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KfW reduces funding needs to EUR 80 billion and strengthens its role as a driving force for digital capital market innovations

Frankfurt am Main (ots) -

- **Funding target for 2024 reduced from EUR 90 to 95 billion to EUR 80 billion**
- **10 years of Green Bonds - Made by KfW - new framework meets strong response**
- **Digital capital market innovations implemented successfully - more projects in the pipeline**

In the first half of 2024, KfW raised the equivalent of EUR 55 billion on the international capital markets (previous year: EUR 53.7 billion) to refinance its business activities. At the end of the first half of the year, the bank regularly reviews its expected funding requirements for the remainder of the year and adjusts them if necessary. Against this backdrop, KfW has now reduced its funding target for the 2024 financial year from EUR 90 to 95 billion to EUR 80 billion. One reason for this is the funding requirement from the Federal Government's mandated transactions, which is lower than expected. The demand-dampening effect of the EU reference rate, which according to state aid legislation is a minimum interest rate, likewise persists for parts of domestic lending.

The majority of the funds raised by KfW in the first half of the year, amounting to EUR 55 billion, were raised in euro (60.1%). In addition, it issued USD benchmark bonds with a nominal volume of USD 13 billion with maturities of two, three and five years and an USD green bond with a volume of USD 2 billion and a tenor of 10 years. These strategically important US dollar issues accounted for around 27% of the total funding volume. In addition to the two core currencies, KfW issued bonds in five other currencies, including British pounds and Australian dollars, which contributed 7.5% and 2.7%, respectively, to the funding mix.

Around 68% of the issue proceeds resulted from the issue of liquid benchmark bonds, five of which were in EUR and three in USD. In January 2024, KfW issued, for the first time, a EUR 9 billion dual tranche with maturities of 3 and 10 years. This was in response to demand from a broad investor base. The net proceeds of the green bonds issued by KfW in the first half of 2024 amounted to EUR 7.2 billion. KfW continues to expect a green bond volume of EUR 10 to 13 billion for 2024 overall.

Ten-year green bonds: ongoing development of the KfW Green Bond Programme

KfW is one of the pioneers in the green bond market. Having issued green bonds since 2014, it is celebrating its 10th anniversary in this segment this year. With a total issue volume equivalent to around EUR 80 billion and an outstanding green bond volume of around EUR 63 billion at mid-year, it is one of the largest green bond issuers worldwide. KfW receives awards for its green bond transactions on a regular basis: In 2024, it received the *Most Impressive Agency ESG Bond Issuer Award* from Global Capital and the *Green Bond of the Year - Agency Award* from Environmental Finance.

In the interest of continuing to develop its green bond programme, KfW fundamentally revised its green bond framework for the third time last year. In addition to expanding into the project categories *biodiversity* and *corporate investments for climate change mitigation*, the framework now allows, for the first time, the allocation of unused requests for disbursement from the final quarter of the preceding year.

KfW issued five green bonds with a total volume of EUR 7.2 billion under the new framework in the first half of 2024. In total, KfW issued green bonds in five different currencies in the first half of 2024.

Focus on digitalisation - testing capital market innovations

KfW's focus is on modernisation and digitalisation, which applies not only to its promotional business but also to its funding activities. The promotional bank is currently testing financial market innovations enabling more efficient processes when issuing securities. In the first half of 2024, there was a particular focus on testing out the options offered by the new Electronic Securities Act (eWpG) for issuing digital securities. KfW prepared two digital bond issues and implemented them successfully at the beginning of July. The issue of the first KfW benchmark bond (EUR 4 billion, term of 3 years) as a central register security under the eWpG was followed a few days later by the issue of the first KfW crypto security under the eWpG (EUR 100 million, term of 18 months). With the involvement of a banking consortium and the support of the anchor investor Union Investment, KfW successfully tested new processes and technologies, involving a significant number of investors in its first blockchain-based digital bond. The transaction represents an important milestone for KfW, for the digitalisation of the bond market, and for strengthening Frankfurt as a financial centre.

Stefan Wintels, Chief Executive Officer of KfW Group, had the following to say: "We need digital innovations to remain competitive in the long term. This also applies to the capital market. With our digital bonds, we are taking an important step forward. We also want to encourage other market participants to make transactions of this type. KfW sees itself as a driving force in this field, and we will continue to focus on realising our digitalisation projects in the second half of the year."

In addition to digital securities, KfW has accelerated the digitalisation of further process steps in the issue of bonds and

commercial papers in recent months. Since last year, KfW has also been relying on the fintech Onbrance to initiate commercial paper issues, through which it now processes part of its Euro Commercial Paper (ECP) program. For capital market issues KfW is seeking to cooperate with the digital platform provider NowCM. As one of the world's largest and most active issuers of bonds and commercial papers, the promotional bank aims to make processes even more efficient, simpler, and ultimately scalable.

Deutsche Post AG and Deutsche Telekom AG: Steps towards privatisation implemented successfully

In consultation with the German Federal Government, KfW successfully implemented three privatisation steps in the first half of 2024. In February, KfW sold 50 million shares in Deutsche Post AG via a block placement. A stock market sale of 22.4 million shares in Deutsche Telekom AG took place in April/May 2024, with a further block placement of 110 million shares in Deutsche Telekom AG taking place in June. In both cases, KfW will continue to hold a significant share in the companies even after the transaction: as of 30 June 2024, the shares held by KfW in Deutsche Post AG on behalf of the Federal Government amounted to 16.99% of the share capital, while the shares held in Deutsche Telekom AG amounted to 13.97%.

Tim Armbruster, Treasurer at KfW, commented: "In the first half of the year, we successfully implemented a large number of future-oriented projects, enabling us to achieve several key milestones as part of our digitalisation strategy. For the first time since 2012, we have also been active on the stock market again and have carried out major sales transactions from our holdings in consultation with the Federal Government. Once again, this proves KfW's ability to deliver and perform. Our targets for the second half of the year are no less ambitious, albeit with lower funding requirements than expected at the beginning of the year."

Outlook: Lower funding requirements in the second half, further digitalisation initiatives

The remaining funding volume for the second half of 2024 - after adjustment of the funding target and taking into account the last EUR benchmark transaction (EUR 4 billion) at the beginning of July - amounts to around EUR 21 billion. To fund this amount, KfW will use the broadly diversified funding instruments available to it as part of its issue strategy.

There are also plans to issue another crypto bond, which will focus on the digitalisation of cash flows and the settlement of securities in central bank money. After completing the transaction, KfW will have tested the entire front-to-end process from the issue of a crypto security to its repayment. The aim is to share the experiences gained from the transaction with other market participants as a means of deriving practical implications for the ongoing development of the digital bond market.

Service:

More information about KfW's funding process can be found here [KfW Investor presentation](#)

Press releases on the aforementioned digital transactions:

- [More transparent and efficient: First KfW benchmark bond via Deutsche Börse's digital D7 platform](#)
- [KfW issues its first blockchain-based digital bond under the German Electronic Securities Act \(eWpG\)](#)

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