

»» Corporate Governance 2012

Corporate Governance Report

As a member of the KfW Group, KfW IPEX-Bank GmbH has committed itself to making responsible and transparent actions understandable. Both the Management Board and the Board of Supervisory Directors of KfW IPEX-Bank GmbH recognise the principles of the German Public Corporate Governance Code (PCGC or Code) of the German Federal Government for KfW IPEX-Bank GmbH. A Declaration of Compliance with the recommendations of the PCGC was issued for the first time on 23 March 2011. Since then any potential deviations are disclosed and explained on an annual basis.

KfW IPEX-Bank GmbH has operated since 1 January 2008 as a legally independent, wholly owned subsidiary of the KfW Group. Its rules and regulations (Articles of Association, Rules of Procedure for the Board of Supervisory Directors and the Rules of Procedure for the Members of the Management Board) contain the principles of the system of management and control by the bank's bodies.

To implement the PCGC, KfW IPEX-Bank GmbH amended its rules and regulations during the summer of 2010, and included the recommendations and suggestions of the PCGC in its Articles of Association, Rules of Procedure for the Board of Supervisory Directors and Rules of Procedure for the Members of the Management Board.

Declaration of Compliance

The Management Board and the Board of Supervisory Directors of KfW IPEX-Bank GmbH hereby declare: "Since the last Declaration of Compliance submitted 19 March 2012, the recommendations of the Public Corporate Governance Code of the Federal Government, as adopted by the Federal Government on 1 July 2009, were and will continue to be fulfilled with the exception of the following recommendations".

D&O insurance deductible

Effective from 1 January 2013 KfW concluded new D&O insurance contracts in the form of a group insurance policy which also provides insurance cover to the members of the Management Board and the Board of Supervisory Directors of KfW IPEX-Bank GmbH. Although previous contracts – contrary to Clause 3.3.2 of the Code – did not provide for a deductible, the new contracts contain an option to introduce such a deductible. The decision to exercise this option is taken together with the Chairman and Deputy Chairman of the Board of Supervisory Directors of KfW. The deviation from Clause 3.3.2 of the Code will remain effective as long as such a decision is not taken.

Delegation to committees

The committees of the Board of Supervisory Directors of KfW IPEX-Bank GmbH, with the exception of the Loan Committee, perform only preparatory work for the Board of Supervisory Directors. The Loan Committee takes final credit decisions regarding financing transactions that exceed certain predefined limits; this is contrary to Clause 5.1.8 of the Code. This procedure is necessary for practical and efficiency reasons. The delegation of credit decisions to a loan committee is usual practice at banks. It is used to accelerate the decision-making process and to consolidate technical expertise within the committee.

Loans to members of the bodies

According to the Rules of Procedure for the Board of Supervisory Directors, KfW IPEX-Bank GmbH may not grant individual loans to members of the Board of Supervisory Directors. Although the service contracts of the members of the Management Board do not include a prohibition clause in this regard, neither do they grant an explicit legal entitlement. To ensure equal treatment, this does not apply – in derogation of Clause 3.4 of the Code – to utilisation of promotional loans made available under KfW programmes. Due to standardisation of lending and the principle of on-lending through applicants' own banks there is no risk of conflicts of interests with regard to programme loans.

Number of mandates held by members of the Board of Supervisory Directors

The two members of the Board of Supervisory Directors appointed by the German Federal Government – in deviation from Clause 5.2.1 Sentence 2 of the Code – exercise more than the recommended number of altogether three mandates in monitoring bodies. There are organisational and professional reasons for this that relate to the Federal Government. The dutiful fulfillment of their tasks as members of the company's Board of Supervisory Directors is not jeopardised as both members in question have sufficient time to exercise their mandate from KfW IPEX-Bank GmbH.

Cooperation between the Management Board and the Board of Supervisory Directors

The Board of Supervisory Directors and the Management Board work closely together for the benefit of KfW IPEX-Bank GmbH. The Management Board, particularly its Speaker, maintains regular contact with the Chairman of the Board of Supervisory Directors. The Management Board discusses important matters concerning corporate management and corporate strategy with the Board of Supervisory Directors. With regard to issues of major significance, the Chairman of the Board of Supervisory Directors informs the Board of Supervisory Directors and, if necessary, convenes an extraordinary meeting.

During the reporting year, the Management Board informed the Board of Supervisory Directors about all relevant matters regarding KfW IPEX-Bank GmbH, particularly any questions concerning the bank's net assets, financial position and results of operations, risk assessment, risk management and risk controlling. In addition, they discussed the overall business development and strategic direction of the bank.

Management Board

The members of the Management Board manage the activities of KfW IPEX-Bank GmbH with the appropriate due care and diligence of a prudent businessperson pursuant to the laws, Articles of Association, Rules of Procedure for the Members of the Management Board, as well as the decisions of the shareholders' general meeting and of the Board of Supervisory Directors.

In the reporting year the main responsibilities of the members of the Management Board of KfW IPEX-Bank GmbH were as follows:

- Mr Harald D. Zenke: Speaker of the Management Board and Director of Products and Corporate Affairs
- Ms Christiane Laibach: Director of Risk and Finance
- Mr Christian K. Murach: Director of Markets II/Transport sectors and Treasury
- Mr Markus Scheer: Director of Markets I/Industry sectors

The members of the Management Board are obliged to act in the best interests of KfW IPEX-Bank GmbH, may not consider private interests in their decisions, and are subject to a comprehensive non-competition clause during their employment with KfW IPEX-Bank GmbH. The members of the Management Board must immediately disclose any conflicts of interest to the shareholder. No such situation occurred during the reporting year.

Board of Supervisory Directors

The formal approval of the actions of the members of the Board of Supervisory Directors by the general shareholders' meeting on 19 March 2012 marked the end of the first term of the incumbent Board of Supervisory Directors of KfW IPEX-Bank GmbH. The second term of the Board of Supervisory Directors began with the appointment of its members by the same general shareholders' meeting. Another change in the composition of the body became necessary due to the implementation of the co-determined Board of Supervisory Directors in accordance with the provisions of the German One-Third Participation Act (*Drittelbeteiligungsgesetz – DrittelbG*). In a first step the number of members on the Board of Supervisory Directors was increased on 8 May 2012 by the general shareholders' meeting from six to nine, the Articles of Association of KfW IPEX-Bank GmbH were amended and the six representatives from the shareholder were appointed. The changes took effect upon being entered on 15 May 2012. The election of the three employee representatives effective from 13 June 2012 marked the completion of the implementation of a co-determined Board of Supervisory Directors. The now mandatory Board of Supervisory Directors of KfW IPEX-Bank GmbH convened for its first meeting on 5 July 2012. At this meeting not only the Chairman and Deputy Chairman of the Board of Super-

visory Directors, but also the members of the individual committees and the respective committee chairs were appointed. The Board of Supervisory Directors advises and monitors the Management Board in the management of the bank.

In accordance with the Articles of Association of KfW IPEX-Bank GmbH in their current version, the Board of Supervisory Directors consists of nine members: two representatives from KfW, two representatives from the Federal Government – one each from the Federal Ministry of Finance and the Federal Ministry of Economics and Technology – and two representatives from industry as well as three employee representatives. In accordance with the Rules of Procedure for the Board of Supervisory Directors in their current version – which were also amended in conjunction with the implementation of the co-determined Board of Supervisory Directors – the Board of Supervisory Directors is to be chaired by a representative of the Executive Board of KfW; as the current Chairman is Dr Norbert Kloppenburg, this requirement is met. Since 13 June 2012 there have been three women on the Board of Supervisory Directors.

Anyone with five or more monitoring mandates from companies under the supervision of the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*) may not serve as a member of the Board of Supervisory Directors. The members of the Board of Supervisory Directors may not serve in a consulting or supervisory role for any significant competitors of the company. The members of the Board of Supervisory Directors complied with these recommendations during the reporting period. The recommendation that the members of the Board of Supervisory Directors proposed by the Federal Government should in general not exercise more than three mandates in monitoring bodies was, however, not complied with. Conflicts of interest should be disclosed to the Board of Supervisory Directors. No such case occurred during the reporting period.

No member of the Board of Supervisory Directors participated in less than half of the board meetings during the reporting year.

Committees of the Board of Supervisory Directors

The Board of Supervisory Directors has established three committees to fulfil its consulting and monitoring responsibilities in a more efficient manner.

The **Executive Committee** is responsible for all personnel-related activities and the bank's management policies, as well as – insofar as necessary – preparation for the meetings of the Board of Supervisory Directors.

The **Loan Committee** is responsible for all credit-related issues.

The **Audit Committee** is responsible for questions regarding accounting and risk management of the bank, as well as the preparatory work for the issuance of the audit mandate and the establishment of audit priorities as part of the annual audit of the bank's financial statements. It discusses the quarterly reports and the annual financial statements of the company in preparation for the meetings of the full Board of Supervisory Directors.

The chairs of the committees report to the Board of Supervisory Directors on a regular basis. The Board of Supervisory Directors has the right to change or rescind the competencies delegated to the committees at any time.

The Board of Supervisory Directors provides information about its work and that of its committees during the reporting year in its report. An overview of the members of the Board of Supervisory Directors and its committees is available on the website of KfW IPEX-Bank GmbH.

Shareholder

KfW IPEX-Beteiligungsholding GmbH owns 100% of the share capital of KfW IPEX-Bank GmbH. The general shareholders' meeting is responsible for all matters for which another governing body does not hold sole responsibility, either by law or by the Articles of Association. It is responsible in particular for the approval of the annual financial statements and the appropriation of the annual profit or retained earnings, the determination of the amount available for payment of performance-based, variable compensation within the company, for the appointment and removal of members of the Board of Supervisory Directors or of the Management Board, for the approval of their activities at the end of each financial year, and for the appointment of the auditor.

Supervision

Since its spin-off, KfW IPEX-Bank GmbH has been fully subject to the provisions of the German Banking Act (*Kreditwesengesetz – KWG*). Effective 1 January 2008, BaFin granted the bank a licence to act as an IRBA bank (Internal Ratings-Based Approach) for the rating of corporates, banks, sovereign countries and special financings (elementary approach). The bank uses the standard approach to calculate the regulatory capital requirements associated with operational risks. Due to the special status of KfW (supervision: Federal Ministry of Finance), there is a financial holding group within KfW IPEX-Beteiligungsholding GmbH that is important from a bank supervision standpoint. This holding group consists of KfW IPEX-Bank GmbH (the parent company) together with Railpool GmbH & Co. KG and MD Capital Beteiligungsgesellschaft mbH (subsidiary companies).

Protection of deposits

Effective 1 January 2008, BaFin assigned KfW IPEX-Bank GmbH to the statutory compensation scheme of the Federal Association of German Public Sector Banks GmbH. The bank is also a member of the voluntary deposit guarantee fund of the Federal Association of German Public Sector Banks (*Bundesverband Öffentlicher Banken Deutschlands – VÖB*).

Transparency

KfW IPEX-Bank GmbH provides all important information about itself and its annual financial statements on its website. The Corporate Communication department also regularly provides information regarding current bank developments. Annual Corporate Governance Reports including the Declaration of Compliance with the PCGC are always available on the website of KfW IPEX-Bank GmbH.

Risk management

Risk management and risk controlling are primary responsibilities of the overall bank management in KfW IPEX-Bank GmbH. Using the risk strategy, the Management Board defines the framework for the bank's business activities regarding risk tolerance and the capacity to bear risk. In that way, it is ensured that KfW IPEX-Bank GmbH fulfils its special responsibilities with an appropriate risk profile in a sustained, long-term manner. The bank's total risk situation is analysed comprehensively in monthly risk reports to the Management Board, which then takes corrective action if necessary. The Board of Supervisory Directors is regularly – at least once per quarter – given detailed information on the bank's risk situation.

Compliance

The success of KfW IPEX-Bank GmbH depends to a high degree on the trust of its shareholder, customers, business partners, employees and the general public in terms of its performance and especially also its integrity. This trust is based not least on the implementation of and adherence to the relevant legal and regulatory as well as internal provisions in addition to other applicable laws and regulations. The compliance organisation of KfW IPEX-Bank GmbH includes, in particular, measures for assuring adherence to data protection requirements as well as for preventing insider trading, money laundering, financing of terrorism and other criminal activities. There are corresponding binding rules and procedures that influence the day-to-day implementation of such values and the associated corporate culture; these are continually updated to reflect the current legal and regulatory framework as well as market requirements. Training sessions on compliance and money laundering are held on a regular basis for KfW IPEX-Bank GmbH employees.

Accounting and annual audit

On 19 March 2012, the shareholder of KfW IPEX-Bank GmbH appointed KPMG AG Wirtschaftsprüfungsgesellschaft as auditor of the financial statements for the 2012 financial year. Then, on 5 July 2012, the Board of Supervisory Directors issued the audit mandate to KPMG and in September determined the priorities for the audit together with them. Additionally, the German Financial Supervisory Authority (BaFin) determined further priorities for the 2012 annual audit according to Section 30 of the German Banking Act (KWG). The bank and the auditor agreed that the Chairman of the Audit Committee would be informed without delay of any potential grounds for bias or disqualification arising during the audit that are not immediately rectified. It was furthermore agreed that the auditor would immediately inform the Audit Committee Chairman about any qualifying remarks or potential misstatements in the Declaration of Compliance compared with the PCGC. A declaration of auditor independence was obtained.

Efficiency review of the Board of Supervisory Directors

The Board of Supervisory Directors reviews the efficiency of its activities on a regular basis. At its March 2012 meeting the Board, given the overall positive results of the last two efficiency reviews for financial years 2010 and 2011, resolved to carry out a self-assessment of the quality and efficiency of the work

of its committees only once every two years in the future. Accordingly, the next efficiency review to be conducted will cover the 2013 financial year.

Compensation report

The compensation report describes the basic structure of the remuneration plan for members of the Management Board and Board of Supervisory Directors; it also discloses the remuneration of the individual members. The compensation report is an integral part of the notes to the financial statements.

Compensation for the Management Board

The compensation system for the Management Board of KfW IPEX-Bank GmbH is intended to remunerate the members of the Management Board according to their roles and areas of responsibility and to take account of the individual achievements and success of the bank. Management Board contracts are drawn up based on the 1992 version of the policy for hiring executive board members at credit institutions of the Federal Government (*Grundsätze für die Anstellung der Vorstandsmitglieder bei den Kreditinstituten des Bundes*). The contracts take PCGC requirements into account.

Components of compensation

The remuneration of the Management Board consists of a fixed, annual base salary, and a variable, performance-based bonus. An existing contract concluded before 2010 currently still includes a fixed bonus component. This is no longer included in contracts concluded since 2010; the bonus component that was previously fixed has been apportioned to the monthly remuneration. All new contracts from 2010 onward are in accordance with Section 25 a (5) of the German Banking Act (KWG) in conjunction with the German Compensation Regulation for Institutions (*Institutsvergütungsverordnung*). The establishment of the variable, performance-based bonus component is based upon a target agreement regarding targets between the shareholder and the Management Board that is concluded at the beginning of each year after consultation with the Board of Supervisory Directors. This agreement includes financial, quantitative and qualitative targets for the entire bank, and individual personal targets for each member of the Management Board. Half of the performance-based bonus, calculated according to achievement of targets, is paid out immediately. The remaining 50% is reserved as a provisional claim and paid into a so-called "bonus account". It is paid out in equal instalments over the following three years, provided that the bank does

Summary of total compensation to members of the Management Board and of the Board of Supervisory Directors

	2012 EUR in thousands	2011 EUR in thousands	Change EUR in thousands
Members of the Management Board ¹⁾	1,867	2,554	-687
Members of the Board of Supervisory Directors ²⁾	180	150	30
Total	2,047	2,704	-657

¹⁾ Prior-year figures include compensation to former Managing Directors totalling EUR 861 thousand

²⁾ Increase in 2012 due to enlargement of the Board of Supervisory Directors from six to nine members

Annual compensation to members of the Management Board and additions to pension provisions during 2012 and 2011 in EUR thousands¹⁾²⁾

	Salary		Variable compensation		Other compensation		Total		"Bonus account"		Additions to pension provisions	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands	
Harald D. Zenke (Speaker of the Management Board)	353	353	59	-	20	71	431	423	59	-	264	311
Christiane Laibach	353	353	60	45	21	21	433	418	75	45	168	118
Christian K. Murach ³⁾	412	353	60	45	30	27	502	424	75	45	263	146
Markus Scheer ³⁾	412	353	60	45	30	29	501	427	75	45	132	125
Total	1,529	1,410	239	135	100	148	1,867	1,693	284	135	827	700

¹⁾ Rounding differences may occur in the table for computational reasons.

²⁾ Prior-year figures have been reduced by compensation to members who left the Management Board in past years to ensure better comparability on an individual basis.

³⁾ New contracts were concluded during the financial year.

not materially miss its financial targets. Reductions in provisional claims, up to and including complete elimination, are possible depending upon the bank's financial performance.

The lower table on the previous page below shows the total compensation to the individual members of the Management Board, divided into fixed and variable compensation components and other compensation, as well as additions to pension provisions.

Responsibilities

The shareholder regularly consults on and reviews the compensation system for the Management Board, including its contractual elements, and reviews it on a regular basis. The shareholder approves the compensation system after consulting with the Board of Supervisory Directors. The most recent review of its appropriateness occurred in the framework of the negotiations of new contracts for the Management Board in 2010.

Contractual fringe benefits

Other compensation primarily includes contractual fringe benefits. The members of the Management Board of KfW IPEX-Bank GmbH are entitled to a company car for both company and private use. Costs incurred as a result of private usage of a company car are borne by the members of the Management Board in accordance with currently valid tax legislation. The costs of a second household, incurred as the result of a business need for a second residence, are reimbursed according to tax legislation.

The members of the Management Board are insured under a group accident insurance policy. In addition, the members of the Management Board receive employer contributions as per the German Code of Social Law (*Sozialgesetzbuch – SGB*). The members of the Management Board are covered by two insurance policies for the risks associated with their activities in the bank's management bodies. The first provides liability insurance for financial loss (D&O insurance) and the second offers supplemental legal protection from financial loss. Both policies are group insurance policies. The D&O insurance provides protection against financial losses that may arise out of the performance of duties as a member of the Management Board of KfW IPEX-Bank GmbH. Although previous contracts did not contain a deductible, the new contracts effective from 1 January 2013 contain an option to introduce such a deductible. The decision to exercise this option will be taken together with the Chairman and Deputy Chairman of the Board of Supervisory Directors of KfW. As part of their activities, the members of the Management Board of KfW IPEX-Bank GmbH are also included in special criminal law protection insurance for employees that was established as a group insurance policy.

Furthermore, other remuneration includes compensation received for the exercise of corporate mandates and incidental functions held or performed by a member of the Management Board subject to approval by the competent bodies of KfW IPEX-Bank GmbH. For Management Board contracts negotiated from 2010 onwards, the Board members are personally entitled to the entire amount of such remuneration. For existing contracts concluded prior to 2010 the following rule applies: If the total compensation for

mandates held exceeds EUR 25,000, then 50% of the amount in excess of this limit must be paid out to KfW IPEX-Bank GmbH. In 2012 and 2011 the members of the Management Board did not receive compensation for exercising corporate mandates.

The members of the Management Board are entitled, as are all other members of the bank's staff, to participate in a deferred compensation, a supplemental company pension plan through deferred compensation payments deducted from salary, insofar as such a plan is generally offered.

Contractual fringe benefits also include the costs of security measures for residential property occupied by members of the Management Board; these costs are not reported under Other compensation but instead under Non-personnel expenses. Contractual fringe benefits that cannot be granted tax-free are subject to taxation as non-cash benefits for members of the Management Board. There were no outstanding loans to members of the Management Board at year-end.

Retirement pension payments and other benefits in the case of premature retirement

According to Section 5 (1) of the Articles of Association of KfW IPEX-Bank GmbH the appointment of a member of the Management Board is not to extend beyond statutory retirement age. Board members who turn 65 years of age and/or reach statutory retirement age and whose contract for serving on the Management Board has expired are entitled to retirement pension payments and may, at their request, retire early when they turn 63 years of age. Members of the Management Board are also entitled to retirement pension payments if their employment ends due to ongoing disability.

Pension commitments for Management Board members as well as for their surviving dependents are based on the 1992 version of the policy for hiring executive board members at credit institutions of the Federal Government. The PCGC is taken into account when contracts of employment are drawn up for members of the Management Board.

For members of the Management Board who have been appointed as such since 2010 or who have been reappointed, a severance payment cap has been included in their employment contracts in accordance with PCGC recommendations. This cap limits payments to a Board member following premature termination of employment without good cause as per Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch – BGB*) to two years' annual salary or the compensation including fringe benefits for the remainder of the contract, whichever is lower.

In principle the maximum retirement pension entitlement equals 70% of the compensation falling under the pension entitlement. The compensation that falls under the pension entitlement is derived on an actuarial basis from the most recent gross base salary. The retirement pension entitlement – with the exception of the Speaker of the Management Board – is regularly 70% of the maximum pension

entitlement for initial appointments and increases by 3% over ten years with every year of service completed until the maximum pension entitlement is reached.

If the employment contract for a member of the Management Board is terminated or not extended for good cause in accordance with Section 626 of the German Civil Code (BGB), the retirement pension entitlements will expire according to the legal principles established for employment contracts.

No retirement pension payments were made to former members of the Management Board during the 2012 financial year.

Provisions for pension obligations for former members of the Management Board and their dependents totalled EUR 5,593 thousand at the end of the business year 2012 (previous year: EUR 5,258 thousand).

Compensation for the Board of Supervisory Directors

The members of the Board of Supervisory Directors receive annual compensation at a level determined by the general shareholders' meeting. Per the shareholder resolution of 14 April 2010, the compensation scheme of 2008 and 2009 was continued in 2010 and for the following years. According to its provisions, the annual compensation for a member of the Board of Supervisory Directors is EUR 22,000; the annual compensation for the Chairman is EUR 28,600.

Compensation is earned on a pro rata basis when service is rendered for less than one year.

In addition, the members of the Board of Supervisory Directors receive a net fee of EUR 1,000 for each meeting of the Board of Supervisory Directors or of one of its committees. Furthermore, members of the Board of Supervisory Directors are entitled

Remuneration of members of the Board of Supervisory Directors for 2012 in EUR

Member	Dates of membership 2012	Annual compensation	Attendance fees ¹⁾	Total
Dr Kloppenburg	1 Jan.–31 Dec.	–	–	–
Mr Loewen	1 Jan.–31 Dec.	–	–	–
State Secretary Dr Beus ²⁾	1 Jan.–31 Dec.	22,000	12,000	34,000
State Secretary Homann ²⁾	1 Jan.–29 Feb.	3,667	–	3,667
State Secretary Herkes ²⁾	16 Mar.–31 Dec.	18,334	5,000	23,334
Dr Rupp	1 Jan.–31 Dec.	22,000	12,000	34,000
Mr Stupperich	1 Jan.–8 May	9,167	6,000	15,167
Ms Kollmann	13 June–31 Dec.	14,667	4,000	18,667
Dr Marschhausen	13 June–31 Dec.	12,834	4,000	16,834
Mr Goretzki	13 June–31 Dec.	12,834	5,000	17,834
Mr Jacobs	13 June–31 Dec.	12,834	4,000	16,834
Total		128,337	52,000	180,337

¹⁾ Lump sum EUR 1,000 net per meeting attended

²⁾ This amount is subject to the German Incidental Services Earnings Regulation (*Bundesnebenständigkeitsverordnung*).

Remuneration of members of the Board of Supervisory Directors for 2011 in EUR

Member	Dates of membership 2011	Annual compensation	Attendance fees ¹⁾	Total
Dr Kloppenburg	1 Jan.–31 Dec.	14,300	5,000	19,300
Dr Schröder	1 Jan.–31 Mar.	5,500	1,000	6,500
Mr Loewen	1 July–31 Dec.	–	–	–
State Secretary Dr Beus ²⁾	1 Jan.–31 Dec.	22,000	11,000	33,000
State Secretary Dr Pfaffenbach ²⁾	1 Jan.–31 May	9,167	2,000	11,167
State Secretary Homann ²⁾	1 July–31 Dec.	11,000	1,000	12,000
Dr Rupp	1 Jan.–31 Dec.	22,000	12,000	34,000
Mr Stupperich	1 Jan.–31 Dec.	22,000	12,000	34,000
Total		105,967	44,000	149,967

¹⁾ Lump sum EUR 1,000 net per meeting attended

²⁾ This amount is subject to the German Incidental Services Earnings Regulation (*Bundesnebenständigkeitsverordnung*).

to reimbursement for travel expenses and other miscellaneous expenses that they incur within reasonable amounts.

The representatives from KfW on the Board of Supervisory Directors of KfW IPEX-Bank GmbH have waived this compensation and the meeting attendance fees since 1 July 2011 in accordance with a fundamental and permanent decision by the Executive Board of KfW to waive such remuneration for mandates exercised within the Group.

Details regarding the remuneration of members of the Board of Supervisory Directors during the 2012 and 2011 financial years are listed in the following tables; travel expenses and other miscellaneous expenses were reimbursed based upon receipts and are therefore not included in this table. The indicated amounts are net values and were all paid.

There are no pension obligations with regard to members of the Board of Supervisory Directors.

Members of the Board of Supervisory Directors did not receive any remuneration for services provided personally during the reporting year.

No direct loans were made to members of the Board of Supervisory Directors during the reporting year.

The members of the Board of Supervisory Directors are covered by two insurance policies for the risks associated with their activities in the Board of Supervisory Directors. The first provides liability insurance for financial loss (D&O insurance) and the second offers supplemental legal protection from financial loss. Both policies are group insurance policies of KfW. The D&O insurance provides protection against financial losses that may arise out of the performance of duties as a member of the Board of Supervisory Directors. Although previous contracts did not contain for a deductible, the new contracts effective from 1 January 2013 contain an option to introduce such a deductible. The decision to exercise this option will be taken together with the Chairman and Deputy Chairman of the Board of Supervisory Directors of KfW. As part of their activities, the members of the Board of Supervisory Directors of KfW IPEX-Bank GmbH are also included in special criminal law protection insurance for employees that was established by KfW as a group insurance policy.

Frankfurt, 27 March 2013

The Management Board

The Board of Supervisory Directors