

Promotional year 2017: KfW scales back financing volume slightly as planned

- **Volume of business reaches EUR 76.5 billion (2016: EUR 81.0 billion)**
- **Promotion of start-ups, innovation and energy efficiency grows significantly**
- **Financial Cooperation with increasing commitment volume**
- **Export and project finance in a highly competitive environment at EUR 13.8 billion (2016: EUR 16.1 billion)**
- **Promotion of energy-efficient construction and refurbishment since 2006 results in annual carbon savings of 9.4 million tonnes**

As planned, KfW scaled back its promotional business slightly in 2017, with a total business volume of EUR 76.5 billion (2016: EUR 81.0 billion). In Germany, KfW reduced its funding by around 6 % to EUR 51.8 billion last year in view of the strong economic development and the continued positive financing environment for commercial and private investors. Promotion focused on innovation, start-ups and energy efficiency, which recorded considerable growth. International business reached a volume of EUR 23.5 billion (2016: EUR 24.9 billion) and was marked by a significant increase in commitments in Financial Cooperation with developing and emerging countries, which amounted to EUR 8.2 billion (2016: EUR 7.3 billion). Export and project finance reached a volume of business of EUR 13.8 billion (2016: EUR 16.1 billion) in a highly competitive environment.

As in previous years, KfW continued to focus its promotional activities in 2017 on qualitative targets such as support for climate change mitigation and environmental protection. The percentage of financing of projects in the area of green finance, for example, rose from 31 % in 2010 to its current level of 43 %. KfW also consequently continues to foster sustainability on the capital market, for example, through its increased involvement in the green bond sector or the even stricter orientation of its sustainable investment approach in its liquidity portfolio.

Just as important as green finance for KfW is support for small and medium-sized enterprises in investment finance. Roughly 52,000 start-ups and SMEs benefited from KfW funding in 2017. Overall, the ratio of KfW financing related to SMEs was 44 % in 2017 (2016: 41 %).

Dr Günther Bräunig, Chief Executive Officer of KfW, said: "2017 was a good and successful promotional year. For us, our promotional mandate and promotional impact are the focus. When the financing environment and general macroeconomic conditions are as good as they are at present, we as a promotional bank concentrate more on areas of particular relevance to the future, such as innovation, digitalisation and energy efficiency in Germany, as well as the sustainable improvement of living conditions in the partner countries of our Financial Cooperation."

Details on the business sectors' promotional activities

The volume of new business in the **Mittelstandsbank** (*SME Bank*) business sector last year amounted to EUR 21.9 billion, thus exceeding the already high level of the previous year (2016: EUR 21.4 billion). The result mainly reflects the high demand for investment loans in the areas of energy efficiency, digitalisation and innovation.

At EUR 6.0 billion, commitments in the priority area of **general corporate finance** fell slightly short of the previous year's level (2016: EUR 6.4 billion). **Start-up financing** developed positively at EUR 3.8 billion, once again surpassing the already solid result from 2016 (2016: EUR 3.6 billion) despite a general downturn in start-up activities.

Innovation financing posted a very strong result the previous year and, with commitments of EUR 2.0 billion, was well above the previous year's figure (2016: EUR 0.6 billion). In July 2017, KfW expanded this priority area to include digitalisation and launched the new ERP Innovation and Digitalisation Programme, which provides even better support for SMEs investing in this area. With a commitment volume of approx. EUR 1.5 billion, it significantly exceeded expectations.

By further developing its ERP Venture Capital Fund investments and subscribing to its participation in High-Tech-Gründerfonds III (HTGF III), KfW took the first steps towards realigning **equity finance** in 2017. In future, the financing offering in the venture capital segment will be pooled and substantially expanded in a separate subsidiary. A total of around EUR 2 billion is to be made available over the next ten years via venture capital funds for growth-oriented high-tech companies. KfW is thus making an important contribution to increasing the volume of venture capital in Germany and closing financial gaps for start-ups.

With a promotional business volume of EUR 10.2 billion (2016: EUR 10.7 billion), the **environment** priority area delivered an excellent performance in 2017. In the promotional programmes for energy efficiency projects of commercial enterprises, the already very impressive figure from the previous year was exceeded at EUR 5.7 billion (2016: EUR 5.2 billion). This priority area was strengthened in 2017 by the introduction of a programme to promote investment in the avoidance or utilisation of waste heat in companies. Commitments in the KfW Renewable Energies programme, in contrast, fell short of the previous year's record figures of the (2016: EUR 4.7 billion), but still reached a solid level of EUR 3.9 billion.

The business sector **Kommunal- und Privatkundenbank/Kreditinstitute** (*Municipal and Private Client Bank/Credit institutions*) can look back on a very successful financial year in 2017. The commitment volume of EUR 29.9 billion was again at a very high level (2016: EUR 33.7 billion).

With a commitment volume of EUR 18.9 billion (2016: EUR 20.8 billion), the priority area of **housing** once again made the most significant contribution in 2017. In particular the grant programmes for energy-efficient construction and refurbishment and age-appropriate conversion experienced a considerable surge in demand. This accounted for around 59% of the housing commitments (2016: 49 %). The simple online application via the new KfW grant portal has played a key role in supporting this development.

With a promotional business volume of EUR 3.9 billion (2016: EUR 4.1 billion), **infrastructure financing** made a stable contribution. A decline in volume due to the special facility "Refugee Accommodation", which had already expired in 2016, was almost fully offset by increased demand in promotion for municipal environmental protection and climate change mitigation.

The priority area **education and social development** reached a commitment volume of EUR 2.2 billion (2016: EUR 2.3 billion). The number of promotional commitments rose to 100,291 (2016: 97,830), with a particular increase in demand for the Federal Education and Training Assistance.

In the area of **global funding** of the promotional institutions of the federal states, a contract volume of EUR 3.9 billion (2016: EUR 4.4 billion) was concluded.

Individual financing of banks declined with commitments of EUR 0.9 billion (EUR 2.1 billion). This was partly due to a decline in the refinancing provided by KfW for export financing of banks as a result of the difficult situation in several important export countries.

International financing:

In the **Export and project finance business sector**, for which KfW IPEX-Bank is responsible, new commitments added up to EUR 13.8 billion (2016: EUR 16.1 billion) in 2017, in a highly competitive market environment. These commitments were often concluded in syndication with other banks. The largest commitments came from the Power, Renewables and Water sector department with EUR 2.6 billion, of which a significant portion was accounted for by on- and offshore wind farms. This underscores KfW IPEX-Bank's efforts to make a significant contribution to environmental protection and climate change mitigation.

The **KfW Development Bank business area** again increased its commitments substantially. Last year, around EUR 8.2 billion in financing was provided to developing countries and emerging economies on behalf of the German Federal Government (2016: EUR 7.3 billion). Around 55 % of financing was earmarked for climate change mitigation and environmental protection projects. Nearly 40 % of all new commitments account for development projects in Africa and the Middle East; 65 % of the federal budget funds is channeled to this region.

KfW Development Bank currently has 117 ongoing projects relating to refugees in 28 different countries with an overall volume of over EUR 3 billion. A total of EUR 1.2 billion of new commitments were granted for refugee-related projects in 2017. The regional focus of involvement is the Middle East

DEG had a successful financial year in 2017. It pledged about EUR 1.6 billion to finance investments by private companies in developing and emerging countries, and thus continued the previous year's positive figure (2016: EUR 1.6 billion). DEG achieved an increase in risk capital financing in the form of investments and mezzanine financing. At EUR 563.0 million, this was around 20 % higher than the previous year's figure. Financing for small and medium-sized enterprises was once again a focus in 2017 with EUR 830 million. Financing for German companies increased significantly to EUR 436 million.

By investing in securitisation transactions and green bonds, the **Financial markets business sector** contributed a total of EUR 1.5 billion in 2017 (2016: EUR 1.3 billion) to the promotion of SMEs and financing for climate change mitigation and environmental protection. While around EUR 1.2 billion was invested in securitisation transactions in 2017, a volume of EUR 1 billion is planned for SME securitisation in Germany and Europe for 2018.

KfW supported climate action through its green bond portfolio in 2017, buying green bonds with a volume of around EUR 350 million. KfW is planning to invest an additional amount of around EUR 300 million in green bonds for 2018.

In order to **fund** its promotional business, KfW raised funds of EUR 78.2 billion in the international capital markets in 2017. A total of 145 bonds were issued in 10 currencies. Around 88 % of the funds were raised in the core currencies of euros and US dollars. Unlike in the two previous years, the euro was the currency with the largest share of the total funding volume in 2017. At around 53 %, the EUR share was at a multi-year high. As part of its green bond activities, KfW issued green bonds in four different currencies (euro, US dollar, British pound, Australian dollar) in a record volume of EUR 3.7 billion in 2017. This included the largest KfW Green Bond ever issued with a volume of EUR 2 billion.

For 2018, KfW is planning a funding volume of EUR 70 - 75 billion. With its established and sustainable issue strategy and an explicit and direct guarantee from the German Federal Government, KfW considers itself to be in an ideal position to achieve its planned volume of funding.

Service: An overview of the promotional figures in table form is available for download at: www.kfw.de/geschaeftszahlen