

KFW

Bank aus Verantwortung

»»» Start of the year press conference 2023

31 January 2023



The **transformation**
into a sustainable
and resilient Germany
has begun



2022: a year of big
challenges
An exceptional year
for KfW



Polycrisis calls for action

Drought / hunger

Forced migration / displacement

Biodiversity loss

Climate disasters

Inflation / rising interest rates

Ukraine war

Energy crisis

Geopolitical tensions

Protectionism

Disrupted supply chains



Broad range of challenges

KfW Group 2022

An exceptional year



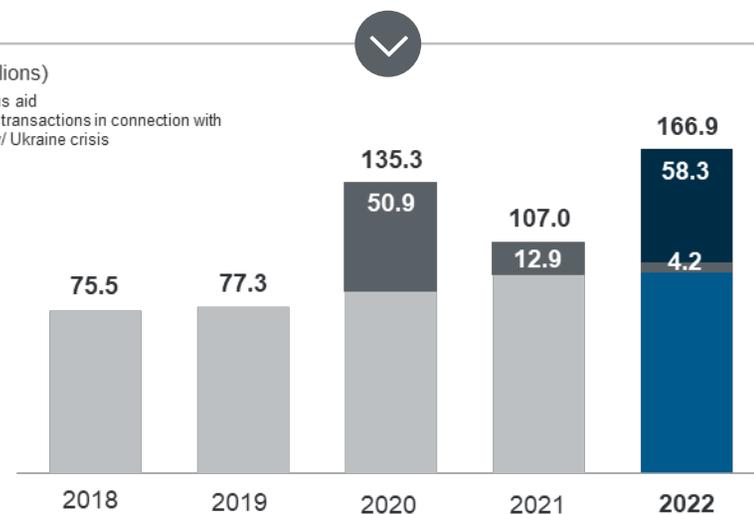
166.9

billion euros

New business

(EUR in billions)

■ Coronavirus aid
■ Mandated transactions in connection with the energy/ Ukraine crisis



2022 was an exceptional year for KfW. At **EUR 166.9 billion**, it achieved the highest volume of business in its history – as shown by the comparison in the 2018–2022 bar graph in EUR billion. Main reason: **EUR 58.3 billion** alone went to **securing the energy supply**. The particular challenges of the past year are also reflected in other aspects of the figures: **Domestic business: EUR 136.1 billion**; **Export and project finance: EUR 18.1 billion**; **Development finance: EUR 12.6 billion**; **Capital markets: EUR 0.4 billion**

Promotion in Germany

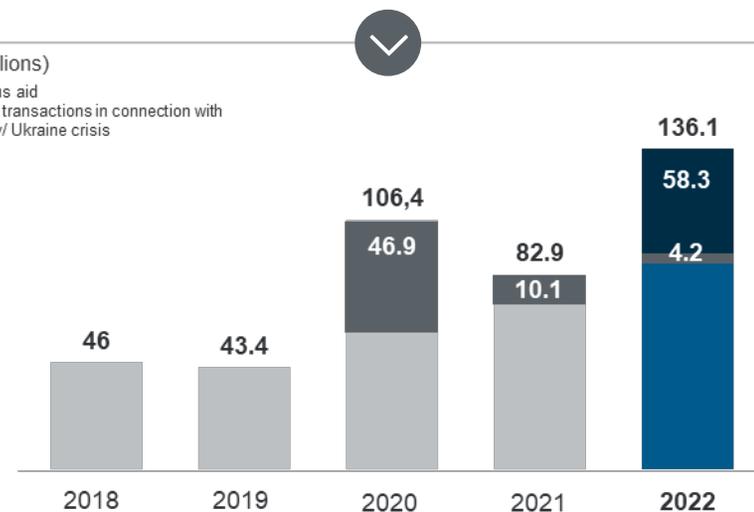
Above-average demand for promotion of climate and environmental action and sustainability

136.1 billion euros

New business

(EUR in billions)

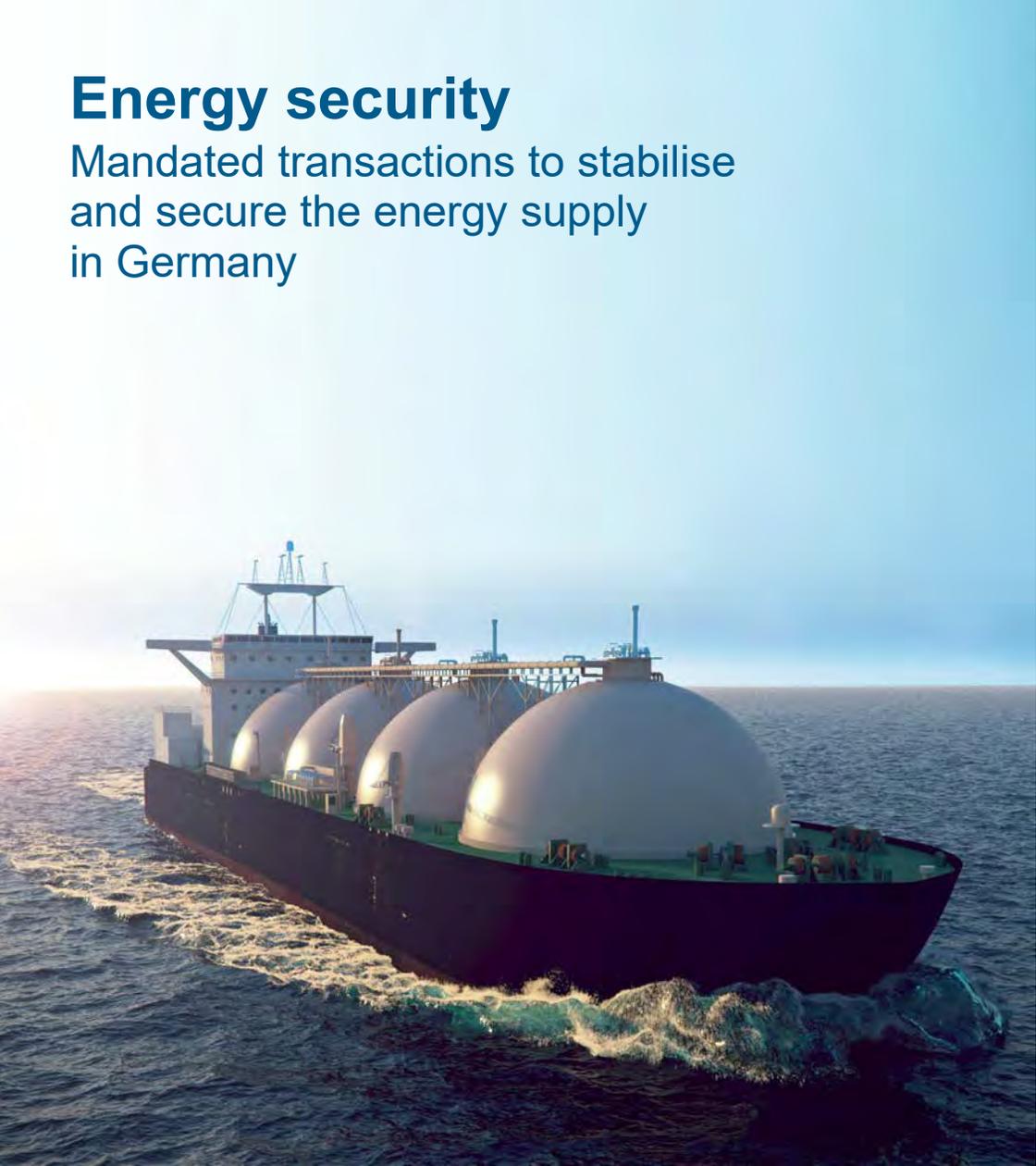
■ Coronavirus aid
■ Mandated transactions in connection with the energy/ Ukraine crisis



The bar graph shows KfW's new business in Germany of **EUR 136.1 billion** compared to 2018–2022: Of this amount, exactly **EUR 58.3 billion** was accounted for by mandated transactions on behalf of the German Federal Government. New business is composed as follows: **Private clients: EUR 31.7 billion; SME Bank: EUR 33.1 billion; Individual financing corporates/banks: EUR 58.8 billion; Municipal/social infrastructure: EUR 11.2 billion and KfW Capital: EUR 1.3 billion.**

Energy security

Mandated transactions to stabilise and secure the energy supply in Germany



54.2 billion euros

Commitment volume* as of 31/12/2022



31%
Gas storage



27%
Procuring replacement
gas



19%
Margining Power



10%
Margining Gas



7%
Import of LNG



5%
Other

*without emergency aid Gas and Heat

KfW Capital

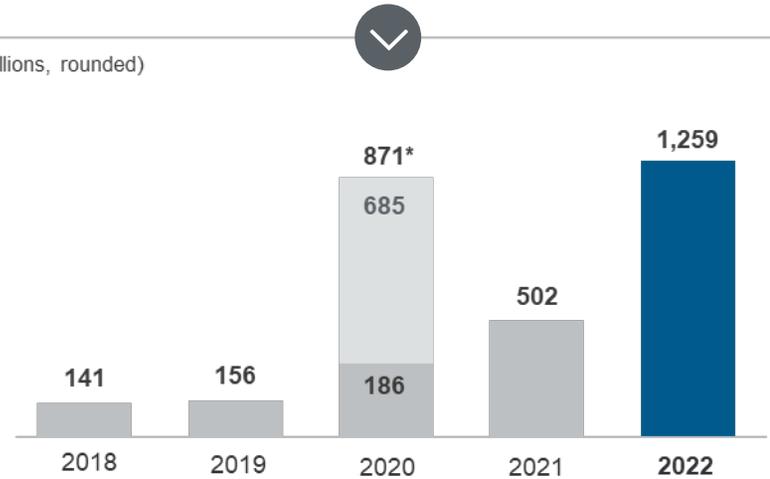
Promotion of young, innovative tech companies further expanded



1.3 billion euros

Commitments KfW Capital

(EUR in millions, rounded)

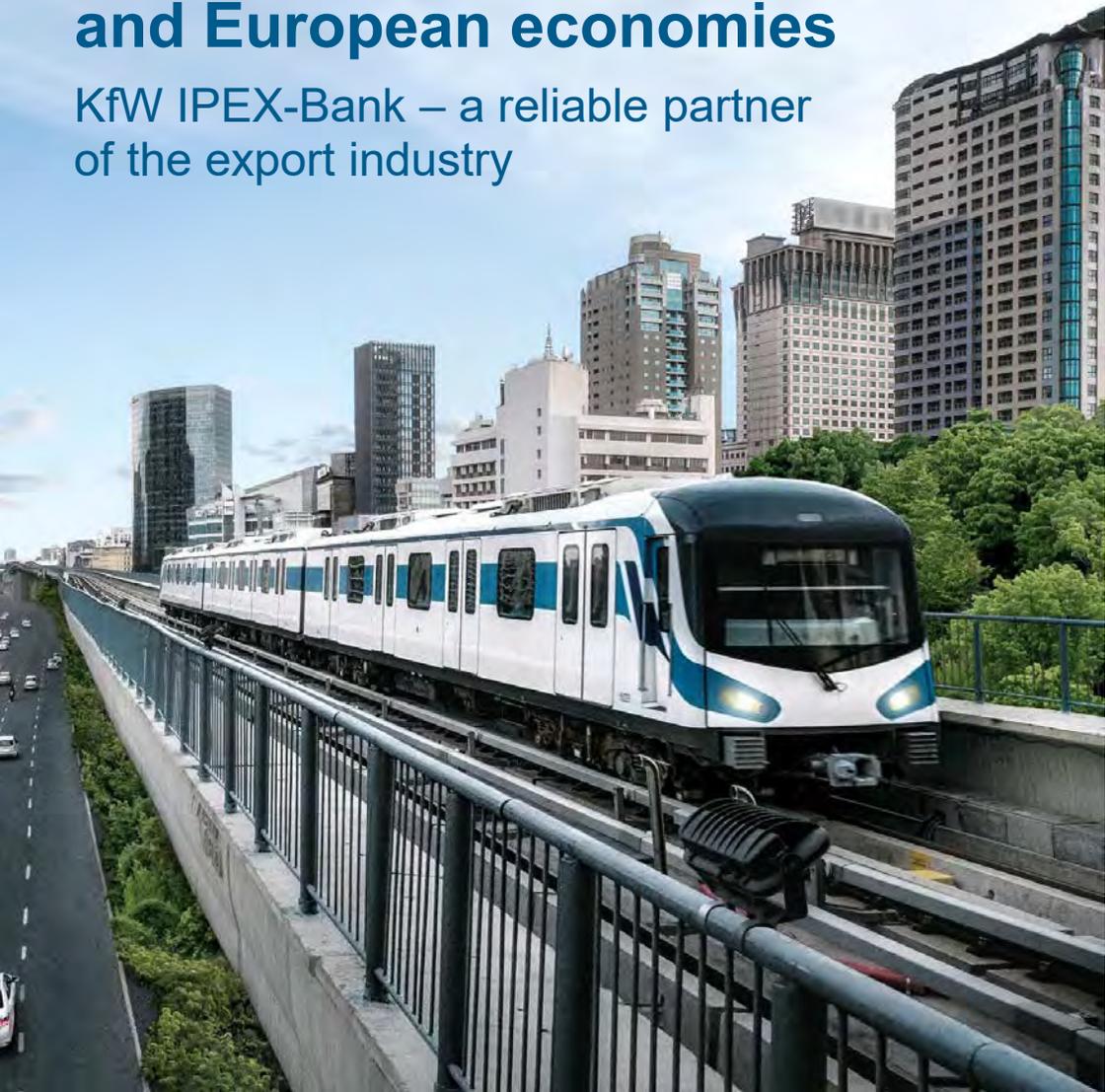


The bar graph shows the development of KfW Capital's commitments from 2018 to 2022: 2022 approx. **EUR 1.3 billion**. **Reasons** for the increase of almost 150%: Commitment volume in the **ERP VC Fund Investment** and **ERP/Future Fund Growth Facility** programmes expanded as planned to **EUR 432 million**, **GFF/EIF Growth Facility*** commitments to **EUR 473 million**. In addition, a further **EUR 312 million** was committed in connection with the **Future Fund**.

*one-off effect due to coronavirus measures Pillar 1 (excl. ERP Start-up Fund)

Promotion of the German and European economies

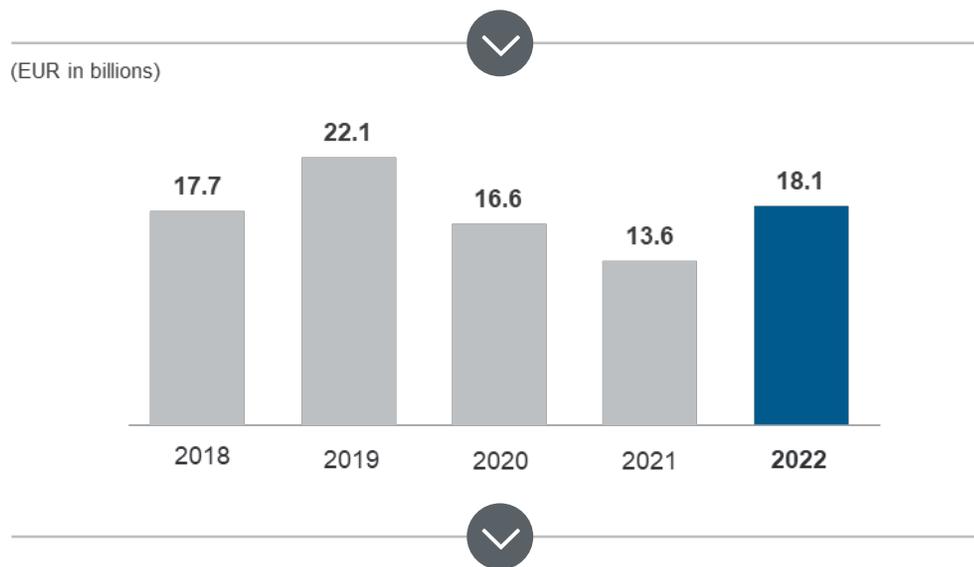
KfW IPEX-Bank – a reliable partner of the export industry



18.1

billion euros

Export and project finance



New commitments at KfW IPEX-Bank recovered significantly in 2022 and, at **EUR 18.1 billion** (2012: EUR 13.6 billion), achieved pre-coronavirus levels – this is shown in the bar graph compared to 2018–2022. **Highest share: Industry and Services** sector department **EUR 2.9 billion**. Financing for **fibre-optic projects** has become increasingly important. IPEX is thus making a significant contribution to the expansion of digital infrastructure in Germany. **Second highest share: The Power and Environment** sector department at **EUR 2.8 billion**.

Promotion of developing and emerging economies

KfW Development Bank:
supporting sustainable projects

10.9

billion euros

New commitments



The year-on-year 2018–2022 bar graph shows a **significant increase** in commitments in the promotion of developing countries and emerging economies at KfW Development Bank to **EUR 10.9 billion** (2021: EUR 8.6 billion). About half of this amount was funded with budget funds (EUR 5.4 billion), the other half with KfW funds (EUR 5.6 billion). KfW provided promoted projects in the area of **climate change mitigation and environmental protection** with **EUR 7.6 billion**. This makes KfW one of the world's largest financiers of climate action.

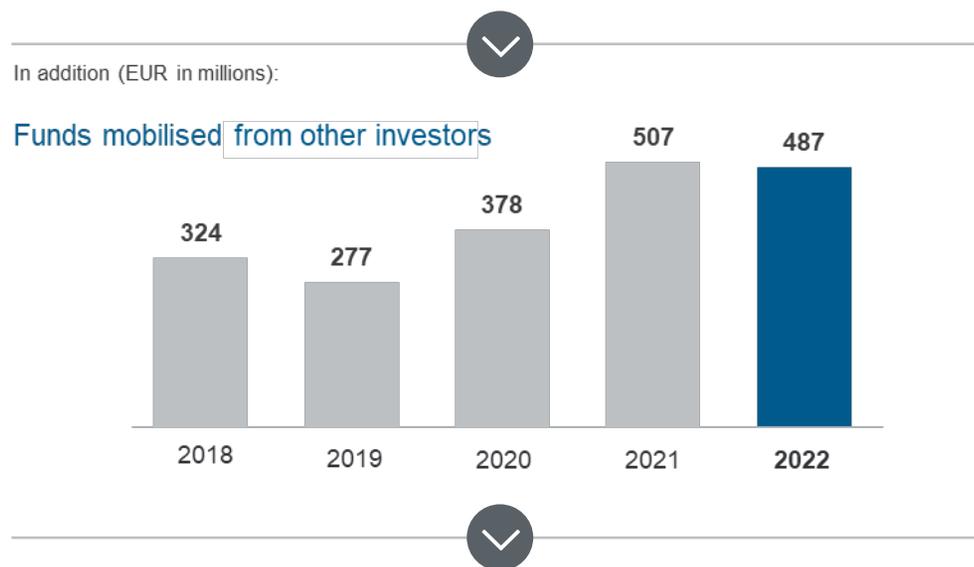
Promotion of developing and emerging economies

DEG: financing private companies and supporting their sustainable transformation



1.6 billion euros

Funds for investment
(Loans and equity investments)



In addition, **EUR 487 million was mobilised from other investors** (EUR 507 million in 2021), as the bar graph shows compared to previous years since 2018 – a positive development. Regional shares: Africa and Latin America accounted for around 25% of the new financing commitments. In 2022, DEG also supported humanitarian aid programmes implemented by Ukrainian customers on site with EUR 2.5 million via its Business Support Services (BSS).

Capital market activities

Record funding volume
focused on the EUR market



~90

billion euros

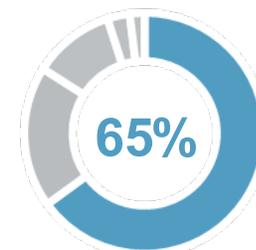
Funding via capital market



KfW benchmark programmes



Green Bonds – Made by KfW



Funding in EUR market



Outlook 2023

80 - 85
billion euros

of which

≥10
billion euros
Green bonds

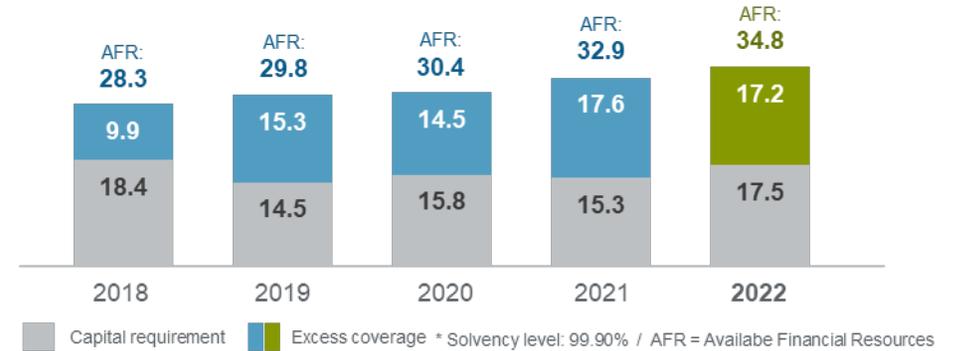
Risk-bearing capacity

KfW in 2022 again remains the world's safest bank



Economic risk-bearing capacity (EUR in billions)

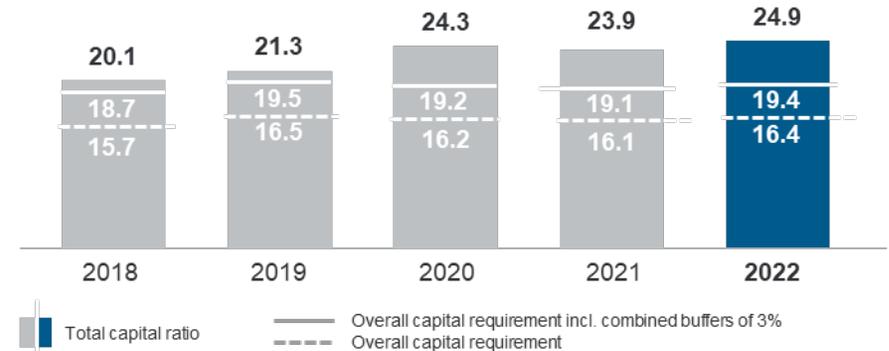
as of 30/9/2022 (rounded)



The bar graph shows the risk-covering potential (RDP) including the capital requirement and excess coverage in the 2018–2022 year-on-year comparison. **As of 30 September 2022, the risk-covering potential was EUR 34.8 billion** (capital requirement: EUR 17.5 billion / excess coverage: EUR 17.2 billion).

Normative risk-bearing capacity (in %)

as of 30/9/2022



The bar graph shows the total capital market ratio in relation to the total requirement incl. management buffer(*) and the total regulatory requirement(**) in % in the 2018–2022 year-on-year comparison. **As of 30 September 2022, this was 24.9%** (*: 19.4% / **: 17.2%).

2022 – an exceptional
year for KfW
2023 – accelerating
the transformation



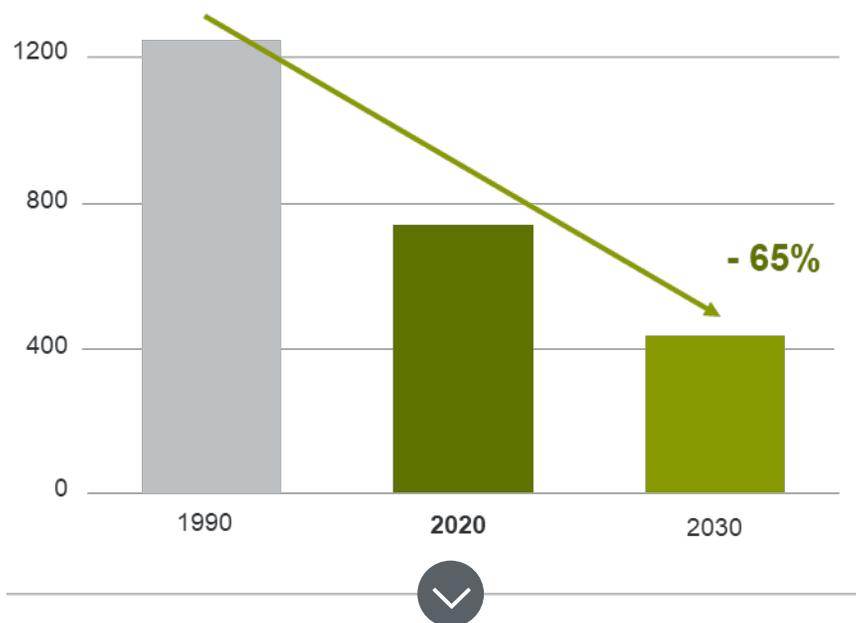
Where do we stand and what challenges do we face?

Efforts have to continue

Emissions / Emission reduction target 2030

in million tons of CO2 equivalents

Source: German Environment Agency (German greenhouse gas inventory 1990-2020), Amendment to Fed. Climate Change Act



The bar graph shows the climate target of the German Federal Government: 65% reduction in greenhouse gas emissions from 1990 to 2030. **Status in 2020: Germany is at 41.3%.** There are still ten years left to close the remaining nearly 25%. **This means that** Germany is on the right track, but must go on faster

Integration of digital technologies - ranking of the German economy in international comparison

In index points

Source: DESI 2020 (The Digital Economy and Society Index)



The bar graph shows where Germany stands internationally in terms of digitalisation: **18th place for the integration of digital technologies in the economy according to the DESI index.** Our country needs a comprehensive digital breakthrough to be competitive – as quickly as possible.

Other location and competition factors

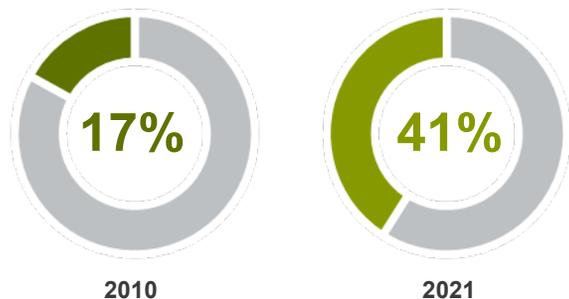
Despite the polycrisis –
the start of structural
transformation can be seen



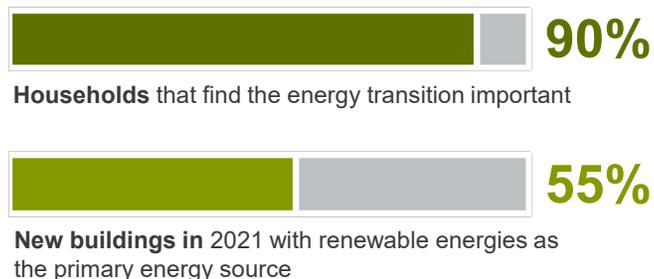
The start of a structural transformation can be seen (Chart 1)

Facts and figures / climate & environment in Germany (examples)

Share of renewable energies in gross electricity consumption



Climate protection mood in the population in 2021



Climate-friendly heating in residential buildings completed in 2021



In more than half of the residential buildings completed in 2021 renewables are used as primary energy source, mainly **heat pumps (in 51% of new buildings)**.

Climate action/sustainability activities in the corporate sector in 2021

870,000

companies have invested in climate action, equivalent to 23%. A total of EUR 55 billion and thus every one in eight euros was used for climate protection investments.

Klimaschutz-Engagement in Kommunen

More than 80% of municipalities already use PV systems and the potential of energy-efficient rehabilitation.

80%

Transformation of the transport sector

Electrification of mobility is advancing: **over a fifth of new cars are purely electric cars**. Including the plug-in hybrids, as many as 40% of all new cars are electrically powered.



The start of a structural transformation can be seen (Chart 2)

Facts and figures / Digitisation & innovation in Germany (examples)

"Global Innovation Index" 2022 Germany compared internationally

8/132

Germany has a world-leading **innovation ecosystem**. Germany ranks 8th out of 132 countries surveyed in the "Global Innovation Index".

"Global Innovation Index" 2022 German strengths in the innovation ecosystem



Human capital & research
2nd place



Creative output
7th place



Knowledge & technology output
9th place

Patent applications for digitalisation 2011–2021

16,316 > 44,114



The **number of patent applications** per year in the area of digitalisation in Germany rose sharply in the period from 2011–2021 (2011: 16,316 / 2021: 44,114).

Digitalisation projects in SMEs 2019–2021



Almost **one in three medium-sized companies** (31%) has implemented a digitalisation project in the last three years (2019–2021).

Change in real R&D expenditure in Germany, 1991–2019

1.4%

Growth period 1991–2005, in % p. a.

3.4%

Growth period 2005–2019, in % p. a.

Innovation through start-ups in 2022

EUR **10 billion**

Start-ups make innovations marketable and contribute to the competitiveness of Germany's economy. In 2022, **VC funds** of around EUR 10 billion were invested in German start-ups, the second-strongest year in history.



The course is now
being set.
KfW's contribution:

Action areas of KfW



**Resilience &
sovereignty**



**Climate &
environment**



**Digitalisation &
innovation**

Action area 1

Resilience & sovereignty



1. Diversification of sources of energy (e.g.):

- Expansion of **LNG infrastructure** (e.g. Brunsbüttel with planned H₂ conversion)
- **Nordlink** connection of the Deutsche Bahn hydropower plant in Mågeli, Norway



2. Reduction of resource consumption (e.g.):

- **Crafting future** reusable items in the catering industry
- **JICE** Circular Economy Initiative of European promotional banks: >EUR 10 billion in commitments since 2019



3. Expansion of renewable energies (e.g.):

- **Enpal** provider of leasable solar power systems
- **Ouarzazate** solar power plant, Morocco

Action area 2

Climate and environment

1. Social-ecological transition (e.g.):

- the promotion of **charging infrastructure** in Germany
- **Husk Power Systems** Development and operation of hybrid power plants based on renewable energies

2. Adapting to climate change (e.g.):

- **Heidekrautbahn, Berlin**
Zero-emission fleet with 100% regional green energy
- **Jashim Salam (Bangladesh)**
Flood protection project

3. Climate Technology Facility (e.g.):

- **Aurubis** Project for district heating generation for the eastern Hamburg HafenCity
- **Montecristi Solar Park**, Dominican Republic

Action area 3

Digitalisation and innovation

1. Innovative and digital SMEs (e.g.):

- **Rhebo Cybersecurity:** Protecting Critical Infrastructure and Industrial Control Technology
- **InstaDeep** Development of AI applications and machine learning, Tunisia

2. Innovative and digital training and education (e.g.):

- **TUMO** Scaling the offering of educational centres for young people (e.g. Mannheim)
- Anchor investor **Integra Partners Fund II**

3. Innovative and digitally enabled infrastructure and administration (e.g.):

- **Deutsche GigaNetz** Expansion of the fibre optic network, investment volume of EUR 3 billion
- **Fund for Digital Transformation in West Africa** in the amount of EUR 16.2 million

KfW's transformation agenda – examples of internal measures

Climate & environment (selection)

- Success of the implemented promotional programmes: Climate & environment quota of 63%*
- 6 sector guidelines revised to ambitious climate goals



Digitalisation & innovation (selection)

- InDigO project started: KfW's role in strengthening the D&I ecosystem in Germany and Europe
- Focus on innovations through the new "KfW Innovation Hub"



Managing impacts & mobilising private capital (selection)

- tranSForm: impact measurement started in 2022 (initial impact assessment expected at the end of 2023)
- Mobilisation of private capital anchored as a KPI in KfW's strategic objectives



Top-performing KfW (selection)

- New gender equality objective by 2030: parity at department and executive management level
- Xplore!: first portal for SDG financing online
- Bundling of Operations in a COO/CIO Board department
- Domestic **plus+**: Restructuring in progress



>>> Thank you!



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