

»» Successful year 2013: promotional business volume still at a high level, EUR 72.5 billion



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38% of promotional activities for climate and environmental protection

Municipal infrastructure financing grows by 22%

Financing from Mittelstandsbank at a high level: EUR 22.6 billion

International financing grows to EUR 20.5 billion

Digitalisation of the promotional business is progressing further

In 2013 the KfW Group recorded high demand for its financing products (as in previous years) and granted funding at a total volume of EUR 72.5 billion (2012: EUR 73.4 billion). The focus here remained on funding small to medium-sized enterprises, as well as on climate and environmental protection, and particularly supporting the German Federal Government in implementing its energy goals.

In the case of financing products geared towards SMEs, there was a notable high demand for programmes aimed at improving operating energy efficiency, as well as the start-up and innovation programmes, and the general long-term investment financing. However, over the course of the year, the credit demand of companies weakened, which also impacted the demand for commercial loans. Commitments for start-ups and SMEs, at EUR 22.6 billion, therefore fell marginally short of the previous year's volume of EUR 24.1 billion. The share of SME financing in domestic promotion was 47% (previous year: 48%). Financing commitments in the area of climate and environmental protection

reached a total of EUR 27.8 billion (2012: EUR 29.2 billion) for the group as a whole. The associated environmental financing ratio which is at 38% (previous year: 40%) lies within the target range. Furthermore, municipal infrastructure financing showed an especially pleasing performance with a substantial 22% increase.

The international business volume climbed by 4% to EUR 20.5 billion (2012: EUR 19.7 billion). The export and project finance business sector, as well as the business area KfW Development Bank and the subsidiary DEG, all contributed to this growth.

"2013 was a successful year. The continuously high demand for our financings shows the considerable extent to which our programmes meet the present needs of companies, municipalities and private customers. However, the past year shows also that demand adapts to the current financing and economic environment, and that KfW is carrying out its subsidiary role," said Dr Ulrich Schröder, Chief Executive Officer of KfW.

In order to meet the anticipated high demand in future for long-term loans as well as changing customer needs and increased regulatory requirements, KfW consequently continued along its **path of modernisation** in 2013, thereby achieving significant milestones. For example, cooperation agreements were signed with twelve partner institutes within the scope of the digitalisation of the promotional activities (on-lending Online 2.0, "Bankdurchleitung Online 2.0"). The option for customers to send "online consultation requests" to partner institutes directly from the KfW homepage was introduced in September. KfW used a far-reaching TV

campaign on promotional products for energy-efficient construction and refurbishment, as well as for start-ups, to significantly raise its profile and recognition of its products among customers.

"By pursuing a path of modernisation, KfW is safeguarding the future viability of its promotional mandate despite changing framework conditions. This will enable us to successfully carry out our role as a professional development bank in future. Our actions in doing so continue to be based on the on-lending principle and the gearing towards the needs of our customers," explained Dr Schröder.

Details of the business areas' promotional results

The business sector of **Mittelstandsbank** (SME finance) generated a new business volume of EUR 22.6 billion in 2013 (2012: EUR 24.1 billion). Commitments for the key pro-motional area of **start-ups and general corporate financing** reached a volume of EUR 11.3 billion primarily as a result of the high demand for the KfW Entrepreneur Loan programme (2012: EUR 11.1 billion). The focal area of **environmental protection** saw funding worth EUR 10.3 billion approved (2012: EUR 12.0 billion). This includes the KfW Energy Efficiency programme, which performed very well at EUR 4.7 billion (2012: EUR 3.5 billion), while the commitment volume for the Renewable Energies programme at EUR 4.7 billion (2012: EUR 7.9 billion) saw a significant decline due to changes in the framework conditions.

The **Kommunal- und Privatkundenbank / Kreditinstitute** (Municipal and private loans / public credit institutions) business sector, newly created in the scope of the Bank's modernisation, generated a funding volume of EUR 28.9 billion in 2013

(2012: EUR 29.3 billion), of which the **focal area Housing** accounted for EUR 15.6 billion (2012: EUR 15.1 billion). Commitments totalling EUR 10.4 billion were made in the product range of Energy-Efficient Construction and Rehabilitation (2012: EUR 9.9 billion).

The volume of new commitments for **municipal infrastructure financing** amounted to EUR 4.7 billion (2012: EUR 3.8 billion). Considerable momentum was provided here particularly in the programmes of Investment Loans for Municipalities (IKK), Investment Loans for Municipal and Social Enterprises (IKU) and the special programmes aimed at funding childcare facilities. The commitment volume in the **key promotional area of education and social services** totalled EUR 2.6 billion (2012: EUR 2.3 billion). The KfW Student Loan product at EUR 1.4 billion (2012: EUR 1.1 billion) was especially pleasing; the product expansions introduced here in 2013 led to an increase in the commitment volume. The volume for **general funding of promotional institutions of the federal states** fell to EUR 3.6 billion due to more reticent claims (2012: EUR 5.3 billion). The volume of new commitments for the **focal area banks' individual financing** amounted to EUR 2.5 billion (2012: EUR 2.7 billion). This included two global loans committed to the Spanish development bank ICO on behalf of the German Federal Government, amounting to EUR 1 billion. The Capital markets business sector was involved in **securitisation transactions** of German SME loans and leasing receivables with an amount totalling EUR 651 million (2012: EUR 825 million).

The business sector of Export and project finance managed by the **subsidiary KfW IPEX-Bank** generated a new commitment volume of EUR 13.7 billion (2012: EUR 13.4 billion). This was boosted in particular by the maritime industry (EUR 2.8 billion) and energy and environment (EUR 2.5 billion) sectors. A significant portion of the commitment in the maritime industry sector is for investments in the offshore industry, passenger ferries and above all cruise liners. The commitment volume of the energy and environment sector reflects the Bank's stated goal of using its financing products and services to make a substantial contribution to energy

efficiency, as well as environmental and climate protection.

A total of EUR 6.7 billion was committed to the **promotion of developing and transition countries business sector** in 2013 (2012: EUR 6.2 billion). Compared to the previous year, the **KfW Development Bank business area** increased its commitment by around EUR 350 million to EUR 5.3 billion on behalf of the German Federal Government. At EUR 1.7 billion (2012: EUR 1.6 billion), the regional focus here was on Asia, followed by sub-Saharan Africa at EUR 1.2 billion (2012: EUR 870 million). Regarding the key promotional area of environmental and climate protection, KfW Development Bank kept its funding activities at a high level of EUR 2.8 billion, as in 2012. The corresponding environmental financing ratio was 53%. The KfW subsidiary **DEG**, which is active in the financing of private sector companies in developing and emerging markets, boosted its funding volume again in 2013 to just under EUR 1.5 billion (2012: EUR 1.3 billion). In 2013, around EUR 326 million was provided for investments in Africa – a strategic goal of DEG (2012: EUR 235 million). This new record figure was reached through a high number of commitments in the areas of finance and infrastructure. Funding for investments promoting climate protection, adaptation to climate change and environmental protection amounted to EUR 649 million (2012: EUR 578 million). One target area of commitments was on financing renewable energy projects.

KfW borrowed EUR 65.4 billion in long-term funds on the international capital markets in 2013 to refinance its promotional mandate (2012: EUR 78.7 billion). In doing so, it issued over 210 bonds in thirteen different currencies and benefited in particular from the continued demand on the part of investors for large volume liquid bonds (benchmark bonds). At 59%, the share thereof is the most important pillar of KfW's total funding. Raising funds in euros and US dollars was the most attractive option, and accordingly the share of these currencies rose to 87%. In 2013, KfW received several awards by international media in recognition of a successful year on the capital market; a so-called Kangaroo bond by KfW with an issue volume of AUD 1 billion for example was

highly praised by the trade magazine KangaNews. KfW plans to raise EUR 65–70 billion for the current year. With its explicit, direct guarantee from the German Federal Government, KfW believes it is in a prime position to easily reach its planned funding volume. In January it has already raised EUR 10.1 billion in new capital market funds, including its 200th Uridashi bond. Uridashis are bonds issued by non-Japanese issuers and tailored to Japanese private investors; KfW has used these to mobilise an equivalent of EUR 13.8 billion within the last twelve years to fund its promotional activities.

KfW's Business activities

(EUR in billions)

	2011	2012	2013
KfW Group¹⁾	70.4	73.4	72.5
Domestic promotional business²⁾	50.9	50.6	51.6
Business sector Mittelstandsbank	22.4	24.1	22.6
Business sector Kommunal- und Privatkundenbank/Kreditinstitute²⁾	29.2	29.3	28.9
of which:			
Privatkundenbank	16.7	17.4	-
Kommunalbank	11.8	9.1	-
Capital market-related financings	0.7	2.7	-
Business sector Capital markets	0.5	0.8	0.7
International business	19.2	19.7	20.5
of which:			
Business sector Export and project finance (KfW IPEX-Bank)	13.4	13.4	13.7
Business area KfW Development Bank	4.5	4.9	5.3
DEG	1.2	1.3	1.5

¹⁾ Adjustment for commitments of Export and project finance with refinancing from KfW programme loans (EUR 847 million in 2011, EUR 440 million in 2012, EUR 193 million in 2013).

²⁾ Since 2013: merger of Privatkundenbank, Kommunalbank and parts of Capital market-related financings after reorganisation.