption Amount: A$1,000 per Note (100 per cent. of the Principal Amount)

Day Count Fraction:

☐ Actual/365 (fixed)
☐ Actual/365 or Actual/Actual (ISDA)
☐ 30/360, 360/360 or Bond Basis
☑ RBA Bond Basis
☐ 30E/360 or Eurobond Basis

(d) **Floating Rate Notes**

Floating Rate Basis: ☐ Bank Bill Rate

☐ Other (specify and detail source and procedures if not available)

Manner of determination:

☐ *ISDA Determination:*

- Floating Rate Option: N/A
- Designated Maturity: N/A
- Reset Date
  - ☐ BBSW
  - ☐ LIBOR
  - ☐ EURIBOR
  - ☐ Other (specify)
- Determined by
  - ☐ Manager
  - ☐ Other (specify)

or:

☐ *Screen Rate Determination*

- Reference Rate
  - ☐ BBSW
  - ☐ LIBOR
  - ☐ EURIBOR
  - ☐ Other (specify)
- Relevant Screen Page: N/A ______________________________________
- Determined by
  - ☐ Manager
  - ☐ Other (specify)

Margin(s) to Floating Rate Basis: +/- ___ per centum per annum

Minimum Interest Rate: N/A

Maximum Interest Rate: N/A

Interest Payment Dates: N/A

Additional Business Centre: N/A

Redemption Amount: N/A

Day Count Fraction:

- ☐ Actual/365 (fixed)
- ☐ Actual/365 or Actual/Actual (ISDA)
- ☐ 30/360, 360/360 or Bond Basis
- ☐ RBA Bond Basis
- ☐ 30E/360 or Eurobond Basis

Interest Determination Date: N/A

(e) **High Interest (premium) Notes**

Premium: N/A

Interest Rate see: ☐ (c)
☐ (d)

Amortisation Yield: N/A

Reference Price: N/A

Other details (specify): N/A

(f) **Indexed Notes**

Index: N/A

Specify method of calculation of Variable Indexed Amount: N/A

Details to include:

- Source for index: N/A
- Person responsible for calculations: N/A
- Provision for calculation on early redemption, where reference to Index or formula is impossible or impracticable etc): N/A

Base Index Figure $: N/A

Interest Payment Dates: N/A

Redemption Amount: N/A

(g) **Low Interest (discount) Notes**

Discount Rate: N/A

Interest Rate see: ☐ (c)
☐ (d)

Amortisation Yield: N/A

Reference Price: N/A

Other details (specify): N/A

(h) **Structured Notes**

Describe characteristics: N/A

(Give details including, as required, source, calculation arrangements, alternatives etc)

(i) **Zero Coupon Notes**

Redemption Price: N/A

Amortisation Yield: N/A

(j) **Other Options** (Give details) N/A

Other Issue Details

Partly Paid Notes (details): N/A

Special Issuance Instructions: N/A

Other Special Conditions including, as appropriate:

Events Affecting Maturity: N/A

Put option (early redemption at the option of the Noteholders) (give details): N/A

- Clause 9.3 applies: ☐ Yes ☐ No
- Put Option Date(s)

  or

  Put Option Period: N/A

- Put Option applies to all Notes in Series

  or

  Details of Notes to which Put Option applies: N/A

Maturity Extension Option (option of the Noteholder to extend maturity, at the offer of the Issuer) (give details): N/A

Minimum notice: N/A

Other: Application has been made for the Notes to be listed on the Australian Securities Exchange operated by ASX Limited (ABN 98 008 624 691).

In relation to the Notes, the following additional terms and conditions shall apply:

In the fourth paragraph of clause 2.2 of the Deed of Terms and Conditions, the words "Australian System" are deleted and replaced with the words "Austraclear System".

On and with effect from 20 July 2011, the Programme Limit was increased from A$20,000,000,000 to A$30,000,000,000.

The text of the Description of KfW, set out in the Information Memorandum dated 10 March 2004, as supplemented on 23 December 2005, 3 April 2006, 26 May 2008, 7 December 2009 and 20 July 2011, is replaced as set out in the Schedule to this Terms Sheet.

The above details are confirmed by the Issuer, in respect of:

ISIN: AU0000KFWHW2

Common Code: 087618269

....
Klaus-Peter Eitel
Vice President

....
Otto Weyhausen-Brinkmann
Vice President

24 March 2014

SCHEDULE

The text of the Description of KfW, set out in the Information Memorandum dated 10 March 2004, as supplemented on 23 December 2005, 3 April 2006, 26 May 2008, 7 December 2009 and 20 July 2011, is replaced as follows:

Overview

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

KfW was established on November 5, 1948, under 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 as well as 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 public economic policy that are assigned to KfW by the Federal Republic (*Bund*) or by a federal state (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;

- 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 its project and export finance subsidiary, KfW IPEX-Bank GmbH ("**KfW IPEX-Bank**"), 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 conducts its business in the following business areas:

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

- Kommunal- und Privatkundenbank/Kreditinstitute (Municipal and Private Client Bank/Credit Institutions) provides housing-related loans and grants as well as financing for education to private individuals, offers financing for infrastructure projects, primarily for municipalities, and grants global funding instruments to promotional institutes of the German federal states (*Landesförderinstitute*) and other financial institutions;

- Export and project finance: KfW IPEX-Bank GmbH a limited liability corporation (*Gesellschaft mit beschränkter Haftung*) formed as a wholly owned subsidiary of KfW ("**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, asset management and other capital markets-related activities.

Ownership

The Federal Republic holds 80% of KfW's subscribed capital, and the Länder hold the remaining 20% of KfW's subscribed capital. The KfW Law does not provide for shareholders' meetings; instead, the Board of Supervisory Directors assumes the responsibilities of a shareholders' meeting.

Shares in KfW's capital may not be pledged; they may not be 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 German 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, KfW 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. KfW is prohibited under the KfW Law from distributing profits, which are instead allocated to statutory and special reserves. KfW is generally also prohibited under the KfW Law 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 German 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 programs, such as the interest-rate subsidized CIRR (Commercial Interest Reference Rate) and ASU (Aircraft Sector Understanding – previously referred to as LASU (Large Aircraft Sector Understanding) schemes, which are recognized as promotional activities in accordance with the Organization for Economic Cooperation and Development ("**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 German Promotional Bank Restructuring Act (*Förderbankenneustrukturierungsgesetz*) implemented this understanding with the European Commission and amended the KfW Law accordingly.

On January 1, 2008, KfW IPEX-Bank 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 (G*esetz über das Kreditwesen* or "KWG") and the corporate tax regime.

Supervision

Under the KfW Law, the Federal Ministry of Finance, in consultation with the Federal Ministry of Economic Affairs and Energy, 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 (*Rechtsaufsicht*, legal supervision). Subject to the foregoing, the Federal Ministry of Finance, in its role as supervisory authority, 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.

While KfW continues not to be qualified as a credit institution or financial services institution within the meaning of the KWG, amendments to the KfW Law enacted in July 2013 and implemented by a regulation published in October 2013 subject KfW to certain provisions of European and German bank regulatory law (in particular certain provisions of the KWG and the Regulation (EU) No. 575/2013 (Capital Requirements Regulation) by analogy. The regulation also provides for supervision of KfW's compliance with all applicable bank regulatory law by the German Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) in cooperation with the German Central Bank (*Deutsche Bundesbank*). With respect to its compliance with all other applicable law, KfW remains under the legal supervision (*Rechtsaufsicht*) of the Federal Ministry of Finance as described above. The regulation provides for transition periods and takes KfW's special role as promotional bank into account, making reference to KfW's classification as a public sector entity not engaged in deposit taking, which thus remains exempt from European Union regulation on banking supervision under the European Banking Directive (Directive 2013/36/EU).

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 programs, KfW is required to have an auditor 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.