Annual Report 2018

Financial Statements and Management Report

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH

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DEG at a glance

EUR million	2018	2017
Finance		
Total financial commitments in financial year	1,866	1,551
Portfolio (volume of commitments at year end)	8,362	8,228
Total investments of co-financed enterprises / new business	9,772	11,271
Consultancy and other services		
Income from consultancy contracts, trust business and other services	17	17
Annual financial statements		
Balance sheet total	5,879	5,328
Subscribed capital	750	750
of which paid in	750	750
Reserves	1,712	1,618
Operating result before risk provision and valuation effects from currency	212	220
Taxes	22	10
Profit for financial year	65	94
Withdrawal from purpose-tied reserve fund	0	0
Net income	65	94

Developmental impacts of DEG's new business 2018	
Tax paid annually in co-financed businesses	EUR 4 billion
Number of jobs in co-financed businesses	1.7 million
Renewables / annual production	1,730 MW

Report by the Supervisory Board

Advice to, and supervision of, the Management Board

The 2018 reporting period was marked by constructive communication between the Supervisory Board and DEG's Management Board. After Bruno Wenn stepped down from the Management Board due to his retirement, the Supervisory Board welcomed Monika Beck as a new member of the Management Board halfway through the year. At the same time, Christiane Laibach moved up to become Chairwoman of the Management Board. The Supervisory Board would like to highlight the continuing high level of trust that informs its cooperation with the Management Board in its previous, as well as its new, composition. Specifically, the Supervisory Board received prompt and comprehensive reports on all important developments at DEG and was able to assure itself of the proper conduct of the Management Board's activities. Supervisory Board exercised regular supervision of the Management Board over its leadership of the business and conferred with it. Whenever decisions were of crucial importance to DEG, the Supervisory Board was involved, and, where necessary and following extensive consultation and scrutiny of specific cases, gave its consent to the relevant business transactions.

DEG's rules and regulations comply with the German Federal Public Corporate Governance Code PCGC (Public Corporate Governance Kodex des Bundes) and meet current governance standards.

Meetings of the Supervisory Board

The Supervisory Board held four regular meetings in 2018. In carrying out its work, it received effective assistance from the committees appointed by its members. These held 17 meetings in total. The Executive and Nomination Committee and the Audit Committee each met on four occasions. The Remuneration Control Committee held two regular meetings. The Risk and Credit Committee, which takes the final decisions on measures and transactions of particular importance to DEG's financing business, held seven meetings over the course of the past financial year and also took five decisions on submissions via the circulation procedure.

In the period under review, the Supervisory Board focussed strongly on maintaining a sustainable direction for DEG's business. In the context of the company's overall strategic policy, the Supervisory Board discussed the business strategy for 2019, the risk strategy for 2019, the IT strategy for 2019 and financial planning for 2019.

The Supervisory Board expressly welcomes the high developmental impacts of the investments financed by DEG and the fact that its business model prioritises sustainability. The system of targets introduced during the previous year focusses on three strategic goals – sustainable return, developmental impact and German business. This was successfully pursued and is now an integrated part of DEG's business model. The Supervisory Board further concentrated on the operation of DEG's Development Effectiveness Rating (DERa) as a comprehensive measurement tool designed to measure the diverse developmental impacts of DEG's involvement. In addition to welcoming the good ratings results, which reflect the high developmental impacts of DEG's involvement, the Supervisory Board is pleased to note that DERa now also captures these impacts in full for DEG's fund business.

The Supervisory Board would further like to acknowledge the positive development of the portfolio. This was achieved by the marked increase in new business commitments agreed in the 2018 financial year, as compared to the 2017 financial year. Against a background of global political dynamics that remain challenging and have a significant influence on DEG's business environment, this positive development merits special appreciation.

Over the course of the year, the Supervisory Board concerned itself in detail with selected strategic issues of particular relevance, such as, for example expanding the range of local currency financing on offer. Another subject continuously monitored by the Supervisory Board in its meetings was "German Desks – Financial Support – Solutions". This joint initiative by DIHK and DEG, launched in 2017 and expanded in 2018, establishes German-language contact points for German corporates at local DEG customer banks in developing and emerging market countries. One meeting of the Supervisory Board in the year under review also included a personal and constructive discussion with the managers of existing German Desks in Peru, Kenya, Nigeria, Indonesia and Bangladesh. The response so far from the business community and from politicians underlines the potential of linking the promotion of foreign trade even more closely with development cooperation.

In the year under review, the Supervisory Board had a detailed exchange of views about issues surrounding its own independence and ways of dealing with possible conflicts of interest on the part of the members, given their diverse backgrounds. The aim was to achieve a common understanding in this field.

Since 2014, the Supervisory Board has carried out an annual self-evaluation, as well as an evaluation of DEG's Management Board. Both surveys, based on structured questionnaires, were carried out at the end of 2018 and analysed in the first quarter of 2019. The survey showed that the work and efficiency of both the Supervisory Board as a whole, and of its committees, were judged by board members to be very good. The self-evaluation also confirmed the constructive and trustful nature of the shared work on the Supervisory Board, which was enhanced by the new board members from the world of politics and from the private sector. The efficiency audit of DEG's Management Board also produced a very favourable result and indicated a high level of satisfaction with the work of DEG's Management Board among members of the Supervisory Board.

Annual financial statements and management report

Both the annual financial statements, as drawn up in accordance with statutory regulations, and the management report have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft of Düsseldorf.

The report on the annual financial statements was awarded an unqualified audit certificate.

Based on the auditor's report, the Audit Committee appointed by the Supervisory Board reviewed and discussed the annual financial statements along with the management report, and recommended that they be approved by the members of the Supervisory Board. During a final, detailed review by the Supervisory Board, the board members agreed with the Audit Committee's recommendations and approved the findings of the auditor's report and the annual financial statements, including the management report.

The Supervisory Board recommended that the shareholders' meeting adopt the annual financial statements for 2018 and discharge the Management Board from its liabilities.

Changes in membership of the Supervisory Board

As of 2 October 2018, the Supervisory Board has 15 members (previously 14). Of these, five are employee representatives, four represent the German government and two are shareholder representatives. There are four additional members. Up to 6 April 2018, the Chairmanship of the Supervisory Board was held by Hans-Joachim Fuchtel, Parliamentary State Secretary under the Federal Minister for Economic Cooperation and Development. From 11 June 2018, the Chairmanship passed to Norbert Barthle, Parliamentary State Secretary at the Federal Ministry for Economic Cooperation and Development. Up to 14 March 2018, the Federal Ministry of Finance was represented by Parliamentary State Secretary Dr Michael Meister, who was succeeded on 2 October 2018 by State Secretary Wolfgang Schmidt. Arndt G. Kirchhoff, a member from the private sector, resigned his membership on 20 February 2018. Jürgen Gerke and Michael Junginger, both from the private sector, were appointed to DEG's Supervisory Board as of 1 March 2018. Dr Patricia Flor from the Federal Foreign Office also resigned as of 24 July 2018. At the suggestion of the Federal Foreign Office, Susanne Baumann was appointed as a member of the Supervisory Board from 27 August 2018. Dr Ulrich Schröder, former Chairman of the Executive Board of KfW, resigned from the Supervisory Board as of 31 January 2018. Bernd Loewen, Member of the Executive Board of KfW, was appointed as a member of the Supervisory Board from 19 March 2018.

In 2018, no member of the Supervisory Board attended fewer than half the meetings of the board in full.

Thanks and appreciation

Special thanks are due to Bruno Wenn, who for many years served as Chairman of the Management Board. After ten very successful years on DEG's Management Board, he stepped down and retired in June 2018. That DEG is now regarded as one of the world's leading development finance providers is largely thanks to his far-sighted leadership and exceptional commitment. Following a smooth handover, the Supervisory Board would like to wish the new Chairwoman of the Management Board, Christiane Laibach, continuing success. Special thanks are also due to Parliamentary State Secretary Hans-Joachim Fuchtel, who has resigned from DEG's Supervisory Board after four years as member and Chairman. As Chairman, Joachim Fuchtel shaped the Supervisory Board's internal organisation while also contributing to DEG's developmental impact. The Supervisory Board would also like to express its gratitude to the other members who resigned during the 2018 financial year: Parliamentary State Secretary Michael Meister, Dr Patricia Flor and Arndt G. Kirchhoff, and thank them for their dedicated work. Shortly after resigning from the Supervisory Board, Dr Ulrich Schröder died following a long illness. The Supervisory Board would like to convey its profound sympathy and its gratitude for Dr Schröder's many years of constructive participation.

The Supervisory Board would further like to express its gratitude and appreciation to the Management Board for its open and trustful cooperation.

Special thanks and appreciation are due to DEG's staff. Their great dedication and high-level competence have once again made it possible to achieve a very good result for DEG in challenging conditions.

Cologne, 11 March 2019

Chairman of the Supervisory Board
Norbert Barthle

Corporate Governance Report

As a member of KfW Bankengruppe, DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) has made a commitment to act responsibly and transparently, and to open up its actions to scrutiny. DEG's Management Board and Supervisory Board accept the principles of the German federal government's Public Corporate Governance Code (Public Corporate Governance Kodex des Bundes PCGC) on behalf of DEG. A first Declaration of Conformity, detailing compliance with the PCGC's recommendations, was made on 30 March 2011. Since then, any departures from the code have been declared and elucidated annually.

DEG has operated as a non-profit limited company and a legally independent, wholly owned subsidiary of KfW since 19 June 2001. Its rules and regulations (Articles of association, rules of procedure for the Supervisory Board and its committees, and rules of procedure for the Management Board) specify the basic features of the system via which it is managed and controlled by its corporate bodies.

Declaration of Conformity

The Management Board and Supervisory Board of DEG make the following declaration: "Since the previous Declaration of Conformity on 19 March 2018, the recommendations of the German Federal Government's PCGC, as adopted on 1 July 2009, have been and are being complied with, excepting only the recommendations below".

Deductible for D&O insurance

KfW has entered into D&O insurance contracts which, as group insurance, also extend protection to the members of DEG's Supervisory Board. In a departure from paragraph 3.3.2 PCGC, these merely include the option to introduce a deductible during the period under review.

Allocation of responsibilities

With the agreement of the Supervisory Board, and following a decision by the shareholders' meeting, the Management Board has compiled a set of procedural rules to regulate cooperation in managing the business. Under these rules, the Management Board itself allocates areas of responsibility in a schedule of responsibilities, but – in a departure from paragraph 4.2.2 PCGC – without the additional agreement of the Supervisory Board and with the agreement of the shareholders' meeting. This ensures the necessary flexibility, and hence an efficient division of labour, when changes are required.

Remuneration

In a departure from paragraph 4.3.1 PCGC, the remuneration system for members of the Management Board is drawn up by the shareholders' meeting rather than the Supervisory Board. This includes setting levels of remuneration and of variable remuneration components, as well as dealing with other remuneration issues.

In a departure from paragraph 4.3.2. PCGC, the performance targets and parameters specified in the agreement on targets for the Management Board may subsequently be changed by consultation between the shareholder and DEG.

Conflicts of interest

In a departure from paragraph 4.4.3 PCGC, all members of the Management Board must immediately declare any conflict of interest to the shareholders' meeting rather than the Supervisory Board.

Delegation to committees

The Supervisory Board is relieved of a portion of its workload by its committees, which benefit from more familiarity with the issues and greater flexibility of scheduling. In some cases, the Risk and Credit Committee not only lays the groundwork for a decision by the Supervisory Board, but, in a departure from paragraph 5.1.8 PCGC, takes the final decision on matters involving DEG's financing business itself. This applies to measures and transactions of special significance, whether to initiate legal disputes, to waive debts beyond the scope of settlements, and agree settlements where such legal disputes, waivers or settlements are of special significance. Having the Risk and Credit Committee make the final decision on such matters is necessary for reasons of practicality and efficiency.

Cooperation of Management Board and Supervisory Board

The Management Board and the Supervisory Board work closely together for DEG's benefit. The Management Board, especially its Chairman, maintains regular contact with the Chairman of the Supervisory Board. The Management Board discusses DEG's strategic direction with the Supervisory Board and reports, at appropriate intervals, on the extent to which that strategy has been implemented. The Management Board informs the Chairman of the Supervisory Board of all events of material significance to the assessment of DEG's situation and development. The Chairman of the Supervisory Board subsequently informs the other board members and, if necessary, calls an extraordinary meeting.

In the year under review, the Management Board reported to the Supervisory Board as per the provisions of Article 90 of the German Stock Corporation Act (AktG) and provided comprehensive information on all relevant corporate issues related to planning, business development, risk situation, risk management and compliance, as well as on any changes to the economic climate of significance to the company.

Management Board

The members of the Management Board conduct DEG's business with the care of a fit and proper business person in accordance with the law, the articles of association, the rules of procedure for the Management Board, and the decisions of the shareholders' meeting and the Supervisory Board. The allocation of responsibilities among members of the Management Board is regulated by a schedule of responsibilities.

In the year under review, the former Chairman of the Management Board, Bruno Wenn, stepped down from the board, effective as of 30 June 2018. Christiane Laibach was appointed as Chairwoman of the Management Board effective as of 1 July 2018, while Monika Beck was appointed as a new member of the Management Board.

Up to 30 June 2018, responsibilities were allocated as follows:

Bruno Wenn as Chairman of the Management Board
- Corporate Development Division
- Financial Institutions / Project Financing Division
- Legal & Compliance Division
- Human Resources Department
- Internal Audit

Philipp Kreutz
- Finance / Risk Division
- Credit Management / Analysis Division
- In-house Services Division

Christiane Laibach
- Corporates Division 1
- Corporates Division 2
- Customer Solutions Division

From 1 July 2018, the allocation of responsibilities was as follows:

Christiane Laibach as Chairwoman of the Management Board
- Corporate Development Division
- Legal & Compliance Division
- Customer Solutions Division
- Human Resources Department
- Internal Audit
- Multi-project Management

Philipp Kreutz
- Credit Management / Analysis Division
- Finance / Risk Division
- In-house Services Division

Monika Beck
- Corporates/Project Financing / Africa / Latin America Funds Division
- Corporates / Project Financing / Europe/Asia Funds Division
- Financial Institutions & German Business Division

The members of the Management Board are committed to DEG's corporate interest, may not pursue any personal interests in their decision-making, and are subject to a comprehensive non-compete clause during their employment with DEG. Members of the Management Board must immediately inform the shareholder of any conflicts of interest arising. No such case occurred during the year under review.

Supervisory Board

The Supervisory Board monitors and advises the Management Board on its leadership of DEG.

As a general rule, under DEG's articles of association, the Supervisory Board consists of 15 members. Five of these are staff representatives elected under the provisions of Germany's One-Third Participation Act (DrittelbG), while the other members are appointed by the shareholders' meeting. The German federal government has the right to propose four members, who are intended to represent the Federal Ministry for Economic Cooperation and Development, the Federal Ministry of Finance, the Federal Foreign Office and the Federal Ministry of Economic Affairs and Energy, respectively. The remaining members of the Supervisory Board are selected in consultation with the Federal Ministry for Economic Cooperation and Development.

In the year under review, the Supervisory Board had fourteen members from 1 January 2018, which increased to 15 members from 2 October 2018. Of these, five were staff representatives; four, from the above-mentioned ministries, represented the German government, and two were shareholder representatives. There were three additional members. In the year under review, Hans-Joachim Fuchtel, Parliamentary State Secretary under the Federal Minister for Economic Cooperation and Development, served as Chairman of the Supervisory Board from 1 January 2018 until 6 April 2018. Norbert Barthle, Parliamentary State Secretary under the Federal Minister for Economic Cooperation and Development, was appointed as member of DEG's Supervisory Board as at 22 May 2018 and elected Chairman of the board on 11 June 2018. Until 14 March 2018, the Federal Ministry of Finance was represented by Parliamentary State Secretary Dr Michael Meister. At the suggestion of the Federal Ministry of Finance, State Secretary Wolfgang Schmidt was appointed as a member of the Supervisory Board as of 2 October 2018. In the year under review, Arndt G. Kirchhoff, a member from the private sector, resigned his mandate as of 22 February 2018. Jürgen Gerke and Michael Junginger were appointed to DEG's Supervisory board as members from the private sector, effective 1 March 2018. In the year under review, Dr Patricia Flor from the Federal Foreign Office also resigned her mandate as of 30 July 2018. At the suggestion of the Federal Foreign Office, Susanne Baumann was appointed as member of the Supervisory Board from 14 August 2018. Dr Ulrich Schröder, former Chairman of the Executive Board of KfW, was recalled from the Supervisory Board as of 31 January 2018. Bernd Loewen, a member of the Executive Board of KfW, was appointed as a member of the Supervisory Board from 19 March 2018.

In the year under review, the Supervisory Board had six female board members at all times. As a result, the board has now met its target of 33% female membership adopted on 19 June 2017.

The following are excluded from membership of the Supervisory Board:

- any member of DEG's Management Board,
- any former member of DEG's Management Board, if membership of the Supervisory Board already includes two former members of the Management Board,
- anyone who serves as an executive officer in another business and is, at the same time, a member of the administrative or supervisory body of more than two further corporates, and
- anyone who is a member of the administrative or supervisory body of more than four businesses.

Every member of the Supervisory Board shall disclose conflicts of interest to the Supervisory Board. Where a conflict of interest is assumed to exist, the board member in question shall not participate in discussing or deciding on that item on the agenda. Any conflicts of interest in the person of a member of the Supervisory Board which are likely to prevent that member from meaningfully exercising his or her mandate over a sustained and prolonged period of time shall result in the termination of the mandate. No such instance occurred in the year under review.

Following the appointment of State Secretary Wolfgang Schmidt to the Supervisory Board, one board meeting was held during the year under review in which he was unable to participate in full. Otherwise, no member of the Supervisory Board attended fewer than half the meetings of the board in full in the year under review.

Committees of the Supervisory Board

To ensure the efficient performance of its duties, and drawing on its own members, the Supervisory Board has set up the following four committees, with remits based on Article 25d of the Banking Act of the Federal Republic of Germany (KWG).

The **Executive and Nomination Committee** deals with HR issues and the principles of corporate governance. When necessary, it prepares for meetings of the Supervisory Board. The responsibilities of the Executive and Nomination Committee include, among other things, the discussion of issues connected with appointing and relieving members of the Management Board.

The **Remuneration Control Committee** handles remuneration issues. It specifically deals with drawing up appropriate remuneration systems for members of the Management Board and for DEG staff.

The **Risk and Credit Committee** advises the Supervisory Board on issues related to risk, e.g. specifically DEG's overall risk tolerance and risk strategy. It also acts on behalf of the Supervisory Board by taking final decisions on measures and transactions of special significance, on whether to initiate legal disputes, to waive debts beyond the scope of settlements, and on whether to agree settlements where such legal disputes, waivers or settlements are of special significance.

The **Audit Committee** deals specifically with: monitoring the financial reporting process; with the effectiveness of the risk management system, especially the Internal Control System and Internal Audit; with the audit of the annual financial statements and with evaluating whether the auditor demonstrates the required independence. It also sets priorities for the audits and oversees the speedy elimination of any deficiencies uncovered by the auditor.

The committee chairmen or chairwomen report regularly to the Supervisory Board. The Supervisory Board may disband the committees, regulate their duties and reclaim their powers at any time.

In its report, the Supervisory Board provides information about its own work and the work of its committees during the year under review. A summary listing the members of the Supervisory Board and its committees may be found on DEG's website.

Shareholder

DEG's sole shareholder is KfW. The shareholders' meeting is responsible for all matters not assigned, by law or by the articles of association, to another body as its exclusive responsibility, and in particular for: approving the annual financial statements and the appropriation of the annual result or net income; establishing the sum available within the company for variable remuneration components; appointing and relieving members of the Supervisory Board; discharging members of the Supervisory and Management Boards from their liability; and appointing the auditor of the annual accounts. The members of the Management Board require the prior agreement of the shareholders' meeting to conduct any negotiations at CEO level that exceed the scope of the company's ordinary operations.

Supervision

DEG is a credit institution within the meaning of Article 1, Section 1 of the Banking Act of the Federal Republic of Germany (KWG). The German Federal Financial Supervisory Authority (BaFin) has issued revocable exemptions to DEG as per Article 2, Section 4 KWG, which partially exempt it from the provisions of the act. On the whole, DEG nevertheless applies the relevant standards of the Banking Act mutatis mutandis, especially the minimum requirements for risk management (MaRisk).

Public benefit

DEG exclusively and directly serves the public benefit within the meaning of the "Tax-deductible purposes" article of the German Fiscal Code (Abgabenordnung). The company's purpose is to promote development cooperation. DEG is non-profit-making.

Transparency

DEG makes key information about the company and its annual financial statements available on its website. Corporate Communications also provides regular updates on current corporate developments. The annual Corporate Governance Reports, including the Declaration of Conformity in respect of the Public Corporate Governance Code PCGC, are permanently available on DEG's and KfW's websites. As of 1 January 2015, DEG also publishes information on its website about the projects and enterprises it finances.

Risk management

Risk management and risk controlling are key management tasks at DEG. The Management Board draws up the risk strategy, establishing the framework for business activities in relation to risk tolerance and risk-bearing capacity. This ensures that DEG is able, sustainably and over the long term, to maintain an acceptable risk profile while fulfilling its specific tasks. Monthly risk reports to the Management Board present a comprehensive analysis of DEG's overall risk situation. The Supervisory Board regularly receives a detailed update on the risk situation, at least once per quarter.

Compliance

DEG's success depends to a significant degree on the trust which the shareholder, customers, business partners, staff members and the public place in its effectiveness and especially its integrity. This trust is substantially rooted in its implementation of, and compliance with, the relevant legal and regulatory requirements and in-house rules, as well as other applicable laws and regulations.

DEG's compliance organisation includes, in particular, provisions to ensure that the regulatory requirements of the MaRisk compliance function are met, and that data protection rules are followed. It further includes provisions to guarantee securities compliance, to comply with the terms of financial sanctions, to prevent money laundering, the financing of terrorism and other criminal activities, and to achieve a suitable level of information security, appropriate business continuity management, the identification of operational risks and the mapping of an internal control system. Accordingly, it has binding regulations and procedures that influence implemented values and corporate culture, and are continuously updated to reflect the statutory framework and market requirements. Regular training on all aspects of compliance is available to DEG employees in the form of both e-learning programmes and classroom sessions.

Accounting and annual audit

On 30 January 2018, the shareholder appointed Ernst & Young Wirtschaftsprüfungsgesellschaft mbH (E&Y) as auditor for the 2018 financial year. The Supervisory Board subsequently issued the audit mandate to E&Y on 6 September 2018 and established priorities for the audit with the auditor. It was agreed with the auditor that the Chairman of the Supervisory Board would immediately be informed of any findings and circumstances of material significance to the duties of the Supervisory Board that might arise during the audit. It was further agreed that the auditors should inform the Chairman of the Supervisory Board, or include a note in the audit, if, while carrying out the audit, they ascertained facts that negated the accuracy of the Declaration of Conformity as per the PCGC.

Efficiency review of the Supervisory Board

The Supervisory Board regularly reviews the efficiency of its activities. To that end, it carries out an annual evaluation of the Supervisory Board and the Management Board.

REMUNERATION REPORT

The remuneration report describes the basic structure of the remuneration system for the Management Board and the Supervisory Board and discloses the individual remuneration for members of both boards. The remuneration report is part of the appendix to the annual financial statements.

Remuneration of the Management Board

The remuneration system for DEG's Management Board is designed to provide appropriate compensation for board members in accordance with their remit and areas of responsibility, taking into account their performance and the company's success.

Remuneration components

On 20 March 2017, DEG's Supervisory Board voted to retain, without change, the remuneration system for DEG's Management Board agreed on 18 March 2010. This system meets PCGC rules on variable remuneration components and includes a balanced mix of short and medium-term incentives. For instance, only half of performance-related management bonuses, as measured by target fulfilment, is immediately disbursed to the Management Board. The other half constitutes a provisional claim only, and is paid from a "bonus account" in equal instalments over the following three years, provided there is no significant decline in business performance. If the agreed profitability target is not met over the following years, payments from the bonus account shall be subject to a penalty.

The following summary shows total compensation for individual members of the Management Board, broken down by fixed and variable components and benefits in kind. It also shows transfers to pension provision for the individual board members and the balance of their bonus accounts.

Responsibility

The shareholder consults on the remuneration system for the Management Board, including contractual elements, and reviews it regularly. The shareholder agrees the remuneration system following consultation with the Supervisory Board.

Summary of total remuneration for the Management Board and members of the Supervisory Board

EUR k	2018	2017	Change
Management Board	1,288	1,292	-4
Former members of the Management Board & surviving dependants	898	836	62
Members of the Supervisory Board	73	66	7
Total	**2,259**	**2,194**	**65**

Annual compensation of the Management Board and transfers to pension provision for 2017 and 2018[1]

EUR k[1]		Salary	Variable compensation[2]	Benefits in kind[3]	Total	Bonus account	Transfer to pension provision
Bruno Wenn (Chairman until 30.6.2018)	2018	172.5	73.7	5.5	**251.7**	72.5	0[4]
	2017	344.9	74.4	13.3	**432.6**	72.9	901.1[5]
Christiane Laibach (Chairwoman from 1.7.2018)	2018	344.9	58.1	9.7	**412.8**	70.5	337.7
	2017	344.9	46.3	9.3	**400.6**	55.4	123.7
Monika Beck (from 1.7.2018)	2018	172.5	-	5.9	**178.4**	-	1,243.1[6]
	2017	-	-	-	**-**	-	-
Dr Michael Bornmann	2018	-	15.1[7]	-	**15.1**	1.4	-
	2017	-	28.0[3]	0.0	**28.0**	16.5	-
Philipp Kreutz	2018	344.9	72.6	12.0	**429.6**	71.4	207.2
	2017	344.9	74.7	11.5	**431.1**	73.8	111.1
Total	**2018**	**1,034.8**	**219.5**	**33.2**	**1,287.5**	**215.9**	**1,788.1**
	2017	**1,034.8**	**223.4**	**34.1**	**1,292.2**	**218.6**	**1,135.9**

[1] For computational reasons, the table may contain discrepancies due to rounding.

[2] In a departure from the figures in the appendix, this table includes the variable compensation actually paid as part of a phased system.

[3] In a departure from the figures in the appendix, this table excludes the employer's contribution as per the German Social Security Act. The total for 2018 was EUR 38.9 k (previous year: EUR 36.9 k).

[4] Due to the start of retirement, the transfer is included in the transfer amount for former members of the Management Board shown on page 9.

[5] The transfer figure takes account of retirement on 30-06-2018.

[6] Includes entitlements from earlier periods of employment with the group.

[7] Dr Bornmann received variable remuneration in respect of his activities as CEO.

Contractual fringe benefits

Benefits in kind primarily include contractual fringe benefits. Members of the Management Board are entitled to a company car for both business and personal use. In keeping with current tax regulations, any costs incurred due to personal use of the company car are met by the members of the Management Board. If a second residence is required for business purposes, the costs of running a second household are reimbursed as per tax regulations.

Members of the Management Board are insured under a group accident insurance policy. Health insurance and long-term care insurance are subsidised. In respect of the risks associated with their management activities on the governing body, members of the Management Board are insured under a policy that covers liability for monetary damages (D&O insurance), and a supplementary policy covering them for monetary damages and legal expenses. These insurance policies are arranged as group insurance. Since 2017, the D&O insurance policies for members of the Management Board have included a deductible to meet the requirements of paragraph 3.3.2 PCGC.

Members of DEG's Management Board are further covered in the exercise of their duties by a special group insurance policy for employees that meets any legal expenses incurred as a result of criminal prosecution.

Like all senior executives, members of the Management Board are entitled to participate in the Deferred Compensation Scheme, a supplementary company pension plan via deferred compensation payments deducted from salary. Under DEG's general rules, they are also entitled to long service awards.
Contractual fringe benefits further include the cost of security measures at residential properties occupied by members of the Management Board. The provision of this security is accounted for under operating charges rather than as benefits in kind.

Where contractual fringe benefits cannot be granted on a tax-free basis, they are subject to taxation as non-cash benefits. Any tax due is payable by the members of the Management Board.

In 2018, no member of the Management Board was in receipt of a loan from DEG or KfW.

In the past financial year, no member of the Management Board received benefits or a pledge to that effect, from a third party in respect of his or her activities as a member of DEG's Management Board.

Entitlement to a pension and other benefits in case of early retirement

Under Article 5, Section 1 of DEG's articles of association, the appointment of a member of the Management Board shall not extend beyond the attainment of statutory retirement age. After they reach the age of 65, or statutory retirement age respectively, and following expiry of their contract of employment as members of the Management Board, board members are entitled to pension payments. This also applies if their service ends due to invalidity.

In respect of contracts of employment for a term that began in 2014 or earlier, members of the Management Board may, at their own request, take early retirement after they have reached the age of 63. In 2017, Bruno Wenn took advantage of this provision. Having made a supplementary agreement with the shareholder, he retired from the Management Board on 30 June 2018.

If the board member's employment is not extended before reaching retirement age, and no important reason as per Article 626 of the German Civil Code (BGB) applies to the person of the member of the Management Board, he or she is entitled to agree a transitional allowance for the period until pension payments fall due.

Pension commitments for members of the Management Board and surviving dependants are based on the principles governing the employment of board members at German federal credit institutions (1992 version). PCGC provisions are taken into account when drawing up contracts of employment for members of the Management Board.

Where members of the Management Board were appointed or reappointed after 2011, their contracts of employment include a cap on any severance package in keeping with PCGC recommendations. Under the code, any payoff to a

Retirement pensions for former members of the Management Board or surviving dependants

	Number 2018	EUR k 2018	Number 2017	EUR k 2017
Former members of the Management Board	5	549.9	5	503.6
Surviving dependants	5	347.8	5	332.7
Total	**10**	**897.7**	**10**	**836.3**

member of the Management Board, due to early termination of his or her activities as a board member, is accordingly limited to double the annual salary, or any compensation due for the remaining period of his or her contract, including fringe benefits, whichever is lower. This only applies provided no important cause as per Article 626 of the German Civil Code is present.

In general, the full retirement pension entitlement is equivalent to 49% of annual fixed remuneration components. At initial appointment, the retirement pension entitlement routinely amounts to 70% of the full entitlement and rises over a period of ten years by 3% for every completed year of service. In departure from this, the entitlement of Monika Beck, who was appointed to DEG's Management Board as Chairwoman on 1 July 2018, will increase by 0.82% for every full year of service, up to a pension entitlement of 46.6% when she receives her pension upon retirement.

If the employment contract of a member of the Management Board is terminated, or not renewed, due to a significant reason as per Article 626 of the German Civil Code, any pension entitlements are void in keeping with the principles developed by employment contract case law.

Pensions for former members of the Management Board and their surviving dependants amounted to EUR 836.3 k in 2017 and EUR 897.7 k in 2018.

Transfers to pension provision for former members of the Management Board and their surviving dependants amounted to EUR 484.1 k at the end of the 2018 financial year (previous year: write-back – EUR 347.5 k).

No loans were provided to former members of the Management Board or their surviving dependants in the 2018 financial year.

Compensation for the Supervisory Board

Members of the Supervisory Board receive compensation at a level set by the shareholders' meeting as per Article 13 (1) of DEG's articles of association and in keeping with the company's character as an institution serving the public benefit.

As agreed at DEG's extraordinary shareholders' meeting on 3 April 2018, compensation for ordinary members in the year under review amounted to EUR 5,000. Chairmanship of the Supervisory Board attracts compensation in the sum of EUR 9,000, while the two Deputy Chairmen each receive EUR 8,000. Committee members each receive annual compensation of EUR 500, while the committee chairs receive compensation in the amount of EUR 1,000 per annum.

Where membership covers only part of a year, compensation is paid pro rata.

An attendance fee of EUR 500 per meeting is paid, along with a daily allowance of EUR 12 per day of attendance. Any travel expenses incurred and any value-added tax payable are reimbursed.

The following tables provide details of the Supervisory Board's compensation for the 2017 and 2018 financial years. The sums shown are EUR net and have all been paid. Travel costs and other miscellaneous expenses were reimbursed upon presentation of receipts and are not included in the table.

There are no pension obligations towards members of the Supervisory Board.

In the year under review, members of the Supervisory Board received no remuneration for services provided in a personal capacity.

In respect of the risks associated with their activities as corporate officers on the Supervisory Board, board members are insured under a policy that covers their liability for monetary damages (D&O insurance). A supplementary policy covers them for monetary damages and legal expenses. These insurance policies are arranged as group insurance. Currently, no deductible has been agreed. Members of the Supervisory Board are also covered in the exercise of their duties by a special group insurance policy for employees that meets any legal expenses incurred as a result of criminal prosecution.

No loans were granted to members of the Supervisory Board during the year under review.

Cologne, 11 March 2019

The Management Board The Supervisory Board

Compensation of members of the Supervisory Board for the 2017 and 2018 financial years in EUR

No.	Name	Period of membership 2018	Supervisory Board membership	Committee membership	Daily allowance & attendance fee	Total
1.	Hans-Joachim Fuchtel[1]	01.01–06.04	-	-	-	**-**
2.	Norbert Barthle[1]	22.05–31.12	-	-	-	**-**
3.	Susanne Baumann[1]	14.08–31.12	-	-	-	**-**
4.	Eberhard Brandes[1]	01.01–31.12	-	-	-	**-**
5.	Arndt G. Kirchhoff	01.01–22.02	699	-	-	**699**
6.	Michael Junginger	01.03–31.12	4,192	-	2,048	**6,240**
7.	Jürgen Gerke[1]	01.03–31.12	-	-	-	**-**
8.	Dr Michael Meister[1]	01.01–14.03	-	-	-	**-**
9.	Dr Ulrich Schröder[1]	01.01–31.01	-	-	-	**-**
10.	Bernd Loewen[1]	19.03–31.12	-	-	-	**-**
11.	Wolfgang Schmidt[1]	02.10–31.12	-	-	-	**-**
12.	Prof Dr Joachim Nagel[1]	01.01–31.12	-	-	-	**-**
13.	Prof Dr Christiane Weiland	01.01–31.12	8,000	2,500	10,084	**20,584**
14.	Dr Patricia Flor[1]	01.01–30.07	-	-	-	**-**
15.	Dr Sabine Hepperle[1]	01.01–31.12	-	-	-	**-**
16.	Dr Amichia Biley	01.01–31.12	5,000	500	4,048	**9,548**
17.	Dorothea Mikloweit	01.01–31.12	5,000	500	4,048	**9,548**
18.	Sarah Madew	01.01–31.12	5,000	500	5,072	**10,572**
19.	Bertram Dreyer	01.01–31.12	5,000	-	2,560	**7,560**
20.	Caroline Kremer	01.01–31.12	5,000	500	3,048	**8,548**
Total (net)			**37,891**	**4,500**	**30,908**	**73,299**

No.	Name	Period of membership 2017	Supervisory Board membership	Committee membership	Daily allowance & attendance fee	Total
1.	Hans-Joachim Fuchtel[1]	01.01–31.12	-	-	-	**-**
2.	Dr Norbert Kloppenburg[1]	01.01–31.10	-	-	-	**-**
3.	Eberhard Brandes[1]	01.01–31.12	-	-	-	**-**
4.	Arndt G. Kirchhoff	01.01–31.12	5,000	-	1,024	**6,024**
5.	Corinna Linner	01.01–20.02	1,118	279	-	**1,397**
6.	Dr Michael Meister[1]	01.01–31.12	-	-	-	**-**
7.	Dr Ulrich Schröder[1]	01.01–31.12	-	-	-	**-**
8.	Stephan Steinlein[1]	01.01–20.02	-	-	-	**-**
9.	Brigitte Zypries[1]	01.01–26.01	-	-	-	**-**
10.	Prof Dr Joachim Nagel[1]	01.11–31.12	-	-	-	**-**
11.	Prof Dr Christiane Weiland	20.02–31.12	6,882	1,721	9,584	**18,187**
12.	Dr Patricia Flor[1]	20.03–31.12	-	-	-	**-**
13.	Dr Sabine Hepperle[1]	20.03–31.12	-	-	-	**-**
14.	Dr Amichia Biley	20.02–31.12	4,301	-	2,036	**6,337**
15.	Dorothea Mikloweit	20.02–31.12	4,301	430	4,048	**8,779**
16.	Sarah Madew	20.02–31.12	4,301	430	4,572	**9,303**
17.	Bertram Dreyer	20.02–31.12	4,301	-	2,536	**6,837**
18.	Caroline Kremer	20.02–31.12	4,301	430	4,024	**8,755**
Total (net)			**34,505**	**3,290**	**27,824**	**65,619**

[1] Remuneration not claimed.

Management Report 2018

CORPORATE ESSENTIALS

Business model

DEG – Deutsche Investitions- and Entwicklungsgesellschaft mbH, Cologne, is charged with a development policy mandate to promote the expansion of the private sector in developing and emerging market countries. Accordingly, DEG has defined a strategic system of goals in three dimensions. These comprise sustainable returns, a high developmental impact, and the provision of financing and supportive advice to German enterprises.

Skilled work and an income are essential prerequisites, if people's living conditions are to be improved and poverty overcome. To achieve this, the main driver is entrepreneurial initiative, since the vast majority of jobs are created in the private sector.

DEG finances economically and developmentally sustainable, socially and environmentally sound investment by private sector enterprises with loans, guarantees, loans with equity features and participating interests. With its offerings, it addresses specifically medium-sized businesses ("Mittelstand") and small and medium-sized enterprises (SMEs) in its partner countries. DEG's aim is to contribute to sustained success on the part of its customers by providing reliable long-term finance and advice. Only consistently successful enterprises create permanent jobs and generate sustainable developmental impacts. Consequently, DEG's commitment supports the implementation of the Sustainable Development Goals (SDG) contained in the United Nations Agenda 2030.

With their involvement, German corporates make important contributions to development in emerging markets and developing countries. At the same time, they secure market share in these countries and open up new markets in growth regions. That is why DEG provides financing and advice to medium-sized German businesses, offering a constantly evolving range of services tailored to their needs.

In order to serve its customers' specific needs, DEG additionally provides "Business Support Services" (BSS). Enterprises can be supported in further boosting their business performance and enhancing the developmental impact of their proposals, usually by involving outside experts. Via promotional programmes, DEG also co-finances developmentally effective measures by private sector enterprises, e.g. feasibility studies or pilot projects. In such cases, DEG supplements the financial commitment of the enterprises involved with its own or public funds.

As a development institution with a development policy mandate, DEG operates on the subsidiarity principle. It provides finance where the market fails to offer financing to enterprises at an adequate level, or indeed at all. As a pioneer investor, DEG becomes involved in IDA (International Development Association) and post-conflict countries in Africa and other regions. It demonstrates that long-term entrepreneurial success is possible even in difficult conditions, thus sending a signal to investors and businesses. By mobilising additional private-sector capital, it increases the leverage effect of its involvement.

Within the scope of its activities, DEG thinks and operates like an entrepreneur. That includes generating risk-appropriate earnings. Any surpluses DEG generates are used to expand its equity capital base and thus strengthen its risk-bearing capacity. This forms the necessary foundation for DEG to pursue and expand its activities by drawing on its own resources.

As a specialist for the development of the private sector in developing and emerging market countries, DEG is one of the mainstays of the KfW Group's involvement in foreign countries. Together with KfW Entwicklungsbank and KfW IPEX-Bank GmbH, it shapes KfW's range of international financing.

Comprehensive knowledge of the economic and political conditions in partner countries, close links to customers and a permanent presence on the ground are essential if DEG's development mandate is to be fulfilled effectively. To achieve this, DEG currently maintains thirteen representative offices and five satellite offices in Africa, Asia, Latin America and Eastern Europe. Two countries with a DEG presence, Ivory Coast and Ghana, are included in the German government's Compact with Africa (CwA) initiative. DEG also shares the use of the KfW Group's approximately 80 international offices.

As one of the leading European development finance institutions, DEG works closely with other development finance providers. The joint aim is to enhance efficiency, achieve a greater impact, and improve visibility. An important priority is cooperation with the members of the European Development Finance Institutions (EDFI), especially with FMO of the Netherlands and PROPARCO of France, as well as with the International Finance Corporation (IFC).

SUSTAINABILITY

Developmental impact

DEG evaluates the impact of its commitments on the promotion of local development and in relation to any contributions to the global sustainability agenda (SDG) by applying the Development Effectiveness Rating (DERa) system it developed. This rating takes advantage of international best practice approaches by combining quantitative indicators with qualitative expert appraisals and using internationally harmonised indicators.

Since 2017, DERa has been applied to the portfolio as a whole as well as to all new commitments. In alignment with the SDGs, each customer's contributions to development are assessed across five impact categories. These are: good and fair employment, local income, development of markets and sectors, environmentally sound operations, benefit to local communities.

Since its implementation, the DERa system has achieved national and international recognition. In the field of development cooperation, it is seen as an example of best practice in the measurement and management of developmental impact.

The portfolio survey applying DERa forms the basis for DEG's reporting on development. In 2018, DEG's existing customers

- employed approx. 1.7 million people, with some 490,000 of those jobs having been newly created since financing was provided by DEG,
- generated EUR 80 billion in annual income locally, of which EUR 4 billion related to tax payments and a further EUR 11 billion to wages and salaries.

The financial institutions and funds financed by DEG reach more than 1.9 million SMEs with their portfolios.

As an index value, the DERa score makes it possible to measure and compare the developmental impact of every DEG customer. The average DERa score of DEG's portfolio shows the average developmental impact achieved by DEG's customers. This score is a key indicator of DEG's portfolio quality.

With a DERa score of 79 in 2018, DEG's portfolio achieved good developmental quality (scale: <= 49 poor, 50–69 satisfactory, 70–84 good, 85–99 very good, >= 100 excellent).

For each new commitment, a baseline is established in the course of doing due diligence by applying DERa to establish the situation prior to DEG investing. A subsequent DERa forecast outlines the anticipated developmental impacts of the investment over a five-year period. The DERa baseline score for new commitments in 2018 is 66. By 2023, the score for these commitments is expected to rise to 88.

The enterprises co-financed by DEG contribute to the 17 SDGs agreed by the UN as part of its Sustainable Development Agenda. Of particular interest are the following goals: No Poverty (SDG 1), Affordable and Clean Energy (SDG 7), Quality Education (SDG 4), Decent Work and Economic Growth (SDG 8) and Industry, Innovation and Infrastructure (SDG 9).

DEG issues an annual development report providing information about the developmental impact of its commitments and its contributions to the global sustainability goals.

Environmental and social management

Environmentally and socially acceptable planning and action are important prerequisites if development is to be successfully and sustainably organised. Investment proposals in developing countries offer considerable opportunities to improve the environmental and social situation on the ground, but there may also be significant risks. That is why the evaluation of environmental and social risks is part and parcel of DEG's overall risk assessment. For every proposal, its Sustainability Department verifies whether actions are environmentally responsible, human rights are being respected and fair working conditions are being offered. Certain business activities are excluded from financing by DEG altogether. These are summarised in an exclusion list. On its website, DEG publishes a wide range of information about the standards and processes it applies.

For all the proposals to which DEG committed financing in 2018, the enterprises concerned have, as in previous years, contractually undertaken to comply with national regulations as well as with international environmental and social standards. If necessary, DEG assists the enterprises in implementing the measures required to achieve standards. These include the current version of the IFC performance standards (revised following an extensive process which included input from DEG) as environmental, social and human rights standards, as well as the core labour standards set up by the International Labour Organization (ILO).

In 2018, DEG was again able to play its part in further improving conditions in co-financed enterprises, by agreeing environmental and social action plans for proposals with a potentially higher environmental and social risk. DEG closely supports the enterprises for the entire duration of its commitment and monitors implementation of the action plans. Should any issues arise, solutions are worked out jointly with the enterprises concerned. If necessary, concurrent advice is offered, which in some cases may cover entire industries and sectors.

One example of such a guidance initiative in 2018 is a comprehensive analysis of the effects of wind farms on migratory birds in Argentina. The insights gained in the study, which was coordinated with several wind energy developers, have helped to achieve sustainable designs for wind farm locations that meet international standards.

In 2018, DEG customers in Asia, Latin America and Africa also received targeted advice on the issue of corporate governance. This resulted in concrete agreements to improve corporate governance, which should contribute to sustainable business success in the medium term. During the lending process, newly developed instruments for the evaluation of corporate governance in enterprises and financial institutions were deployed. Specific training was carried out for the representatives nominated by DEG and serving on supervisory bodies at the enterprises concerned.

DEG also acts sustainably and in an environmentally responsible way in its own operations. In addition to the health and safety of its staff, the sparing use of resources is a priority. Under the KfW Group's policy of carbon-neutral operations, all CO_2 emissions generated by operating the buildings and by business travel are offset by the purchase and retirement of emission credits.

Personnel

At the end of 2018, DEG retained 627 employees (2017: 570). Of these, 437 were staff outside regular pay scales – including 50 senior executives – and 190 were staff on regular pay scales, including 14 apprentices. Of the employees, 143 were employed part time (2017: 125). A total of 324 members of staff (51.67%) were women (2017: 54%). The average age was 43.7 years (2017: 43.7). The proportion of severely disabled people was 3.3% (2017: 3.7%). A total of 16 members of staff were employed in DEG's representative offices along with 44 local experts.

The proportion of women in leadership roles in 2018 was 30.0% (2017: 33.3%).

Members of staff at DEG have access to a comprehensive range of qualification measures within their own fields and beyond. Some of these are carried out in cooperation with KfW and EDFI. In the year under review, DEG invested a total of EUR 1.2 million (2017: EUR 1.2 million) in training, in professional development for specialists and senior executives, and in talent management.

For junior employees, DEG offers trainee programmes in the fields of international financing, risk management & financial controlling and IT. Since 2017, it has also offered a training programme for qualified bank clerks. In 2018 as in previous years, DEG provided scholarships for students at Cologne University and the University of Applied Sciences, Cologne. As well as twelve German National Scholarships, it provides three scholarships for disabled students and three for socially disadvantaged students.

Staff remuneration is governed by the corporate agreement on "Salary determination and remuneration at DEG". At the beginning of the new financial year, DEG enters into, among other things, a personal goal agreement with each member of staff, based on the corporate agreement on "appraisal interviews". For both staff on regular pay scales and staff outside such scales, the remuneration system provides for limited performance-related, variable remuneration components.

Members of DEG's Management Board receive a management bonus that depends on achieving defined quantitative and qualitative targets. Payment of this bonus is phased over three years, provided the targets have been sustainably met.

The summary below shows DEG's remuneration structure:

DEG's social benefits include a corporate pension scheme, group accident insurance, building loans, recuperation allowances, benefits in case of illness and emergencies, free passes for travel on public transport, a childcare allowance and comprehensive occupational health management services.

Declaration on corporate governance pursuant to Section 289a (4) of the German Commercial Code HGB

The "Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors" of 24 April 2015 obliged enterprises listed on the stock exchange, or with worker co-determination, to establish targets for female representation among their managing directors, on the two executive levels below the Management Board, and on the Supervisory Board.

In order to fulfil these statutory obligations, the targets to be achieved by 2021 for female representation in leadership positions on the two management levels, as per Article 36 of the Law on Limited Liability Companies (GmbH-Gesetz), were set at 22% for the first management level (divisional heads) and 30% for the second management level (department heads). Both targets were met in 2018, with 22.2% being

Remuneration 2018

	Number of employees (recipients of variable remuneration)	Total fixed salaries (gross) in EUR million	2018 management bonus (for performance in 2017) in EUR million	2018 bonus (for performance in 2017) in EUR million
Staff on regular pay scale	213[1] (147 recipients)	9.0		0.6[2]
Staff outside regular pay scale	433[1] (393 recipients)	34.7	5.4	
Management Board	4 (3 recipients)	1.0	0.2	

[1] The number of employees comprises all persons active in 2018, including any who left during the year. Recipients takes into account all members of staff who received variable remuneration in 2018, due to having achieved their agreed performance targets.

[2] Based on the corporate agreement, the bonus amount includes a guaranteed bonus of half the monthly salary plus a possible variable bonus.

achieved at management level one (2017: 22.2%) and 31.7% at level two (2017: 35.9%).

On this basis, targets and fulfilment deadlines for the Supervisory Board and the Management Board were set at the 223rd meeting of DEG's Supervisory Board on 19 June 2017. For both bodies, the target is 33%, and 1 June 2022 was chosen as the fulfilment deadline for both. Both targets were met by 2018. Female representation on the Management Board and the Supervisory Board was 66.6% (2017: 33.3%) and 40.0% (2017: 42.9%), respectively.

ECONOMIC REPORT

Business environment

In 2018 as in the preceding year, the global economy grew by 3.6%. This was against the background of very different developments in individual countries and regions. In the industrialised nations, GDP growth in 2018 was 2.2%, only slightly below the previous year (2.3%). However, due to its stimulus package, the USA recorded a clear upturn (from 2.2% in 2017 to 2.8% in 2018); while growth in the eurozone weakened from 2.6% to 2.0%, partly as a result of lower export growth. In developing and emerging market countries, the growth rate overall remained unchanged compared to the previous year, at 4.5%. Two key factors influencing this development in 2018 were the normalisation of US monetary policy and the trade tensions between China and the USA.

In early summer, the rise in US interest rates, and the concomitant appreciation of the US dollar, initially triggered a currency crisis in Argentina and Turkey, and later resulted in wide-scale sell-offs. The market "punished" mainly countries that have for years operated an unsustainable economic policy (e.g. high inflation and/or debt levels), and/or are dependent on a continuous inflow of foreign funds to finance their current account deficit. The central banks of these countries defended their currencies by raising interest rates. Nevertheless, both the Turkish lira and the Argentine peso depreciated significantly.

In the summer, the trade tensions between the USA and China were most strongly reflected in the Asian financial markets. After the US government imposed tariffs on imports from China with a value of USD 34 billion in early July, China countered by imposing tariffs on US goods of equal value. The US government then announced that it would impose tariffs on all imports from China. The continuing tensions also raised concerns in other Asian economies that might be affected by a widening of the punitive tariff regime.

Economic development by region in 2018 was as follows: Asia (without Japan) recorded growth of 5.6%, marginally lower than in 2017 (5.7%). This is mainly due to the decline in China's economic growth (from 5.8% to 5.3%). The increase in Indian GDP growth from 6.2% to 7.8% could not compensate, since the level of economic integration between India and the countries of the region is low.

With a growth rate of 2.5%, Latin America developed better than during the previous year (2.0%). Although Argentina slipped into recession due to the turbulence in the financial markets, the Brazilian economy continued its recovery, though at a slower rate. Mexico also continued to improve compared to 2017 (2.1%) with growth of 2.5%.

The development of the Europe region (excluding the EU) lost significant momentum compared to the previous year, with growth of 2.8% compared to 3.9%. This is mainly due to Turkey's growth dropping from 7.4% to 3.0%.

Sub-Saharan Africa: growth in Sub-Saharan Africa also continued to increase, reaching 2.9% (previous year: 2.4%). This was mainly thanks to the rebound of GDP growth in Nigeria (from 0.8% to 2.2%), due to the rise in oil prices in the meantime. Nevertheless, the region's momentum remains weak compared to its long-term average of 5.7% annual growth.

The Middle East and North Africa region recorded a rise in GDP growth of 3.3% in 2018 (2017: 1.3%). This was due to higher oil production and the development of oil prices, which rose until the autumn of the year.

In keeping with its mandate as a development finance provider, DEG continued, in 2018 as in previous years, to operate at a complementary level wherever long-term financing for private-sector enterprises is unavailable in the market or in short supply.

Business development

The year 2018 was a successful one for DEG. Its financing and advisory services were again in great demand. New commitments are a key performance indicator for DEG. With EUR 1,865.8 million (own funds) in 2018, DEG achieved a new record (2017: EUR 1,551.4 million). Another key performance indicator for DEG is the volume of commitments (total of commitments paid out and new commitments on own account approved, but not yet paid out). This increased by around 12% to EUR 8,143.1 million, compared to the previous year (2017: EUR 7,246.7 million).

In the year under review, DEG committed financing for 98 investment proposals (2017: 111). In addition to low-volume financing, these also included large-volume financing, e.g. for banks or infrastructure proposals.

The new commitments for 2018 have enabled entrepreneurial investments with an overall volume of EUR 9,772.4 million

(2017: EUR 11,271.3 million). The exceptionally high figure for 2017 resulted from several very high-volume proposals.

The increases in new business were especially marked in the customer clusters “Corporates” and “Financial institutions”.

German corporates are one of DEG’s main customer groups. It provided them with EUR 399.4 million in equity finance for proposals in emerging market and developing countries (2017: EUR 436.1 million). As well as loans and participating interests for German direct investments, this also includes providing financing for local enterprises, either directly or via local banks, e.g. for the purchase of German components. DEG reached 67 German corporates via promotional programmes (2017: 98).

The proportion of newly committed financing for small and medium-sized enterprises (SMEs) and medium-sized businesses (“Mittelstand”) came to EUR 966.5 million in 2018 (2017: EUR 829.8 million). New commitments for risk capital financing – equity participations and loans with equity features – amounted to EUR 756.8 million in 2018 (2017: EUR 563.0 million).

EUR 640.6 million of new commitments for 2018 were intended for proposals that promote the protection of the climate and the environment (2017: EUR 556.2 million). Investments in climate protection accounted for EUR 309.8 million of this (2017: EUR 436.5 million).

By continent, the lion’s share of financing in 2018 went to Latin America, where commitments came to EUR 579.3 million. In Africa, DEG’s new business achieved a new record with EUR 437.9 million in new commitments for 2018. Of this, approximately a quarter was intended for countries involved in the “Compact with Africa” initiative. New commitments for Europe increased significantly over the previous year with EUR 245.1 million. Financing commitments in 2018 were spread across 45 countries (2017: 44 countries).

Of the new commitments, lendings accounted for EUR 1,334.9 million (2017: EUR 1,076.0 million). Of this, a total of EUR 225.8 million was arranged as loans with equity features (2017: EUR 87.6 million). Equity participations accounted for EUR 530.9 million of new commitments (2017: EUR 475.4 million). In 2018 as in previous years, the largest proportion of DEG financing was committed in US dollars. In total, lendings and equity participations in US dollars were equivalent to EUR 1,521.2 million (2017: EUR 1,188.9 million).

The volume of commitment was spread across 597 involvements in 82 partner countries and displayed a largely stable risk structure.

At EUR 1,394.4 million, disbursements (own business) in 2018 exceeded the previous year’s figure of EUR 1,167.5 million.

As well as deploying its own funds in the 2018 financial year, DEG also acted as “lead” by actively mobilising EUR 324 million for 13 commitments with development banks and institutional investors from the private sector (2017: EUR 247 million). Of this, EUR 70 million came from private investors (2017: EUR 73 million).

Promotional programmes and advisory services

With its promotional programmes, DEG supports mainly German and European corporates with their involvements in developing countries. In 2018, a total of approximately EUR 30.7 million was available for the programmes carried out by DEG (2017: EUR 32.2 million). In 2018, new commitments were made for 156 projects and measures (2017: 173), of which 67 involved German corporates (2017: 98 German corporates). Part of the reason for this development is that in 2018, DEG expanded its “Business Support Services” (BSS) programme, which specifically addresses local customers.

In 2018, a total of EUR 24.8 million was made available to co-finance measures under the “Development Partnerships with the Private Sector” programme operated by the Federal Ministry for Economic Cooperation and Development (BMZ).

New commitments by customer cluster in EUR million

Year	Corporates	Financial institutions	Funds	Project financing	Total
2018	467.3	705.0	385.0	308.4	**1,865.8**
2017	276.4	555.2	349.1	370.7	**1,551.4**

New commitments by region in EUR million

Year	Asia	Latin America	Africa	Europe/Caucasus	Supra-regional proposals	Total
2018	565.4	579.3	437.9	245.1	38.2	**1,865.8**
2017	600.6	501.8	264.9	85.3	98.8	**1,551.4**

The money went to the develoPPP.de programme, the special initiative "develoPPP. One World, No Hunger" (SE-WOH), to feasibility studies, Business Support Services, "Up-Scaling", "German Desks" and the Agency for Business and Economic Development (AWE).

The programme "Climate Partnerships with the Private Sector", operated on behalf of the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB), aims to promote climate-friendly technologies in developing and emerging market countries.

The "Business Support Services" (BSS) programme devised by DEG offers tailor-made advisory solutions for DEG customers. The aim is to improve the businesses' performance, reduce financing risks and boost developmental impacts. BSS advisory services are an integral part of DEG's product range.

Financing in cooperation with other development finance institutions

Since 2003, the co-financing vehicle "European Financing Partners" (EFP), operated by the European Investment Bank (EIB), by DEG and by twelve other EDFI members, has financed private-sector investments in countries in the African, Caribbean and Pacific regions (ACP). Eleven EDFI members, the European Investment Bank (EIB) and Agence Française de Développement (AFD) are also partners in the "Interact Climate Change Facility" (ICCF). This was founded in 2011 to finance private-sector proposals with a beneficial impact on the climate. Since they were set up, EFP and ICCF have jointly made funding for private-sector investments of almost EUR 2 billion available.

In its pursuit of an efficient, comprehensive financing service, DEG also relies on networks that include global partners with whom it cooperates. In varying combinations, DEG works most closely with Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) of the Netherlands and Société de Promotion et de Participation pour la Coopération Economique (PROPARCO) of France. In 2018, DEG entered into 29 commitments with them (2017: 38). The total volume of these commitments was EUR 1.41 billion (2017: EUR 1.34 billion). DEG's share of the financing came to EUR 430.9 million (2017: EUR 450.5 million).

STATUS REPORT

Profitability

The interest surplus in the year under review came to EUR 180.0 million (previous year: EUR 185.7 million). The change is due to a rise in refinancing costs, which could not be wholly balanced out by the earnings side.

Other interest and similar income was negligible in this as in previous financial years.

Income from participating interests for 2018 is EUR 156.2 million, once again a substantial increase over the previous year's figure. Along with a small rise in income from dividends of around EUR 3.2 million, this increase resulted from the successful disposal of individual participating interests in the amount of EUR 120.3 million. Of this, 59.3% relates to direct investments and 40.7% to funds.

Remaining other operating income of EUR 21.9 million is on a par with the previous year's level. This item is made up of income of EUR 11.5 million from commissions or fees on existing loans and receivables, other earnings from the provision of advisory services and reimbursements from trust funds, and other income in the amount of EUR 10.4 million.

Staff costs in the year under review amount to EUR 82.3 million. The increase over the previous year's figure (2017: EUR 68.4 million) is mainly caused by the change in provisions for pensions. The provision for the year under review comes to EUR 17.0 million (2017: EUR 8.8 million). Of this increase over the previous year, EUR 8.8 million is primarily due to the adjustment of the actuarial interest rate from 3.68% to currently 3.21%. The creation of additional posts has also contributed to the rise in staff costs.

Promotional programmes

EUR million	2018	2017
DEG own funds	4.4	3.4
BMZ programmes	24.8	24.9
of which develoPPP.de	15.5	15.6
BMU "Climate partnerships" programme	1.5	1.6
Programmes on behalf of the Bill & Melinda Gates Foundation	0	2.3
Total	**30.7**	**32.2**

To account for the risks from an economic climate that remains difficult, the net transfer to the risk provision in the year under review was EUR 111.3 million (2017: EUR 126.4 million). Of this, the sum of EUR 37.7 million was allotted to the loans and receivables portfolio, EUR 3.0 million to irrevocable credit commitments and EUR 70.6 million to the participating interests portfolio. The net currency loss of approximately EUR 12.8 million from the risk provision in respect of loans is itemised under valuation effects from currency. The result from currency conversion in respect of the fair values of existing participating interests falls under the risk provision result.

The number of commitments newly classified as non-performing remained unchanged in the past financial year, compared to the year before. In the year under review, there were significant reasons for the new classification, including a sustained decline in sales and earnings trends due to oversupply, falling demand and price erosion.

The net transfer to risk provision increased by comparison to the previous year. For new business, on the one hand, this was due to higher average commitment volumes and hence an absolute requirement for higher risk provision. On the other hand, further unfavourable economic developments led to an increase in the risk provision for individual commitments that were already non-performing. In some cases, this involved a significant increase. Write-backs of risk provision from restructuring and winding up were lower, so that even in the portfolio of loans already in default, a higher level of net provision was recorded overall. In terms of regions, most of the transfers applied to Asia and Eastern Europe.

Transfers in the participating interests business were triggered by (in some cases) seriously adverse developments affecting individual commitments throughout the world. Lower earnings expectations, a downward trend in capital market development and delays in business development led to risk provision, especially in the financial sector.

The currency gains, which resulted from the appreciation of the US dollar among other things, were more than offset by corresponding currency losses. This was mainly due to the surplus of liabilities from hedging derivatives in respect of the valuation unit used to hedge existing USD loans. The valuation unit to hedge the exchange rate risk for partici-

German accounting standards P&L – economic presentation

EUR million	**31.12.2018**	**31.12.2017**
Income from lendings	246.5	234.8
Other interest and similar income	1.4	0.8
Interest payable and similar charges	-67.9	-49.9
Interest surplus	**180.0**	**185.7**
Income from disposals [1]	120.3	113.8
Income from dividends [2]	35.9	32.7
Result from participating interests	**156.2**	**146.5**
Remaining other operating income [3]	**21.9**	**20.0**
Staff costs	-82.3	-68.4
Non-staff costs [4]	-64.0	-63.4
Administrative costs	**-146.3**	**-131.8**
Operating result (before risk provision and valuation effects from currency)	**211.8**	**220.4**
Net risk provision write-back (+)/write-up (-)	-111.3	-126.4
Valuation effects from currency [5]	-13.1	9.6
Profit for financial year before tax	**87.4**	**103.6**
Taxes	-22.4	-9.8
Net income	**65.0**	**93.8**

1) Itemised in P&L as “Other operating income”.

2) Itemised in P&L as “Income from participating interests”.

3) Itemised in P&L as “Sales revenue” and “Other operating income and/or charges” without income from the disposal of participating interests and without valuation effects from currency.

4) Itemised in P&L as “Cost of services purchased”, “Depreciation of tangible assets” without valuation effects from currency and “Other operating charges”.

5) Itemised in P&L as “Other operating income and/or charges”.

pating interests in US dollars of USD 180 million displayed no significant net effect. The costs of this hedge in the amount of EUR 3.7 million, arising from the negative USD/EUR swap rate, are also itemised under valuation effects from currency. The remaining exchange rate effects from the participating interests portfolio are accounted for under the result from risk provision. As a matter of principle, DEG only includes the book values in the valuation units. In relation to USD currency control, DEG has decided not to account for future interest or dividend payments in the valuation units.

Financial position

In the past financial year, investments in partner countries and in bonds and notes under current fixed assets in the amount of EUR 1,394.5 million were made. These disbursements were funded by cash inflows from loan repayments (EUR 733.9 million), disposals of participating interests (EUR 297.8 million), raising new debt capital and cash gains from the operating result.

The debt capital was raised solely from KfW in the form of borrowers' notes and overnight loans. In 2018, a total of EUR 2,123.1 million in funds was raised and EUR 1,772.4 million repaid. Debt capital is raised based on a refinancing agreement with KfW.

Under this refinancing agreement, KfW provides DEG with refinancing funds with a term of more than one year in USD, EUR, GBP and CHF on the dates specified by DEG and at KfW's refinancing rate, plus an internal transfer price set by KfW.

DEG was solvent at all times in 2018.

Net worth position

Taking into account the effects from currency conversion, accruals to investments in partner countries in 2018 amounted to EUR 1,456.0 million. Disposals came to EUR 957.7 million. At original cost, investments in partner countries rose by EUR 498.3 million to EUR 5,971.9 million.

DEG continued to invest mainly in developing its financial architecture to create an IFRS 9-compliant system, a process which was successfully concluded by mid-2018. It also invested further in expanding its office space to meet the demand for extra capacity.

The significant drop in other assets from EUR 74.6 million (previous year) to EUR 37.4 million is mainly due to a receivable in the amount of EUR 14.0 million from an exchange transaction with a term limit beyond 31 December 2017 that was paid in early 2018. Furthermore, DEG received tax refunds for 2016 of EUR 9.0 million and wrote back a receivable of EUR 9.8 million in relation to the 2017 tax year. Amounts owed in respect of consortium loans also fell by EUR 5.2 million.

Other liabilities fell only slightly compared to the previous year, by EUR 7.9 million to EUR 64.0 million. While the net balancing item for accountancy purposes for the valuation of securities derivatives from the loans valuation unit has remained virtually unchanged, the liabilities remaining open past the effective date (EUR 11.0 million) have fallen by approximately EUR 8.8 million compared to the previous year.

Taking into account the profit for the financial year of EUR 65.0 million, equity increased to EUR 2,526.7 million.

Compared to the previous year, business volume (balance sheet total without trust business) rose by EUR 554.9 million to EUR 5,857.4 million.

The equity radio (ratio of equity to business volume) fell slightly from 46.4% to 43.1%. The pre-tax return on equity (ratio of annual net profit before tax to average equity), a key performance indicator, was 3.5% in 2018, placing it in the satisfactory range. As expected, this results in a good three-year average for 2016–2018 of 4.2%.

OPPORTUNITY AND RISK REPORT

Opportunity management

In the context of the Global Sustainability Agenda 2030 agreed by the United Nations, support for, and involvement of, the private sector is of major and growing significance in national and international development cooperation. At the same time, there is increasing demand from private-sector enterprises for services that go beyond financing to include solutions to, for example, environmental, governance and social issues. These trends offer additional potential for the development business of development finance providers like DEG and hence additional opportunities to achieve the globally agreed sustainability goals.

As a private-sector development finance institution, DEG takes advantage of the opportunities that arise. It does so within the regulatory framework, by offering businesses specific financing and advice solutions, differentiated by customer clusters.

With this purpose in mind, DEG's front office departments continuously identify and analyse possible opportunities. These are taken up after coordinating with the Management Board and the relevant bodies. Long-term opportunities are worked up jointly with the Corporate Development Division and included in DEG's annual strategy review process. In this connection, three goals were defined for DEG: a sustainable return, a business with a developmental impact and a comprehensive offering to the German economy. The aim is to strengthen DEG's risk-bearing capacity, enabling it to fulfil its development policy mandate over the long term.

DEG continuously updates and expands the services it offers. For instance, its range of financing in local currency is being further expanded. More loans are to be offered in the form of bonds. In the context of its Business Support Services (BSS), DEG is also expanding its advisory services in terms of both quality and quantity in order to increase the added value for enterprises.

Support and advisory services like BSS, which are closely integrated with financing, assist DEG customers in further improving their performance, both in terms of business management and in relation to environmental issues and governance. Additional developmental impacts may also be achieved as a result.

With its expanded range of financing and advisory services, DEG is able to offer needs-based solutions to meet its customers' requirements, which vary by region and in other ways. DEG is an important provider of long-term loans and increasingly of risk capital, especially for enterprises in Africa and other IDA and (post-) conflict countries. Linked to this is its role in sending a signal and mobilising others.

Extra potential is also seen in supporting German business abroad. With this in mind, the "German Desks" will be further developed in selected partner countries following their successful launch. Given the global trends towards urbanisation and digitalisation, there are additional opportunities in Project financing, e.g. in the infrastructure and energy supply sectors. Extra business potential is also seen in the customer segments Financial institutions and Funds. For instance, there are plans to expand the participating interests business with providers of specialised financing, and tap into new customer groups with innovative business models.

The systematic switch to portfolio-oriented risk-return management is designed to ensure that opportunities are recognised at an early stage. The potential for follow-up business with existing customers has been recognised specifically.

At individual transaction and portfolio levels, opportunities also arise from restructuring in the non-performing section. Here, qualified portfolio management ensures that these opportunities are seized.

Risk management

Overall responsibility for risk management rests with the Management Board. Every year, it sets a risk strategy that is consistent with the business strategy and any risks resulting from it. The risk strategy is presented to the Supervisory Board. On the Supervisory Board's recommendation, it is subsequently agreed by the shareholders' meeting before being jointly adopted by the Management Board.

The Supervisory Board continuously advises and monitors DEG's Management Board in its running of the business. In this, it is supported by its committees. These are: the Risk and Credit Committee (risk issues and decisions on measures and transactions of major significance); the Executive and Nomination Committee (HR matters at Management Board and executive level, organisational matters and questions of principle); the Remuneration Control Committee (remuneration matters) and the Audit Committee (dealing with accounting issues, financial matters and risk management, also responsible for regular reporting by Internal Audit and the auditors).

The Risk and Credit Committee and the Supervisory Board receive quarterly reports on DEG's risk situation, while the shareholder is updated monthly.

In the year under review, DEG's Internal Audit scrutinised, among other things, the processes and methods involved in its risk management system. Its priorities were:

- Methodology (specifically the concept of risk-bearing capacity, capital planning, reverse stress-testing, validation of risk-bearing capacity/capital planning & the limits system)
- Counterparty default risk (specifically the calculation of country risk and country limits)
- Market price risk (specifically management of currency risk & foreign currency hedging)
- Operational risk (specifically complying with KfW's requirements)
- Data quality management (status check of relevant project activities)
- Risk reporting (specifically status of implementation of new risk reporting requirements)

The measures and recommendations of the Finances and Risk Sector with Internal Audit that were due in the year under review were implemented.

The Risk Management Committee (RMC), which meets at least quarterly, is the main in-house body that discusses and decides on issues relevant to risk. It also prepares decisions for the Management Board and votes on them. The RMC deals specifically with overarching issues like the risk strategy, risk culture, risk inventory, risk-bearing capacity, stress testing and the introduction and/or evaluation of new products. The RMC additionally deals with matters relating to the measurement, reporting and management of credit, market price, liquidity, operational and other risks.

The Credit and Equity Risk Committee (CERC) is the main joint body, involving both front and back office, which manages the credit risk from DEG's loans and participating interests. CERC advises the front and back office departments responsible for new business, inventory management and disposal planning. It also provides advice to the Management Board and offers guidance on issues relevant to credit risk. Continuously refining and improving risk processes helps to safeguard DEG's earnings and net worth position.

DEG is represented in the corporate bodies that deal with risk management at KfW, and hence integrated into the group's coordination processes. DEG also reports regularly to KfW's Affiliates Controlling.

DEG is exempt from key requirements of the German Banking Act (KWG). Despite these exemptions, DEG voluntarily complies with important KWG regulations on risk management. These include primarily the Minimum Requirements for Risk Management (MaRisk) – which flesh out Section 25a KWG – as well as Section 18 KWG (Information required of borrowers). At individual institution level, DEG also applies the rules of the Capital Requirements Regulation (CRR) to calculate equity capital requirements under the standard CRR approach.

In keeping with MaRisk provisions, the design of DEG's organisational structure ensures that the Market and Trading front office divisions, up to and including Management Board level, are separate from the back office divisions or functions. Within the scope of their business operations, the Market and Trade divisions not only bear responsibility for risk and earnings, but also for DEG's customers and products.

The back office and non-market-dependent divisions are responsible for, among other things, risk controlling (risk strategy, methodology, evaluation, reporting and market conformity review); credit management (allocation of responsibilities in the credit business, second vote, non-performing loans (restructuring & disposal)); ownership of intensive support methods & processes and transaction management (processing of commercial transactions, payment transactions and custody).

The compliance function is part of risk management as per MaRisk. Responsible entrepreneurial action is based on complying with rules and laws. DEG's compliance management is designed as integrated, process-orientated non-financial risk management. It ensures risk transparency and risk mitigation by applying individual compliance sub-functions to monitor the propriety of business activity. These are specifically: regulatory compliance as per MaRisk; prevention of money laundering and fraud; monitoring the observance of financial sanctions and safeguarding against the financing of terrorism; data protection, information security and operational continuity management and the monitoring of operational risks.

The compliance function monitors compliance with statutory and regulatory requirements and in-house guidelines and provides advice to those responsible and to other relevant members of staff. It establishes guidelines and processes to ensure compliance and manage compliance risks that may endanger DEG's assets. Within the context of the process-integrated monitoring of DEG's Internal Control System (ICS), compliance with key requirements governing proper business organisation and the identification of process-inherent risks are ensured, as is the application of the installed controls (ICS testing).

Risk strategy

The following risks have been identified as significant for DEG: credit risks, market price risks, liquidity risks and operational risks. Then there are the overarching risk types: concentration risks and regulatory risk. Of these, credit risks (especially counterparty default risk) are predominant in DEG's risk profile. Financing is mainly provided in the form of loans and participating interests. DEG runs its participating interests business as a substitute credit business, so it applies the credit processes of the loans business by analogy. In extrapolation from DEG's business model, financing is largely provided in foreign currencies. So currency risk is also highly significant in the risk profile.

The risk strategy is drawn up as part of DEG's strategy process and based on the business strategy. It includes the risk policy approach, targets for risk management as they relate to the main business activities, and measures to achieve those targets.

The aim of the risk strategy is to limit possible adverse developments affecting DEG. It is the result of strategic planning and covers a multi-year planning period. Quantitative requirements (budgets, limits) are defined for a one-year period, while economic and regulatory risk-bearing capacity is assessed over a period of several years and includes a scenario featuring an adverse development (capital planning). Since the risk strategy is drawn up in conformity with KfW's guidelines, DEG can be sure that both its risk strategy, and the risk management measures derived from it, are consistent with KfW's group-wide risk strategy.

The risk strategy is carried out by means of installed management processes and instruments. Monitoring is performed monthly in the context of risk reporting. Where deviations from the risk strategy occur, the causes are analysed and commented on, and recommendations for action derived.

DEG's risk strategy goals are: to maintain its economic risk-bearing capacity at the defined solvency level, and to meet the supervisory authority's requirements for equity capital. The latter is based on the equity capital requirements as per KWG, with which DEG complies voluntarily, and the standard approach under the CRR. On this basis, and taking into account the risk limits and qualitative requirements specified in its risk strategy, DEG decides whether risks are to be accepted, reduced, limited, avoided or transferred.

Risk-bearing capacity

DEG's risk-bearing capacity is determined and monitored monthly under economic aspects and quarterly under regulatory aspects. For both views, minimum equity capital requirements are defined and must be observed. For economic risk-bearing capacity, the solvency level is defined as 99.96%. Article 26 of Germany's Capital Requirement Regulation (CRR) defines regulatory risk coverage as the core capital, i.e. paid-up share capital including retained reserves, taking deductible items into account. DEG takes the (as yet) unapproved quarterly result or, if applicable, the profit for the financial year into consideration in regulatory and economic risk coverage. Economic risk coverage is made up of recognised equity capital plus accrued profits or losses, adjusted for intangible assets. The calculation of regulatory equity capital requirements, using the standard approaches in accordance with the CRR, takes into account credit risk, foreign currency risk and operational risk. Having regard to the equity capital requirements as per Article 92 CRR and KWG Section 10, DEG's regulatory minimal total capital ratio for 2018 was 9.875%. This is made up of a total capital ratio of 8% and a 1.875% capital conservation buffer. DEG also factors in an anti-cyclical capital buffer of 0.01%. At the effective date of 31 December 2018, DEG reported a total capital ratio of 23.7%.

To calculate economic risk-bearing capacity, the economic capital requirement is established for all significant types of risk, and compared to the risk coverage. Possible future developments are also considered by simulating risk-bearing capacity in a forecast scenario at year end, as well as over a one-year period under downturn and stress conditions. In addition, risk-bearing capacity is calculated annually for an ideal going concern approach. The economic capital requirement is aggregated across various risk types by addition, without taking account of diversification effects.

The economic capital required for credit risks arising from the financing business, as well as from the derivatives business and temporary investments (counterparty risks), is calculated using a credit portfolio model (Internal Ratings Based Approach (IRBA) formula) as per the CRR (Gordy formula). This model assumes ratings-dependent correlations, and a granularity adjustment is carried out to take diversification effects into account. So the level of economic capital depends on the expected credit volume at the default date, on individual borrower ratings and on product-dependent loss ratios.

The economic capital requirement for market price risks (interest rate and foreign currency risks) is measured and managed using value-at-risk (variance/co-variance approach). For liquid currencies, the capital requirement is increased by a stop-loss buffer. The stop-loss buffer limits the losses that have accumulated during the financial year. For liquid currencies, the calculation of value-at-risk assumes a holding period of two months, while the risk for non-liquid currencies is calculated based on a twelve-month holding period. The risk evaluation is based on the present value of all interest and currency risk-bearing portfolio positions. Present values are calculated daily. Cash flow elements are taken into account for which depreciation due to a shift in market prices may lead to erosion of the risk coverage. In risk measurement, the cash flows are regarded as due on the next date on which the customer has the option of terminating. This is in keeping with a group requirement.

For operational risks, using the standard approach under Basel II rules for calculating capital requirements, DEG's individual business activities in defined business areas are weighted with the risk factors specified by BaFin. DEG's business is currently allocated to the regulatory business fields Corporate Banking and Corporate Finance/Advice.

The risk situation and risk-bearing capacity have remained stable compared to 2017. The increase in foreign currency risks is balanced out by a reduction in credit and interest rate risks.

Risk-bearing capacity

EUR million	31.12.2018	31.12.2017
Economic capital requirement	**1,395.4**	**1,254.5**
Credit risks	996.5	870.0
Market price risks	332.0	316.1
of which interest rate risks	28.0	29.3
of which foreign currency risks	304.0	286.8
Operational risks	66.9	68.4
Economic risk coverage	**2,518.3**	**2,454.5**
Unrestricted equity	1,122.9	1,200.0

Stress tests

DEG carries out quarterly standard stress tests and deploys individual stress test scenarios, as warranted by events. The aim is to assess and analyse the effects of a potentially adverse economic climate on its risk-bearing capacity, while taking risk concentrations into account.

The stress tests cover multiple risk types, specifically credit risk, market price risk and operational risk. In a going-concern view, looking to the future, the effect on P&L and the additional economic and regulatory capital requirements are calculated to define the impact on risk-bearing capacity. In the downturn scenario, the analysis is designed to show which recognisable risk potentials may materialise in a minor economic downturn. The stress scenario assumes a serious recession. To determine the impact on risk-bearing capacity, further stress tests are carried out that focus on a change to a specific driver, for instance a change in the probability of default, or a movement in the exchange rate of a foreign currency.

To supplement the implementation of regular stress testing, DEG's risk-bearing capacity is also reviewed in the context of individual stress scenarios. Potential dangers are assessed by experts in cooperation with KfW. In 2018, DEG carried out calculations for two scenarios designated as event-based stress tests: "Currency war", against the backdrop of the USA's protectionist measures; and "Economic crisis in Turkey affecting other emerging market countries".

The selection of scenarios and the results of stress test calculations are discussed in the RMC. All the results are used to assess risk-bearing capacity and taken into account in medium- to long-term planning.

DEG additionally carries out reverse stress tests. These analyse which scenarios might lead to the total erosion of its unallocated risk coverage. For this purpose, it is assumed that risk factors are subject to unlikely, but plausible, changes and shocks.

The analysis of risk-bearing capacity under stress conditions showed that the risks undertaken by DEG were tenable, both on the effective date of 31 December 2018 and at all times throughout the year.

Types of risk

DEG reviews all types of risks for relevance and significance at least annually in the context of its risk inventory. The following distinct risk types have been rated as significant for DEG's business activities:

Credit risk

Credit risk entails the danger of losses (in value) if business partners or debtors do not meet their payment obligations at all, on time or in full (default), or if their creditworthiness deteriorates (migration). For DEG, relevant credit risks are: counterparty default risk, migration risk and settlement risk. However, only counterparty default risk and migration risk are rated as significant by DEG.

Because DEG's business model is shaped by development policy, its portfolio mix – as it relates to the country and credit risk classes of its commitments – displays a structurally high risk content. Financing is provided mainly in the form of loans and participating interests.

As the breakdown of the volume of commitment by region and by industry shows, DEG's risk policy positioning creates concentrations in its portfolio. Overall, the distribution by region is not critical in terms of risk.

In the customer cluster view, concentrations are found mainly in the financing of financial institutions (quota of banks and insurance companies at 31 December 2018: 32.0%; percentage of funds: 23.4%) and in corporates in the energy sector. To curb such concentrations, DEG has defined country-level limits for these industries.

Limits have also been defined at institutional level by DEG for individual counterparties, groups of associated customers and countries. These limits are defined according to DEG's earnings and equity capital situation, its development policy goals and the overall parameters of its risk policy. They determine the scope for the implementation of its business strategy. Beyond that, DEG is integrated into KfW's corporate system of limits. Existing limits must be observed, whether set by DEG or by the group. Risks in countries and sectors are additionally limited based on risk guidelines prescribed by the group. These use a traffic light system to monitor and manage transactions in the markets affected.

Breaches of the limits are analysed according to the rules laid down in the Risk Manual, reported to the Management Board and listed in the risk report. When limits are breached, possible actions are devised and measures implemented. For most of its business, DEG applies KfW's corporate rating methods for banks, corporates, equity funds and countries. These methods are validated on a group-wide basis. DEG additionally applies its own rating methods, which are validated according to its own model validation policy.

For all commitments, a ratings review is carried out at regular intervals, or if early warning indicators are present. From an M 16 rating onwards, intensive support kicks in. This includes closer supervision of the commitment, as well as measures designed to safeguard the assets. In the loans portfolio, interest and redemption payments are continuously monitored, in order to extrapolate possible early warning indicators. Where serious disruptions have occurred, the commitment moves on to the relevant specialist department, to be managed as a non-performing asset. Such disruptions include for example, persistent payment arrears (more than 90 days), the well-founded suspicion of criminal conduct on the part of borrowers or other circumstances leading to the expectation that fulfilment of the contract by the partners is at risk. As required by the regulator, management of a non-performing asset is carried out by specialist staff and is designed to stabilise or wind up the commitment, though not necessarily the enterprise. The department responsible reports at least quarterly to the relevant member of the Management Board on the development of non-performing commitments and any insights gained.

The non-performing obligo (volume of commitment with an M 19 or M 20 rating) fell in 2018, both in absolute and percentage terms. As at 31 December 2018, the non-performing obligo amounted to EUR 586.8 million (7.2% of the portfolio). Compared to 31 December 2017, this represented a fall of EUR 6.0 million (31 December 2017: EUR 592.8 million; 8.2% of the portfolio).

To measure the risk provision required in individual cases, and using the evaluation tools available, a determination is carried out at regular intervals and on an event-driven basis, e.g. as soon as any depreciation has been identified. This is designed to establish the need for specific loan loss provisions in respect of amounts owed on loans and participating interests, or, respectively, the need to make individual provisions for probable losses from guarantees. Provision is also made in the form of a portfolio value adjustment, based on the expected loss. Additional remarks describing the method of making risk provision can be found in the appendix under Accounting/valuation criteria.

Market price risk

Market price risk entails the danger of losses in value due to an adverse change in market prices. Market price risks of relevance to DEG are: interest rate risk due to possible changes in the yield curve, foreign currency risk, credit spread risk from securities and basis risk. Only interest rate and currency risks are rated as significant. Within the meaning of the German Banking Act (KWG) and according to its in-house definition as an institution, DEG is not a trading book institution. In other words, there is no trading on own account to generate revenue over the short term. Therefore, market price risks are confined to the asset book.

Volume of commitment by credit and country risk classes

Country or credit risk classes on the M scale	Credit risk	Volume of commitment at 31.12.2018			
		Country risk		Credit risk	
		EUR k	per cent	EUR k	per cent
M 1 to M 8	Investment grade	4,337.4	53.3%	379.8	4.7%
M 9 to M 15	Speculative grade	3,094.6	38.0%	5,848.3	71.8%
M 16 to M 18	Intensive support	711.0	8.7%	1,328.2	16.3%
M 19 and M 20	Default	0.0	0.0%	586.8	7.2%
Total		**8,143.1**	**100.0%**	**8,143.1**	**100.0%**

Regional distribution of industries by commitment volume

Share of portfolio in % (Commitment volume at 31.12.2018)	Africa	Asia	Europe/ Caucasus	Latin and North America	Total	Previous year 31.12.2017
Financial institutions	11.0	15.7	10.9	17.9	**55.4**	54.1
Manufacturing	1.9	5.8	1.8	4.3	**13.8**	14.1
Energy & water supply	3.7	3.6	2.9	4.8	**15.0**	15.6
Transport, telecoms & infrastructure	2.1	1.1	0.5	1.8	**5.6**	4.5
Other services, tourism	1.4	1.5	1.6	2.0	**6.5**	7.8
Agriculture, forestry, fisheries	0.6	0.3	0.4	2.1	**3.3**	3.2
Mining, quarrying, non-metallic minerals	0.4	0.0	0.0	0.1	**0.5**	0.7
Total	**21.2**	**28.1**	**18.0**	**32.8**	**100.00**	
Previous year, 31.12.2017	20.8	29.1	18.0	32.1		100

The economic capital requirement for market price risks at DEG amounted to EUR 332.0 million in total as at 31 December 2018 (31 December 2017: EUR 316.1 million). At year end, interest rate and currency risks were as represented below.

The economic capital requirement for interest rate and foreign currency risk is made up of a stop-loss buffer for cumulative present-value losses over one year, and the possible present-value loss that may additionally occur when a position is closed (value-at-risk).

Daily risk reporting ensures that market price risks are continuously monitored. This is supplemented by the detailed monthly risk report and by an installed process for ad-hoc reporting when limits have been breached.

a) Interest rate risk

Interest rate risk is defined as the risk of losses due to a change in the interest rate structure unfavourable to DEG. In relation to DEG's financing business, interest rate risk refers to the potential loss that results when a commitment made to customers on specific terms is not refinanced, or only refinanced at a later date, after a rise in interest rates, or on terms mismatched in some other way (period, method of interest calculation). To stabilise and optimise its income from interest, and also to stabilise its return on equity, DEG enters into limited maturity transformation positions, so that interest rate risks correspond to the open interest rate position.

This strategic interest rate risk position is limited and managed via the available economic capital budget and by means of a prescribed range, based on the Delta Present Value of one Basis Point (DPVBP).

To examine the effects on the current portfolio of extraordinary market fluctuations affecting interest rates, present values are subjected to regular stress tests. In addition, a daily scenario calculation is carried out that factors in an interest rate shift of +/– 200 basis points (supervisory standard shock) across all currencies simultaneously. The simulations are applied to all the positions in DEG's asset book for which interest rate risks come into play.

b) Foreign currency risk

Foreign currency risk is the danger of losses due to an exchange rate movement that is unfavourable to DEG. In order to fulfil its development mandate, DEG indirectly incurs foreign currency risks in its loans and participating interests business.

Where feasible and appropriate, open foreign currency positions from the loans business are closed by means of refinancing or hedging transactions. The exceptions are transactions in non-liquid currencies, where trading in the financial markets is either very limited or not possible at all.

Cash flows from the disposal of participating interests or from dividend payments are hedged, provided the likelihood of their occurring can be determined with sufficient certainty. The approach laid down in the risk strategy also includes hedging foreign currency risks in USD in the participating interests portfolio. The level of any remaining foreign currency risks is limited by specifying an economic capital budget.

To examine the effects on the current portfolio of extraordinary market fluctuations affecting foreign currencies, daily scenario calculations are carried out. For foreign currency risk, the calculations establish the change in present value for an ad-hoc exchange rate movement of 10%.

According to German commercial accounting standards, the hedging relationship is represented by valuation units as per Article 254 of the German commercial code (HGB). Transactions in USD are largely hedged using a macro control system, while other currencies that require hedging are hedged on a case-by-case basis. To achieve this, macro valuation units (USD positions) and micro valuation units in local currencies are formed – currently the Mexican peso, the Russian rouble and the South African rand.

Additional information on how the valuation units are accounted for on the balance sheet can be found in the appendix under Accounting/valuation criteria.

Liquidity risk

Liquidity risk can be broken down into the following variants: "market liquidity risk", "institutional liquidity risk" and "refinancing risk". Since DEG does not trade financing funds or assets in order to procure liquidity, market liquidity risk is not relevant.

Institutional liquidity risk is the danger that DEG is unable to meet its payment obligations at all, on time or in full. This insolvency risk to DEG is significantly limited by the existing

Economic capital requirement

EUR million	31.12.2018	31.12.2017
Market price risks	332.0	316.1
of which interest rate risks	28.0	29.3
of which foreign currency risks	304.0	286.8

refinancing commitment by KfW. It assures DEG of access to liquidity via KfW. Given this refinancing commitment, DEG has only a very minor exposure to institutional liquidity risk and has rated the risk as not significant for 2018.

Refinancing risk is the danger of reduced earnings due to a rise in the cost of refinancing (liabilities side) which cannot be passed on to borrowers. The possible effects from such a rise in refinancing costs and the resulting dangers to DEG's net worth, financial or earnings situation are comparatively minor, so that this risk is also rated as not significant.

However, since liquidity risk is rated as a significant risk type in principle as per MaRisk, DEG has classified it overall as a significant risk type for the 2018 financial year. The 2018 risk inventory for the 2019 financial year includes a fundamental re-evaluation of insolvency risk (previously institutional liquidity risk) as a significant risk. In consequence, liquidity risk management is due to be reorganised in the 2019 financial year.

Liquidity risk is countered by secure liquidity provision at an appropriately high level, by careful management and planning of payment flows from the financing business and from refinancing, and by careful liquidity planning. Liquidity risks are limited by an indicator to safeguard minimum liquidity. It remains unchanged compared to the previous year at 10% of non-disbursed commitments.

Operational risk

Leaving aside typical banking sector risks (credit, market price and liquidity risk), the identification, management and monitoring of non-financial risks that specifically arise from carrying out banking operations is becoming increasingly important. The occurrence of a non-financial risk generally leads to an operational risk (OpRisk) event.

Operational risk is defined as the danger of losses (in value) that may occur due to the unsuitability or failure of internal processes, personnel or systems, or because of external events. This definition includes consideration of the following risk sub-types: compliance risk, behavioural risk, service provider risk (incl. outsourcing risk), information security risk, IT risk not related to information security, model risk, OpRisk from adjustment processes, staff risk, physical security risk, legal risk and payment transaction risk. Of these risk subtypes, compliance risk, information security risk, legal risk and payment transaction risk were rated as significant sub-types of operational risk. These risk types are consistently considered in DEG's risk analysis, evaluation and management.

One of the main OpRisk instruments is the continuous identification of loss events that have occurred. Provided they are above a minimum level of EUR 1,000, these are recorded in a group-wide OpRisk events database. In addition, annual OpRisk assessments are carried out based on external and internal loss data, the evaluation of additional datasets and expert appraisals. The purpose is to identify, rate and manage further potential operational risks with a view to reducing them over the long term. DEG's management receives a regular, comprehensive report on OpRisk events, the results of the analysis and any risk mitigation measures derived from them.

In order to comprehensively counter operational risks, DEG has identified process-inherent risks, and defined controls to mitigate these as part of its process-integrated monitoring. Depending on the risk categories assigned to the processes, a review of the correct application of the processes is carried out at least once a year (ICS testing). The results are reported to the management. This is supplemented by the continuous refinement of DEG's IT landscape and business processes.

Should unforeseeable external events occur, Business Continuity Management (BCM) describes a holistic management process that covers all aspects required to maintain critical business processes and reduce losses. BCM includes both preventative and reactive components (contingency planning and emergency and crisis management, respectively). The emergency processes, as defined, are regularly subjected to a stress test and further refined as part of regular crisis management team exercises.

Concentration risk

Concentration risk is understood to be the danger of losses in value, or an impairment of DEG's liquidity situation, caused by very large individual risk positions or by increased correlations in DEG's risk positions. A distinction is made between intra-risk and inter-risk concentrations. Concentration risks linked to DEG's business model are restricted by introducing limits, specifically for countries, industries and individual counterparties.

Regulatory risk

Regulatory risk is the danger of pressures on DEG's earnings, net worth and liquidity situation, and of changes to its business plan and/or business policy direction, due to new requirements arising from regulations or commercial law.

In the course of its integration into the KfW Group, and in close consultation with KfW, DEG introduced active tracking of changes in its regulatory environment. This ensures the early identification of new requirements and the timely extrapolation of any actions that may need to be taken. Regulatory risk is countered by deploying a conservative traffic-light system as a management and early warning tool that applies in all multi-year capital planning scenarios.

Other risks

For the 2018 financial year, DEG included the following additional risk types and sub-types under "Other risks"; they are all relevant, but not significant:

- Reputation risk: danger of a longer-term deterioration in the public perception of DEG in the view of relevant internal

and external interest groups, with adverse consequences for DEG.
- Business risk: danger of losses due to unexpected fluctuations in results because of possible changes in the general economic climate. These include, e.g. market environment, customer behaviour and technological progress.
- Strategic risk: danger of losses (in value), or a deterioration in the liquidity situation, due to in-house decisions relating to the fundamental strategic direction and development of DEG's business operations and caused by inadequate supervision of the implementation of its strategies.
- Pension risk: danger of the earnings, net worth or liquidity position coming under pressure due to rising pension obligations.
- Real estate risk: danger of losses (in value) if real estate used by DEG or third parties, and owned by DEG either directly, or indirectly through real estate funds/companies, is affected by rent defaults, partial write-downs or other (disposal) losses.
- Project risk: danger of losses due to events or circumstances which arise specifically from unsubstantiated planning assumptions and subsequently, during the implementation phase, affect the achievement of the project goal in terms of cost, time or quality.
- Excessive leverage risk: danger arising from DEG's exposure due to excessive debt or contingent debt, possibly requiring an unforeseen correction to the business plan.
- Derivatives risk: danger of losses (in value), or an impairment of DEG's liquidity situation, associated with derivatives transactions (swaps, options, forwards/futures) or with embedded derivatives.

These risks are managed depending on the relevance of each individual risk type for DEG. The risk from strategic participating interests was no longer rated as relevant for the 2018 financial year. This is because the only existing strategic participating interest was sold at the end of 2016.

INTERNAL CONTROL SYSTEM (ICS)

DEG defines its Internal Control System as all the corporate principles, processes and measures which, given the type, complexity and risk content of its business activities, are designed to ensure:

- the effectiveness and economic efficiency of its business operations;
- the correctness and reliability of its internal and external financial reporting;
- compliance with any statutory regulations that apply to DEG;
- protection of the assets and substance of its financial and net worth positions;
- fulfilment of its public benefit mandate as per its articles of association, and
- fulfilment of the requirements for its exemption as per Section 25a of the German Banking Act (KWG).

The KfW Group's ICS is set up to comply with the requirements of Germany's laws on bank supervision, specifically the German Banking Act (KWG) and the Minimum Requirements for Risk Management (MaRisk), as well as with market standards. In keeping with these requirements, DEG's Internal Control System defines the provisions for rules on structure and process organisation, as well as risk management and risk control processes, including risk reporting and risk controlling. The ICS approach is based on five essential components: control environment, risk evaluation, control activities, information/communication and monitoring. Taking its cue from KfW's ICS framework, DEG has formulated guidelines that describe the aims, structure and principles of its Internal Control System. It defines the quality standards and the measures employed by DEG to achieve its goals and identify, evaluate and reduce risks. The ICS extends to all business units, including representative offices, and applies to all corporate functions and processes. ICS design and implementation fall within the remit of the Management Board and those senior DEG executives who have strategic and operational responsibility for the process.

The internal monitoring system is based on the written organisational rules (Schriftlich Fixierte Ordnung SFO). These establish the framework for a proper business organisation. Responsibility for implementing suitable controls rests primarily with the departments responsible for the respective processes. Risks and failure effects are analysed for each process relevant to the risk, and appropriate control measures are specified. This includes assigning responsibility and undertaking verification. Processes and the definitions of controls are regularly updated.

Overall monitoring of the functional capacity of the ICS, which applies throughout the institution, is carried out as part of the "second line of defence". Tasks are clearly allocated within the context of risk assessments that are designed to monitor the propriety of business activity, specifically: central ICS coordination, regulatory compliance, prevention of money laundering and fraud, monitoring of compliance with financial sanctions, safeguarding against the funding of terrorism, data protection, information security, business continuity management (BCM) and central coordination for the purpose of monitoring operational risks.

The internal management system also includes all overall bank management regulations (risk management and financial controlling) introduced to date. To ensure compliance with defined requirements for the management of corporate activities, the implementation of the annual business and risk strategies is regularly monitored, and reports are submitted to the appropriate bodies.

The effectiveness of DEG's Internal Control System is reviewed by the second line function, which instructs outside experts to monitor the proper application and implementation of controls (ICS testing). This scrutiny is supplemented by a review, carried out regularly by Internal Audit, of whether the design of the ICS is suitable. The results of these reviews are reported to the Supervisory Board once a year. This report rounds off existing risk reporting. During the 2018 function and effectiveness review, 129 key controls for risk classes II to IV (processes carrying medium and high risk, respectively) were subject to testing. Based on this review, which was supplemented by the results of rule verification to confirm the suitability of its design, DEG's ICS was judged to be fundamentally effective.

OUTLOOK

Worldwide economic growth in this economic cycle probably peaked in 2018 and is likely to weaken over the course of 2019 due to the falling momentum in China and the USA. While the effects of the stimulus package in the USA will weaken during 2019, and the rise in interest rates is likely to slow developments, China has entered a phase of structural slowdown. At the same time, world trade is declining due to weaker global demand. Against this backdrop, worldwide growth is expected to fall from 3.6% (2018) to 3.3% in 2019. The forecast for emerging market and developing countries assumes a decline from 4.5% to 4.2%.[1)]

Taking a detailed view, the following developments are expected:

- For Asia (without Japan), reduced GDP growth of 5% is expected compared to the previous year (5.6%). However, the forecast for India again predicts strong growth of 7.5%. China is thought likely to experience a further economic slowdown in 2019, with weakened growth of 4.5% (2018: 5.3%). This in turn affects the forecast for Asia as a whole.
- In Latin America, economic growth is expected to increase slightly in 2019 – from 2.5% to 3.0%. Prospects are most favourable for Mexico, thanks to the new USMCA trade deal between the USA, Mexico and Canada. The short-term outlook for the Brazilian economy is good; however, the long-term outlook is gloomy, since stabilising the public finances will be an extremely difficult undertaking. Argentina is expected to remain in recession in 2019.
- For European countries outside the EU, the 2019 forecast is for a decline in growth from 2.8% to 2.0%. One major cause is the strong slump suffered by the Turkish economy.
- In Sub-Saharan Africa, economic performance is likely to improve in most countries over the next year. So economic growth in the region may see a slight uptick from 2.9% to 3.1%. However, economic development in Nigeria and South Africa is likely to remain below expectation. Increasing debt levels also give cause for concern, especially in Angola, Ghana, Nigeria and Zambia.
- Economic growth in the Middle East and North Africa is likely to accelerate to 4.3% in 2019. However, next year, falling oil prices may well put the Gulf States under increasing pressure.

Although a gradual slowdown of worldwide economic growth is expected overall, there are a number of risks which could potentially lead to a much greater adjustment in 2019.

For example, public and private sector debt has virtually exploded over the past decade and now amounts to USD 167 trillion, or 250% of global economic output. Experience has shown that such levels of debt are rarely normalised without a crisis. There is currently no sign of an asset price bubble. However, if interest rates rise more sharply than expected, this may trigger major and widespread losses, especially in shares and real estate.

Given the dilemma facing the Chinese government, which wants to reduce debt and promote economic growth at the same time, and taking into account the prospect of an escalation of its trade dispute with the USA, there is an increased probability of a "hard landing", i.e. an abrupt slowdown of Chinese economic growth. If that should happen, it would entail global economic repercussions.[2)]

In considering the above-mentioned risks, it should be noted that the emerging market and developing countries are quite a diverse group of countries with very different opportunity/risk profiles. Furthermore, the fall in exchange rates and share prices have, in some cases, already resulted in favourable entry opportunities.

Corporate outlook

In 2019, DEG expects to continue to operate in a challenging environment, one shaped by weakening global economic growth, geopolitical risks and regulatory requirements. At the same time, opportunities are emerging in many of its partner countries, e.g. due to an expanding middle class and a rise in purchasing power. This is especially true for its target region of Africa, which is also the focus of such political initiatives as "Compact with Africa".

DEG's strategic planning is based on a target portfolio, from which guidelines for each year's new business are derived. For 2019, DEG aims to achieve EUR 1.95 billion in new commitments. DEG is also planning to use its financing to mobilise additional funds of EUR 300 million from other finance providers and institutional investors. The applications for financing received by the end of 2018 came to EUR 1.8 billion

[1)] Capital Economics, Global Economic Outlook, Q4 2018, p. 4.
[2)] Capital Economics, Emerging Markets Economics Focus, 29-10-2018.

in total, suggesting that demand from businesses for DEG's services will continue in 2019.

Volume of commitment is a key performance indicator for DEG's business activities. Planning for 2019 assumes an increase in volume of 3.8% to EUR 8.5 billion.

It should also prove possible in 2019 to maintain the good developmental quality of the proposals co-financed by DEG.

DEG expects earnings trends to be favourable in 2019. Key sources of revenue will again be mainly income from participating interests – especially from disposals – and the interest surplus from the loans business. Staff and non-staff costs will display a moderate rise. This is due, among other things, to transfers to pension provisions.

Under current plans, and based on standard risk costs, the net requirement for risk provision in the 2019 financial year will be EUR 142 million. The profit for the financial year before tax is expected to be approximately EUR 105 million.

DEG's financial success is largely determined by the risk provision it is required to make, and by the volatile income from participating interests, which is dependent on external market conditions. For 2019, DEG expects a pre-tax return on equity of 4.4%, resulting in a three-year average of 4.0%.

Thanks and appreciation

The Management Board would like to thank all members of DEG staff. With their commitment, they made a major contribution to DEG's success in the 2018 financial year. Their comprehensive expertise and great dedication enabled DEG to fulfil its development mandate and meet its business policy goals even in such a challenging year. Our thanks also go to the employees' representative bodies – the Staff Council and the Economic Committee – as well as to the Senior Staff Council for their cooperation, which has again proved loyal and most constructive.

Cologne, 18 February 2019
The Management Board

Annual Financial Statements 2018

BALANCE SHEET

PROFIT AND LOSS ACCOUNT

APPENDIX

BALANCE SHEET AT 31.12.2018

(with previous year's figures for comparison)

ASSETS	31.12.2018	31.12.2017
A. Fixed assets	EUR	EUR k
I. Intangible assets		
1. Purchased industrial property rights and similar rights and assets, including licences in such rights and assets	8,104,145	1,002
2. Payments in advance	395,212	6,217
	8,499,357	7,219
II. Tangible assets		
1. Land and buildings	72,542,516	72,059
2. Office equipment	5,064,634	4,928
3. Payments in advance	129,789	202
	77,736,939	77,189
III. Financial fixed assets		
1. Investments in partner countries		
a) Participating interests	1,400,210,475	1,345,332
b) Lendings to enterprises in which DEG has a participating interest	47,199,594	60,950
c) Other lendings	3,887,953,564	3,421,791
	5,335,363,633	4,828,073
2. Other financial fixed assets		
a) Bonds and notes under current fixed assets	20,451,238	22,203
b) Other lendings	4,496,640	4,035
	24,947,878	26,238
	5,360,311,511	4,854,311
Total A (I + II + III)	5,446,547,807	4,938,719
B. Current assets		
I. Debtors and other assets		
1. Amounts owed from investment activities	81,080,397	69,461
of which amounts owed by enterprises in which DEG has a participating interest	2,119,798	2,817
2. Amounts owed from disposal of investments	23,853,751	18,627
3. Amounts owed from consultancy and other services	948,958	86
4. Other assets	37,367,629	74,613
	143,250,735	162,787
II. Other bonds and notes	1,732,844	1,745
III. Cash in hand, balances with Deutsche Bundesbank and with credit institutions	264,775,603	198,158
Total B (I + II + III)	409,759.182	362,690
C. Accruals and deferrals	1,055,607	1,231
D. Assets held under trust	22,114,510	25,820
Total assets	**5,879,477,106**	**5,328,460**

LIABILITIES	31.12.2018	31.12.2017
A. Shareholder's equity	**EUR**	**EUR k**
I. Subscribed capital		
1. Subscribed capital	750,000,000	750,000
II. Appropriated surplus		
1. Purpose-tied reserve fund	0	0
2. Other appropriated surplus		
as at 1 January	1,617,946,102	1,181,295
Transfer from net income for previous year	93,792,192	436,651
as at 31 December	1,711,738,294	1,617,946
III. Net profit	65,027,491	93,792
Total A (I + II + III)	2,526,765,785	2,461,738
B. Provisions for liabilities and charges		
1. Provisions for pensions and similar obligations	123,219,396	106,715
2. Provisions for taxes	0	474
3. Other provisions	61,916,644	51,062
Total B (1 + 2 + 3)	185,136,040	158,251
C. Creditors		
1. Amounts owed for financing investment activities	3,080,902,934	2,610,072
2. Trade creditors	653,719	752
3. Other creditors	63,904,118	71,827
of which tax payable:	1,057,594	916
of which social security	-53,774	-54
Total C (1 + 2 + 3)	3,145,460,771	2,682,651
D. Liabilities for assets held under trust	22,114,510	25,820
Total liabilities	**5,879,477,106**	**5,328,460**

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 01.01. TO 31.12.2018

(with previous year's figures for comparison)

INCOME	01.01 – 31.12.**2018**	01.01 – 31.12.**2017**
1. Sales revenue	**EUR**	**EUR k**
a) from consultancy contracts	4,796,853	5,308
b) from trust transactions	261,433	290
c) from services	12,361,999	10,940
	17,420,285	16,538
of which from affiliated enterprises	127,704	52
2. Income from participating interests	35,922,612	32,710
3. Income from long-term lendings	246,529,982	234,752
of which from affiliated enterprises	-12,955,177	-10,389
of which from negative interest rates	73,371	40
4. Other interest receivable and similar income	2,557,536	849
of which from affiliated enterprises	-661,231	-96
5. Income from write-ups and write-back of provisions in respect of lending business and participating interests		
a) Write-up of financial fixed assets	93,214,198	89,638
b) Write-up of amounts owed from investment business and from disposal of investments	781,695	0
c) Write-back of provisions in respect of lendings business and participating interests	7,309,184	25
d) Income from write-back of value adjustments on bonds and notes under current fixed assets	305,450	0
	101,610,528	89,663
6. Other operating income	177,365,512	191,131
Total income	**581,406,455**	**565,643**

CHARGES		
7. Cost of services purchased	2,108,121	2,454
8. Depreciation, value adjustments and transfer to provisions in respect of the lendings business and participating interests		
a) Depreciation and value adjustments in respect of financial fixed assets	202,062,715	157,226
b) Depreciation and value adjustments in respect of amounts owed from investment business and disposal of investments	526,422	46,982
c) Transfers to provisions in respect of lendings business and participating interests	10,291,564	11,045
d) Depreciation and value adjustments in respect of bonds and notes under current fixed assets	5,928	854
	212,886,629	216,107
9. Interest payable and similar charges	69,143,898	49,867
of which to affiliated enterprises	55,369,711	40,825
of which from negative interest rates	163,002	245
10. Staff costs		
a) Wages and salaries	56,691,137	51,337
b) Social security, pensions and other benefits	25,626,874	17,033
of which pensions	17,831,009	9,954
11. Depreciation and adjustments for impairment of intangible and tangible assets	4,554,333	2,909
12. Other operating charges	123,037,396	122,370
Total (7 + 8 + 9 + 10 + 11 + 12)	494,048,388	462,077
13. Tax on income and profit	22,216,747	9,743
14. Net earnings	65,141,320	93,823
15. Other taxes	113,829	31
16. Profit for the financial year	65,027,491	93,792
17. Withdrawal from purpose-tied reserve fund	0	0
18. Net profit	**65,027,491**	**93,792**

APPENDIX FOR THE 2018 FINANCIAL YEAR

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH
Kämmergasse 22, 50676 Cologne
Registered office: Cologne, Commercial Register No.: HRB 1005 at Cologne Amtsgericht

General Notes on the annual financial statements

Form of annual financial statements

The balance sheet and the profit and loss account were laid out in compliance with the provisions for large corporations in Articles 266 & 275 of the German Commercial Code (HGB).

Due to business conducted, the items on the balance sheet and the profit and loss account have been supplemented or re-designated in accordance with Article 265 HGB.

Under Article 340 HGB and Article 1 of the Accounting Requirements for Financial Institutions and Financial Service Providers, DEG is exempt from the provisions relating to financial statement forms for credit institutions.

Accounting/valuation criteria

Purchased intangible and tangible assets are activated at original costs and subject to straight-line depreciation across their average useful life.

The choice to activate internally produced intangible assets under current fixed assets as per the provisions of Article 248, Section 2 HGB was not exercised.

The choice under Article 67, Section 4, Clause 1 of the Introductory Act to the Commercial Code (EGHGB), according to which lower valuations of assets, based on depreciation under Article 254 HGB (version in force until 28 May 2009), may be retained, is exercised for the building in respect of the one-off tax depreciation from the transfer of silent reserves as per Article 6b of German Income Tax Law (EstG).

Low value assets are dealt with in accordance with Article 6, Section 2 EstG, i.e. where the value is less than EUR 800 (previously EUR 410), they are immediately recorded under Other operating charges.

Financial fixed assets are recognised at original cost or at fair value if lower, regardless of whether the impairment is likely to be permanent.

To take account of counterparty default risk, DEG makes risk provision for both identifiable and latent default risks in its financing portfolio. The loan loss provisions are deducted in the respective asset items.

The value of a participating interest is generally determined using the discounted cash flow (DCF) method or the net asset value method (funds). When establishing the value of a participating interest, embedded put and call options are taken into account, where the value is determined using a suitable option price model. Incidental acquisition costs are activated as of the decision to purchase.

Where market prices are available, e.g. stock market quotations, DEG will verify whether, after a critical review, these represent an appropriate valuation. If a firm offer to purchase the participating interest has been received, the proposed purchase price generally replaces the DCF method as the basis for the value of the participating interest. If the participating interest was acquired less than a year earlier, DEG will generally fall back on the purchase price. However, if, after acquiring the participating interest, DEG becomes aware of important factors affecting the value which did not enter into the determination of the purchase price, the DCF method is predominantly used to determine the value of the participating interest even during the first year, taking the new findings into account. Country risks are taken into account for participating interests by an upward adjustment of the discount factors when the DCF method is applied. If the value of the participating interest, calculated as described above, is lower than the purchase price or the lower book value, a corresponding loan loss provision is made.

For lendings, bonds and notes under current fixed assets, the counterparty default risk of a commitment is initially identified by using trigger events to assess whether risk provision is required on those grounds. If such a trigger event takes place, the level of risk provision is estimated based on the present value of expected future repayments on the loan in question.

For latent default risks, DEG also makes a portfolio value adjustment for lendings, bonds and notes under current fixed assets where no specific loan loss provision has been made. Depending on the rating, the portfolio value adjustment is calculated based on the standard risk cost approach and takes into account both counterparty default risks and country risks.

Using the method outlined above, DEG also makes provision for latent default risks in respect of the guarantees it issues in the course of its financing business and for obligations in respect of lendings not yet disbursed on the balance sheet date.

Amounts owed and other assets are recognised at their par value. Actual default risks are catered for by loan loss provisions.

Under Article 246, Section 2, Clause 2 HGB, assets that are exempt from all creditor access, and serve only to settle debts from pension obligations under the deferred compensation scheme, were offset against debts with a settlement value of EUR 1.6 million as at the balance sheet date. The original costs, and the fair value of the assets respectively, amounted to EUR 1.6 million as at 31 December 2018.

Other bonds and notes under current assets are recognised at original cost, applying the strict lowest-value principle and observing the value appreciation requirement.

Accruals and deferrals on the assets side are recorded as per Article 250, Section 1 HGB and comprise expenditure prior to 31 December 2018, where this represents costs relating to a specific period after that date.

Provisions for pensions and similar obligations are calculated in accordance with the projected unit credit method, using the Mortality Tables 2018 G (Richttafeln 2018 G) published by Dr Klaus Heubeck. An exception is made for prior provision, which is calculated according to the part-value method.

Other provisions were made at the level of the anticipated settlement value and take all actual risks and contingent liabilities into account. Any provisions with a residual term of more than one year were discounted in accordance with their residual terms at the average market rate across the past seven years as published by Deutsche Bundesbank.

Amounts owed are recorded as liabilities with repayment amounts.

Deferred tax liabilities are offset against deferred tax assets. The choice not to activate deferred tax liabilities that exceed deferred tax assets is exercised under the provisions of Article 274, Section 1, Clause 2 HGB.

At the time of acquisition, all assets and debts currently or originally denominated in foreign currency are converted into EUR at the rate of exchange current at the time of purchase.

In accordance with DEG's risk strategy, an overall approach is taken to the USD currency risk from lendings, bonds and notes under current fixed assets, overnight and time deposits, and the reverse changes in value from refinancing. The resulting net positions are hedged with cross-currency interest rate swaps and forward exchange transactions. The USD currency risk from the participating interests portfolio was hedged in the amount of USD 180 million; this equates to an approximately 20% hedge on the USD participating interests portfolio. On the balance sheet, it is accounted for via a macro valuation unit in accordance with Article 254 HGB.

The prospective effectiveness of the macro valuation unit essentially results from matching currency hedging. DEG uses the dollar offset method to show the retrospective effectiveness.

Other foreign currency risks from local currencies used for lendings were hedged with cross-currency swaps. These are accounted for, along with the basic transactions, in micro valuation units.

For the micro valuation units, both prospective and retrospective effectiveness is assured as a result of incoming and outgoing cash flows being identical for basic and hedging transactions.

Changes in value that balance out in respect of effectiveness are recorded in terms of gains or losses (gross hedge presentation method). Where no effective hedge is present, basic and hedging transactions are valued according to the imparity principle. The same applies to derivatives transactions that are neither included in a valuation unit, nor serve to control interest rate risks.

A statement by the German Institute of Certified Public Auditors (IDW) on financial reporting, specifically "Individual issues relating to the loss-free valuation of interest-related transactions in the banking book (interest book)" ("Einzelfragen der verlustfreien Bewertung von zinsbezogenen Geschäften des Bankbuchs (Zinsbuchs)") (IDW RS BFA 3), proposes that where excess liability results from transactions involving interest-based financial instruments of the banking book, provision for contingent losses must be made. To calculate such a possible excess liability, DEG compares the present values as per the banking book with the book values as per the banking book as at the effective date in question, taking into account future risk and administration costs. A calculation along these lines at the effective date of 31 December 2018 showed no excess liability, so no provision for contingent losses needed to be made.

NOTES ON ASSETS

Fixed assets

Please see the table "Movements in fixed asset balances" for details.

Intangible assets

"Intangible assets" includes purchased licences in the amount of EUR 8.1 million, as well as payments in advance of EUR 0.4 million for one purchased licence which still needs to be rendered operational.

Tangible assets

"Tangible assets" shows land and buildings in the amount of EUR 72.5 million. This item also includes office equipment in the amount of EUR 5.1 million, as well as payments in advance and assets under construction of EUR 0.1 million.

Investments in partner countries

This item shows investments from funds on own account of EUR 5,360.3 million, which are made up of participating interests and lendings.

Investments from funds on own account were made in 531 enterprises in 87 countries. These included four enterprises where the investments were part-financed from German federal trust funds and by other trustee lenders. In nine enterprises, third parties entered into risk sub-participations in the form of counter-guarantees.

Movements in fixed asset balances

	Original costs				
	01.01.2018	Accruals	Book transfers	Disposals	31.12.2018
	EUR	EUR	EUR	EUR	EUR
I. Intangible assets					
1. Purchased industrial property rights and similar rights and assets, including licences in such rights and assets	5,936,457	1,910,363	6,511,065	251,920	14,105,965
2. Payments in advance	6,216,646	491,712	-6,313,145	0	395,213
	12,153,103	2,402,075	197,920	251,920	14,501,178
II. Tangible assets					
1. Land and buildings	84,536,360	1,977,516	0	0	86,513,876
2. Office equipment	11,761,709	1,949,286	-38	2,298,768	11,412,189
3. Payments in advance and assets under construction	201,460	129,789	-197,882	3,578	129,789
	96,499,529	4,056,591	-197,920	2,302,346	98,055,854
Total (I + II)	108,652,632	6,458,666	0	2,554,266	112,557,032
III. Financial fixed assets					
1. Investments in partner countries					
a) Participating interests	1,665,786,517	296,331,186	3,066,946	271,171,169	1,694,013,480
b) Lendings to enterprises in which DEG has a participating interest	79,175,006	1,584,287	-3,044,730	10,143,341	67,571,222
c) Other lendings	3,728,650,008	1,158,079,858	-22,216	676,388,338	4,210,319,312
Total 1 (a + b + c)	5,473,611,531	1,455,995,331	0	957,702,848	5,971,904,014
2. Other financial fixed assets					
a) Bonds and notes under current fixed assets	22,632,494	790,854	0	2,847,302	20,576,046
b) Other lendings	4,034,625	947,984	0	485,970	4,496,639
Total 2 (a + b)	26,667,119	1,738,838	0	3,333,272	25,072,685
Total III	5,500,278,650	1,457,734,169	0	961,036,120	5,996,976,699
Total (I + II + III)	**5,608,931,282**	**1,464,192,835**	**0**	**963,590,386**	**6,109,533,731**

[1] For fixed assets, this is equivalent to the utilisation of the risk provision.

[2] Of which EUR 85,165,410 hedged with third-party counter-guarantees (unfunded risk participation).

[3] Without accrued pro-rata interest.

Depreciation							Book values
01.01.2018	Accruals	Book transfers	Currency	Consumption[1]	Disposals	31.12.2018	31.12.2018
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
4,934,168	1,314,011	0	0	246,359	0	6,001,820	8,104,145
0	0	0	0	0	0	0	395,213
4,934,168	1,314,011	0	0	246,359	0	6,001,820	8,499,358
12,477,658	1,493,702	0	0	0	0	13,971,360	72,542,516
6,833,322	1,746,619	0	0	2,232,386	0	6,347,555	5,064,634
0	0	0	0	0	0	0	129,789
19,310,980	3,240,321	0	0	2,232,386	0	20,318,915	77,736,939
24,245,148	4,554,332	0	0	2,478,745	0	26,320,735	86,236,297
320,454,708	109,199,002	0	-29,467,015	81,020,131	25,363,559	293,803,005	1,400,210,475
18,224,793	6,694,654	0	891,443	4,271,131	1,168,131	20,371,628	47,199,594
306,858,896	89,847,224	0	10,144,427	17,966,842	66,517,957	322,365,748	3,887,953,564
645,538,397	205,740,880	0	-18,431,145	103,258,104	93,049,647	636,540,381	5,335,363,633[2]
1,028,196	0	0	10,272	0	305,208	733,260	19,842,786[3]
0	0	0	0	0	0	0	4,496,639
1,028,196	0	0	10,272	0	305,208	733,260	24,339,425
646,566,593	205,740,880	0	-18,420,873	103,258,104	93,354,855	637,273,641	5,359,703,058
670,811,741	**210,295,212**	**0**	**-18,420,873**	**105,736,849**	**93,354,855**	**663,594,376**	**5,445,939,355**

Other financial fixed assets

The item "Bonds and notes" in current fixed assets (EUR 20.5 million) shows financing committed by DEG that has been securitised. It comprises two bonds. Accrued interest at the balance sheet date was EUR 0.6 million. The portfolio value adjustment was EUR 0.7 million.

The item also includes Other lendings, comprising EUR 4.5 million in loans to staff members.

Financial fixed assets with a residual term of up to one year

	EUR million
1. Investments in partner countries	
a) Participating interests	-
b) Lendings to enterprises in which DEG has a participating interest	7.0
c) Other lendings	662.6
2. Other financial fixed assets	
a) Bonds and notes in current fixed assets	0.6
b) Other lendings	0.0
Total	**670.2**

Amounts owed from investment activities

Amounts owed of EUR 81.1 million comprises mainly dividends and interest due (including accrued interest and commitment fees pro rata, as well as other amounts owed, but not yet due), as well as various reimbursement claims. This item also includes accrued interest from swap agreements (EUR 10.3 million).

Amounts owed from disposal of investments

This item shows the purchase money proceeds from the sale or transfer of participating interests and lendings, as well as amounts owed with respect to these (e.g. interest payable on purchase money proceeds) of EUR 23.9 million in total.

Amounts owed from consultancy and other services

These are reimbursements from trust funds charged to the Federal Ministry for Economic Cooperation and Development (BMZ) and to the Federal Ministry for the Environment, Nature Conservation, Building and Reactor Safety (BMU).

Other assets

"Other assets" largely consists of balancing items for accountancy purposes for foreign currency transactions in respect of the foreign currency valuation units in MXN, ZAR and RUB (EUR 23.9 million), amounts owed by consortium partners (EUR 6.2 million) and by the tax office (EUR 4.6 million).

Residual maturity profile of receivables and other assets

EUR million	Residual maturity				
	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
Amounts owed from					
1. investment activities	81.1	-	-	-	81.1*
2. disposal of investments	19.0	-	0.5	4.4	23.9
3. consultancy and other services	0.9	-	-	-	0.9
Other assets	37.4	-	-	-	37.4
Total	**138.4**	**0.0**	**0.5**	**4.4**	**143.3**

* Of which EUR 10.3 million (2017: EUR 10.2 million) owed by the shareholder.

Other bonds and notes

This item contains a purchased security in the amount of EUR 1.7 million used to hedge semi-retirement programmes for older staff members.

Cash in hand, balances with Deutsche Bundesbank and with credit institutions

Balances with credit institutions covers investments in the money market of EUR 222.4 million invested with the shareholder KfW, as well as current account balances of EUR 42.4 million. These comprise corporate funds temporarily awaiting investment in enterprises in partner countries.

Accruals and deferrals

Among other things, this item comprises expenditure on licences, and maintenance costs for hardware and software, representing charges for financial years after 31 December 2018.

Assets held under trust

This item comprises investments in partner countries from trust funds in the form of participating interests of EUR 2.2 million and lendings of EUR 15.7 million.

Amounts owed on a trust basis of EUR 4.2 million are also shown here.

EUR 14.8 million in lendings is accounted for by the "Federal Republic of Germany's Lending Programme for Business Start-ups to Promote Start-ups of Small and Medium-sized Enterprises by Natural Persons in Developing Countries", based on special joint lending funds with partner countries or institutions.

Deferred tax assets

Taxable temporary differences arise specifically from the transfer of hidden reserves as per Article 6b EstG, resulting in deferred tax liabilities of EUR 0.2 million. These are offset by deductible temporary differences, specifically from risk provisions and other provisions, which have led to "Deferred tax assets" in the amount of EUR 9.9 million. The choice to refrain from taking the deferred tax asset surplus into consideration was exercised. The deferred tax liabilities were calculated based on an overall tax rate of 32.45%.

NOTES ON LIABILITIES

Subscribed capital

Subscribed capital amounts to EUR 750.0 million.

As a subsidiary of Kreditanstalt für Wiederaufbau (KfW), based in Frankfurt am Main, DEG is included in the group accounts. KfW prepares consolidated accounts, which are published in Germany in the Federal Gazette (electronic version).

As a general rule under DEG's articles of association, profits are not distributed, so the limitation of profits distribution provided for by Article 253, Section 6, and Article 268, Section 8 HGB does not apply.

A proposal to allocate the profit for the financial year of EUR 65.0 million to the item "Other retained earnings" has been submitted to the shareholders' meeting.

Provisions for pensions and similar obligations

From 2016, due to a change in the law, an average market interest rate over ten years has had to be applied when discounting pension obligations. This rate was 3.21% as at 31 December 2018. The difference compared to the seven-year average market interest rate as at 31 December 2018 (2.32%) amounts to EUR 20.1 million. When calculating the required provisions, an annual salary increase of 2.2% and a pension rise of 2% or 1% were assumed, depending on remuneration or pension scheme.

In accordance with the trend of the interest rate published by Deutsche Bundesbank, the actuarial interest rate as per the German Accounting Law Modernisation Act (BilMoG) has fallen from 3.68% to 3.21%. Following the previous year's change, the salary trend (2.2%) and the fluctuation rate (1.5%) have remained unchanged for the current year.

Furthermore, the new Mortality Tables "Heubeck RT 2018 G" were used.

In accordance with Article 253, Section 2, Clause 2 HGB, provisions for other long-term obligations were discounted across the board at the average market interest rate resulting from an assumed residual maturity of 15 years.

Other provisions

In the 2018 financial year, provisions for contingent losses for valuation units of EUR 19.9 million were recognised. In addition, a provision in the amount of EUR 5.7 million was made for contingent losses from pending transactions (forward exchange transactions).

For obligations in respect of lendings not yet disbursed, a blanket loan loss provision in the amount of EUR 13.8 million was made in the form of other provisions.

The item also includes provisions for variable remuneration (EUR 6.6 million), for semi-retirement programmes for older staff members (EUR 2.7 million), and for leave and compensation for overtime (EUR 1.7 million). Provisions for legal risks amount to EUR 3.1 million.

Amounts owed for financing investment activities

Amounts owed here refers specifically to loans against borrowers' notes in the amount of EUR 2,182.5 million placed with the shareholder KfW (2017: EUR 2,080.0 million).

Other amounts owed

Other amounts owed includes EUR 47.1 million in balancing items for accountancy purposes relating to foreign currency transactions in respect of the macro valuation unit in USD, and EUR 8.9 million owed in respect of consortium partners and borrowers.

Liabilities for assets held under trust

The following were made available to DEG on a trust basis for the purpose of financing investments in partner countries and for business start-up loans: EUR 21.0 million from the Federal Ministry for Economic Cooperation and Development (BMZ), and EUR 1.1 million from the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

Residual maturity profile of amounts owed

EUR million					Residual maturity
	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
1. Amounts owed for financing investment activities	1,020.6	368.3	1,582.8	109.2	3,080.9*
2. Amounts owed to trade creditors	0.7	-	-	-	0.7
3. Other amounts owed	62.7	-	1.2	-	63.9
Total	**1,084.0**	**368.3**	**1,584.0**	**109.2**	**3,145.5**

* Of which EUR 3,080.9 million (2017: EUR 2,610.0 million) to the shareholder.

Deferred tax liabilities

Since deferred tax liabilities were balanced out against deferred tax assets, they are not shown.

NOTES ON INCOME

Sales revenue

Sales revenue comprises earnings from the provision of services in connection with the financing business.

By region, sales revenue breaks down as follows:

EUR million	2018	2017
Africa	5.5	5.0
America	3.7	3.9
Asia	4.3	5.1
Europe	3.3	2.0
Worldwide	0.6	0.6
Total	**17.4**	**16.6**

Income from participating interests and income from long-term lendings

Income from participating interests and from lendings in partner countries is largely made up of dividends, interest on lendings, bonds and related hedging transactions, and commitment fees and commissions on loans. The breakdown by region (excluding the results from hedging transactions of EUR -14.4 million) is as follows:

EUR million	2018	2017
Africa	72.4	65.9
America	104.6	95.1
Asia	98.5	99.0
Europe	15.0	19.9
Worldwide	6.4	6.5
Total	**296.9**	**286.4**

Other interest receivable and similar income

This item includes specifically income of EUR 1.2 million in respect of settlement payments from derivatives and EUR 1.0 million from late subscriber interest with funds.

Income from write-ups and write-backs of provisions in respect of the lendings business and participating interests

Of the total income of EUR 101.6 million, EUR 65.2 million relates to loans, EUR 28.0 million to participating interests and EUR 7.3 million to provisions in respect of lendings not yet disbursed. EUR 0.8 million relates to amounts owed and EUR 0.3 million to securities.

The change in one of the existing parameters in the blanket loan loss provision for 2018 led to a write-back effect of EUR 18.5 million. This is included in the amounts listed above in respect of loans and provisions for lendings not yet disbursed.

Other operating income

This item includes specifically income from the disposal of participating interests of EUR 120.3 million and effects from currency totalling EUR 52.6 million.

NOTES ON CHARGES

Cost of services purchased

At EUR 2.1 million, the cost of services purchased is at a level similar to the previous year's (2017: EUR 2.5 million).

Depreciation, value adjustments and transfers to provisions in respect of the lendings business and participating interests

Of a total of EUR 212.9 million in charges, EUR 103.4 million relates to loans, EUR 98.7 million to participating interests, EUR 10.3 million to provisions for lendings not yet disbursed and EUR 0.5 million to amounts owed.

Interest payable and similar charges

These charges were incurred largely on loans against borrowers' notes (EUR 41.8 million); they further include the net result from derivatives hedging (EUR 20.9 million). For the 2018 financial year, the item also includes interest charges from the compounding of interest on pension and other long-term staff-related provisions in the sum of EUR 4.1 million (2017: EUR 3.9 million).

Staff costs
The charges for pensions and other benefits of EUR 25.6 million include transfers to provision for pensions of EUR 17.0 million. This item also comprises contributions to the Pension Association of Publicly Sponsored Companies (Versorgungsverband bundes- und landesgeförderter Unternehmen e.V. – VBLU) (EUR 1.1 million).

Depreciation and adjustments for impairment of intangible and tangible
In 2018, depreciation for impairment of tangible assets came to EUR 4.6 million (2017: EUR 2.9 million). This includes depreciation on office equipment of EUR 1.8 million, on buildings of EUR 1.5 million and depreciation on hardware and software of EUR 1.3 million.

Depreciation on DEG's building in Kämmergasse for the 2009 financial year included one-off tax depreciation under Article 254 HGB (old version) of EUR 1.0 million from the transfer of silent reserves from the proceeds of the sale of the land and buildings in Belvederestraße as per Article 6b EstG. As a consequence, the 2018 annual result increased by the sum of EUR 20,000.

Other operating charges
This item comprises administration costs of EUR 57.3 million, including specifically costs of EUR 21.5 million for experts and consultants, IT costs of EUR 6.5 million and travel costs of EUR 4.6 million.

The item further records currency effects in the amount of EUR 65.7 million.

Income and charges relating to other periods
Other income includes EUR 2.5 million in income relating to other periods resulting from the write-back of other provisions.

There were no charges relating to other periods in the 2018 financial year.

Statement of auditing fees as provided by Article 285, Clause 1, No. 17
In the 2018 financial year, the following auditing fees were taken into consideration:

2018	EUR
Auditing fee	888,499
Other certification services	45,575
Tax consultancy services	0
Total	**934,074**

Write-backs of EUR 332,195 in provisions from 2017 are offset in the statement of auditing fees.

The statement of fees for other certification services includes costs of EUR 39,675 relating to 2017.

Taxes on income and profit
Tax charges of EUR 22.2 million in total comprise tax on profits for the 2018 financial year of EUR 11.8 million, an aperiodic tax charge of EUR 9.8 million following completion of the 2017 tax return and foreign tax charges of EUR 0.6 million.

PROFIT FOR THE FINANCIAL YEAR / NET INCOME

The net profit recognised amounts to EUR 65.0 million. As stipulated in the articles of association, it may not be distributed.

Follow-up report

No events of material significance to the net worth, financial or earnings situation occurred after the end of the financial year.

Derivatives transactions

Volumes

EUR million	Nominal values*		Positive market values	Negative market values
	31.12.2017	31.12.2018	31.12.2018	31.12.2018
Contracts with interest rate risks				
Interest rate swaps	784.2	1,119.0	17.9	-5.7
Total interest rate risks	784.2	1,119.0	17.9	-5.7
Contracts with currency risks				
Forward foreign exchange transactions, swaps	318.1	213.7	0.6	-5.3
Non-deliverable forwards	14.1	0.0	0.0	0.0
Currency and cross-currency interest rate swaps	780.5	705.6	28.6	-70.4
Total currency risks	**1,112.8**	**919.3**	**29.2**	**-75.7**
Total	**1,896.9**	**2,038.3**	**47.1**	**-81.4**

Counterparties

EUR million	Nominal values*		Positive market values	Negative market values
	31.12.2017	31.12.2018	31.12.2018	31.12.2018
OECD banks	1,896.9	2,038.3	47.1	-81.4
Total	**1,896.9**	**2,038.3**	**47.1**	**-81.4**

Maturities

Nominal values* EUR million	Interest rate risks		Currency risks	
	31.12.2017	31.12.2018	31.12.2017	31.12.2018
Residual maturities				
up to 3 months	0.0	0.0	354.0	256.2
more than 3 months up to 1 year	20.0	173.5	135.6	190.1
more than 1 up to 5 years	611.1	639.0	424.2	318.6
more than 5 years	153.1	306.6	199.0	154.4
Total	**784.2**	**1,119.0**	**1,112.8**	**919.3**

* Nominal values are calculated as the sum of whichever nominal amount (input or output side) is higher on the effective date of the conversion.

NOTES ON DERIVATIVES TRANSACTIONS

In the context of risk management, DEG regularly engages in futures trading and makes use of derivatives products. There is no trading on own account in the sense of a trading book. These instruments are deployed primarily to hedge interest rate and currency risks in the asset book.

The market values of derivatives held in the portfolio represent current replacement costs. The positive and negative market values recorded are largely calculated based on corporate models. The main determinants of these in-house models are interest rate ratios and related rates of exchange.

MISCELLANEOUS

Liability/contingent liabilities

DEG stands surety to the value of EUR 1.3 million for two enterprises as collateral for borrowing.

Provisions in the amount of EUR 46,333 was made for latent risks in respect of the sureties.

At the balance sheet date, DEG's shares in one participating interest with a book value of EUR 3.6 million were pledged as collateral in respect of liabilities of the enterprises in question.

Given the enterprises' credit rating, any liability/contingent liabilities incurred are not expected to exceed the risk provision made for this purpose as at the balance sheet date.

Other financial obligations

Under tenancy agreements, DEG is required to pay a total of EUR 1.2 million annually; the agreement with the longest term will run until 2024.

A total of EUR 0.1 million will be payable in fees on leasing contracts for the remaining term until 2020.

Obligations from undisbursed participating interests and lendings amount to EUR 2,149.1 million.
A provision of EUR 13.8 million was made for latent default risks from obligations deemed irrevocable in respect of lendings not yet disbursed.

In individual cases, employees of DEG, or third parties instructed by DEG, undertake executive functions in associated companies. The risks arising are generally covered by directors' and officers' liability insurance (D&O insurance) taken out either by DEG or by the associated company in question.

AVERAGE NUMBER OF STAFF OVER THE YEAR

Staff not covered by regular pay scales and senior executives	410
Staff covered by regular pay scales	201
Total	**611**
Number of female staff	317
Number of male staff	294
Total	**611**

These figures include part-time staff (128) and temporary staff (32), but exclude members of the Management Board, staff on parental leave, apprentices, interns and local staff in foreign countries.

REMUNERATION OF CORPORATE BODIES

Total charges for the Supervisory Board in the year under review came to EUR 118,509, of which EUR 48,270 was annual remuneration for membership of the Supervisory Board and its committees. Attendance fees, daily allowances and travel expenses accounted for EUR 48,295, while EUR 21,944 was for training for members of the Supervisory Board. No advances or loans were granted to members of the Supervisory Board.

Total Management Board remuneration for the 2018 financial year came to EUR 1,284,797. Regular annual salary components are set at a uniform rate for all members of the Management Board and amount to EUR 1,034,835 in total. Overall remuneration further includes the sum of EUR 33,158 for benefits in kind and other emoluments. The performance-related management bonus for 2018 was EUR 216,804 in total, of which EUR 108,402 will be paid over several years. In 2018, phased payments totalling EUR 111,145 were made from the deferred management bonuses for the years 2015 to 2017.

Also included is EUR 15,083 in phased payments from the deferred management bonuses for the years 2015 and 2016 for one former member of the Management Board.

No advances were provided to members of the Management Board or surviving dependants.

Total payments made to former members of the Management Board and surviving dependants amounted to EUR 897,713. Provisions of EUR 14,630,050 were made for pension obligations towards these persons.

INFORMATION ON DEG'S INVESTMENT HOLDINGS AT 31.12.2018 AS PER ARTICLE 285 NO. 11 HGB

No.	P. No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in % direct	DEG holding in % indirect	Equity[3] in kCU[5]	Result[4] in kCU[5]
1.	425	Banque Gabonaise de Développement (BGD), Libreville, Gabon	XAF	655.9570	1.97		-97,768,172	-21,157,645
2.	757	Latin American Agribusiness Development Corporation S.A., Panama City, Panama	USD	1.1450	8.33		177,115	20,281
3.	1147	Banque Nationale de Développement Agricole S. A., Bamako, Mali	XOF	655.9570	21.43		45,983,746	8,942,773
4.	1480	Industrial Promotion Services (West Africa) S.A., Abidjan, Ivory Coast	XOF	655.9570	9.00		15,426,334	2,800,159
5.	2172	Fransabank S.A.L., Beirut, Lebanon	LBP	1726.8150	5.00		2,312,259,040	177,798,614
6.	2217	Lebanese Leasing Company S.A.L., Beirut, Lebanon	LBP	1726.8150	12.50		21,273,306	1,762,662
7.	2562	TOO Knauf Gips Kapchagaj. An enterprise in which DEG – Deutsche Invest.- u. Entwicklungsg. mbH has a participating interest. Kapchagaj, Kazakhstan	EUR	1.0000	40.00		20,228	5,357
8.	2615	LHF – Latin Healthcare Fund, L.P., Acton, USA	USD	1.1450	10.09		[7]	[7]
9.	2728	Safety Centre International Ltd., Port Harcourt, Nigeria	NGN	352.1150	8.00		[7]	[7]
10.	2743	Kyrgyz Investment and Credit Bank, Bishkek, Kyrgyzstan	USD	1.1450	12.00		63,108	5,965
11.	2782	SEAF Central and Eastern Europe Growth Fund LLC, Wilmington, USA	USD	1.1450	23.90		945	-62

No.	P. No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in % direct	indirect	Equity[3] in kCU[5]	Result[4] in kCU[5]
12.	2787	Benetex Industries Ltd., Dhaka, Bangladesh	BDT	95.7419	28.30		[7]	[7]
13.	2846	P.T. Arpeni Pratama Ocean Line Tbk., Jakarta, Indonesia	IDR	16,466.5400	3.00		[7]	[7]
14.	2893	Egyptian Direct Investment Fund Ltd., St. Peter Port, Guernsey (Channel Islands)	USD	1.1450	14.58		[7]	[7]
15.	2913	SEAF Sichuan SME Investment Fund LLC, Wilmington, USA	USD	1.1450	13.33		4,968	-3,827
16.	3030	Turkish Private Equity Fund I, L.P., St. Peter Port, Guernsey (Channel Islands)	USD	1.1450	11.33		1,563	221
17.	3067	Ethos Technology Fund I Partnership S.A., Johannesburg, South Africa	ZAR	16.4594	9.25		[7]	[7]
18.	3109	DBG Eastern Europe II, L.P., St. Helier, Jersey	EUR	1.0000	14.88		27,043	-4,564
19.	3117	Industrial Promotion Services Kenya Ltd., Nairobi, Kenya	KES	116.0100	11.56		6,236,815	1,540,975
20.	3230	SEAVI Advent Equity IV Fund, L.P., George Town, Cayman Islands	USD	1.1450	13.48		[7]	[7]
21.	3344	European Financing Partners S.A., Luxembourg, Luxembourg	EUR	1.0000	7.63		149	-3
22.	3436	Sichuan Tianfu Bank Co., Ltd., Nanchong, China	CNY	7.8600	5.99		13,359,402	1,781,142
23.	3489	SEAF India International Growth Fund, Port Louis, Mauritius	USD	1.1450	6.57		4,051	588
24.	3491	Advent Central & Eastern Europe III, L.P., Boston, USA	EUR	1.0000	5.35		7,871	-1,991
25.	3498	Balkan Accession Fund C.V., Curacao, Curaçao	EUR	1.0000	11.36		18,296	74,103
26.	3511	OJSC Commercial Bank Center-Invest, Rostov-on-Don, Russian Federation	RUB	79.7153	16.14		12,640,520	1,425,572
27.	3543	Latin Power III, L.P., George Town, Cayman Islands	USD	1.1450	1.81		20,670	-3,496
28.	3665	TOO Isi Gips Inder, Inderbor, Kazakhstan	EUR	1.0000	40.00		1,662	284
29.	3696	Open Joint Stock Company Bank Respublika, Baku, Azerbaijan	AZN	1.9427	16.67		23,666	-1,130
30.	3765	Advent Latin American Private Equity Fund III-B, L.P., Wilmington, USA	USD	1.1450	100.00		1,521	777
31.	3765.1	Advent Latin American Private Equity Fund III, Wilmington, USA	USD	1.1450		3.47	[7]	[7]
32.	3766	CDH China Growth Capital Fund II, L.P., George Town, Cayman Islands	USD	1.1450	3.17		1,754	3,754
33.	3796	Russia Partners II, L.P., George Town, Cayman Islands	USD	1.1450	3.88		58,322	3,198
34.	3810	Ethos US Dollar Fund V (Non-Opic-Jersey), L.P., St. Helier, Jersey	USD	1.1450	13.23		372	-356
35.	3825	Vantage Mezzanine Fund Trust, Johannesburg, South Africa	ZAR	16.4594	6.83		[7]	[7]
36.	3878	Ace Power Embilipitiya Pvt Ltd., Colombo, Sri Lanka	LKR	209.4390	26.00		3,867,134	1,278,407
37.	3890	Evonik Lanxing (Rizhao) Chemical Industrial Co. Ltd., Rizhao, China	CNY	7.8600	10.00		40,467	-1,885

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No.	P. No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in % direct	DEG holding in % indirect	Equity[3] in kCU[5]	Result[4] in kCU[5]
38.	3921	Banco Finterra, S.A., Mexico City, Mexico	MXN	22.5087	14.94		767,000	-99,000
39.	4078	Banco Pine S.A., São Paulo, Brazil	BRL	4.4445	4.60		976,850	-228,383
40.	4083	Global Environment Emerging Markets Fund III-A, L.P., Alberta, Canada	USD	1.1450	4.58		89,332	-1,289
41.	4090	DLJ SAP International, LLC, Wilmington, USA	USD	1.1450	3.29		23,496	-743
42.	4095	Emerging Europe Leasing and Finance (EELF) B.V., Amsterdam, Netherlands	EUR	1.0000	25.00		[7]	[7]
43.	4193	OAO Bucharagips, Kogon, Uzbekistan	EUR	1.0000	24.89		363	-2,462
44.	4209	Turkish Private Equity Fund II, L.P., St. Peter Port, Guernsey (Channel Islands)	EUR	1.0000	4.95		435,836	115,884
45.	4210	The Kibo Fund LLC, Ebene Skies, Mauritius	EUR	1.0000	13.80		17,794	-608
46.	4216	PCC-DEG Renewables GmbH, Duisburg, Germany	EUR	1.0000	40.00		15,615	-2,913
47.	4226	Lombard Asia III, L.P., George Town, Cayman Islands	USD	1.1450	2.13		38,185	343
48.	4323	Nexxus Capital Private Equity Fund III, L.P., Mexico City, Mexico	USD	1.1450	10.26		66,318	-791
49.	4420	African Development Partners I, LLC, Ebene CyberCity, Mauritius	EUR	1.0000	5.54		229,232	1,869
50.	4422	Banyan Tree Growth Capital, LLC, Mauritius, Mauritius	USD	1.1450	27.00		72,837	-1,598
51.	4503	Istmo Compania de Reaseguros, Inc., Panama City, Panama	USD	1.1450	12.47		[7]	[7]
52.	4507	India Agri Business Fund Ltd., Ebene CyberCity, Mauritius	USD	1.1450	16.67		111,358	-4,247
53.	4518	Tourism Promotion Services, Tajikistan OJSC, Dushanbe, Tajikistan	TJS	10.7992	11.02		-29,140	-28,464
54.	4534	Kendall Court Mezzanine (Asia) Bristol Merit Fund, L.P., George Town, Cayman Islands	USD	1.1450	24.37		12,537	-244
55.	4557	Tolstoi Investimentos S.A., São Paulo, Brazil	BRL	4.4445	31.14		[7]	[7]
56.	4580	Acon Latin America Opportunities Fund-A, L.P., Toronto, Canada	USD	1.1450	39.99		51,363	-220
57.	4582	The Africa Health Fund, LLC, Port Louis, Mauritius	USD	1.1450	9.49		46,416	592
58.	4636	Renewable Energy Asia Fund, L.P., London, UK	EUR	1.0000	11.58		96,346	-3,247
59.	4641	OOO Gematek, St. Petersburg, Russian Federation	RUB	79.7153	5.76		1,041,482	37,866
60.	4650	Komercijalna Banka a.d. Beograd, Belgrade, Serbia	RSD	118.3000	4.60		63,260,055	8,117,368
61.	4680	PT Indonesia Infrastructure Finance, Jakarta, Indonesia	IDR	16,466.5400	15.12		2,225,091,000	-81,622,000
62.	4684	Emerging Europe Accession Fund Coöperatief U.A., Amsterdam, Netherlands	EUR	1.0000	10.15		55,932	28,062

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63.	4765	GEF Africa Sustainable Forestry Fund, L.P., Chevy Chase, USA	USD	1.1450	12.96		134,234	-1,549
64.	4799	Asia Environmental Partners (PF1), L.P., George Town, Cayman Islands	USD	1.1450	15.96		65,432	334
65.	4881	Catalyst Fund I, LLC. Port Louis, Mauritius	USD	1.1450	10.17		72,467	-12,713
66.	4924	Private Equity New Markets III K/S, Hellerup, Denmark	USD	1.1450	5.55		204,548	56,294
67.	4925	Africa Joint Investment Fund, Ebene CyberCity, Mauritius	USD	1.1450	16.00		[7]	[7]
68.	4927	Aureos South-East Asia Fund II, L.P., Toronto, Canada	USD	1.1450	5.74		223,939	30,348
69.	4934	Interact Climate Change Facility S.A., Luxembourg, Luxembourg	EUR	1.0000	7.69		127	0
70.	4941	The CapAsia ASEAN Infrastructure Fund III, L.P., George Town, Cayman Islands	USD	1.1450	13.17		42,953	2,075
71.	4942	EMX Capital Partners, L.P., Toronto, Canada	USD	1.1450	20.08		60,461	1,935
72.	4971	Knauf Gips Buchara OOO, Bukhara, Uzbekistan	UZS	9,586.6700	25.00		148,030,888	8,297,498
73.	4979	Deepak Fasteners Ltd., Ludhiana, India	INR	79.7298	0.01		1,196,389	-105,613
74.	4989	Harmon Hall Holding S.A. de C.V., Mexico City, Mexico	MXN	22.5087	12.76		275,800	12,311
75.	5050	Maghreb Private Equity Fund III, Port Louis, Mauritius	EUR	1.0000	9.78		129,859	-344
76.	5062	Lereko Metier Sustainable Capital Fund Trust, Sandhurst, South Africa	ZAR	16.4594	14.49		372,987	37,421
77.	5068	Mediterra Capital Partners I, L.P., St. Peter Port, Guernsey (Channel Islands)	EUR	1.0000	6.09		133,847	36,430
78.	5084	Orient Investment Properties Ltd., Road Town, British Virgin Islands	USD	1.1450	3.88		[7]	[7]
79.	5085	Mongolia Opportunities Fund I, L.P., George Town, Cayman Islands	USD	1.1450	13.33		24,817	3,079
80.	5102	Worldwide Group, Inc., Charlestown, St. Kitts & Nevis	USD	1.1450	33.41		25,031	2,243
81.	5122	Berkeley Energy Wind Mauritius Ltd., Ebene CyberCity, Mauritius	EUR	1.0000	25.83		85,425	-14,783
82.	5125	EMF NEIF I (A), L.P., Fareham, UK	USD	1.1450	28.08		42,449	473
83.	5134	VI (Vietnam Investments) Fund II, L.P., George Town, Cayman Islands	USD	1.1450	7.86		267,996	64,203
84.	5140	Stratus SCP Fleet Fundo de Investimento em Participações – Multiestratégia, São Paulo, Brazil	BRL	4.4445	39.69		43,760	8,673
85.	5142	Russia Partners Technology Fund, L.P., George Town, Cayman Islands	USD	1.1450	21.59		113,095	-1,586
86.	5172	Teak Tree Investments Pte. Ltd., George Town, Cayman Islands	USD	1.1450	16.44		24,642	930
87.	5203	The Clean Energy Transition Fund, L.P., St. Peter Port, Guernsey (Channel Islands)	EUR	1.0000	15.39		56,896	-3,777
88.	5216	Ambit Pragma Fund II, Mumbai, India	INR	79.7298	10.68		1,653,704	-121,544

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89.	5227	Equis Asia Fund, L.P., George Town, Cayman Islands	USD	1.1450	4.65		388,264	69,139
90.	5240	Grassroots Business Investors Fund I, L.P., George Town, Cayman Islands	USD	1.1450	16.36		18,741	65
91.	5264	Adenia Capital (III) LLC Ltd., Saint Pierre, Mauritius	EUR	1.0000	10.44		103,008	13,003
92.	5277	NSL Renewable Power Private Ltd., Hyderabad, India	INR	79.7298	0.00		1,636,100	-2,677,100
93.	5283	Lereko Metier Solafrica Fund I Trust, Johannesburg, South Africa	ZAR	16.4594	47.50		186,285	-4,736
94.	5295	UT Bank Ltd., Accra, Ghana	GHS	5.6028	13.52		[7]	[7]
95.	5300	Latin Renewables Infrastructure Fund, L.P., Dover, USA	USD	1.1450	14.06		36,659	-782
96.	5318	Victoria South American Partners II, L.P., Toronto, Canada	USD	1.1450	3.03		593,414	63,428
97.	5321	Adobe Social Mezzanine Fund I, L.P., Montreal, Canada	USD	1.1450	24.75		11,095	1,329
98.	5331	CoreCo Central America Fund I, L.P., Wilmington, USA	USD	1.1450	22.00		26,305	874
99.	5333	Elbrus Capital Fund II, L.P., George Town, Cayman Islands	USD	1.1450	3.12		639,054	155,371
100.	5378	Armstrong S.E. Asia Clean Energy Fund, L.P., Singapore, Singapore	USD	1.1450	7.54		122,529	2,433
101.	5386	Archimedes Health Developments Ltd., Limassol, Cyprus	USD	1.1450	19.23		[7]	[7]
102.	5387	BCR Investment Company Ltd., Port Louis, Mauritius	USD	1.1450	15.63		43,971	1,923
103.	5388	AGF Latin America, L.P., London, UK	USD	1.1450	19.72		67,175	4,647
104.	5413	ZEP-RE (PTA Reinsurance Company), Nairobi, Kenya	USD	1.1450	5.91		227,451	23,853
105.	5416	Agriculture Investment Group Corp., Tortola, British Virgin Islands	USD	1.1450	2.80		278,347	-46,765
106.	5434	African Development Partners II, L.P., St. Peter Port, Guernsey (Channel Islands)	USD	1.1450	3.45		495,682	-15,269
107.	5442	Banyan Tree Growth Capital - II LLC, Port Louis, Mauritius	USD	1.1450	13.94		216,642	-535
108.	5443	Altra Private Equity Fund II, L.P., George Town, Cayman Islands	USD	1.1450	3.88		241,474	14,684
109.	5459	Falcon House Partners Indonesia Fund I, George Town, Cayman Islands	USD	1.1450	8.76		246,347	-3,128
110.	5460	Lombard Asia IV, L.P., George Town, Cayman Islands	USD	1.1450	5.57		213,291	-2,667
111.	5478	Schulze Global Ethiopia Growth and Transformation Fund I, L.P., George Town, Cayman Islands	USD	1.1450	3.38		32,052	-1,089
112.	5484	Parque Eólico la Carabina I, S.A.P.I. de C.V., Mexico City, Mexico	MXN	22.5087	17.86		[7]	[7]
113.	5485	Parque Eólico la Carabina II, S.A.P.I. de C.V., Mexico City, Mexico	MXN	22.5087	17.86		[7]	[7]
114.	5486	Parque Eólico el Mezquite, S.A.P.I. de C.V., Mexico City, Mexico	MXN	22.5087	17.86		-292,090	-144,857

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115.	5492	Softlogic Life Insurance PLC, Colombo, Sri Lanka	LKR	209.4390	19.00		3,886,129	2,324,521
116.	5493	Paraguay Agricultural Corporation S.A., Luxembourg, Luxembourg	EUR	1.0000	15.83		83,267	-446
117.	5505	ADP Enterprises W.L.L., Manama, Bahrain	EUR	1.0000	23.26		191,171	-19,807
118.	5506	CGFT Capital Pooling GmbH & Co. KG, Berlin, Germany	EUR	1.0000	40.00		9,151	-3,270
119.	5515	MGM Sustainable Energy Fund. L.P., Toronto, Canada	USD	1.1450	15.82		56,250	235
120.	5532	The Enterprise Expansion Fund, S.A. SICAV-SIF, Luxembourg, Luxembourg	EUR	1.0000	10.31		16,044	819
121.	5533	Takura II Feeder Fund Partnership, Cape Town, South Africa	USD	1.1450	25.00		39,354	8,356
122.	5537	Uttam Galva Metallics Ltd., Mumbai, India	INR	79.7298	8.56		15,715,100	-2,533,800
123.	5569	Portland Caribbean Fund II, L.P., George Town, Cayman Islands	USD	1.1450	15.37		85,249	5,535
124.	5573	CapMan Russia II Fund, L.P., St. Peter Port, Guernsey (Channel Islands)	EUR	1.0000	12.57		24,913	-1,747
125.	5577	Oragroup S.A., Lomé, Togo	XOF	655.9570	3.19		138,674,000	17,159,000
126.	5583	ACON Latin America Opportunities Fund IV-A, L.P., Toronto, Canada	USD	1.1450	39.90		59,381	16,079
127.	5587	Navegar I, L.P., George Town, Cayman Islands	USD	1.1450	13.23		144,263	47,626
128.	5597	Mediterrania Capital II (SICAV) P.L.C., Qormi, Malta	EUR	1.0000	10.48		118,699	16,520
129.	5604	Quadria Capital Fund, L.P., George Town, Cayman Islands	USD	1.1450	8.33		315,405	53,817
130.	5622	Lovcen Banka AD, Podgorica, Montenegro	EUR	1.0000	28.05		12,589	436
131.	5627	LeapFrog Financial Inclusion Fund II, L.P., Ebene CyberCity, Mauritius	USD	1.1450	5.00		286,404	26,688
132.	5631	Multi Financial Group Inc., Panama City, Panama	PAB	1.1442	6.95		167,386	6,826
133.	5644	Berkeley Energy Netherlands Holding B.V., Amsterdam, Netherlands	EUR	1.0000	15.00		[7]	[7]
134.	5647	AEP China Hydro Ltd., Ebene CyberCity, Mauritius	USD	1.1450	30.18		55,636	-4,759
135.	5661	Grassland Finance Ltd., Hong Kong, Hong Kong	HKD	8.9675	24.95		418,456	-6,923
136.	5713	Orilus Investment Holdings Pte. Ltd., Singapore, Singapore	USD	1.1450	32.98		78,257	-235
137.	5715	Frontier Bangladesh II, L.P., George Town, Cayman Islands	USD	1.1450	20.00		6,761	-1,808
138.	5718	Asia Environmental Partners II, L.P., George Town, Cayman Islands	USD	1.1450	8.28		121,143	5,349
139.	5720	Kua Mex Foods, S.A.P.I. de C.V., Mexico City, Mexico	MXN	22.5087	15.01		1,433,936	-95,269
140.	5721	Soleq Holdings, George Town, Cayman Islands	USD	1.1450	6.82		[7]	[7]

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141.	5734	Euromena III, L.P., London, UK	USD	1.1450	9.00		85,482	4,981
142.	5745	Lereko Metier REIPPP Fund Trust, Sandhurst, South Africa	ZAR	16.4594	32.28		526,716	105,743
143.	5749	Investec Africa Private Equity Fund 2, L.P., St. Peter Port, Guernsey (Channel Islands)	USD	1.1450	8.48		162,415	59
144.	5770	Malacca Trust Pte. Ltd., Singapore, Singapore	IDR	16,466.5400	13.47		1,037,573,338	115,086,707
145.	5793	The Kibo Fund II LLC, Ebene CyberCity, Mauritius	USD	1.1450	19.96		23,985	-1,457
146.	5797	AfricInvest Fund III LLC, Port Louis, Mauritius	EUR	1.0000	4.40		137,285	7,308
147.	5816	Energon Holdings, George Town, Cayman Islands	USD	1.1450	10.50		[7]	[7]
148.	5837	Aavishkaar Frontier Fund, Ebene CyberCity, Mauritius	USD	1.1450	20.82		13,881	-406
149.	5847	ICE TopCo Ltd. S.A., Luxembourg, Luxembourg	EUR	1.0000	6.04		[7]	[7]
150.	5860	Abraaj North Africa Fund II, L.P., London, UK	USD	1.1450	4.27		[7]	[7]
151.	5878	Creed Healthcare Holdco Ltd., Birkirkara, Malta	USD	1.1450	7.50		[7]	[7]
152.	5912	Gaja Capital Fund II Ltd., Port Louis, Mauritius	USD	1.1450	7.89		-64	-3,228
153.	5935	Kibele B.V., Amsterdam, Netherlands	USD	1.1450	22.25		[7]	[7]
154.	5942	Emerald Sri Lanka Fund I Ltd., Ebene CyberCity, Mauritius	USD	1.1450	23.53		9,399	-922
155.	5979	Metier Capital Growth Fund II Partnership, Sandhurst, South Africa	ZAR	16.4594	16.43		944,487	-105,031
156.	5998	Tournai Investments S.L., Barcelona, Spain	EUR	1.0000	15.38		43,924	-2,154
157.	6014	HydroChile Holdings, George Town, Cayman Islands	CLP	794.7000	10.40		148,112,322	-6,126,097
158.	6038	Kandeo Fund II (A). L.P., Toronto, Canada	USD	1.1450	53.11		25,358	-553
159.	6038.1	KANDEO Fund II L.P., Toronto, Canada	USD	1.1450		14.42	77,075	-1,611
160.	6039	Surfline Communications Ltd., Accra, Ghana	GHC	56,028.0000	4.25		[7]	[7]
161.	6042	AIIF2 Towers Mauritius Ltd., Port Louis, Mauritius	USD	1.1450	16.10		204,512	25,612
162.	6047	VI (Vietnam Investments) Fund III, L.P., George Town, Cayman Islands	USD	1.1450	6.25		66,629	110
163.	6048	Medisia Investment Holdings Pte Ltd., Singapore, Singapore	USD	1.1450	32.65		83,147	23,364
164.	6052	Abraaj Africa Fund III, L.P., George Town, Cayman Islands	USD	1.1450	4.69		[7]	[7]
165.	6076	Equis Direct Investment Fund, L.P., George Town, Cayman Islands	USD	1.1450	2.68		294,816	53,057
166.	6086	Agrofundo Brasil VI Fundo de Investimento em Participações Multiestratégia, São Paulo, Brazil	BRL	4.4445	29.90		242,305	-97,180
167.	6100	Americas Energy Fund II Clean Energy, L.P., Toronto, Canada	USD	1.1450	17.14		31,605	-1,221

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168.	6129	Navegar II (Netherlands) B.V., Amsterdam, Netherlands	USD	1.1450	29.17		[7]	[7]
169.	6157	Vantage Mezzanine III Pan African Sub-Fund Partnership, Johannesburg, South Africa	USD	1.1450	6.53		41,016	-308
170.	6159	Vantage Mezzanine III Southern African Sub-Fund Partnership, Johannesburg, South Africa	ZAR	16.4594	11.33		1,219,388	294,321
171.	6173	ACON Retail MXD. L.P., Toronto, Canada	USD	1.1450	100.00		9,079	-4,987
172.	6173.1	Grupo Vizion Lerma, S.A.P.I. de C.V., Mexico	MXN	22.5087		6.3	2,157,952	-738,828
173.	6176	Equis DFI Feeder, L.P., George Town, Cayman Islands	USD	1.1450	37.00		23,902	9,628
174.	6200	Qalaa Holdings SAE, Cairo, Egypt	EGP	20.5088	0.85		5,889,419	-452,333
175.	6216	Stratus Capital Partners B, L.P., Edinburgh, UK	USD	1.1450	75.00		14,979	1,121
176.	6216.1	Stratus Group – Stratus Capital Partners (SCP), Edinburgh, UK	USD	1.1450		12.35	21	21
177.	6230	Ashmore Andean Fund II, L.P., Toronto, Canada	USD	1.1450	10.21		71,733	13,554
178.	6232	Taxim Capital Partners I, L.P., St. Helier, Jersey	EUR	1.0000	6.99		55,072	30,187
179.	6238	Cambodia-Laos-Myanmar Development Fund II, L.P., Singapore, Singapore	USD	1.1450	15.54		16,874	-2,287
180.	6240	Pembani Remgro Infrastructure Mauritius Fund I, L.P., Ebene CyberCity, Mauritius	USD	1.1450	10.35		82,854	-11,331
181.	6250	Mobisol GmbH, Berlin, Germany	EUR	1.0000	9.94		13,505	-13,388
182.	6253	Triple P SEA Financial Inclusion Fund LP, Singapore, Singapore	USD	1.1450	25.20		537	-1,183
183.	6261	Falcon House Partners Fund II, L.P., George Town, Cayman Islands	USD	1.1450	4.00		141,742	-6,786
184.	6317	Deep Catch Namibia Holdings (Pty) Ltd., Windhoek, Namibia	NAD	16.4494	38.57		124,629	13,329
185.	6321	Azure Power Global Ltd., Ebene CyberCity, Mauritius	USD	1.1450	2.76		203,893	-12,606
186.	6323	ECP Africa Fund IV LLC, Ebene CyberCity, Mauritius	USD	1.1450	51.94		140,663	20,397
187.	6323.1	ECP Africa Fund IV LLC-Gruppe, Ebene CyberCity, Mauritius	USD	1.1450		8.18	[7]	[7]
188.	6347	Principle Capital Fund IV, L.P., George Town, Cayman Islands	USD	1.1450	12.47		75,130	-5,132
189.	6395	MC II Pasta Ltd., Qormi, Malta	EUR	1.0000	36.14		[7]	[7]
190.	6397	AFIG Fund II, L.P., Ebene CyberCity, Mauritius	USD	1.1450	7.70		25,614	-1,334
191.	6399	Adenia Capital (IV), L.P., Port Louis, Mauritius	EUR	1.0000	8.65		2,040	-4,186
192.	6401	Apis Growth 2 Ltd., Ebene CyberCity, Mauritius	USD	1.1450	25.63		37,513	970
193.	6428	Africa Bovine Ltd., Ebene CyberCity, Mauritius	USD	1.1450	11.39		113,897	-560

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194.	6431	Whitlam Holding Pte. Ltd., Singapore, Singapore	USD	1.1450	38.74		53,064	24,125
195.	6449	Metier Retailability en Commandite Partnership, Sandhurst, South Africa	ZAR	16.4594	23.75		557,146	-6,910
196.	6450	PT Bank Victoria International Tbk., South Jakarta, Indonesia	IDR	16,466.5400	9.00		2,844,364,225	131,387,618
197.	6452	Catalyst MENA Clean Energy Fund, L.P., St. Peter Port, Guernsey (Channel Islands)	USD	1.1450	19.44		4,345	-1,851
198.	6466	Catalyst Fund II, L.P., Port Louis, Mauritius	USD	1.1450	6.56		8,698	-10,196
199.	6470	ADP II Holding 6 W.L.L., Manama, Bahrain	BHD	0.4316	16.67		39,337	12,668
200.	6476	New Forests Company Holdings I Ltd., Port Louis, Mauritius	USD	1.1450	16.67		65,235	3,881
201.	6489	Sierra Madre Philippines I, L.P., George Town, Cayman Islands	USD	1.1450	20.00		-69	-1,608
202.	6499	Phi Capital Trust, Chennai, India	INR	79.7298	22.50		402,910	-86,076
203.	6519	ADAMAS Ping An Opportunities Fund, L.P., George Town, Cayman Islands	USD	1.1450	11.69		[6]	[6]
204.	6523	North Haven Thai Private Equity, L.P., George Town, Cayman Islands	USD	1.1450	5.66		77,326	-4,249
205.	6528	Knauf Gypsum Philippines Inc., Makati, Philippines	PHP	60.1130	25.00		1,386,887	-75,038
206.	6529	Maison Capital Fund. L.P., George Town, Cayman Islands	USD	1.1450	11.42		19,989	-2,546
207.	6531	Dolce M8 Holdco Ltd., Port Louis, Mauritius	USD	1.1450	12.50		82,744	2,982
208.	6533	African Infrastructure Investment Fund 3, L.P., Cape Town, South Africa	USD	1.1450	16.67		61,303	-9,869
209.	6537	Operadora de Servicios Mega. S.A. de C.V., SOFOM E.R., Zapopan, Mexico	MXN	22.5087	23.45		909,937	53,113
210.	6550	Tesla Wind d.o.o., Belgrade, Serbia	EUR	1.0000	10.01		[6]	[6]
211.	6568	SSG Secured Lending Opportunities II, L.P., George Town, Cayman Islands	USD	1.1450	4.91		86,515	7,504
212.	6573	Forte Investment Holdings Co. Ltd., Phnom Penh, Cambodia	USD	1.1450	11.55		[6]	[6]
213.	6587	Exacta Asia Investment II, L.P., George Town, Cayman Islands	USD	1.1450	13.76		5	-1,733
214.	6590	Emerging Europe Growth Fund III, L.P., Wilmington, USA	USD	1.1450	5.56		15,812	-1,688
215.	6598	Abraaj Global Credit Fund, L.P., George Town, Cayman Islands	USD	1.1450	7.59		23,413	-579
216.	6601	Mediterrania Capital III, L.P., Port Louis, Mauritius	USD	1.1450	11.06		[6]	[6]
217.	6606	AfricInvest III – SPV 1, Port Louis, Mauritius	EUR	1.0000	21.82		[6]	[6]
218.	6617	IAPEF 2 SJL Ltd., Ebene CyberCity, Mauritius	USD	1.1450	15.53		123,555	4,190
219.	6637	Global Credit Rating Company Limited, Ebene CyberCity, Mauritius	USD	1.1450	13.50		20,645	3,319

No.	P. No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in % direct	DEG holding in % indirect	Equity[3] in kCU[5]	Result[4] in kCU[5]
220.	6638	Bozano Investimentos Growth Capital Fund I-B, L.P., George Town, Cayman Islands	USD	1.1450	25.00		15,717	-1,536
221.	6641	Darby Latin American Private Debt Fund IIIA, L.P., Toronto, Canada	USD	1.1450	37.58		2,962	-410
222.	6645	Fortress Vietnam Investment Holdings Pte. Ltd., Singapore, Singapore	USD	1.1450	11.58		60,750	-60
223.	6655	MC II Concrete Ltd., Qormi, Malta	EUR	1.0000	19.76		[6]	[6]
224.	6657	Maghreb Private Equity Fund IV LLC, Port Louis, Mauritius	EUR	1.0000	8.64		[6]	[6]
225.	6658	LeapFrog Emerging Consumer Fund III, LP, Ebene, Mauritius	USD	1.1450	8.45		27,072	-3,282
226.	6678	Adobe Mezzanine Fund II, L.P., Montreal, Canada	USD	1.1450	23.70		884	-261
227.	6697	M-BIRR Ltd., Dublin, Ireland	EUR	1.0000	13.95		1,118	-745
228.	6718	Clearwater China Investments Ltd., George Town, Cayman Islands	USD	1.1450	6.34		141,385	-251
229.	6730	Leiden PE II, L.P., Toronto, Canada	USD	1.1450	27.03		27,643	-2,426
230.	6736	PAG Growth I, L.P., George Town, Cayman Islands	USD	1.1450	7.88		49,481	-1,802
231.	6773	Rent 2 Own Holdings Pte Ltd., Singapore, Singapore	USD	1.1450	13.52		3,425	-38
232.	6808	GenBridge Capital Fund I, L.P., George Town, Cayman Islands	USD	1.1450	3.09		29,690	-11,710
233.	6821	Lighthouse India Fund III, Ltd., Port Louis, Mauritius	USD	1.1450	8.14		[6]	[6]
234.	6837	Denham International Power SCSp., Luxembourg, Luxembourg	USD	1.1450	14.68		40,453	-1,212
235.	6879	Forebright New Opportunities Fund II, L.P., George Town, Cayman Islands	USD	1.1450	28.08		[6]	[6]
236.	6924	Ethos Mezzanine Partners 3 (A) Partnership, Johannesburg, South Africa	USD	1.1450	13.34		[6]	[6]
237.	6925	Latin America Healthinvest S.L.U., Madrid, Spain	EUR	1.0000	18.67		[6]	[6]
238.	6949	C88 Financial Technologies Pte. Ltd., Singapore, Singapore	USD	1.1450	5.22		5,695	-4,471
239.	6956	JREP I Logistics Acquisition, L.P., Grand Cayman, Cayman Islands	USD	1.1450	12.80		[6]	[6]
240.	6957	ADP II Holding 10 L.P., St. Peter Port, Guernsey (Channel Islands)	USD	1.1450	13.45		[6]	[6]
241.	6962	Creador IV L.P., Ebene, Mauritius	USD	1.1450	7.18		[6]	[6]
242.	6983	Vietnam Opportunity Fund II Pte. Ltd., Singapore, Singapore	USD	1.1450	32.00		[6]	[6]
243.	6993	ADP II Holding 11 S.A.R.L., Munsbach, Luxembourg	USD	1.1450	33.30		[6]	[6]

[1] ISO currency code.
[2] CU – currency unit in local currency.
[3] Equity as per HGB Article 266, Sections 3 & 272.
[4] Result as per HGB Article 275, Sections 2 & 3.
[5] kCU = 1,000 currency units in local currency.
[6] Enterprise in start-up phase, no annual statements of accounts available yet.
[7] No current annual statements of accounts available.

CORPORATE BODIES

Supervisory Board

Norbert Barthle
Chairman
Parliamentary State Secretary
Federal Ministry for Economic Cooperation and Development, Berlin (from 22.5.2018)

Hans-Joachim Fuchtel
Chairman
Parliamentary State Secretary
Federal Ministry for Economic Cooperation and Development, Berlin (until 06.4.2018)

Prof Dr Joachim Nagel
First Deputy Chairman
Member of the Board of Managing Directors, KfW, Frankfurt am Main

Prof Dr Christiane Weiland
Second Deputy Chairwoman
Head of Degree Programme, Business Administration – Banking, Baden-Württemberg Cooperative State University, Karlsruhe

Susanne Baumann
Commissioner and Head of the Directorate-General for International Order, the United Nations and Arms Control
Federal Foreign Office, Berlin
(from 14.8.2018)

Dr Amichia Biley
Senior Investment Manager, Department for Business Innovation and Syndication, DEG, Cologne

Eberhard Brandes
CEO, WWF Germany, Berlin

Bertram Dreyer
Senior Investment Manager, Department for Project Finance, Infrastructure and Risk Capital, DEG, Cologne

Dr Patricia Flor
Head of the Directorate-General for International Order, United Nations and Arms Control, Federal Foreign Office, Berlin (until 30.7.2018)

Jürgen Gerke
CEO & Chairman of the Board of Management, Allianz Capital Partners GmbH, Munich (from 1.3.2018)

Dr Sabine Hepperle
Head of Division, Mittelstand Policy
Federal Ministry for Economic Affairs and Energy, Berlin

Michael Junginger
CEO, C. Hilzinger-Thum GmbH & Co. KG, Tuttlingen (from 1.3.2018)

Arndt G. Kirchhoff
Managing Partner
Kirchhoff Automotive GmbH & Co. KG, Attendorn (until 22.2.2018)

Caroline Kremer
Vice Chair, DEG Works Council & Equal Opportunities Officer, DEG, Cologne

Bernd Loewen
Member of the Board of Managing Directors, KfW, Frankfurt am Main
(from 19.3.2018)

Sarah Madew
Senior Counsel, Legal Department Africa/Latin America, DEG, Cologne

Dr Michael Meister
Parliamentary State Secretary
Federal Ministry of Finance, Berlin
(until 14.3.2018)

Dorothea Mikloweit
Technical Coordinator, Department for Transaction Management, DEG, Cologne

Wolfgang Schmidt
State Secretary
Federal Ministry of Finance, Berlin
(from 2.10.2018)

Dr Ulrich Schröder
Chairman of the Executive Board, KfW, Frankfurt am Main (until 31.1.2018)

Management Board

Monika Beck
(from 1.7.2018)

Philipp Kreutz

Christiane Laibach
Chairwoman
(from 1.7.2018)

Bruno Wenn
Chairman
(until 30.6.2018)

Cologne, 18 February 2019

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH

The Management Board

Beck Kreutz Laibach

AUDITOR'S REPORT

"Independent auditor's report

To Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne

Report on audit of the annual financial statements and management report

Audit opinion

We have audited the annual financial statements of DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne – consisting of the balance sheet as at 31 December 2018, the profit and loss account for the financial year from 1 January 2018 to 31 December 2018, and the appendix, which includes the valuation/accounting criteria. We have additionally audited DEG's management report for the financial year from 1 January 2018 to 31 December 2018. In keeping with statutory provisions under German law, we have not verified as to substance the declaration on page 7 of the management report on corporate governance as per Article 289f, Section 4 HGB (information on quota of female staff).

In our judgment, based on the audit findings,

- the attached annual financial statements comply, in all significant aspects, with German commercial law as it applies to corporations, and give a true and fair view of the net worth and financial situation of the company as at 31 December 2018, and of its earnings situation for the financial year from 1 January 2018 to 31 December 2018, in accordance with standard German accounting principles, and

- the attached management report as a whole conveys an accurate view of the company's situation. This management report conforms to the annual financial statements in all essential points. It complies with German statutory requirements and presents an accurate picture of the opportunities and risks of future development.

In accordance with Article 322, Section 3, Clause 1 HGB, we declare that our audit has not given rise to any objections in respect of the correctness of the annual statements of accounts and the management report.

Basis for the audit opinions

We conducted our audit of the annual statements of accounts and the management report in accordance with Article 317 HGB and in compliance with the German standards for audits of financial statements established by Institut der Wirtschaftsprüfer (the German Institute of Public Auditors IDW). Additional information on our responsibility under these provisions and principles may be found in the section "Auditor's responsibility for the audit of the annual financial statements and the management report" of this report. In accordance with German commercial law and with provisions regulating the profession, we are independent of the company and have fulfilled our other professional duties under German regulations in compliance with these requirements. We are of the opinion that the audit evidence we have gathered is suitable and sufficient to serve as the basis of our audit opinions on the annual financial statements and the management report.

Other information

Under Article 10 of DEG's Articles of Association, the Supervisory Board is responsible for the "Report of the Supervisory Board". The Management Board and the Supervisory Board are jointly required under Article 16 of DEG's Articles of Association to make an annual declaration of compliance with the recommendations of the German Federal Public Corporate Governance Code PCGC (Public Corporate Governance Kodex des Bundes) in whatever form is in force at the time, and to publish that declaration as part of its Corporate Governance Report. Responsibility for any other information rests with the statutory representatives.

Other information comprises the information on the Corporate Governance Declaration received prior to the date of this audit report, as well as those sections of DEG's 2018 annual report which will presumably be made available to us after this date, specifically: "DEG at a glance", "Report by the Supervisory Board" and "Corporate Governance Report 2018".

Our audit opinions on the annual financial statements and the management report do not extend to this other information. Hence, we neither give an audit opinion, nor come to any other kind of audit conclusion in relation to it.

In connection with our audit, we have a responsibility to read the other information provided and to recognise whether this other information

- contains significant inconsistencies with the annual financial statements, the management report or the understanding we have gained in the course of our audit, or

- appears inaccurately presented to a significant degree in any other way.

If, based on the work we have carried out, we come to the conclusion that a significant misrepresentation of this other information is present, we are obliged to report on this fact. We have nothing to report in this instance.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report

The legal representatives are responsible for drawing up the annual financial statements, which comply in all essential points with German commercial law as it applies to corporations, and for ensuring that the annual financial statements give a true and fair view of the company's net worth, financial and earnings situation, in accordance with standard German accounting principles. The legal representatives are further responsible for the internal controls they have, in compliance with standard German accounting principles, deemed necessary to enable the preparation of annual financial statements that are free from significant – deliberate or unintentional – misstatements.

When compiling the annual financial statements, the legal representatives have a responsibility to evaluate the company's ability to continue as a going concern. Furthermore, they have a responsibility to detail, where pertinent, issues connected to the continuation of corporate activities. They also have a responsibility to account for the going-concern accounting principles, provided this is not prevented by actual or statutory conditions.

The legal representatives are further responsible for drawing up a management report that conveys an accurate overall view of the company's situation, is consistent in all essential points with the annual financial statements, complies with German statutory requirements, and gives an accurate picture of the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the arrangements and measures (systems) they have deemed necessary to enable the compilation of a management report in accordance with the applicable provisions under German law, and to ensure that sufficient suitable evidence for the statements in the management report can be provided.

The Supervisory Board is responsible for monitoring the company's financial reporting process used to prepare the annual financial statements and the management report.

Auditor's responsibility for the audit of the annual financial statements and the management report

Our goal is to achieve sufficient certainty on whether the annual financial statements as a whole are free from material – deliberate or unintentional – misstatements; whether the management report as a whole conveys an accurate picture of the company's situation as well as being consistent in all essential respects with the annual financial statements and with the insights gained during the audit; and whether it complies with German statutory requirements and gives an accurate view of the opportunities and risks of future development. Our goal is further to issue an audit certificate that comprises our audit opinions on the annual financial statements and the management report.

Sufficient certainty is a high degree of certainty, but does not guarantee that an audit carried out in accordance with Article 317 HGB and in compliance with the German standards for audits of financial statements established by Institut der Wirtschaftsprüfer (the German Institute of Public Auditors IDW) will always discover a material misstatement. Misstatements may arise from infringements or errors and are regarded as significant if they allow the reasonable assumption that they, singly or as a whole, influence commercial decisions taken by recipients on the basis of these annual financial statements and this management report.

In the course of our audit, we exercise judgment, as duty bound, and maintain a critical attitude. We additionally

- identify and evaluate the risks of significant – deliberate or unintentional – misstatements in the annual financial statements and the management report, plan and carry out audit activities in response to these risks, and gather audit evidence that is sufficient and suitable to serve as the basis for our audit opinions. The risk that significant misstatements remain undiscovered is greater in regard to infringements than in the case of errors, since infringements may involve fraudulent collaboration, forgeries, deliberate deficiencies, misleading representations and the suspension of internal control systems;

- gain an understanding of the internal control system relevant to the auditing of the annual financial statements, and of the arrangements and measures relevant to the auditing of the management report, with a view to planning audit activities that are appropriate in the circumstances, albeit not with the aim of giving an audit opinion on the effectiveness of these corporate systems;

- evaluate the appropriateness of the financial reporting methods used by the legal representatives, as well as the extent to which the estimated values and associated statements presented by the legal representatives are justifiable;

- draw conclusions about the suitability of the going-concern accounting principle applied by the legal representatives as well as come to a view, based on the audit evidence received, on whether significant uncertainty pertains in connection with events or circumstances that might lead to significant doubt about the company's ability to continue as a going concern. Should we come to the conclusion that significant uncertainty is present, we have an obligation to draw attention to the relevant details in the annual financial statements and the management report in our audit certificate, or, should such statements be inappropriate, to modify our audit opinion. We base our conclusions on the audit evidence obtained by the date on which our certificate is issued. Future events or circumstances may nevertheless result in the company not being able to continue as a going concern;

- evaluate the overall presentation, the organisation and the content of the annual financial statements, including the data, and take a view on whether the annual financial statements present the basic business transactions and events in a manner that gives a true and fair view of the net worth, financial and earnings situation of the company in accordance with German accounting principles;

- evaluate the extent to which the management report is consistent with the annual financial statements, its compliance with the law, and the view of the company's situation presented therein;

- carry out audit activities in relation to the outlook presented by the legal representatives in the management report. Drawing on sufficient, suitable audit evidence, we specifically examine the main assumptions on which the legal representatives have based their outlook and make a judgment as to whether the outlook has been correctly derived from the assumptions. We do not give a separate audit opinion on the outlook, or on the assumptions on which it is based. There is a substantial, unavoidable risk that future events will significantly diverge from the outlook.

We discuss, among other things, the proposed scope and scheduling of the audit as well as important audit findings with those responsible for monitoring the process. This includes any flaws in the internal control system which we may have uncovered in the course of our audit."

Düsseldorf, 11 March 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Lösken	Wirths
Auditor	Auditor

Translation of the independent auditor's report issued in German language on the annual financial statements prepared in German language by the Management Board of company. The German language statements are decisive.

REPORT ON GENDER EQUALITY AND EQUAL PAY AS PER ARTICLE 21 OF THE ACT TO PROMOTE TRANSPARENCY OF PAY STRUCTURES (EntgTranspG)

Measures to promote equality

DEG's commitment to gender equality is a significant element of its human resources policy. In a relevant corporate agreement drawn up as far back as 2003, it established goals designed to "implement equality".

DEG participates in KfW's group-wide gender balance process and enables staff members to take part in overarching corporate programmes, including, for example, "shadowing" or "mentoring". It also provides its own development programmes designed to identify talent at an early stage and motivate women to assume management responsibilities. These specifically include carrying out an assessment of potential, if interest in a leadership position is shown, a personal skills review as part of the in-house professional development programme and an offer of coaching.

Further building blocks in DEG's efforts to achieve equality are various cross-mentoring programmes with female staff members and executives as well as, among other things, a mentoring programme for female academics with a disability or impaired health. Ways in which a good work-life balance is assured include flexible working time models and options that allow mobile working. Since 2012, DEG has been certified as a family-friendly employer by the Hertie Foundation under the "berufundfamilie" initiative.

In compliance with the law requiring equal participation of men and women in leadership roles in the private and public sectors, DEG pursues the express aim of increasing the proportion of women in leadership positions and reports on this in its annual management report.

Measures to achieve equal pay

DEG's remuneration system involves a fixed and a variable component. As a company bound by collective bargaining agreements, it applies the agreement for the private banking sector and for public banks. For staff outside regular pay scales, job-related salary bands have been defined. These set the basic remuneration framework. Added to this is a variable component which is applied annually. For both salary groups – those on regular pay scales and those outside those pay scales – this component is governed by the corporate agreement on "Salary determination and remuneration at DEG".

The success-related remuneration component, known as the "target bonus" is a performance-based, gender-neutral system of rewards for individual goal attainment. All the above-mentioned components are transparently and verifiably published on DEG's intranet. In addition, all the tasks and activities, knowledge and professional experience, as well as core competencies including skill sets, have been arranged into job families. Job families are clusters of posts based on similar competency requirements. They are standardised and are comprised of an indeterminate number of DEG positions and functions in different departments and fields. Relevant competencies are additionally described in detail in DEG's competency model. Overall, the knowledge, experience and competencies required constitute the prerequisite for a given career level. The evaluation and assessment of competencies is carried out by the executive responsible, in discussion with the staff member. The job families system is clearly laid out in the corporate agreement "Job families at DEG".

In-depth analyses are also carried out during the annual performance and promotion exercise. The aim is to uncover structural differences in remuneration. Appraisals, salary increases and the level of target bonuses are also reviewed accordingly.

Information about the entry into force of Germany's Act to Promote Transparency of Pay Structures (EntgTranspG) and the operation of the individual right to information (as per Article 10 EntgTranspG) can be found on DEG's intranet. Relevant queries are handled by the HR department. The Works Council receives a copy of the query and the written answer.

Number of employees[1] in 2018

(average values)

Total employees	610
female	320
male	290
Full-time employees	474
female	195
male	279
Part-time employees	137
female	126
male	11

[1] Excluding Management Board.

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