››› Annual Report
2015

KFW IPEX-Bank

2015

Key figures

Volume of lending of the Export and Project Finance business sector

Volume of lending of the business sector[1] by sector department	2015
	EUR in billions
Maritime Industries	16.9
Power, Renewables and Water	13.6
Aviation and Rail	10.4
Basic Industries	10.0
Transport and Social Infrastructure (PPP)	7.6
Industries and Services	6.7
Financial Institutions, Trade & Commodity Finance	4.1
Equity Portfolio	0.1
Total	**69.4**

[1] For which KfW IPEX-Bank GmbH is responsible

KfW IPEX-Bank GmbH key figures

	2015	2014
	EUR in billions	EUR in billions
Balance sheet key figures		
Total assets	28.6	26.3
Volume of lending	35.7	33.5
Contingent liabilities	2.0	2.1
Irrevocable loan commitments	7.7	7.0
Assets held in trust	0.2	0.2
Volume of business (total assets, contingent liabilities and irrevocable loan commitments)	38.2	35.4
Equity	3.5	3.3
Equity ratio (in %)	12.2	12.7
Results	**EUR in millions**	**EUR in millions**
Operating income before risk provisions/valuations	350	328
Risk provisions and valuation	–76	–90
Net income	144	139
Result of the Export and Project Finance business sector (segment report, consolidated financial statements of KfW Group)	628	541
Number of employees (including Management Board)	**651**	**640**

››› Responsible banking

Supporting German and European companies in international competition, and providing finance for capital goods and services, economic and social infrastructure, and projects that protect the environment and climate: it's our business, it's our mission. For more than 60 years, we have been structuring tailored loans and working with banks and other market participants to put projects in motion together. Financing the future.

Contents

››› Within KfW Group, KfW IPEX-Bank is responsible for the Export and Project Finance business sector: More than 60 years of market and industry experience.

Dear Readers,

We can look back on an exceptional financial year – 2015 was the most successful in the history of our company to date. Despite a competitive environment and a loss of momentum in the global economy as a whole, we were able to achieve a new commitment volume of EUR 20.2 billion. What is more, the Export and Project Finance business sector, for which we are responsible, contributed EUR 628 million to KfW's consolidated earnings.

We are proud of this record result. It demonstrates the strength of our business model and confirms that KfW IPEX-Bank is well-positioned as a specialist in export and project financing and ready for the challenges of a globalised economy. First and foremost, however, this performance is due to the efforts of all our staff, who show tremendous commitment and expertise and exemplify a service-minded approach in their work for our clients and projects around the world. We would like to take this opportunity to express our special thanks to them.

The excellent result was attributable, not least, to closings of long-planned financing projects. Earlier sales activities bore fruit during the reporting year, enabling us to add new business relationships to the existing client base we have built up over many years. We also

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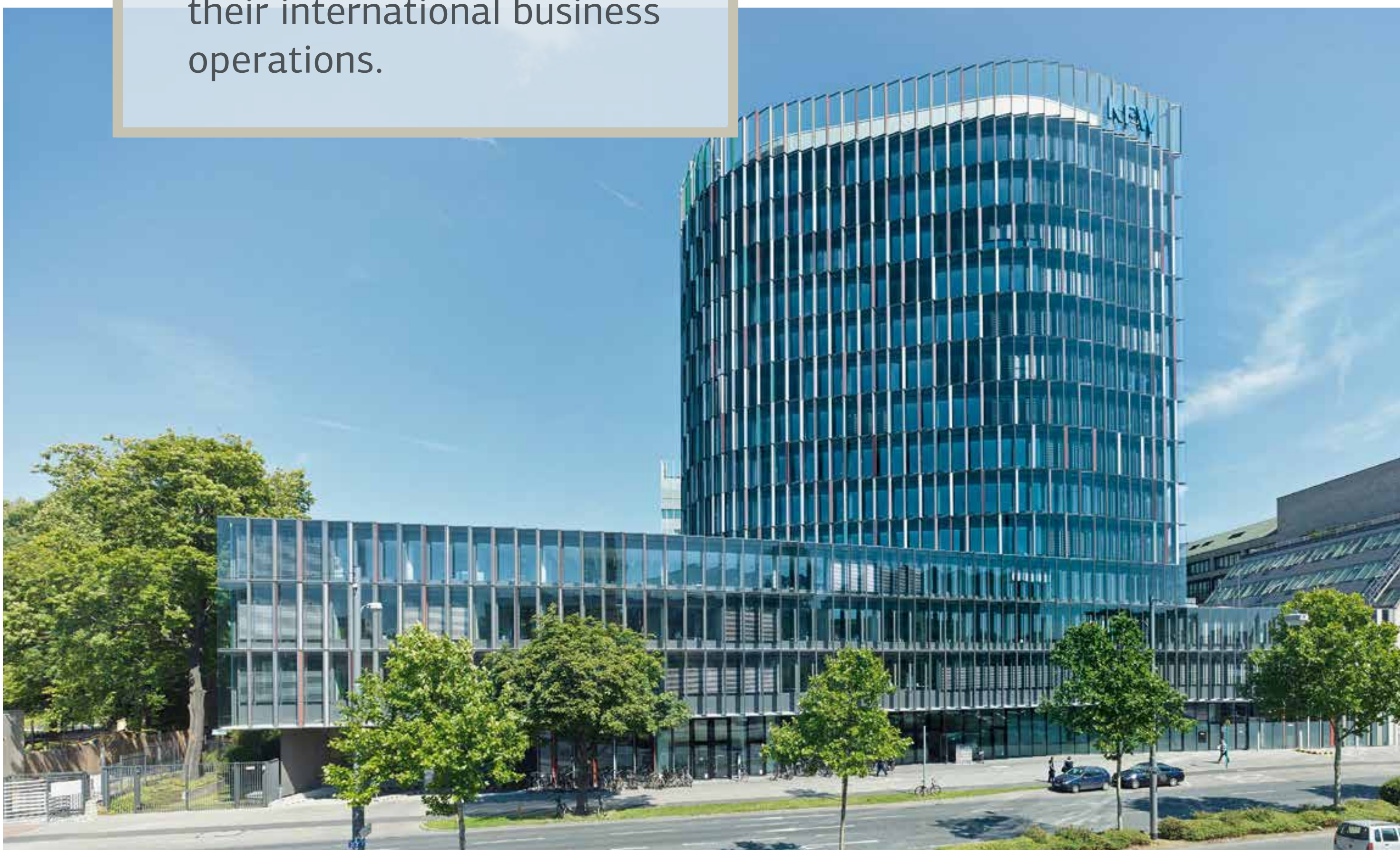
We see our mission as supporting German and European companies in their international business operations.



››› The record result in 2015 is first and foremost due to the efforts of all our staff, who show tremendous commitment and expertise and exemplify a service-minded approach in their work for our clients and their projects around the world.

recognised market opportunities at an early stage, where we were able to make use of our structuring competence and in-depth industry knowledge – primarily in cooperation with other banks and always in the interests of key industries in Germany and Europe.

KfW IPEX-Bank was therefore able to emphatically fulfil its mission of supporting the German and European export economies by providing tailored financing for their international operations. The global orientation and international competitiveness of industry in Germany and Europe are more important than ever in securing employment, economic strength and prosperity.

It should also be emphasised that the high level of commitments in the 2015 financial year was attributable to an accumulation of one-off effects, particularly by a number of high-volume financing projects. In the Maritime Industries sector department alone, the financing of six cruise ships means filled order

books at German and European shipbuilders and their suppliers into the year 2020. As one of the world's largest ship financiers, we also promote energy efficiency and the reduction of harmful emissions in maritime shipping. This includes financing new vessels powered by LNG, for example, as well as modernising – 'retrofitting' – the ships operated by major ocean carriers. This retrofitting involves upgrading a ship's bow or propeller, for instance, to improve energy efficiency.

The Power, Renewables and Water sector department has proven to be another important growth driver. It made a major contribution to new business in 2015, particularly with its involvement in financing on- and offshore wind projects and highly efficient combined cycle power plants. The very good level of new business in Aviation and Rail was primarily attributable to a number of large financing projects for the rail industry. Once again, this underlines KfW IPEX-Bank's commitment to supporting the international business of the German and European economies on a substantial scale and to contributing significantly to the protection of the environment and climate.

As a dependable partner for clients and other banks and institutions with which we co-finance major projects, KfW IPEX-Bank intentionally works in countries where access to financing is difficult. In order to offer the best possible support to German and other European companies, we maintain a presence in key economic and financial centres with a total of nine representative offices and a branch in London. We have also made a modest increase in the number of staff in our representative offices to further enhance support at local level.

With the higher volume of new business, the importance of collaboration in the form of consortia with partner banks has also grown. Given our in-depth understanding of industries and markets, combined with our long-standing experience in structuring complex transactions and our ECA expertise, we regularly assume different agent roles within consortia, often with a strong technical orientation. We were therefore able to play a very successful part in the largest and most prestigious financing projects worldwide during the reporting year.

Our objective for the future is to continue to be a dependable specialist financier and strong partner for key industries vital to the German and European economies, and to support the internationalisation of companies in Germany and Europe with tailored medium and long-term financing for exports and foreign investment projects. We anticipate a positive global economic basis for KfW IPEX-Bank's business activities in 2016. We are aiming for moderate organic growth in the coming financial year. The bank's performance in 2015 was the cumulative result of a number of individual factors and cannot simply be projected into the future. The 2016 target for new commitments is therefore EUR 16.2 billion.

Our forward-looking Management Board team is optimistic about and fit for the future. Following a year as General Manager of KfW IPEX-Bank, Andreas Ufer was appointed to the Management Board as planned with effect from 1 May 2015 and is responsible for risk management. Our Management Board consists of four members, and the risk management position had become vacant following Christiane Laibach's move to the Management Board of DEG in February 2015. We look forward to continuing to work with Mr Ufer and would like to express our sincere thanks to Ms Laibach for her much valued commitment over many years. Claudia Schneider, Head of Structuring Advisory and Finance, took over as General Manager of KfW IPEX-Bank, also with effect from 1 May 2015.

When it comes to protecting the environment and climate, we take responsibility for preserving sustainable living and livelihoods. This reflects the mission and values of our bank. As a long-standing member of the international association of equator banks, all our financing projects are based on recognised environmental and social standards. In 2015, we provided financing totalling EUR 4.1 billion for projects with a significant and measurable positive impact on the climate and environment. This corresponds to just over 20% of our total commitment volume. The bank is therefore making an important contribution to achieving KfW Group's ambitious environmental and climate protection targets. All this underlines our bank's sense of responsibility and commitment to improving ecological living conditions – both in Germany and in the destination countries of exports throughout the world.

We look forward to the new 2016 financial year and all the challenges it will bring.

Klaus R. Michalak | **Markus Scheer** | **Andreas Ufer** | **Christian K. Murach**

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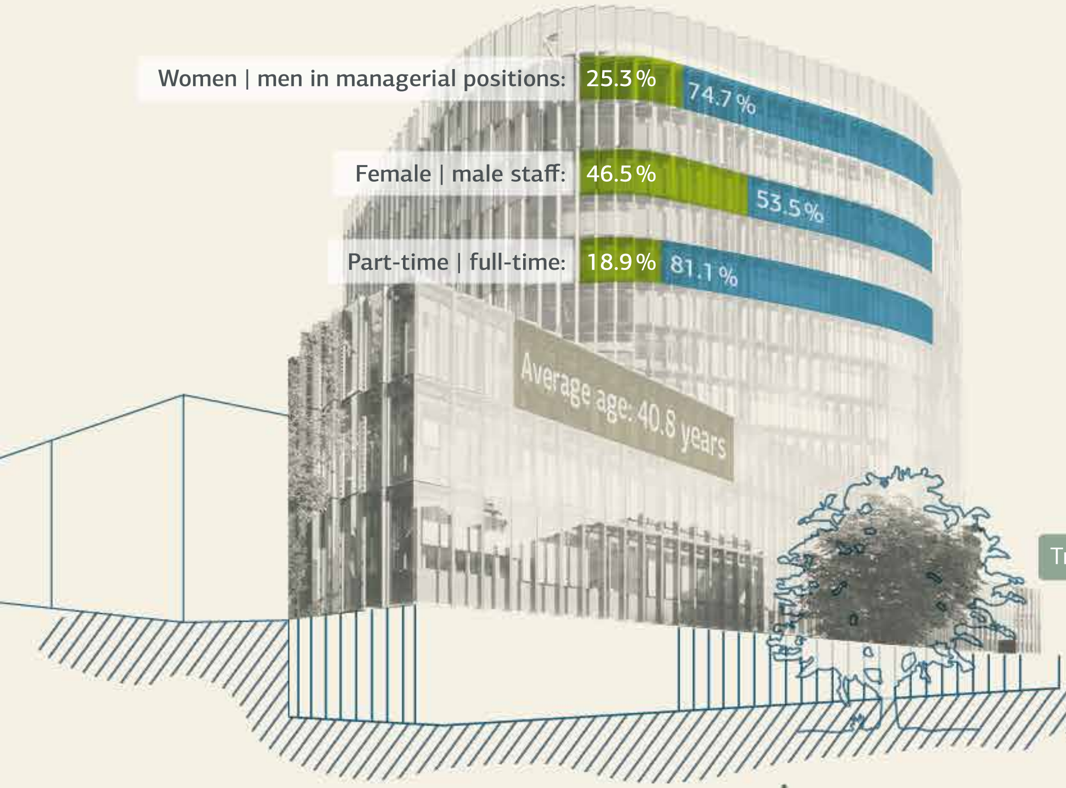
KfW IPEX-Bank at a glance



SECTORS

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Equity Portfolio	0.1

651
EMPLOYEES

VOLUME OF LENDING IN 2015
EUR **69.4 BILLION**

REPRESENTED
WORLDWIDE

Close, constructive cooperation

Report of the Board of Supervisory Directors 2015

The Board of Supervisory Directors and the Management Board of KfW IPEX-Bank cooperated closely throughout the 2015 reporting year. The Board of Supervisory Directors was informed of all significant developments at KfW IPEX-Bank in a timely and comprehensive manner, and was satisfied of the due and proper conduct of business by the Management Board. The Board of Supervisory Directors regularly monitored and consulted with the Management Board regarding its management of the company. We were involved in decisions of major importance for the company and granted our approval for business transactions, where required, following extensive consultation and review.

Meetings of the Board of Supervisory Directors

A total of four ordinary meetings were held in 2015. At each meeting, the Management Board reported on current business development, presented relevant risk and performance reports and the quarterly financial statements and discussed these with the Board of Supervisory Directors, and informed the Board of Supervisory Directors about shareholder resolutions and resolutions of the Board of Supervisory Directors passed by means of circulation.

The first meeting of the financial year took place on 20 March 2015. In its report to the Board of Supervisory Directors, the Management Board explained developments in the balance sheet, the impact of changes in the US dollar exchange rate on total assets and the increase in the volume of business. After the audit of the 2014 annual financial statements had been presented by the Chairman of the Audit Committee, the Board of Supervisory Directors performed a thorough review of the financial statements in detailed discussion with the Management Board and the auditor. On this basis, we approved the audit results and the financial statements, including the management report, as well as the proposal regarding the appropriation of profit, and recommended that the shareholder approve the annual financial statements. The Board of Supervisory Directors resolved to award the audit assignment for the 2015 financial year to KPMG AG Wirtschaftsprüfungsgesellschaft, subject to appointment by the shareholder, and determined the scope of the audit. We also approved the 2014 Report of the Board of Supervisory Directors and the 2014 Corporate Governance Report and acknowledged the result of the Management Board's efficiency review assessed by the Executive Committee. The Board of Supervisory Directors recommended that the shareholder appoint Mr Andreas Ufer to the Management Board of KfW IPEX-Bank GmbH with effect from 1 May 2015, pay out the performance-based bonus components for the 2014 financial year as proposed with the prior involvement of the Remuneration Control Committee, and pass on the results of the 2014 collective agreement to the members of the Management Board. We acknowledged the report of the Loan Committee and the report of the Management Board on current business development before discussing the assessment of KfW IPEX-Bank GmbH's capital adequacy.

At the second meeting on 26 June 2015, we had a closer look at current business development, taking note of the Management Board's report as well as the annual compliance report and the reports of the Audit, Loan and Executive Committees and that of the Remuneration Control Committee, which dealt with the remuneration officer's report for the first time. The Board of Supervisory Directors noted that the remuneration systems for employees of KfW IPEX-Bank GmbH, and particularly for employees who have a material impact on the company's overall risk profile, are appropriate. The Board of Supervisory Directors discussed the current and long-term results in the Maritime Industries sector department along with the planning framework for 2016, and acknowledged the report on the project to draft a recovery plan.

At the meeting on 25 September 2015, the Board of Supervisory Directors discussed the Management Board's report, particularly the risk situation and risk-bearing capacity of KfW IPEX-Bank, and acknowledged the report of the Audit Committee, in which the new regulatory requirements of the European Banking Authority (EBA) and potential implications for the bank's capital requirements were also explained. The Board of Supervisory Directors also acknowledged the report of the Executive Committee. The Management Board explained the optimisation of the corporate structure planned by KfW in order to strengthen KfW's equity base. The Board of Supervisory Directors acknowledged the status report on the recovery plan to be prepared for KfW IPEX-Bank GmbH.

The Management Board explained the implications for KfW IPEX-Bank GmbH of the German law on equal participation of women and men in leadership positions in the private and public sector. It noted the targets set by the Executive Board/shareholder and Management Board for the proportion of women on the Board of Supervisory Directors and Management Board and at the next two most senior tiers of management to be achieved by 30 June 2017.

At the final meeting of the financial year, held on 27 November 2015, the Board of Supervisory Directors began by discussing current business development with the Management Board. As part of its presentation of group business sector planning for 2016, the Management Board explained in detail the required capital ratios expected for KfW IPEX-Bank based on the new regulatory capital requirements, as well as the changes in supervisory law. It also consulted with us on the possibility of using the capital framework authorised by KfW. The Board of Supervisory Directors acknowledged the reports of the Audit Committee and Loan Committee. Following the report of the Executive Committee, we noted that the Management Board uses appropriate principles for selecting and appointing individuals to senior management. The result of the efficiency review of the Board of Supervisory Directors for 2015 was discussed by the Executive Committee and presented to the Board of Supervisory Directors, which accepted it without recommending further action. Following the presentation of the Remuneration Control Committee's report, the Board of Supervisory Directors concluded that the remuneration strategy and remuneration systems are geared towards achieving the goals set out in KfW IPEX-Bank GmbH's business and risk strategy and recommended that the shareholder agree the previously discussed targets for 2016 with the Management Board. The Management Board explained the implications of the intended VAT fiscal unity and also presented a successful syndication project to the Board of Supervisory Directors. Finally, the Board of Supervisory Directors passed anticipatory resolutions approving KfW IPEX-Bank's borrowing from the European Investment Bank (EIB) and the promotional institutions of the federal states.

Changes to the Board of Supervisory Directors of KfW IPEX-Bank

Mr Alexander Jacobs left the Board of Supervisory Directors on 31 July 2015.

He was succeeded by Mr Friedrich Weigmann from 1 August 2015.

Work in the committees of the Board of Supervisory Directors

The Executive Committee, Loan Committee, Remuneration Control Committee and Audit Committee fulfilled their designated tasks during the 2015 financial year in line with the rules and regulations of KfW IPEX-Bank. The work of the committees was reported regularly and in detail to the Board of Supervisory Directors. At its meetings the Audit Committee dealt with the ICS in its entirety as well as with the regular reports of the Internal Auditing department. A conflict of interest arose with regard to one lending decision during the reporting year. The member concerned abstained from voting.

In-depth discussion of the annual audit

The Audit Committee discussed and approved the results of the audit of the 2015 annual financial statements in its meetings on 22 January 2016 and 18 March 2016. The Audit Committee recommended that the Board of Supervisory Directors approve the annual financial statements and management report for the 2015 financial year. The discussion centred on partial audit report II of KPMG AG Wirtschaftsprüfungsgesellschaft, covering the audit of the annual financial statements as at 31 December 2015 that were prepared by the Management Board as at 16 February 2016, and of the management report for the 2015 financial year. KPMG issued an unqualified audit opinion on 1 March 2016.

Following a final review by the Board of Supervisory Directors of the annual financial statements, the management report and the proposal regarding the appropriation of profit, we approved the audit result, the annual financial statements and the management report at our first ordinary meeting on 18 March 2016 with no objections, and recommended that the general shareholders' meeting approve the annual financial statements. The Board of Supervisory Directors endorsed the Management Board's recommendation to allocate the net income for the year of EUR 143.5 million to retained earnings.

The Board of Supervisory Directors would like to thank the Management Board, the General Manager and all employees for their commitment, hard work and achievements during the 2015 financial year.

Frankfurt am Main, 18 March 2016
On behalf of the Board of Supervisory Directors

Dr Norbert Kloppenburg
Chairman of the Board of Supervisory Directors

››› What are the raw materials for high-tech industry?

››› Silicon production in Iceland.
Financing the future.

››› KfW IPEX-Bank provides financing for Icelandic silicon project under Untied Loan Guarantee Scheme

KfW IPEX-Bank is providing approximately USD 195 million of investment finance to support the German company PCC SE in constructing a state-of-the-art silicon smelter in Húsavík, northern Iceland. As only around 13 % of the approximately 280,000 tonnes of silicon needed in Germany each year originates from domestic production, there is a high dependency on imports of this essential high-tech metal.

The metal produced at the new PCC BakkiSilicon hf silicon smelter will be supplied directly to German companies in the chemicals, aluminium and electronics industries on the basis of long-term contracts. SMS group GmbH, an experienced German plant manufacturer, has been tasked with the turnkey construction of the facility in the role of EPC contractor. When complete, the plant will operate using electricity solely from renewable sources. The project is contributing to industrial development in Iceland and creating new employment opportunities there as well as securing existing jobs in Germany. As the project will also make a significant contribution to securing supplies of silicon metal in Germany, the German Federal Government is supporting the project with a guarantee under its Untied Loan Guarantee Scheme *(Ungebundene Finanzkredite – UFK)*. PCC BakkiSilicon hf is due to open in mid-2018.

100% green electricity: The new silicon smelter will obtain all the energy required for production from renewable sources.

Effective project and export finance

As globalisation advances, it is constantly posing new challenges for the world economy. The global megatrend is changing flows of trade and investment, while investment and production are turning former emerging countries into major economic powers, altering the configuration of markets.

Experts believe that in the future, total exports will grow faster than worldwide gross domestic product (GDP). Current estimates show that exports from emerging and developing countries are likely to increase disproportionately strongly. Regional and bilateral trade agreements are giving global trade additional impetus.

The rising economic importance of foreign trade is also impacting upon the world of work. One in four jobs and half of economic output are already attributable to the export economy. For Germany, this makes the export industry an important guarantor of growth, prosperity and employment. To succeed in international competition, export-oriented companies must be able to respond flexibly and show determination in making their projects a success. Yet export business entails risks that can impede payment flows, such as currency fluctuations or political and economic uncertainty in the target countries. This makes tailored financing solutions and the ability to withstand difficult conditions essential.

For companies looking to enter a new target-country market for the first time, building sound, country-specific expertise with their own resources is difficult and time-consuming. Particularly in the case of long-term financing of capital goods, knowledge of the options for hedging economic and political risks is vital, such as including a federal export finance guarantee provided by the export credit agency (ECA) Euler Hermes Deutschland on behalf of the German Federal Government.

Well-structured, all-round solutions are especially in demand in emerging countries, which, given their need for modern technological products, are attractive target markets for German and European exporters. Coupling supply with appropriate financing, often with ECA cover, improves European exporters' chances of securing deals.

A commercial bank with a statutory mission

Meeting such needs on the part of the German and European export industries in the context of globalisation is the task of KfW IPEX-Bank. As one of the world's leading specialist banks for project and export finance, providing customised advice and tailored financing – usually in a consortium with other banks – is part of its core business.

KfW IPEX-Bank is an integral part of KfW Group. It is a legally independent group company with responsibility for the Export and Project Finance business sector. It combines the strength of a successful commercial bank with its statutory mission to provide finance to the German and European economies, along with the high standards of a promotional institution committed to sustainability and social responsibility. This is manifested, among others, in its targeted involvement in industries that contribute to safeguarding the supply of raw materials, protecting the climate and environment, and expanding infrastructure.

››› We are delighted to begin construction of PCC BakkiSilicon, one of the world's most advanced silicon plants.

This project brings everything together: supplying raw materials, securing jobs, production using electricity from renewable sources. We would like to thank KfW IPEX-Bank for the experience and structuring expertise they have brought to this project so important for the future of our company.

Dr Peter Wenzel, Chairman of the Board at PCC BakkiSilicon hf

Global presence

As a dependable partner for both clients and other banks and institutions, KfW IPEX-Bank is present in the important markets for German and European exporters. With nine representative offices around the globe and its own branch in London, KfW IPEX-Bank supports its clients worldwide. In order to fulfil its mission, KfW IPEX-Bank intentionally also works in countries where access to financing is a challenge.

Shouldering major financing projects with other banks

KfW IPEX-Bank plays a part in the largest and most prestigious financing projects worldwide thanks to its long experience with structuring complex transactions and the in-depth industry and market knowledge of its staff. Particularly when it comes to providing and structuring large volumes of debt capital to help a client's business succeed, KfW IPEX-Bank works constructively with other banks to provide tailored syndicated financing, performing various agent roles within the consortium.

Market knowledge in key industries

Businesses in Germany and Europe have been benefiting from KfW IPEX-Bank's extensive experience in project, export, investment and acquisition finance in the European economy's key industries for more than 60 years. These include the environmental and energy sectors, basic industries, automotive and mechanical engineering, retail, pharmaceuticals, speciality chemicals, health and telecommunications. Within transport and infrastructure, the specialist bank's focus is on maritime industries, aviation and rail, and transport and social infrastructure. KfW IPEX-Bank supports investments in new technologies across the different industries. It focuses on environmentally and socially responsible implementation of all projects.

To help its clients succeed in global competition, KfW IPEX-Bank has financing experts specialising in particular industries, as well as engineers and other experts who ensure that financing decisions are well-founded from a technical perspective, too. This ensures that clients can rely on an optimum framework and tailored loans.

Powering growth

This special expertise of KfW IPEX-Bank is trusted by businesses in the aviation industry, among others. Aircraft and engine manufacturers, airlines and leasing companies around the world have been benefiting for years from dependable financing from KfW IPEX-Bank and hedging of industry-specific risks. Korean air carrier Asiana Airlines is one of them. Asiana received a Coface-covered loan of USD 227 million to acquire a new Airbus A380-800 to further expand its fleet. The loan was provided by KfW IPEX-Bank together with ING Capital LLC for a term of 12 years.

In order to combine growth with protecting the environment, KfW IPEX-Bank places a special focus on modern, fuel-efficient aircraft and engines. One such example was USD 136.5 million in financing for 14 Trent aero engines for USA-based Omega Leasing, a joint venture between Rolls-Royce and the GATX Corporation. The energy-efficient engines are to be leased to a range of international airlines under long-term service agreements.

Sought-after expertise to safeguard the supply of raw materials

Germany is almost completely dependent on imports from abroad for its supply of primary metals such as iron ore or copper. The commodities market is subject to pronounced volatility. Increasingly, extraction is only possible in emerging countries, where unstable political systems often mean major investment risk.

Access to affordable industrial raw materials, however, is a key prerequisite for the future viability of the German and European economies. KfW IPEX-Bank is one of a small number of specialist banks around the world to have developed substantial expertise in this sector from an early stage. The bank's own mining engineers and experts ensure that not only the financial factors are critically examined before making an investment, but also the geological, environmental, political and legal aspects. This reduces the risks involved.

KfW IPEX-Bank's proven expertise and assured structuring competence is appreciated by both well-known mining projects and junior mining companies (start-ups willing to take the risks involved). The mining companies also benefit from financing for machinery and plant and equipment from Germany and Europe – in Latin America, for example, where copper is extracted for export to Germany. Or in Iceland, where some USD 195 million of investment finance is enabling PCC SE, a mid-sized German company, to construct a state-of-the-art production plant for silicon metal. The complex financing structure with a term of 15 years (including the construction period) is backed by both Hermes cover and a guarantee under the Untied Loan Guarantee Scheme (UFK). The German Federal Government uses Untied Loan Guarantees to support raw material projects abroad that it considers worth backing or in which Germany has a special national interest.

Medium and long-term funding in a multitude of other basic industries such as steel and chemicals, or at companies that process crude oil or natural gas, also contributes to safeguarding resources and is part of the core mission of KfW IPEX-Bank.

››› Enabler

Effective financing sets ideas in motion

Ideas are among the most important commodities for developing innovations in Germany and Europe. Technically demanding innovations made in Germany and Europe with unique manufacturing precision are in high demand around the world and are the driving force behind our prosperity and quality of life. The prerequisites for getting major projects off the ground: dependable financing and an experienced financing partner that has a good understanding of its business and clients, and the necessary expertise to support such engineering achievements with vital, resource-intensive investments.

We are part of all this: The moment of completion is the highlight of every technological project – for us as a bank, too. With our long-term structured financing offers, we stand by our clients and project partners from the initial idea to the development and the global marketing.

For more information, topics and moments, go here:
www.kfw-ipex-bank.de/Moments

››› What will set the energy transition in motion?

››› Building the Nordsee One offshore wind farm.
Financing the future.

››› 330 megawatts to power the energy transition

As one of the world's largest wind farms, Nordsee One will not only supply enough electricity for the equivalent of some 400,000 households, but also enhance wind power's status as the most important pillar of the energy transition. Altogether 54 Senvion wind turbines with a capacity of 6.15 megawatts each will enter service 40 kilometres off the coast of the North Sea island of Juist.

Approximately 70% of the EUR 1.2 billion total investment is being funded by project financing involving KfW IPEX-Bank and other consortium partners: Commerzbank and Helaba from Germany, along with foreign banks ABN AMRO, the Bank of Montreal, Export Development Canada, the National Bank of Canada, Natixis, Rabobank and the Bank of Tokyo-Mitsubishi. The wind farm is owned by Northland Power Inc., Toronto, and RWE Innogy GmbH, Essen.

The Hamburg-based company Senvion SE has been appointed to deliver, install and maintain the wind turbines, which are the most powerful mass-produced offshore turbines manufactured to date anywhere in the world. Construction began with the installation of the first steel foundation in December 2015. Commercial operation is due to start in 2017.

Project finance as a collaborative effort: KfW IPEX-Bank is financing the new wind farm together with nine other banks.

Protecting the environment and climate – a challenge for the future

Effective international climate protection and, above all, limiting the degree of man-made global warming, is one our biggest tasks for the future. As agreed at the World Climate Conference in Paris in December 2015, the focus is on reducing greenhouse gas emissions to achieve greenhouse neutrality in the second half of the century and limiting global warming to less than two degrees.

Achieving these objectives will primarily involve increasing electricity generation from renewable resources and making efficient use of energy. This will require major efforts in developing, producing and implementing technologically sound, economically viable and adequately scalable solutions.

There is therefore a major need for effective financing that gives researchers, developers and manufacturers the necessary freedom to put their projects into practice. KfW IPEX-Bank is making a major contribution here by supporting projects that set out to ensure the long-term future viability of our globalised society. In 2015 alone, the bank provided a total of EUR 4.1 billion for projects with a significant and measurable positive impact on the climate and environment. The focus was on both renewable energies and highly efficient conventional energy projects, as well as energy-efficient and environmentally friendly production facilities and transport.

Driving the energy transition with wind power

KfW IPEX-Bank has been financing wind power from an early stage and can now look back on many years of commitment to the industry. Until 2010, the bank was still one of the pioneers in financing offshore wind farms. Today, it is in high demand as a consortium partner thanks to its experience as a technical bank.

Nordsee One, located around 40 kilometres off the North Sea island of Juist and one of the world's largest offshore wind farms, is a prime example. Project financing of EUR 840 million is making a significant contribution to realising the plans, with KfW IPEX-Bank playing a crucial role by acting as consortium partner and technical bank.

By financing projects to generate renewable energies and improve energy efficiency, KfW IPEX-Bank is making an important contribution to the long-term future viability of our globalised society.

››› Offshore wind energy is a major contributing factor to the success of the energy transition.

A clear framework and dependability – particularly when it comes to financing – are essential for enabling wind power generated by highly efficient wind turbines to compete against fossil fuels in the long term. Another example of this success is Nordsee One, one of the world's largest offshore projects with turbines in the multi-megawatt category, which KfW IPEX-Bank supported as part of an international consortium of banks.

Dr Jürgen M. Geißinger, CEO at Senvion S.A.

Ensuring that the projects it finances are implemented in an environmentally and socially responsible way is one of the key responsibilities of KfW IPEX-Bank. The bank applies its own environmental and social sustainability guidelines initiated back in 2000, as well as the internationally recognised Equator Principles.

The offshore wind farms already in operation off the German Baltic and North Sea coasts enabled Germany to achieve a record increase in wind power in 2015. 546 offshore wind turbines with a combined output of more than five terawatt hours joined the grid in the course of the year. Together, renewable energies now cover almost a third of Germany's total electricity consumption. The target is for this figure to reach 80% by 2050.

Although the largest portion of the increase – around three quarters – comes from onshore wind farms, offshore facilities have an important role to play in transforming our power supply. The offshore farms are able to produce electricity almost non-stop, with easily predictable yields. They will therefore make a decisive contribution to the reliability and effectiveness of the future energy system. The offshore industry has also created a wealth of new jobs and billions of euros of value.

The success of offshore energy generation depends to a large extent on stable economic prospects and substantial cost reductions in the construction and operation of the wind farms, which can only be achieved by increasing industrialisation in this sector. National and international financing consortia with long-standing experience of offshore projects are playing a key role, and KfW IPEX-Bank is one of the leading banking partners in this area.

Energy efficiency on our own doorstep

An example of the major contribution made by local projects in particular to environmental and climate protection is the structured financing to the tune of EUR 30 million provided by KfW IPEX-Bank to help the city of Frankfurt expand its district heating system. The financing involves the KfW programme 'Urban Energy-Efficient Rehabilitation' launched in 2011 to promote neighbourhood-based energy efficiency projects and a rehabilitation management scheme.

The financing is giving Mainova, one of Germany's largest regional energy providers, the means to undertake its largest-ever single investment in Frankfurt's infrastructure. The aim is to create a district heating network of Mainova power plants by the beginning of the 2016/2017 heating period in order to enable more efficient operation and expand supply via the city's 200-kilometre-long pipeline network, which provides heat to almost 23,000 customers in Frankfurt.

The expansion will save around 100,000 tonnes of carbon dioxide emissions per year thanks to highly efficient cogeneration of power and heat. This will achieve almost 20% of the CO_2 reduction target of 600,000 tonnes planned for the city's energy supply system. The annual reduction is the equivalent of the energy consumption of 1 million refrigerators each year. Some 8 million trees would have to be planted to offset this amount of CO_2.

Commitment to environmental and social responsibility

Ensuring that the projects it finances are implemented in an environmentally and socially responsible way is one of the central aims of KfW IPEX-Bank. The bank applies a variety of guidelines to meet the particular requirements of its projects and take account of their individual characteristics. These include the environmental and social sustainability guidelines initiated by the bank itself back in 2000.

At the international level, KfW IPEX-Bank joined the Equator Principles Financial Institutions (EPFIs) eight years ago. This global association now encompasses around 80 'equator banks', which voluntarily adhere to an extensive framework for meeting environmental and social standards. With their voluntary commitment to comply with environmental, social and economic criteria when providing finance, the equator banks are playing an important role in promoting sustainable projects and thus ensuring the long-term future viability of our economy, environment and society.

As one of the world's largest ship financiers, KfW IPEX-Bank is also promoting energy efficiency and the reduction of harmful emissions in maritime shipping. 'Eco-shipping' involves taking a ship's energy efficiency into account right from the start, when financing decisions are made. This is not only relevant for new vessels, but also for retrofitting, which involves upgrading a ship's engine, bow or propeller, for example, to increase energy efficiency. Eco-shipping makes financial sense, too. Beyond reducing operating costs, a ship's environmental performance affects how likely it is to be chartered and thus reduces the risk of default.

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2015 awards for outstanding financing

Once again, a number of financings by KfW IPEX-Bank achieved 'Deal of the Year' status in 2015. Awarded each year by leading specialist publications, this recognition is among the most highly sought after in international banking. For KfW IPEX-Bank, the awards are impressive proof of the bank's global excellence in structuring complex project and export finance transactions.

The financing of Lima's new Metro Line 2 as part of a larger infrastructure investment plan commissioned by the Peruvian Ministry of Transport and Communications, for example, won no fewer than three awards. KfW IPEX-Bank convinced the juries at Project Finance International (PFI) magazine, the infrastructure and project finance magazine IJGlobal and the Trade & Export Finance (TXF) platform. In this structured financing project worth USD 800 million, KfW IPEX-Bank worked as part of an international consortium of banks consisting of Cassa Depositi e Prestiti, SACE, Simest, Banco Santander, Société Générale and ICO.

The bank's contribution of just under EUR 1.2 billion to financing the Beni Suef combined cycle power plant in Egypt also received three awards – from the juries at Trade Finance Magazine, Global Trade Review (GTR) and TXF. KfW IPEX-Bank structured and arranged the financing, which includes Hermes cover, together with Deutsche Bank and HSBC. It also acted as the facility agent and ECA agent in a consortium of 17 international banks.

A loan of EUR 32.8 million for the export of building services equipment for the new cargo terminal at the international airport in Addis Ababa, Ethiopia, won an award from Global Transport magazine along with further international acclaim. KfW IPEX-Bank and the French Agence Française de Développement (AFD) acted as co-arrangers and lenders. Ethiopian Airlines, Africa's largest airline and a member of the Star Alliance, is the borrower and investor. The exporter Unitechnik Systems from the town of Wiehl in North Rhine-Westphalia is providing the overall plan and the majority of the building's key technical components such as cooling and storage facilities.

PFI AWARDS 2015

IJGlobal Awards 2015

THE PERFECT 10 DEALS OF THE YEAR 2015

Trade Finance Awards 2016

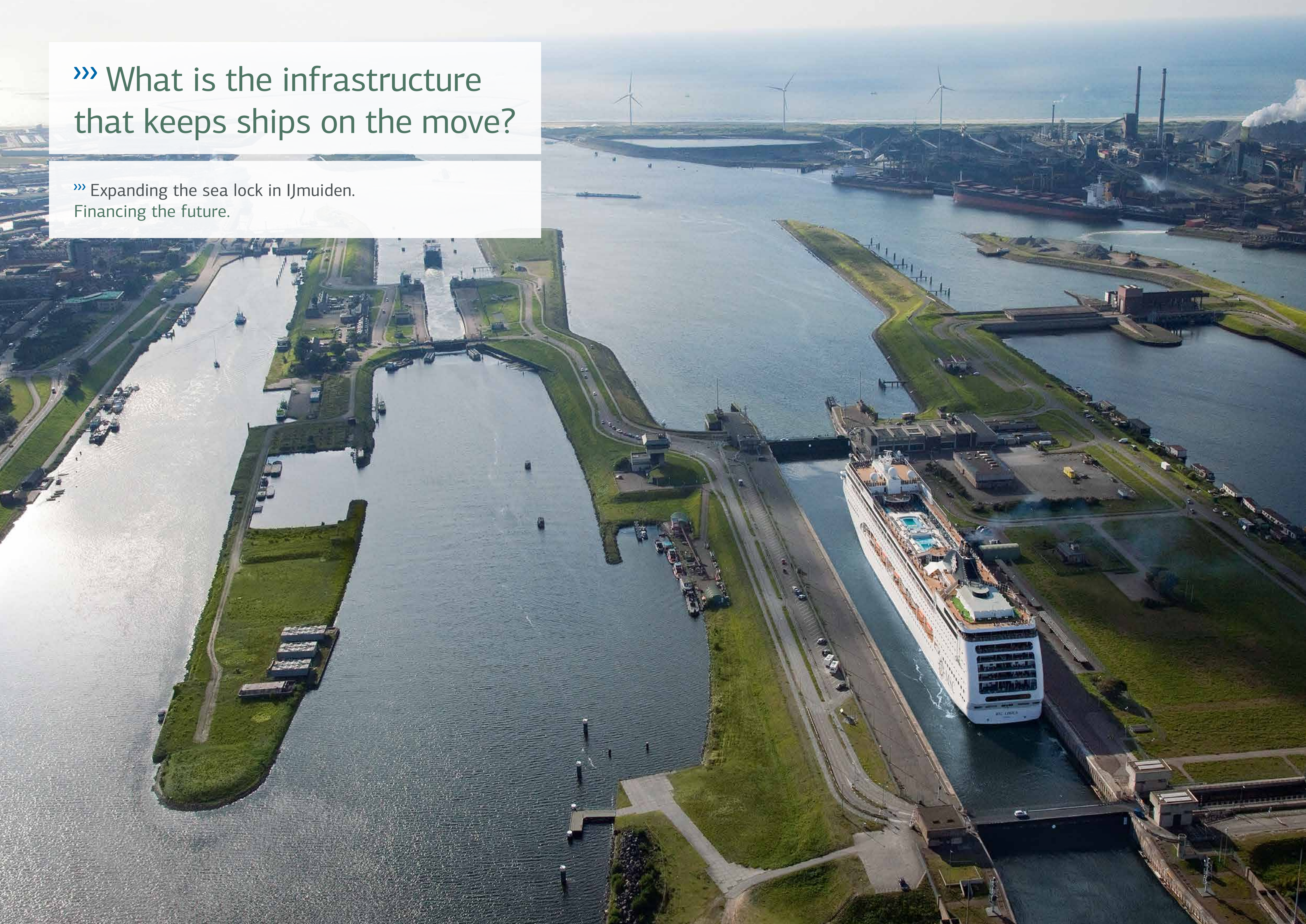
GTR BEST DEALS 2015

Global Transport Finance 2015 GTF AWARDS WINNER

Further information on our awards and the related projects is available at:
www.kfw-ipex-bank.de/Awards

››› What is the infrastructure that keeps ships on the move?

››› Expanding the sea lock in IJmuiden.
Financing the future.



››› Large sea lock is a major step forward for Europe's infrastructure

The construction of a new sea lock at IJmuiden, which provides access from the North Sea to the Port of Amsterdam and is a key component of flood defences in North Holland, is a major project to expand European infrastructure. At 500 metres long, 70 metres wide and 18 metres deep, the lock will be among the biggest in the world when it opens in 2019, enabling the ever-larger ocean-going ships to directly reach the Port of Amsterdam, some 25 kilometres inland.

The new lock will replace the Noordersluis, which has been in service since 1929 but has now become technologically outdated and is unable to accommodate increasingly larger vessels.

KfW IPEX-Bank is participating with six other banks in the public-private partnership (PPP) to finance the project. The consortium, consisting of commercial banks and the European Investment Bank (EIB), is providing a total of some EUR 500 million of debt capital to build and maintain the new lock.

The funds will go to the two Dutch construction companies Royal BAM Group and Volker Wessels as well as the financial investors DIF and PGGM, which won the international tender process and together founded the project company OpenIJ. The project was commissioned by the Dutch waterways authority, Rijkswaterstaat.

Once the new sea lock is complete, even wider ships will be able to traverse the North Sea Canal and directly reach the Port of Amsterdam, some 25 kilometres away.

Globalisation needs effective infrastructure

As people around the world demand greater mobility and the flow of goods and services becomes more globalised, major investment is needed to maintain, build and expand high-performing infrastructure.

This investment is required in the road, rail, energy and data networks, in energy-efficient aircraft, ships, trains and other means of transport, and in central hubs such as airports and seaports. Social infrastructure such as hospitals, schools and administrative buildings also help to ensure service provision to the population. KfW IPEX-Bank has been working in these key sectors for more than 60 years to meet the growing need for financing and, in so doing, secure prosperity and growth.

Modernised transport systems improve urban quality of life

A major challenge is the increasing urbanisation and growth of metropolises worldwide. More than 50% of the world's population already lives in urban areas and current estimates predict that this figure will climb to 70% by 2050. One of the essential tasks arising from this is to create efficient and high-capacity infrastructure that also conserves resources.

An example of such a project is the modernisation of the metro system in Chile's capital, Santiago de Chile. This will not only renew the existing network, including stations and trains, but also involve constructing two new underground lines with 28 stations and a combined length of 37 kilometres. The work will substantially reduce daily journey times for around a million people. Moreover, modernisation of the existing lines will reduce energy consumption by up to 30%.

KfW IPEX-Bank is participating in a USD 800 million financing package provided by a consortium of international banks to support this major project. The total volume of the project is approximately USD 1.3 billion.

New trains for the Glasgow-Edinburgh line

Incentivising people to travel by rail is essential to take the pressure off city centres and reduce emissions, particularly in conurbations. That is why KfW IPEX-Bank is helping to finance 70 electric multiple units manufactured by Hitachi Rail Europe for the route between Scotland's major cities of Glasgow and Edinburgh. The bank is contributing GBP 140 million to the financing, which is being jointly provided with SMBC Leasing and Finance Inc. and RBS/Lombard. The local population will benefit from shorter journey times, greater capacity and better quality service.

PPP – a transparent procurement model for major infrastructure projects

Partnerships between the public sector and private-sector companies are an attractive option for large-scale projects, and not only because of the strained finances of many government authorities.

The key advantages of public-private partnerships (PPPs) as an alternative and transparent means of procurement are the fixed completion date and price. This turns infrastructure investments into predictable and reliable components of public sector budgets. The PPP model is not suitable for every project, however; as a general rule, an investment volume of more than EUR 50 million is required.

This is the case at IJmuiden in the Netherlands, for example, where a new sea lock is planned at the entrance to the Port of Amsterdam. KfW IPEX-Bank, five other

››› The PPP-structured project to build a new sea lock in IJmuiden is enormously important.

This is not just true for the sustainable movement of goods into and out of Europe, but also for flood protection in North Holland. With an experienced financing partner like KfW IPEX-Bank at our side, we were able to win the tender process and are now making our contribution to economic growth and a bright future for the region.

Carlo Kuiper, Project Director SPC at OpenIJ commercial banks and the European Investment Bank (EIB) are together providing approximately EUR 500 million of debt capital in a sophisticated PPP financing structure. The concession period is 30 years, including a four-year construction phase, and the loans will be repaid during the 26-year operating period.

KfW IPEX-Bank's support was also requested for a PPP project to plan, build, finance, operate and maintain a 58-kilometre, four-lane bypass around the city of Regina in Canada to reduce urban congestion. The total investment volume of the project, which will also involve expanding and renewing 18 kilometres of existing highway, totals around CAD 1.9 billion, or approx. EUR 1.3 billion.

KfW IPEX-Bank is providing debt capital of some CAD 85 million for this PPP project as part of a complex financing structure involving a consortium of commercial banks. The loan will be repaid four and a half years after completion of the new highway, while the project bond issued for the financing has a term of 30 years.

European supplies for one of Mexico's largest ports

European exporters, too, often benefit from infrastructure financing, as is the case for Finnish manufacturer Cargotec, which is supplying container cranes to modernise and expand the Port of Manzanillo in Mexico. Together with three other banks, KfW IPEX-Bank is providing a loan of USD 260 million.

The financing will help International Container Terminal Services Inc. (ICTSI) increase capacity at the Port of Manzanillo by 50% and reduce transhipment times for freight on the Pacific coast. The port's terminal currently handles more than 60% of Mexico's Pacific container traffic.

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A sought-after advisor to policymakers and exporters

As an expert in export finance and an authority on the subject of export credit guarantees, KfW IPEX-Bank provides advice on policy decisions relating to the promotion of foreign trade. Policymakers, industry and financial sector partners are working together to develop and improve the framework conditions for German and European exporters.

At the request of the German Federal Government, KfW IPEX-Bank is also represented on the Interministerial Committee for Export Credit Guarantees and on the Hermes Panel of Experts, which deals with technical issues relating to Hermes instruments. On the international stage KfW IPEX-Bank advises the Federal Government at international forums on export finance and insurance, such as European Council and OECD working groups.

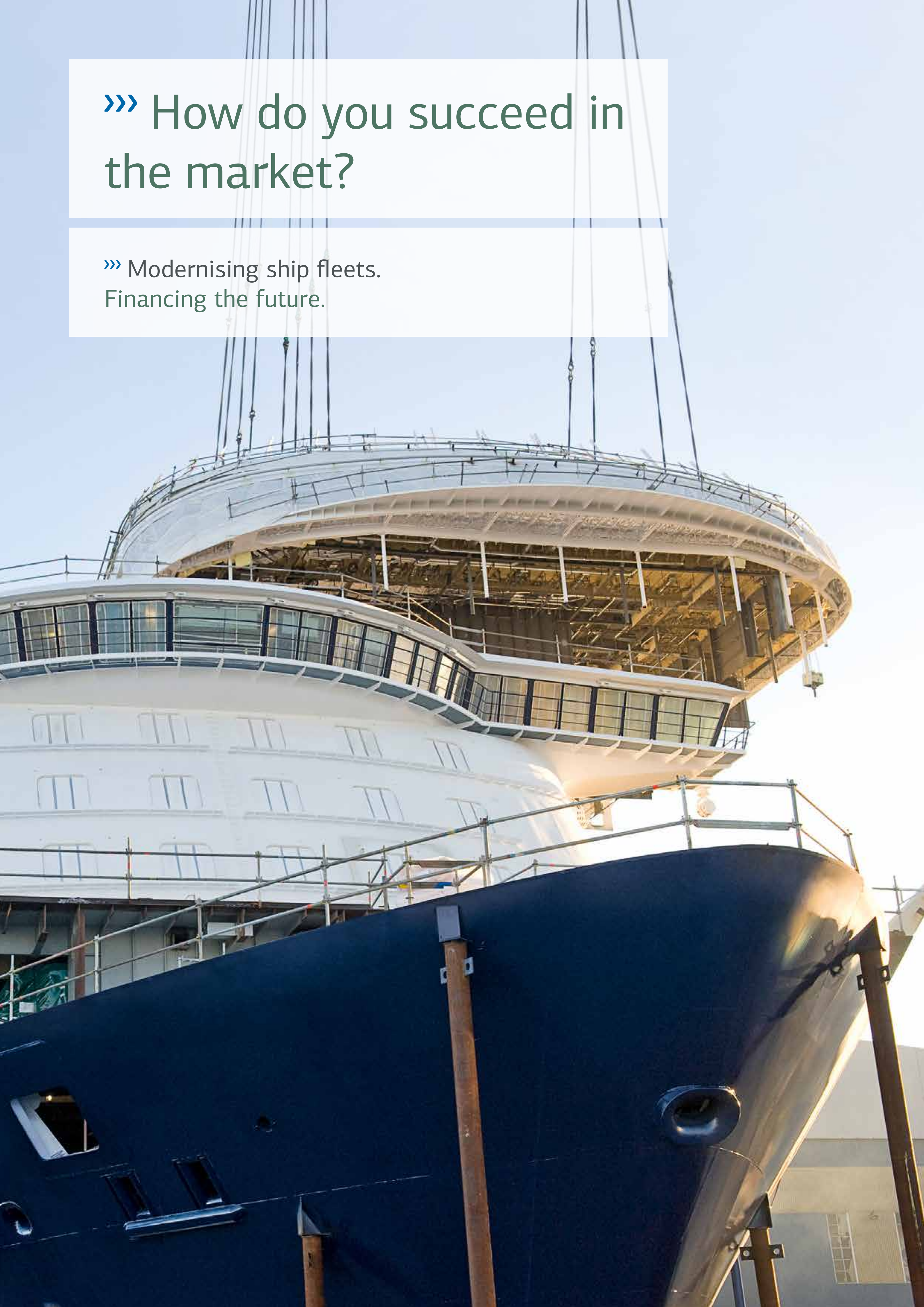
A central aim of this work is to make it possible to calculate the risks involved in global commerce and, as a result, to make it possible to provide export finance that would not be feasible without additional guarantees. Export credit agencies (ECAs) work in this context as independently organised insurers with mandates to issue state and other guarantees for export finance. In Germany, this role is performed by the credit insurer Euler Hermes Deutschland, which provides export credit guarantees known as Hermes cover.

ECA cover is particularly important to international banking consortia as the guarantees can help solve problems of scarcity when capital and risk limits are in place. ECAs abide by internationally agreed rules. In the EU, these have been transposed into binding national legislation, while outside the EU they are recognised as the 'OECD consensus'. KfW IPEX-Bank is well-known internationally for its extensive experience with ECAs and often includes export credit insurance in its structured financing – to the benefit of clients, who enjoy more favourable terms and conditions with regard to tenor and borrowing costs.

For more information, go here:
www.kfw-ipex-bank.de/Foreign-trade

››› How do you succeed in the market?

››› Modernising ship fleets.
Financing the future.



››› Energy efficiency and reduced emissions set new standards in the cruise industry

With an annual growth rate of 10%, cruises are one of the fastest expanding markets in luxury tourism. TUI Cruises currently has four ships sailing in its Mein Schiff fleet and two further vessels under construction. The company is one of the fastest-growing cruise lines in the German market.

As one of the world's leading ship financiers, KfW IPEX-Bank has supported the expansion of TUI Cruises from the beginning. Acting as bookrunner, KfW IPEX-Bank structured the complete financing of two more new ships for TUI Cruises in 2015 as part of a banking consortium that also includes UniCredit. The commitment for the total loan amount secured the order for the Meyer Turku shipyard, which specialises in building sophisticated, innovative and environmentally friendly cruise ships, ferries and special vessels.

The two new ships ordered are to replace Mein Schiff 1 and Mein Schiff 2 in 2018 and 2019, respectively. With innovative, environmentally friendly technologies on board, they will not only modernise the fleet but set new environmental standards, too.

Modernising the fleet: Together with other banks, KfW IPEX-Bank is financing two new cruise ships for TUI Cruises. The ships are also setting new environmental standards.

An effective partner in global competition

As a specialist financier KfW IPEX-Bank is responsible for the Export and Project Finance business sector within KfW Group. A legally independent group subsidiary, the bank's role is to support the internationalisation of German and other European companies so as to secure economic strength, employment and growth, opening up new social opportunities along the way.

Structuring medium and long-term financing for key industrial export sectors, for economic and social infrastructure, and for projects to protect the climate and the environment has been at the core of KfW IPEX-Bank's work for 60 years. Given the shortage of certain raw materials in Germany and Europe, the bank finances projects all around the world to support imports of these commodities.

KfW IPEX-Bank often works in partnership with other commercial banks to provide international syndicated financing, and increasingly collaborates with institutional investors in certain areas.

Stable demand for export and project finance

Although the picture across the different economic areas was very mixed and, in some cases, contradictory in 2015, the global economy as a whole lost momentum. Activity picked up in the industrialised nations, particularly in the USA and the euro area. Meanwhile, developing and emerging countries saw the fifth consecutive year of declining growth. Geopolitical tensions had a negative impact on the economy. This led, not least, to a further fall in commodity prices, particularly in the case of crude oil. The result was a noticeable reluctance to invest, which was especially pronounced in relation to exploration projects. The depreciation of the euro had a positive impact on German and European exporters and their production. Global demand for capital goods from German and European manufacturers was largely stable overall.

Meanwhile, there was intense competition on the high-volume project and export finance market, particularly from banks in Europe, North America and Asia, but increasingly also from those in emerging economies. Institutional investors, driven by pressure to invest in the low interest rate environment, also entered the lending market.

Excellent new business performance

KfW IPEX-Bank, which is responsible for KfW's Export and Project Finance business sector, granted a total of EUR 20.2 billion of financing in 2015, the strongest performance in its history. It generated a commitment volume of EUR 17.4 billion (2014: EUR 15.4 billion) in its original lending business. In addition, there were new commitments for bank refinancing under the CIRR ship financing scheme – agency business managed on behalf of the German Federal Government. At around EUR 2.2 billion, these commitments were almost EUR 1 billion higher than in the previous year (2014: EUR 1.3 billion). The new commitment volume also included an equity investment of EUR 600 million for the implementation of the NordLink subsea cable project.

This record result is an impressive demonstration of the strength of KfW IPEX-Bank's business model. However, it also reflects a number of favourable factors. For example, agreement was reached during the reporting year on long-planned financing projects, illustrating the success of earlier marketing initiatives. Business in 2015 was also affected by several high-volume individual financing projects, including offshore wind farms and cruise ships.

New commitments by sector department

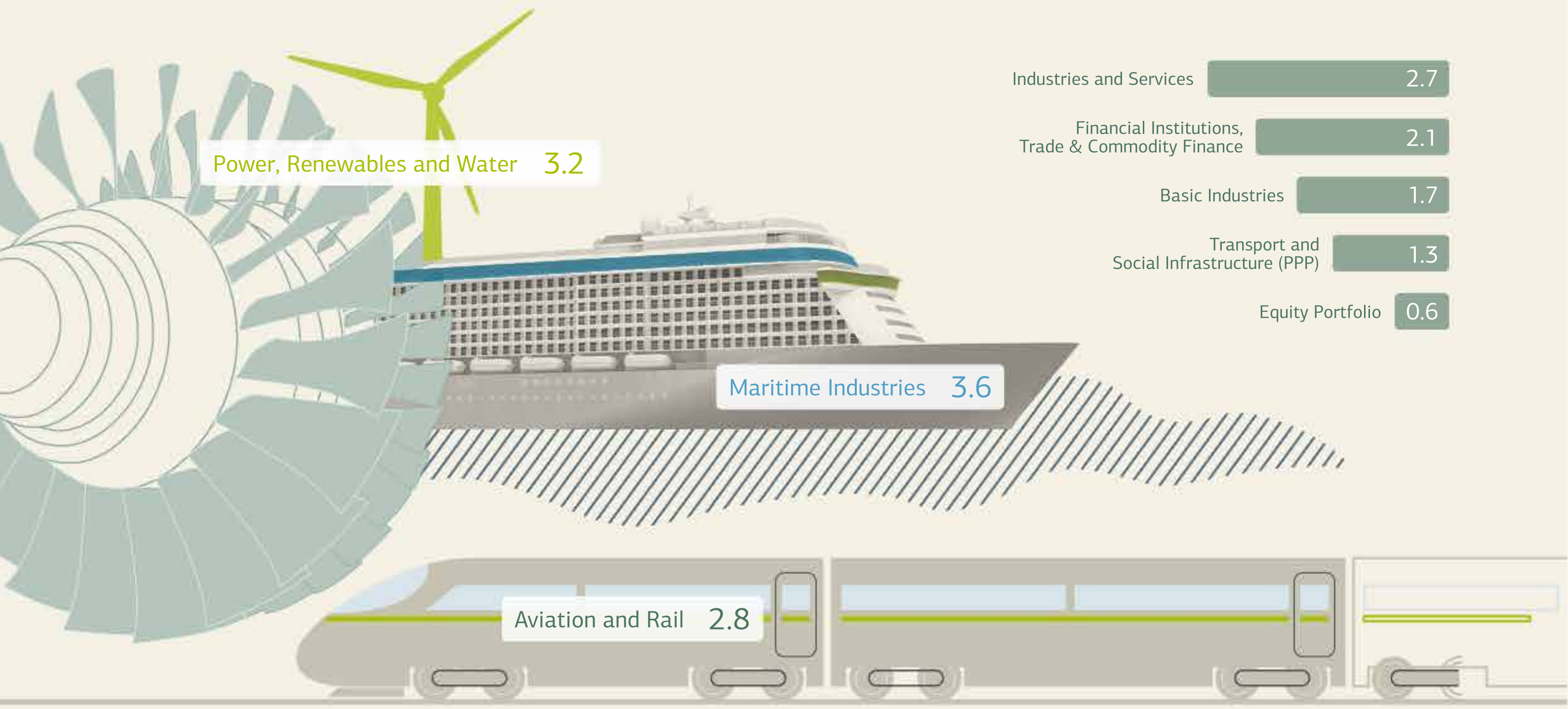
All of KfW IPEX-Bank's sector departments made a positive contribution to the bank's business performance in 2015. The Maritime Industries sector department recorded the highest volume of new lending at EUR 3.6 billion. This included financing for component supplies by specialist German and European manufacturers as part of international shipping projects. The department also financed specialist ships for the offshore industry and investments by major shipping companies to modernise their fleets, such as retrofitting to increase energy efficiency. However, the strong performance was primarily attributable to high-volume financing of cruise ships, which is having a major positive impact on the order books of German and other European shipyards and their specialist suppliers.

The Power, Renewables and Water sector department proved to be another important growth driver in 2015 with EUR 3.2 billion of commitments primarily financing on- and offshore wind projects and highly efficient combined cycle power plants. The Aviation and Rail sector department contributed a further EUR 2.8 billion to the excellent business performance.

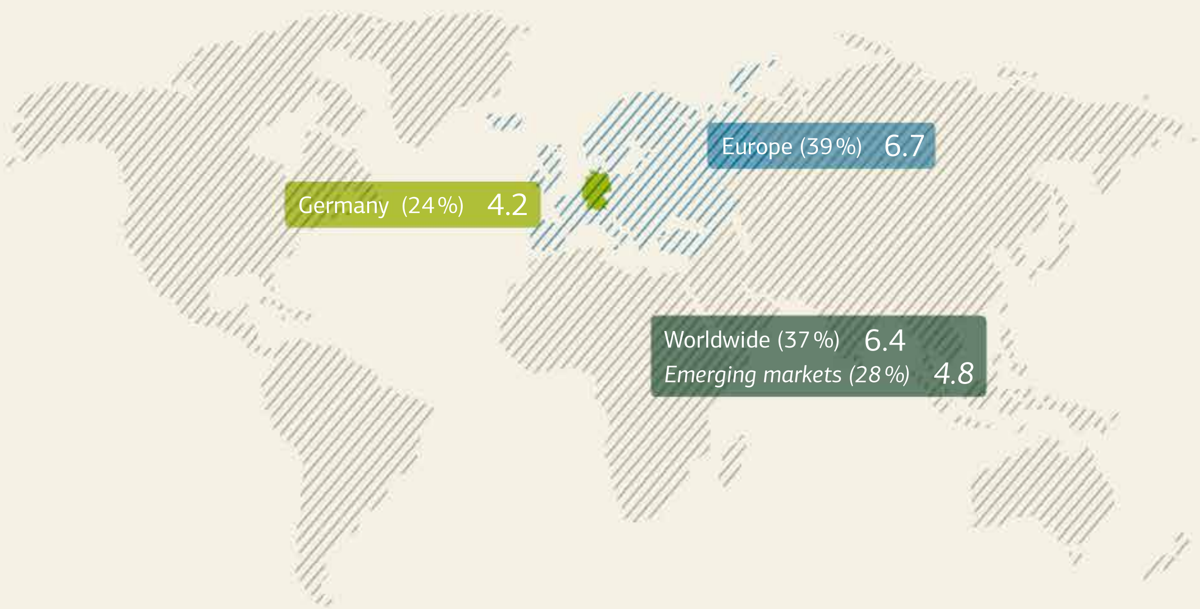
Focus on target export markets

KfW IPEX-Bank supports its clients as a reliable partner both in industrialised countries and in key growth markets for exports and direct investment in developing and emerging countries. KfW IPEX-Bank intentionally also works

NEW COMMITMENTS BY SECTOR DEPARTMENT (in EUR billions)



FINANCING BY REGION (in EUR billions)



in countries where access to financing is difficult.

In 2015, 24% (EUR 4.2 billion) of new loan commitments went to Germany, 39% (EUR 6.7 billion) to the rest of Europe and 37% (EUR 6.4 billion) to countries outside of Europe. The share of new business in the emerging markets remained stable at around 28%.

KfW IPEX-Bank has a total of nine representative offices in Abu Dhabi, Istanbul, Johannesburg, Mexico City, Moscow, Mumbai, New York, São Paulo and Singapore as well as a branch in London. The representative office in Singapore has been expanded in accordance with long-term plans in order to strengthen the bank's presence in South-East Asia. The work performed by the representative office in Bangkok was moved to Singapore and the Bangkok office closed at the end of October 2015. Given the growing import and investment opportunities in other emerging countries, KfW IPEX-Bank plans to moderately expand its presence outside Germany.

Responsibility is our guiding principle

KfW IPEX-Bank's aim and focus is to finance projects and exports that will have a positive impact on the environment and climate. The bank therefore joined the Equator Principles Financial Institutions (EPFIs) eight years ago. This global association now encompasses around 80 'equator banks', which voluntarily adhere to an extensive framework for meeting environmental and social standards. To continually develop these standards, the EFPIs engage in regular dialogue, in which KfW IPEX-Bank also participates.

The bank's own sustainability guideline for environmentally and socially sound financing (Sustainability Guideline) goes even further: KfW IPEX-Bank not only adheres to the Equator Principles and the OECD's Common Approaches for ECAs, but has also made a voluntary commitment to appraise not just its project and export financings, but all of its other financing products, too.

Since summer 2015, KfW IPEX-Bank has also applied a simplified, publicly accessible mechanism for filing complaints relating to environmental and social issues. Complaints may be submitted by individuals or organisations.

Economic and financial results

2015 was an extremely successful year for KfW IPEX-Bank. With a contribution of EUR 628 million to KfW's consolidated earnings, KfW IPEX-Bank reaffirmed its status as one of KfW Group's main sources of earnings. E&P once again played an active role in securing KfW's long-term promotional capacity despite challenging economic and market conditions.

The operating result of KfW's Export and Project Finance business sector, for which KfW IPEX-Bank is responsible, was EUR 690 million, exceeding the level of success achieved in the previous year. It mainly comprised net interest income, which increased substantially year-on-year, and net commission income, less administrative expense, which saw only a slight rise. Risk provisions for the lending business also had an extraordinary (positive) effect on the result. Net reversals of provisions meant that the overall result from ordinary business activities rose to EUR 722 million. All recognisable risks were, however, covered by commensurate risk provisions.

KfW IPEX-Bank GmbH is a legally independent and separate reporting entity which performs all E&P market transactions. It reported operating income before taxes of EUR 274 million – also a very good result. The volume of lending by the Export and Project Finance business sector as at 31 December 2015 was EUR 69.4 billion (year-end 2014: EUR 64.3 billion).

Reinforcing our position as a specialist financier

The global economic basis for KfW IPEX-Bank's business is set to remain positive in 2016 as demand for exports from Germany and Europe, and hence also for appropriate financing, is expected to remain stable. However, competition will remain intense throughout the year given the high liquidity of banks and institutional investors.

KfW IPEX-Bank is focusing its business in 2016 on reinforcing its position as a dependable specialist financier and stable partner for the German and European economies. The Export and Project Finance business sector plans further moderate organic growth. The bank's performance in 2015 was the cumulative result of a number of individual factors and cannot simply be projected into the future. The 2016 target for new commitments is therefore EUR 16.2 billion.

A progressive and responsible human resources policy

Our employees again contributed to the success of KfW IPEX-Bank in 2015 with their tremendous commitment and dedication. They impressed our clients with their expertise, service-minded approach and professionalism. As one of the market's leading project and export financiers, the bank needs well-trained and motivated employees, making a progressive and responsible human resources policy essential.

Personnel

KfW IPEX-Bank employed an average of 651 members of staff in 2015 (previous year: 640). The proportion of employees working part-time increased from 17.1 % in the previous year to 18.9% at year-end. Female staff made up 46.5% of the workforce.

The proportion of women in management has increased again and now stands at 25.3% (previous year: 24.4%). The proportion of disabled employees was 0.9% at year-end, and this figure is set to rise further. The average age of the bank's employees was 40.8 years. The staff turnover rate adjusted for retirement was 5.1 % in 2015 (previous year: 3.3%).

A remuneration system linked to performance and market developments

The remuneration system is a key tool of HR management and is designed to promote KfW IPEX-Bank's attractiveness as an employer. KfW IPEX-Bank's remuneration strategy and remuneration systems are geared towards achieving the goals set out in the bank's business and risk strategy.

In 2015, KfW IPEX-Bank met the criteria for classification as a major institution within the meaning of the Remuneration Ordinance for Institutions *(Institutsvergütungsverordnung – InstitutsVergV)* for the first time. This primarily affects the remuneration of staff members whose tasks have a material impact on the overall risk profile of KfW IPEX-Bank (risk takers). The bank has conducted its own risk analysis based on qualitative and quantitative criteria to identify such staff members.

The remuneration systems are designed to link remuneration with success and performance. They are set out transparently by the works agreements concerning remuneration and targets or, in the case of managerial staff, by individual contracts in line with the works agreements. They are structured in such a way that there are no incentives for employees to take disproportionately high risks.

Personnel key figures

Employees	651
Part-time employees	18.9%
Average age	40.8 years
Proportion of female staff	46.5%
Proportion of male staff	53.5%
Proportion of women in management	25.3%
Proportion of disabled employees	0.9%

Employee survey

KfW IPEX-Bank's latest employee survey (following the first survey in 2013) achieved a very high participation rate of 75.4 % and an excellent engagement factor score of 80 out of 100 points. The survey assessed the bank in 12 categories including working conditions, management, strategy, processes and opportunities for development. Based on the survey results, the departments are to design internal projects for the bank for 2016 in workshops following on from the survey. The aim is to continue conducting the survey every two years in the future in order to respond to changes and support the bank's development.

Gender-sensitive culture

KfW Group's commitment to gender equality is also incorporated in the human resources policy of KfW IPEX-Bank. Our ambition is not just formal equality of men and women, but real equality of opportunity that will enable us to benefit from people's different strengths. The Gender Balance programme combines the cultural aspects and practical framework with targeted staff development. The drive for diversity and the desire to make use of everyone's potential and achieve a good work-life balance are also anchored in KfW IPEX-Bank's mission statement.

Career equality also involves a balanced proportion of women and men in managerial positions. In accordance with the German law on equal participation of women and men in management positions in the private and public sectors, KfW IPEX-Bank set targets for the proportion of women on the Board of Supervisory Directors, the Management Board, and at head of department and team head level, for the first time in 2015. Rigorously implementing the statutory requirements for gender balance by 2017 is a key objective of KfW IPEX-Bank in the area of human resources policy (see also the Management Report).

A healthy work-life balance is traditionally important for the career development of women and now, increasingly, of men as well. In addition to making use of the diverse childcare options available, the possibilities for caring for relatives are also a major factor in this regard. KfW Group is therefore expanding the options available for combining work with caring for others and is promoting greater awareness of the issue in corporate culture.

Health management

Systematically expanding corporate health management provision aims to maintain and increase staff motivation, satisfaction and performance in a world where the workplace is characterised by more intense workloads, greater pace and complexity, and, in some cases, standardisation. In 2015 the focus was on two areas in particular:

1. Based on a screening procedure developed by the University of Potsdam, working environments were examined using observational interviews to identify and evaluate potential sources of psychological stress. Almost all working environments were classed as unproblematic with regard to psychological stress, so that there was no need for further action.

2. Managerial staff have particular responsibility for a health-conscious culture. Seminars on practical healthy management were developed primarily to support team heads with regard to the topic of health in their everyday work. The seminars give participants practical suggestions on how they can integrate health-related issues into their everyday management tasks and set an example for their staff.

For more information, go here:
www.kfw-ipex-bank.de/HR

Modern staff development

To ensure employees can continue to work effectively in the future, staff development at the bank concentrates on continuously adapting professional skills from an early stage, on developing modern management tools and identifying and promoting talent. The project focus in 2015 was on the following areas:

New procedure to assess potential

Together with KfW, the bank revised the existing assessment of leadership skills in 2015 with the involvement of managers, staff and employee representatives, and developed a state-of-the-art procedure. This is divided into three stages: The first stage involves staff members reflecting carefully and thoroughly on their own skills. The second stage consists of an interview and assessment and enables a sophisticated appraisal of potential. In the third stage, staff members are given intensive preparation for their first management task.

KfW manager feedback

The manager feedback (360º feedback) system specially developed for KfW Group is based – like the assessment of potential – on the new management competency model and is compulsory for all managerial staff. Managers invite members of their own team and other individuals from their everyday working environment to provide anonymous feedback on their management skills. The newly designed follow-up process provides long-term support to assist the development of the manager and his/her team.

Employer branding and personnel marketing

KfW IPEX-Bank works continuously with KfW on how it is perceived as an employer. Over the next few years, the bank will completely revise the way it markets itself externally to potential employees based on an employer branding project in 2015. Implementation of a new applicant management system, which began in 2015, is slated for completion in the first quarter of 2016.

Promoting young talent

A central focus of KfW IPEX-Bank's human resources strategy is to ensure that young employees gain the necessary qualifications. The bank's own trainee programme, in which 12 university graduates were enrolled at the end of 2015, offers graduates of economics or business-related courses targeted training opportunities both on and off the job.

Fair Company and Top Employer

KfW IPEX-Bank participates along with a further 600 businesses in the Fair Company initiative. This is the largest employer initiative in Germany for students and young professionals. It aims to ensure that university graduates and interns are treated fairly and that they are not used as substitutes for full-time positions. In 2015, KfW IPEX-Bank also won recognition for its commitment in this area under the charter of fair and career-enhancing trainee programmes (Charta karrierefördernder und fairer Trainee-Programme). The Top Employers Institute also performed an independent evaluation of KfW IPEX-Bank and awarded it Top Arbeitgeber Deutschland 2015 (top employer in Germany in 2015) certification.

Works council and representation of disabled employees

Successful human resources policy is based on a social partnership that is put into practice and takes account of employees' interests. The works council with its 11 members plays a key role in achieving this. The representatives for disabled employees, who were elected in 2014, have successfully expanded their work with the aim of recruiting and assisting more people with disabilities.

››› Management Report

Economic Report

General economic conditions

The global economy lost momentum in 2015. However, the picture across the different economic regions was very mixed. Activity picked up in the industrialised nations, driven by the USA, the euro area and Japan. It was helped by labour markets, consumer spending, low energy prices and ongoing low interest rates. Yet not all industrialised nations performed so well in 2015, with an array of geopolitical risks and uncertainty concerning an interest rate turnaround by the US Federal Reserve negatively impacting growth. This was also true of developing and emerging countries, where annual growth was down in 2015 for the fifth year in a row. Many large emerging countries in particular found themselves in difficult waters, and in some cases even in recession. China's growth remained above average, although there, too, growth slowed down albeit without putting the country on course for a hard landing. The weak growth apparent in many emerging countries was the result of the sharp decline in commodity prices, the restructuring of the Chinese economy and high capital outflows within a short space of time. Adapting to these changes has caused growth to fall. Structural problems are re-emerging more clearly in this context. Overcoming these must, in one way or another, provide for long-term growth potential.

Economic recovery gathered pace somewhat in the member states of the European Economic and Monetary Union (EMU). Economic output in the EMU countries in 2015 was up overall by 1.5% year-on-year – a somewhat stronger growth figure than that anticipated by KfW a year previously. Geopolitical conflicts did not impact upon the economy as much as expected, and financing conditions for companies and households improved markedly over the course of the year. The largest contribution to growth came from consumer spending, supported by falling energy prices and gradual improvements on the labour markets. Despite the weak global economic environment, exports also contributed to growth on the back of exchange rate effects. Given the increased demand for imports, however, the effect of foreign trade was neutral overall.

In 2015 the German economy continued to grow at a similar rate to the previous year. At 1.7%, real growth was slightly up on the previous year's figure (1.6%). However, there were also more working days in 2015 than in the prior year. Domestic demand proved reliable once again. Consumer spending was by far the biggest growth driver, benefiting from a continued rise in the employment rate and significant increases in real wages. Strong corporate investment activity was recorded primarily at the beginning of the year. It even stagnated completely for a time later in the year. Above all, it is likely that fears of recession in key emerging markets unsettled export-oriented German companies and caused them to delay their investment decisions. Despite robust export growth, the trade balance – i.e. the difference between imports and exports – had only a small positive effect on economic growth as firm domestic demand caused imports to grow somewhat more strongly than exports.

The diverging monetary policies of the world's largest central banks were the main focus of attention on the financial markets in 2015. While the Japanese and European central banks retained or even intensified their expansionary monetary policies, the USA saw a moderate rise in key interest rates for the first time since 2006. Alongside diverging views on monetary policy, other sources of growing concern on the financial markets were developments in Greece early in the summer and, later in the year, the slowdown of growth in emerging countries (especially China) and the renewed drop in oil prices. The result was temporary heavy market turbulence in late summer. This particularly affected riskier asset classes, while safe havens enjoyed continued strong demand.

Faced with the continued moderate rate of macroeconomic growth and unusually low inflation rates, the European Central Bank (ECB) took further expansionary monetary policy measures in 2015. At the ECB meeting in January the central bankers decided to introduce an expanded programme to purchase securities with a total monthly volume of EUR 60 billion. For the first time, this also included the acquisition of government and quasi-government bonds. In December 2015, it was announced that the programme would be extended until at least March 2017. The deposit rate was also cut again to –0.30%.

The differing monetary policies of the US Federal Reserve and European Central Bank had a substantial effect on the USD/EUR exchange rate. The euro depreciated sharply against the US dollar, falling to its lowest point of the year in mid-March with a rate of 1.05. The average USD/EUR rate in 2015 was just over 1.11. The euro was almost 17% down on the average rate for 2014.

Business development of KfW IPEX-Bank

Within KfW Group, KfW IPEX-Bank is responsible for international export and project finance (E&P). This task is derived from KfW's statutory mission and is in the interests of the German and European economies.

Although the global economy lost momentum in 2015, worldwide demand for capital goods from German and European manufacturers remained largely stable overall. Competition on the high-volume project and export finance market remained intense, particularly from banks in Europe, North America and Asia, but increasingly also from banks in emerging economies. Institutional investors, driven by pressure to invest in the low interest rate environment, also entered the lending market.

In new business, KfW IPEX-Bank concentrated on borrowers with good ratings, providing financing for projects backed by solid collateral and supporting long-standing customers, primarily as a partner in syndicate financing arrangements. In KfW's Export and Project Finance business sector – for which KfW IPEX-Bank is responsible – the bank provided financings totalling EUR 20.2 billion in 2015. The bank generated commitments of altogether EUR 17.4 billion in its original lending business (2014: EUR 15.4 billion). In addition, there were new commitments for bank refinancing under the CIRR ship financing scheme. At around EUR 2.2 billion, these commitments were almost EUR 1.0 billion higher than in the previous year (2014: EUR 1.3 billion). KfW IPEX-Bank participates in this scheme within the framework of an agency agreement with KfW (agent acting on behalf of the Federal Republic). The new commitment volume also included an equity investment of EUR 600 million for the implementation of the NordLink subsea cable project.

This record result impressively demonstrates the strength of KfW IPEX-Bank's business model. However, it also reflects a number of favourable factors that had a positive impact in 2015: For example, during the reporting year long-planned financings were closed, illustrating the success of earlier marketing initiatives. 2015 was also marked by several high-volume individual financings for offshore wind farms and cruise ships, as well as projects such as the NordLink subsea cable transaction, which should be viewed as a one-off effect. The bank is clearly fulfilling its mission of supporting the German and European export economies to a high degree by providing tailored financing for their international operations. Of the total commitments, EUR 11.5 billion constituted KfW IPEX-Bank's market business, and EUR 8.8 billion was trust business performed on behalf of and for the account of KfW.

A key element of the bank's business strategy is its presence in important international target markets for the German and European export industries. This is in line with the bank's mission to help the export economy compete in the global marketplace and to provide financing for investment in infrastructure and transport, for environmental and climate protection projects and for projects that secure the supply of raw materials. KfW IPEX-Bank has a branch in London and a total of nine representative offices across the world.

KfW IPEX-Bank funds itself almost entirely through borrowings from KfW, at terms and conditions in line with those on the capital markets. Unlike in previous years, funding costs increased for KfW IPEX-Bank in 2015, as they did for other commercial banks. After a favourable start to the year supported by robust US growth, stable economic performance in Asia and the bond purchase programme announced by the ECB, funding costs for European financial institutions initially fell in the first quarter. This trend, which was accompanied in April and May by historically low yields on European sovereign bonds, came to an end in June 2015. It was followed by a temporary increase in funding costs in the financial sector, particularly in light of the prospect of Greece leaving the euro area. The third bail-out package for Greece approved in July then calmed the capital markets once more. However, weak growth data from China, concerns about a possible slowdown in the global economy and the prospect of an imminent hike in key interest rates in the USA caused major turbulence on the stock markets in August. In this environment, risk premiums in the European banking sector reached their highest point for the year at the end of the third quarter. In October, the capital markets stabilised given expectations of a delay to the interest rate turnaround in the USA and continuing expansionary monetary policy measures by the ECB. Funding costs in the financial sector fell, before trending sideways in the final two months of the year. KfW IPEX-Bank's funding costs also followed this trend. Averaged over the year, they were significantly higher than in 2014 as a result not only of the less favourable funding conditions for the euro, but also of the above-average increase in US dollar funding prices.

KfW IPEX-Bank has an AA rating from Standard & Poor's and an A2 rating from Moody's. Moody's adjusted its rating in 2015. The change to this rating came as a result of a new methodology that Moody's applied for its bank ratings over the course of the year.

Overview of results of operations, net assets and financial position

KfW IPEX-Bank generated operating income before risk provisions and valuations of EUR 350 million in the 2015 financial year and exceeded the previous year's very good result by a further EUR 22 million (+7 %) on the back of the positive business development. Net interest income and net commission income together contributed a total of EUR 522 million to this result. A particularly strong increase of EUR 35 million (+12 %) was recorded in net interest income (EUR 334 million), which includes current income from shares and equity investments and also takes interest expenditure into account. Net commission income was slightly up on the previous year at EUR 188 million. Administrative expense (EUR 216 million), comprising personnel expense of EUR 98 million and other administrative expense of EUR 118 million, including depreciation on property, plant and equipment, was EUR 26 million (+14 %) higher than in the comparative period. For the first time, other administrative expense includes the new EU bank levy. Other operating income and expenses (EUR 44 million) primarily comprise foreign exchange gains (EUR 38 million) associated with the appreciation of the US dollar, which continued in the 2015 financial year. In order to stabilise the regulatory capital ratios against fluctuations in the USD exchange rate, KfW IPEX-Bank maintains a fund for general banking risks in accordance with Section 340g of the German Commercial Code *(Handelsgesetzbuch – HGB)*. The adjustment of the fund to movements in the exchange rate led to EUR 37 million being appropriated to the fund in the reporting year, which is listed as a separate item in the income statement. This almost entirely offset the bank's foreign exchange gains.

The risk provision and valuation result (EUR –76 million) is largely attributable to the risk provision result in the lending business (EUR –83 million). The increase in risk provisions required was slightly less than in the previous year. Over the reporting year, the bank continued to cover all recognisable risks through its conservative approach to risk assessment. The main items under valuations from securities and investments (EUR 7 million) are capital gains from the disposal of an investment and write-downs on two fund investments.

KfW IPEX-Bank generated operating income before taxes of EUR 274 million. After taking into account appropriations to the fund for general banking risks in accordance with Section 340g of the German Commercial Code (EUR –37 million) for ongoing adjustment to movements in the USD exchange rate, profit from operating activities before taxes was EUR 237 million. After deduction of taxes on income (EUR –93 million), the remaining net income for the year was EUR 144 million, a slight increase on the previous year's good result.

Total assets increased to EUR 28.6 billion as at 31 December 2015, exceeding the previous year's figure by EUR 2.3 billion (+9%). The increase was driven by loans and advances to banks and customers, which were up EUR 1.6 billion (+7 %) at EUR 26.0 billion. The continued appreciation of the US dollar over the past financial year combined with the high proportion of USD loans in the bank's portfolio had a positive impact on this figure, as did the rise in new commitments. Bonds and other fixed-income securities were also up by EUR 0.6 billion (+38 %). KfW IPEX-Bank has further expanded its portfolio of high-quality and highly liquid assets in connection with the phasing-in of the liquidity coverage ratio (LCR) from 1 January 2015. Liabilities and equity primarily comprise liabilities to banks (EUR 22.8 billion), which increased by EUR 1.7 billion (+8 %) due to the effects mentioned above. The position mainly consists of ongoing funding from KfW by means of promissory note loans, call money and term borrowings. As a Pfandbrief bank, KfW IPEX-Bank has also issued registered Public Pfandbriefe since 2014 as an alternative to borrowing via uncovered promissory note loans. These are acquired exclusively by KfW as investor and included in liabilities to banks.

In addition to total assets, volume of business (EUR 38.2 billion) also includes, as off-balance sheet commitments, financial guarantees and irrevocable loan commitments. It increased by EUR 2.8 billion (+8 %) year-on-year. This figure also reflects the positive business performance of KfW IPEX-Bank, which contributed to an increase of EUR 0.6 billion (+9 %) in irrevocable loan commitments.

The bank's regulatory own funds totalled EUR 3.8 billion as at 31 December 2015, resulting in the following capital ratios as at the balance sheet date: tier 1 common capital ratio = 12.6 %, tier 1 capital ratio = 15.7 % and total capital ratio = 18.2 %.

KfW IPEX-Bank continues to be supervised by the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin)* in cooperation with the Deutsche Bundesbank.

Earnings position

	1 Jan.–31 Dec. 2015	1 Jan.–31 Dec. 2014	Change	
	EUR in millions	EUR in millions	EUR in millions	%
Net interest income[1]	334	299	35	12
Net commission income	188	185	3	2
General administrative expense	–216	–190	26	14
Other operating income and expenses	44	34	10	29
Operating income before risk provisions/valuations	**350**	**328**	**22**	**7**
Valuations from securities and investments	7	1	–6	<-100
Risk provision result in lending business	–83	–91	–8	–9
Risk provisions and valuations, total	**–76**	**–90**	**–14**	**–16**
Operating income before taxes	**274**	**238**	**36**	**15**
Appropriations to the fund for general banking risks as per Section 340g of the German Commercial Code (HGB)	–37	–38	–1	–3
Profit/loss from operating activities before taxes	**237**	**200**	**37**	**19**
Taxes on income	–93	–61	32	52
Net income for the year	**144**	**139**	**5**	**4**

[1] Including current income from shares and other non-fixed-income securities and equity investments

Operating income before risk provisions and valuations totalled EUR 350 million. Taking into account the renewed moderate rise in risk provisions required in the 2015 financial year, operating income before tax of EUR 274 million remained after deduction of risk provisions and valuations. This meant that KfW IPEX-Bank once again achieved a very good operating result in financial year 2015, exceeding the previous year's figure by EUR 36 million (+15 %).

Net interest income and net commission income

Net interest income and net commission income totalled EUR 522 million and remained the most important sources of earnings for the bank. They comprised net interest income of EUR 334 million and net commission income of EUR 188 million, representing an overall increase of EUR 38 million (+8 %) compared with the 2014 financial year.

Net interest income resulted from interest income including current income from shares, other non-fixed-income securities and equity investments of EUR 701 million, combined with interest expense of EUR 367 million. Interest income was generated primarily by the bank's lending business and money market transactions (EUR 680 million). This figure also includes interest-like income of EUR 41 million in the form of commitment fees for loans not yet disbursed. Interest income from the securities portfolio was EUR 20 million. Interest expense of altogether EUR 211 million related to ongoing funding. Funding is obtained almost entirely from KfW through medium and long-term promissory note loans and registered Public Pfandbriefe. Short-term funding requirements are met by means of call money and term borrowings, which are also largely from KfW. This item also includes net interest expense (EUR 68 million) from interest rate, foreign exchange and cross-currency swaps. Additional sources of interest expense include the hybrid capital instruments of the silent partner contribution (EUR 24 million) and subordinated liabilities (EUR 12 million).

At EUR 188 million, total net commission income was at the previous year's level. The largest share (EUR 97 million, 51 %) was attributable to payments from KfW for the E&P trust business administered by KfW IPEX-Bank as a trustee. Fee income from the E&P market business contributed EUR 76 million to the result. Additional commission income was generated from liabilities from financial guarantees in the form of guarantee commissions (EUR 18 million). Meanwhile, commission expense amounted to EUR 3 million and was primarily attributable to fees for guarantees received in connection with the lending business.

Administrative expense

Administrative expense of EUR 216 million comprised personnel expense (EUR 98 million) and other administrative expense plus depreciation and impairment on intangible assets and property, plant and equipment (EUR 118 million). Personnel expenses included expenditure of EUR 74 million for wages and salaries and a further EUR 24 million for social insurance contributions, pensions and other employee benefits, including appropriations to provisions for pensions (EUR 16 million). Other administrative expense primarily comprised expenses for services used (EUR 59 million), office operating costs (EUR 26 million) and occupancy costs (EUR 10 million). KfW IPEX-Bank procures the majority of its services from KfW (EUR 88 million). Expenditure for the new EU bank levy (EUR 8 million) is also reported under other administrative expense. Administrative expense increased by a total of EUR 26 million (+14 %) on the previous year. Personnel expenses were up by altogether EUR 11 million (+13 %) year-on-year due to higher expenses for wages and salaries, the continued decline in the discount rate pursuant to the German

Act to Modernise Accounting Law *(Gesetz zur Modernisierung des Bilanzrechts – BilMoG)* caused by the ongoing period of low interest rates, and the associated rise in appropriations to pensions provisions. The increase in other administrative expense compared with the previous year was due to two main factors. Firstly, this item included expenditure for the EU bank levy (EUR 8 million) for the first time in 2015. Secondly, the bank and its parent company KfW no longer constitute a VAT fiscal unity (the requirements for a VAT fiscal unity pursuant to Section 2 (2) Nº 2 of the German Value Added Tax Law *(Umsatzsteuergesetz)* are no longer met). Value added tax (EUR 8 million) was therefore payable for the first time on services provided by KfW.

Administrative expense

	2015	2014	Change
	EUR in millions	EUR in millions	EUR in millions
Wages and salaries	74	68	6
Social insurance contributions	7	7	0
Expense for pension provisions and other employee benefits	17	12	5
Personnel expense	**98**	**87**	**11**
Non-personnel expense	**118**	**103**	**15**
Administrative expense	**216**	**190**	**26**

Other operating income and expenses
Other operating income and expenses of EUR 44 million mainly comprised foreign exchange gains (EUR 38 million), reflecting further substantial appreciation of the US dollar against the euro beyond the exchange rate at year-end 2014. These foreign exchange gains are largely offset by the effect of adjusting the fund for general banking risks to the changes in the USD exchange rate (EUR –37 million). This effect is reported in a separate item on the income statement: 'Appropriations to the fund for general banking risks.' In addition, other operating income and expenses primarily include income from the reversal of provisions no longer required and from derecognition of liabilities (EUR 3 million) as well as from services to group companies (EUR 2 million).

Risk provisions and valuations
The risk provision and valuation result totalled EUR –76 million in the reporting year. It was primarily accounted for by the risk provision result in the lending business (EUR –83 million). This was partially offset by positive valuations from securities and investments (EUR 7 million).

In terms of risk provisions for its lending business, KfW IPEX-Bank makes a distinction between specific loan loss provisions and portfolio loan loss provisions. The latter are calculated using an expected loss concept, whereby the risk provisions are based on the loss expected within one year for all loans for which no specific loan loss provisions have been recorded. The 2015 financial year again saw a moderate need for additional provisions for acute risks. The substantial reduction in provisions for acute risks related to extensive utilisation, particularly in the Maritime Industries sector department (termination of commitments). General risk provisions were reduced slightly year-on-year. The bank covered all recognisable risks with commensurate risk provisions in line with its conservative risk assessment policy.

The positive result posted under Valuations from securities and investments was attributable to capital gains from the disposal of an investment (EUR 16 million), which were offset primarily by write-downs on fund investments (EUR 9 million).

Further information on risk provisions and the valuation result can be found in the Risk Report.

Taxes on income
Taxes on income totalled EUR 93 million in the 2015 financial year. This represented an increase of EUR 32 million (+52 %) on the previous year. The disproportionate increase in tax expenditure in relation to profit from operating activities before taxes was primarily attributable to loss carryforwards offset for the last time in financial year 2014.

Net income
KfW IPEX-Bank generated net income for the year of EUR 144 million. This was slightly up on the previous year's high figure.

Net assets

Volume of lending for own account

The volume of lending for own account includes on-balance sheet loans and advances to banks and customers as well as the off-balance sheet items financial guarantees and irrevocable loan commitments. It totalled EUR 35.7 billion as at 31 December 2015, marking an increase of EUR 2.1 billion (+6%) on the previous year's figure.

Loans for own account by sector department

Sector department	31 Dec. 2015 EUR in millions	31 Dec. 2014 EUR in millions	Change EUR in millions
Aviation and Rail	5,525	5,237	288
Maritime Industries	5,151	4,506	645
Power, Renewables and Water	4,600	4,029	571
Basic Industries	3,002	2,523	479
Industries and Services	2,855	2,833	22
Transport and Social Infrastructure (PPP)	2,317	2,213	104
Financial Institutions, Trade & Commodity Finance	1,971	1,820	151
Equity Portfolio[2]	86	124	–38
	25,507	**23,285**	**2,222**
Other receivables	499	1,098	–599
Loans and advances to banks and customers	**26,006**	**24,383**	**1,623**
Financial guarantees[1]	**1,961**	**2,079**	**–118**
Irrevocable loan commitments[1]	**7,689**	**7,046**	**643**
Total	**35,656**	**33,508**	**2,148**

[1] Please refer to the notes for a breakdown by sector department.
[2] The 'Leveraged and Acquisition Finance, Mezzanine, Equity' sector department was renamed 'Equity Portfolio' in 2015.

The main contributor to the rise in the total volume of lending was the development of loans and advances to banks and customers. At EUR 26.0 billion, these were up EUR 1.6 billion (+7%) on the previous year's level. Given the large proportion of loans denominated in US dollars in the bank's portfolio, the increase in loans and advances was partly attributable to the appreciation of the USD during the course of the last financial year (+10% compared with 31 December 2014). The high volume of new commitments also increased the carrying amount of loans and advances disbursed. In the reporting year, KfW IPEX-Bank issued new commitments in the E&P business sector totalling EUR 17.4 billion (excluding bank refinancing under the CIRR ship financing scheme and the commitment for the NordLink submarine cable project). EUR 11.5 billion (66%) of this amount relates to the market business reported on the bank's balance sheet. KfW IPEX-Bank continued to generate the largest share of its total lending volume in the Aviation and Rail and Maritime Industries sector departments. The decline in other receivables resulted primarily from the reduction in short-term deposits in the form of call and term deposits with KfW.

Development of other major balance sheet assets

The total carrying amount of bonds and other fixed-income securities as at 31 December 2015 was EUR 2.2 billion, a EUR 0.6 billion (+38%) increase on the previous year. As part of the gradual phasing-in of the LCR from 1 January 2015, KfW IPEX-Bank decided to establish a portfolio of high-quality liquid assets (HQLA portfolio) to ensure sustainable fulfilment of the liquidity ratio. For this purpose, the bank has reassigned its entire existing portfolio of KfW bonds from fixed to current assets, allocating them to the new HQLA portfolio. Taking into account further purchases made during the 2015 financial year, the carrying amount of KfW securities at the reporting date was EUR 2.0 billion. The securities are hedged using asset swaps in order to avoid fluctuations in results when applying the strict lower of cost or market principle. Other securities with a carrying amount of EUR 0.2 billion are also included in fixed assets.

Assets held in trust of EUR 196 million, which are recognised in the balance sheet, relate exclusively to lending business that is administered on a trust basis by KfW IPEX-Bank for third parties and is owned by the bank in civil-law terms.

The carrying amount of equity investments at the reporting date was EUR 96 million, EUR 7 million (–6%) down year-on-year. Apart from the sale of one investment this decrease was mainly attributable to the impairment of two fund investments.

Prepaid expenses and deferred charges (EUR 28 million) primarily include interest expenses from swaps accrued on a pro rata basis (EUR 27 million).

Financial position

Funding

Liabilities to banks amounted to EUR 22.8 billion at the reporting date and were up EUR 1.7 billion (+8 %) year-on-year as a result of the movements in the USD exchange rate and positive business development. This item represents by far the largest share of debt capital funding. It is almost wholly attributable to borrowings from KfW (EUR 22.6 billion). KfW provides the bank with funding in the form of standard money and capital market products at market conditions on the basis of a refinancing agreement. To meet its medium and long-term funding requirements, the bank mainly uses promissory note loans. Since obtaining its Pfandbrief licence in 2014, the bank supplements its promissory note loans by issuing registered Public Pfandbriefe, with KfW as the sole investor. Covered-bond funding provides the bank with a cost-effective alternative to funding through uncovered promissory note loans. As a further source of funding, call money and term borrowings are also available from KfW. Funding is obtained in the currencies and for the tenors required by the bank's customers.

Liabilities to customers (EUR 0.6 billion) consisted almost entirely of a small number of deposits from customers and cash collateral acquired in connection with the lending business.

Structure and development of refinancing

	31 Dec. 2015	31 Dec. 2014	Change
	EUR in millions	EUR in millions	EUR in millions
Liabilities to banks			
Call money and term borrowings (KfW)	3,011	2,999	12
Promissory note loans and other long-term borrowings (KfW)	19,507	17,767	1,740
Interest payable (KfW)	90	79	11
KfW total	**22,608**	**20,845**	**1,763**
Other	153	184	–31
	22,761	**21,029**	**1,732**
Liabilities to customers			
Other creditors[1)]	556	360	196
Total	**23,317**	**21,389**	**1,928**

1) Includes liabilities to customers from term borrowings (EUR 280 million)

In addition to the refinancing agreement with KfW described above, KfW IPEX-Bank holds liquid assets in the form of short-term investments and a portfolio of high-quality and highly liquid bonds in order to secure its liquidity and therefore ensure it is sufficiently solvent at all times. It also has an open credit facility with KfW (EUR 1.6 billion). Further details on the liquidity situation are contained in the Risk Report.

Equity, subordinated liabilities and fund for general banking risks in accordance with Section 340g of the German Commercial Code (HGB)

	31 Dec. 2015	31 Dec. 2014	Change
	EUR in millions	EUR in millions	EUR in millions
Equity	3,475	3,331	144
Subscribed capital	*2,100*	*2,100*	*0*
Capital reserve	*950*	*950*	*0*
Retained earnings	*281*	*281*	*0*
Balance sheet profit	*144*	*0*	*144*
Subordinated liabilities	919	824	95
Fund for general banking risks as per Section 340g HGB	357	320	37
Total	**4,751**	**4,475**	**276**

The composition of equity shown in the balance sheet is unchanged compared with the previous year. The increase of EUR 144 million results solely from the inclusion of the balance sheet profit from the 2015 financial year. The previous year's balance sheet profit was appropriated in full to retained earnings, as agreed by the general shareholders' meeting on 20 March 2015. Subscribed capital consists of share capital and a silent partner contribution for which there is no contractual maturity date.

The carrying amount of subordinated liabilities increased by EUR 95 million in the reporting year as a result of the appreciation of the US dollar.

KfW IPEX-Bank makes appropriations to a fund for general banking risks in accordance with Section 340g of the German Commercial Code in order to strengthen the bank's tier 1 capital. The fund amounted to EUR 357 million as at 31 December 2015, an increase of EUR 37 million.

In order to meet the more stringent capital requirements under CRD IV and the CRR, KfW IPEX-Bank's capitalisation continues to be reviewed on an ongoing basis as part of an annual capital planning process and adjusted where necessary.

Further details are contained in the Risk Report.

Development of other material items of liabilities and equity

Provisions (EUR 196 million) decreased by EUR 21 million (–10%) year-on-year. The greatest decline was recorded by tax provisions (EUR –27 million). Other provisions were also down on the previous year (EUR –12 million). By contrast, provisions for pensions and similar commitments increased (EUR +18 million), primarily reflecting low interest rates and the associated further decline in discount rates.

Other liabilities (EUR 70 million) primarily consisted of the balancing item for the foreign currency translation of derivative hedges (EUR 65 million).

Deferred income (EUR 37 million) mainly comprised income from swaps accrued on a pro rata basis (EUR 29 million) and receivables purchases (EUR 7 million).

Off-balance sheet financial instruments

KfW IPEX-Bank performs derivative transactions primarily in order to hedge interest and exchange rate risks. These mainly involve interest rate swaps and cross-currency swaps. The nominal volume of the derivatives at the balance sheet date was EUR 21.1 billion. The increase of EUR 4.0 billion (+23%) resulted largely from the higher volume of interest rate swaps (increase of EUR 4.0 billion, +27%), which at EUR 19.0 billion represent the majority (90%) of off-balance sheet financial instruments. In order to manage market price risks, the bank also uses cross-currency swaps (EUR 1.2 billion) as well as foreign exchange (FX) swaps (EUR 0.7 billion) and foreign exchange (FX) forward transactions (EUR 0.1 billion).

Summary

KfW IPEX-Bank again generated very good operating income before risk provisions and valuations thanks to the positive performance of its business in the 2015 financial year. After deducting the risk provision and valuation result as well as the appropriations to the fund for general banking risks, the bank generated a pre-tax profit of EUR 237 million. This exceeded the previous year's good result considerably by EUR 37 million (+19%).

Subsequent events

No events of particular importance took place after the end of the financial year.

Sustainability Report

Responsibility

The international nature of KfW IPEX-Bank's commitment has global environmental, social and economic dimensions. In line with this, the bank's aim and focus is to finance projects and exports that will have a positive impact on the climate and environment. The bank joined the Equator Principles Financial Institutions (EPFIs) eight years ago. This international association now encompasses nearly 80 so-called equator banks, which voluntarily adhere to an extensive framework for meeting environmental and social standards when financing projects. Alongside the World Bank's environmental and social guidelines, this involves compliance with the International Finance Corporation Performance Standards (IFC PS) and the Environmental, Health, and Safety (EHS) Guidelines of the World Bank Group. To continually develop these standards, the EFPIs take part in regular dialogue, in which KfW IPEX-Bank also participates.

The bank's own Guideline for environmentally and socially sound financing (Sustainability Guideline) goes even further: Based on the Equator Principles and the OECD's Common Approaches for ECAs, KfW IPEX-Bank has made a voluntary commitment to conduct extensive appraisals for all its other financing products.

In addition, the bank is also focused on making its own office operations carbon-neutral. The West Arcade in Frankfurt am Main, where KfW IPEX-Bank is headquartered, is one of the most energy-efficient office buildings in the world. This 13-storey building has a primary energy consumption of 98 kWh/m^2 per year and falls well below comparable benchmark standards. Moreover, KfW IPEX-Bank and its parent company KfW use 100% green electricity generated from hydropower. Since 2006, KfW IPEX-Bank has rendered its remaining emissions, such as those resulting from necessary business travel, carbon-neutral by purchasing and retiring emission certificates.

For KfW IPEX-Bank, another dimension of the term 'responsibility' is the constructive handling of outside criticism. In summer 2015, the bank therefore introduced a simplified, publicly accessible mechanism for handling complaints related to environmental and social issues. Complaints can now be made directly to the bank using an online form provided on the website. They may be submitted by any individuals or organisations who are adversely impacted by projects financed by the bank, for example if they are affected by relocation and feel that the approval process has not given sufficient consideration to their concerns. In its project financings, KfW IPEX-Bank also imposes strict standards on the clients it lends to: For the duration of the project, KfW IPEX-Bank requires clients to establish and maintain a grievance mechanism in line with IFC Performance Standards and to document the results.

Environmental and social impact assessment in international business

In order to avoid potential risks to people and the environment, KfW IPEX-Bank subjects all planned financings in emerging and developing countries, as well as export and project financings outside the EU or OECD, to an environmental and social impact assessment. In line with its Sustainability Guideline, at the beginning of the credit approval process the bank assigns every project to one of three categories A, B or C, depending on the degree of potential environmental and social impact. All projects that could have substantial, diverse and, in some cases, irreversible impacts, are assigned to category A. This category covers projects that have an actual, physical impact on nature, such as raw materials projects or the building of dams. Category B comprises projects whose effects on the environment and society are more moderate and usually manageable with the latest technology – this applies to numerous industrial projects. Projects with negligible or no negative impact on the environment or society are classified as category C.

For loans requiring an in-depth review, KfW IPEX-Bank only provides financing if all internationally accepted environmental and social standards are adhered to. This may lead the bank to impose additional covenants. Projects carried out within the EU or in an OECD country are exempt from the requirement for an in-depth review as these countries have well-established authorisation and monitoring regimes in place for environmental and social matters which are comparable with the stringent rules in Germany. External experts and advisors are involved in assessing project risks in terms of environmental and social impact. They are supported on an individual project basis by KfW's experts in scientific, technical and social science disciplines.

KfW IPEX-Bank screens all projects in terms of their environmental and social sustainability as part of its standard lending process, and assigns each loan agreement to an appropriate category. Of the approximately 330 new loan agreements concluded in the Export and Project Finance business sector in 2015, just over two thirds (68 %) are located in OECD countries. These countries implement their own authorisation and monitoring regimes, which provide adequate protection against negative environmental and social impact. Just 25 of all loan agreements categorised as A or B involved projects in non-OECD countries. 72 % of these were subject to more in-depth assessment.

Climate and environmental protection projects in the bank's core business

In 2015, KfW IPEX-Bank provided financing totalling EUR 4.1 billion for projects with a significant and measurable positive impact on the climate and environment. This corresponds to around 20.5 % of the total commitment volume. The bank therefore makes an important contribution to achieving KfW Group's ambitious environmental and climate protection targets. In 2015, this contribution included financing for renewable energy projects, but also for highly efficient conventional energy projects, for environment-friendly means of transport such as rail vehicles, as well as investment in energy-efficient, eco-friendly production facilities in the Industries and Services sector department.

In the Maritime Industries sector department, KfW IPEX-Bank is supporting more efficient and environmentally friendly shipping by providing financing for retrofitting measures. Retrofitting involves, for instance, upgrading a ship's engine, bow or propeller to improve its energy efficiency. In keeping with the eco-shipping theme, KfW IPEX-Bank attaches great importance to the energy efficiency of the vessels it finances, and employs a new assessment method developed jointly with Germanischer Lloyd. This method enables the bank to include a ship's energy efficiency as an additional criterion when making its financing decision and to favour energy-efficient ships over other, traditionally built ones. This benefits the environment and also makes good business sense – after all, a ship's environmental performance has an ever greater impact on its charter performance and thus the likelihood of default.

All this underlines the bank's sense of responsibility and commitment to improving ecological living conditions – both in Germany and in the destination countries of exports throughout the world.

Forward-looking human resources policy

KfW IPEX-Bank needs well trained and motivated employees who impress customers with their expertise, service-minded approach and professionalism. Important building blocks of the bank's human resources (HR) policy include a success-based, performance-oriented remuneration system and a balance between professional and private life, for example through part-time work, and a variety of professional and health-care benefits. The proportion of employees working part-time was 18.9 % at year-end. The proportion of female staff was 46.5 %.

As per 30 September 2015, the proportion of women in head of department positions at KfW IPEX-Bank was 31.6 % and the proportion of women at team head level was 25.0 %. KfW IPEX-Bank has set itself the objective of maintaining the current proportion of female management staff at head of department level as per 30 June 2017, and increasing the proportion at team leader level to 27.5 %. By 30 June 2017, KfW IPEX-Bank aims to achieve the following targets for the proportion of women on the Management Board and Board of Supervisory Directors: 25 % for the Management Board (i. e. one of four members) and 22.2 % for the Board of Supervisory Directors (i. e. two of nine members). This not only reflects the requirements of German law on equal participation of women and men in management positions in the private and public sectors, but also the values of our bank.

Risk Report

Current developments

KfW IPEX-Bank's portfolio is in a strong position heading into 2016. Given the current challenges facing the global economy, however, the risk situation in individual sectors is being closely monitored, also with regard to growing uncertainties in commodity markets and emerging countries. While the dramatic fall in the oil price is benefiting some countries and sectors (transport, automotive, chemicals), it is having an adverse effect on oil exploration companies (especially oil service companies) and, indirectly, on the public finances of countries heavily dependent on oil exports. With a few exceptions, prices for hard and soft commodities have fallen across the board and are generally subject to substantial price volatility. The global steel industry is under enormous pressure due to worldwide overcapacity. China in particular has greatly expanded its production capacity. As Chinese domestic demand falls, Chinese manufacturers are flooding world markets with basic steel products offered at dumping prices.

The situation in merchant shipping remains difficult, with the exception of the tanker segment. Reduction of existing overcapacity continues to be hindered by high shipyard capacity as well as favourable prices and financing for shipbuilding. The major line shipping companies are attempting to address this through cost reductions, cooperation and takeovers. The fallen oil price is also having a beneficial effect. Weak charter markets in the tonnage segment and a high lay-up rate will lead to insufficient income levels in 2016 as well. KfW IPEX-Bank has already taken steps to protect its portfolio against the effects of the crisis in merchant shipping and will continue to do so as far as possible in 2016 with further sales, particularly of its limited partnership *(Kommanditgesellschaft – KG)* financings.

As in previous years, KfW IPEX-Bank continued to systematically develop its processes and instruments for risk management and control in the 2015 financial year, in view of current banking supervisory requirements. In particular, this involved activities to draw up a recovery plan in line with the Minimum Requirements for the Design of Recovery Plans *(Mindestanforderungen an die Ausgestaltung von Sanierungsplänen – MaSan)*, the development and implementation of reporting on risk-bearing capacity and the establishment of a steering committee to manage the leverage ratio. Furthermore, the process of reviewing existing capitalisation measures and instruments was continued. On the basis of its approval process, the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin)* also granted permission to KfW IPEX-Bank on 18 May 2015 to use its rating systems for project, ship and aircraft financing in the area of specialist financing in order to calculate its capital requirements according to the IRB approach.

General conditions of risk management and control

KfW IPEX-Bank undertakes credit risks in its business activities in a deliberate and controlled fashion in order to generate adequate earnings. Ensuring the bank's capital adequacy and liquidity at all times is the basis for its risk management, which is an integral part of the bank's integrated risk-return management. All significant components of risk-adjusted performance management at the bank are reviewed and developed on an ongoing basis.

The financial holding group, which, besides KfW IPEX-Bank, also consists of KfW IPEX-Beteiligungsholding GmbH, is dominated to a large extent by KfW IPEX-Bank. As a result, material risks arise chiefly at the level of KfW IPEX-Bank.

Business and risk strategy

KfW IPEX-Bank's strategic business objectives are to support the German and European economies on a sustainable basis and to increase profitability. To achieve these strategic aims, KfW IPEX-Bank is continuously developing its structuring expertise and intensifying collaboration with other banks. First and foremost, these measures enable the bank to address the challenges associated with the megatrends of 'climate change and environment' and 'globalisation and technological progress'. The bank's business activities focus on providing medium and long-term financing to support key industrial sectors in the export economy, improving economic and social infrastructure, financing environmental and climate protection projects and securing Europe's supply of raw materials.
Based on its business model and business strategy, the following risk types are of significance to KfW IPEX-Bank:

- Credit risks
- Market price risks (foreign exchange risk)
- Operational risks
- Liquidity risks
- Outsourcing risks
- Concentration risks
- Regulatory risks

Credit risks (particularly counterparty default risks and migration risks) are the most important risk type for KfW IPEX-Bank, followed by outsourcing risks, market price risks (in the form of foreign exchange risk) and operational risks. Liquidity risks, concentration risks and regulatory risks play a smaller role in the bank's overall risk position.
KfW IPEX-Bank's Management Board has defined a risk strategy that sets out the principles of the bank's risk policy and thus a framework for undertaking and controlling risks. In accordance with the provisions of the Minimum Requirements for Risk Management *(Mindestanforderungen an das Risikomanagement – MaRisk)*, this risk strategy addresses all business activities and risk types that are of significance to the bank. The risk strategy also takes into account its compatibility with the general risk policy framework within KfW Group.

Organisation of risk functions

The Management Board is the highest decision-making body with responsibility for risk control and monitoring. As such, it is responsible above all for defining the risk strategy, risk standards and risk assessment methods. KfW IPEX-Bank's risk function involves the Risk Management, Credit Analysis and Special Asset Group departments as well as Risk Controlling, which are all separate from the front-office areas up to the level of the Management Board. This means the separation of functions between front office and back office as called for in the Minimum Requirements for Risk Management (MaRisk) is ensured at all levels of the organisational structure.

When loan submission documents are assessed for approval, Risk Management gives its vote – the second vote – taking risk aspects into account and adhering to the principle of separating front-office and back-office functions. Moreover, it identifies and evaluates risks in the portfolio at an early stage and determines measures to reduce risks. Risk Management also reviews and approves ratings assigned to new and existing project financings. A separate organisational unit under Risk Management, the Collateral Management team, is responsible for the proper provision and valuation of all collateral. It monitors the eligibility of collateral when determining risk indicators and, in this context, continuously monitors the development of the value of collateral. The Risk Instruments and Risk Control team is responsible for maintaining and enhancing the tools used (balance sheet recognition, rating, pricing) as well as for monitoring risk functions outsourced to KfW. It is also responsible for portfolio management, operational limit management, operational risks and business continuity management.

Credit Analysis is responsible for conducting regular analyses and ratings of corporate risk and object financings, for both new and existing transactions. It also produces sector analyses.

The Special Asset Group is responsible for problem loan processing and in some cases for intensified management of exposures. KfW IPEX-Bank has outsourced a number of risk management and risk controlling functions and activities to KfW. These include validation and development of the rating methodology for counterparty risks, and the methodology and controlling related to market price risks and liquidity risks as well as operational risks. Maintenance and further development of the limit management system, determination of risk-bearing capacity including stress tests, and risk reporting for KfW IPEX-Bank have also been outsourced to KfW. The outsourced functions and activities are governed by service level agreements between KfW IPEX-Bank and KfW. Monitoring of outsourced functions ensures that KfW IPEX-Bank also fulfils its responsibility for these functions in accordance with Section 25a (2) of the German Banking Act *(Kreditwesengesetz – KWG)*.

Independently of processes, the Internal Auditing department analyses the effectiveness and adequacy of the risk management system and reports directly to the Management Board. It thereby makes an important contribution to ensuring the effectiveness of the internal control system. The planning and performance of audits are risk-based.

The Board of Supervisory Directors is responsible for regularly monitoring the Management Board. It is also involved in important credit and funding decisions.

Internal capital adequacy process

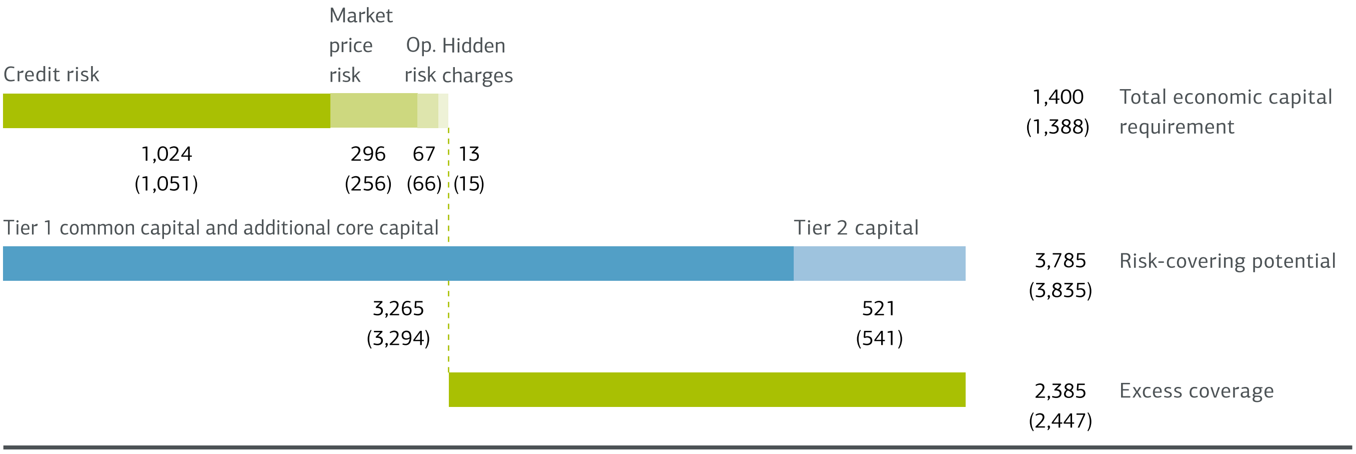
A key aspect of KfW IPEX-Bank's risk-bearing capacity plan (internal capital adequacy process, or ICAAP) is the fact that economic and regulatory provisions concerning risk-bearing capacity represent overarching objectives that are equally important. In concrete terms, this means that all risk monitoring and management activities must ensure that the bank meets an economic solvency target of 99.96 % and fulfils the regulatory capital requirements for the tier 1 common capital ratio, the tier 1 capital ratio and the total capital ratio. This approach combines capital management measures that make good economic sense with the need to ensure that regulatory capital requirements are met. KfW IPEX-Bank uses a single definition for risk-covering potential in order to closely integrate these two perspectives. In both cases, the bank's risk-covering potential is based on regulatory own funds in accordance with Articles 25–91 of Regulation (EU) Nº 575/2013 (CRR).

As at 31 December 2015, the risk-covering potential was EUR 3,785 million, consisting of:

EUR 2,617 million in tier 1 common capital,
EUR 647 million in additional tier 1 capital, and
EUR 521 million in tier 2 capital.

The bank's economic risk-bearing capacity is adequate and meets the 99.96 % solvency target. As at 31 December 2015, excess risk-covering potential above total capital requirements was slightly down year-on-year at EUR 2,385 million (year-end 2014: EUR 2,447 million). The reduction was primarily due to the decline in risk-covering potential. This was mainly a result of the reduced eligibility of subordinated loans within tier 2 capital based on their remaining tenor, pursuant to the CRR. In addition, the capital required to cover credit risk fell from EUR 1,051 million in the previous year to EUR 1,024 million, despite the increase in the volume of business. This was primarily the result of an improved risk structure.

Economic risk-bearing capacity as at 31 Dec. 2015
EUR in millions



In brackets: figures as at 31 Dec. 2014

The overall improvement in risk structure and the transition from the elementary/slotting approach for specialist financing transactions to the internal ratings-based approach, following regulatory approval, led to a reduction in regulatory own funds requirements for credit risk. This effect more than offset the slight decline in risk-covering potential described above. As a result, the regulatory capital ratios for KfW IPEX-Bank are higher than in the previous year. As at 31 December 2015, the total capital ratio stood at 18.2 % (previous year: 17.7 %), the tier 1 capital ratio at 15.7 % (previous year: 15.2 %) and the tier 1 common capital ratio at 12.6 % (previous year: 11.5 %).

The bank's forward-looking approach is a further, prominent feature of how it manages its capital adequacy process. This entails assessing the absorption potential of KfW IPEX-Bank's reserves – and therefore its ability to act – when specific economic (stress) scenarios arise. A traffic light system with thresholds for economic and regulatory risk-bearing capacity has been established as part of this. When critical developments arise, this system indicates that operational or strategic control measures need to be taken.

Once a quarter, KfW IPEX-Bank evaluates a forecast scenario (expected scenario), a downturn scenario (slight economic downturn) and a stress scenario (severe recession) and their impact on its economic and regulatory risk-bearing capacity. The forecast scenario gives a preview of the bank's risk-bearing capacity at the end of the year, while the downturn and stress scenarios demonstrate the effects on earnings and the changes in capital requirements over the next twelve months.

A further control variable used to avoid excessive indebtedness at KfW IPEX-Bank is the leverage ratio, which is an integral part of the capital adequacy process. Like the variables for determining risk-bearing capacity, the leverage ratio is examined using additional forward-looking approaches. Compliance with thresholds set internally by the bank is monitored quarterly.

In addition to the risk-bearing capacity plan, a capital planning process was carried out in 2015 to safeguard the bank's risk-bearing capacity in the medium term. The capital planning process uses scenario-based projections of economic and regulatory risk-bearing capacity and the leverage ratio spanning several years to identify potential capital shortages at an early stage. This information is then used to recommend measures the bank should take to strengthen its capital or reduce its risks or balance sheet where appropriate. This process takes account of changes in strategic targets, business activities and the economic environment. As well as a base case, the process also evaluates economic and regulatory risk-bearing capacity and the leverage ratio in a stress case.

Stress tests and test scenarios

In addition to economic scenarios used in the capital adequacy process, further stress tests are performed which take concentration risks into account and are used to examine the resilience of KfW IPEX-Bank's risk-bearing capacity. In addition to general stress tests (in accordance with Article 177 of the CRR and other regulations), the latest potential macroeconomic risks are used as a basis for variable scenario stress tests. The particular focus in 2015, alongside general stress tests, was on stress scenarios for the appreciation of the US dollar and for problems in emerging markets with knock-on effects for the export industry. Inverse stress tests are also used to show how KfW IPEX-Bank's risk-bearing capacity could be pushed to its limits in unfavourable circumstances.

Credit risks

Lending is the core business of KfW IPEX-Bank. An important focus of overall risk management therefore lies in controlling and monitoring risks in the lending business. Counterparty default risk is the most significant category of credit risk, which essentially comprises the risk subcategories of classic credit risk (credit risk in the narrower sense), counterparty risk, securities risk and country risk.

Migration risks (or credit rating risks) also have a significant effect on credit risk exposure. These are included in the above stress tests, among other parts of the bank's risk management activities. Credit risk also comprises settlement risk and validity risk (creditor's risk that a claim against third parties does not exist).

Measurement of counterparty default risk

Counterparty default risk is assessed at the level of the individual counterparty or the individual transaction, based on internal rating processes. In this case, the bank uses the advanced internal ratings-based approach (IRBA). Under supervisory law, KfW IPEX-Bank is permitted to apply the IRBA in its rating systems for the following:

- Corporates
- Banks
- Countries
- Project, ship and aircraft financing
- Simple risk weighting for special financing operations (elementary/slotting approach)

As required by the CRR, the bank's IRBA rating systems are used to estimate the central risk parameters separately[1)]:

- Probability of Default (PD)
- Loss Given Default (LGD)
- Exposure at Default (EAD)

With the exception of project, ship and aircraft financing transactions, these processes are based on scorecards and follow a uniform, consistent model architecture. In the case of project, ship and aircraft financing, various simulation-based rating modules, licensed from an external provider, are used to measure counterparty default risk. In such cases, the risk assessment is mainly determined by the cash flows generated by the financed object. The rating procedures are calibrated to a one-year probability of default. Both ratings for new customers and follow-on ratings for existing customers are defined by observing the principle of dual control in the back-office departments.

Comparability of individual rating processes is guaranteed by depicting the probabilities of default on a group-wide, uniform master scale. The master scale consists of 20 different subclasses which can be grouped together into four classes: investment grade, non-investment grade, watch list and default. Each master scale class is based on an average probability of default.

There are detailed organisational instructions for each rating process, which regulate in particular the responsibilities, authorities and control mechanisms. Comparability between internal ratings and external ratings by rating agencies is assured by mapping the external ratings onto the master scale.

Regular validation and further development of the rating processes ensure that it is possible to respond promptly to changing general conditions. The objective is to continuously increase the selectivity of all rating processes.

1) In the elementary approach, a (transaction-specific) slotting grade is assigned instead of estimating the PD and LGD. This grade is transformed into a risk weighting in accordance with supervisory guidelines.

Both the outstanding volume of lending and the valuation of collateral exert a significant influence on the amount of default. As part of the collateral valuation for eligible collateral[2)] expected net proceeds from realisation of collateral in the event of default are estimated over the entire tenor of the loan. This takes account of collateral value adjustments that, for personal collateral, are based on the probability of default and the loss ratio of the collateral provider. In the case of security in rem, adjustments are attributable not only to market price fluctuations but also, and principally, to losses in value due to depreciation. The value thus calculated is an important component of loss estimates (LGD).

Depending on the availability of data, the various valuation procedures for individual collateral types are based on internal and external historical loss data as well as on expert estimates. The valuation parameters are subject to a regular validation process. A reliable valuation of the collateral position is therefore guaranteed at the level of individual collateral items.

Interaction between risk properties of the individual commitments in the credit portfolio is assessed using an internal portfolio model. Pooling together large parts of the portfolio into individual borrowers or borrower groups harbours the risk of major defaults, which threaten business continuity. Portfolio management at KfW IPEX-Bank evaluates individual, industry and country risk concentrations based on the economic capital concept. Concentrations are measured based on the economic capital (ECAP) commitment. This ensures that both high volumes and unfavourable probabilities of default are taken into account, as are any disadvantageous correlations between the risks.

A risk report is prepared on a monthly basis to inform the Management Board about the current risk situation. Risk reports prepared on quarterly reporting dates are much more extensive than monthly reports and describe the risk situation in more detail. Major risk parameters are also monitored continuously.

Management of counterparty default risk

The following central instruments are used to control counterparty default risk at KfW IPEX-Bank:

Limit management

The limit management system (LMS) is used primarily to limit default risks. This involves monitoring of individual exposures and concentration risks (groups of connected clients and sectors). Limits are based on a limit anchor value and are set per group of connected clients, and per country. They are also set for selected sectors. Limits are applied based on the variables of net exposure and economic capital. Individual limits deviating from standard limits may be defined, taking into account internal guidelines concerning the allocation of individual limits.

Risk guidelines

In addition to the LMS, the credit portfolio is managed by way of risk guidelines. For this purpose, Risk Management proposes specific guidelines based on the current risk situation and the business policy objective. These are approved by the Management Board and must be taken into account by the sector departments when initiating business. Risk guidelines can be applied to all relevant key credit risk data (for example, maturity, collateral, rating), and may be structured by sector, region or product.

Portfolio management

In cases where trigger events occur, portfolio management helps to improve the risk/return ratio of KfW IPEX-Bank's portfolio by identifying ways to reduce risk and by bringing about decisions.

Portfolio management is also included in the annual planning process in order to integrate its risk and portfolio perspective into both the strategy process and group business sector planning.

Furthermore, portfolio management is involved in the development of appropriate measures to facilitate syndication of individual transactions in the bank's market portfolio, and in order to create transparency for the front-office departments regarding the effect of portfolio measures on performance.

Portfolio risk committee

In addition to operational cooperation between portfolio management and front-office departments, a portfolio risk committee (PRC) – a KfW IPEX-Bank committee responsible for managing the bank's portfolio – meets every quarter or on an ad hoc basis. The committee is chaired by the member of the Management Board who is responsible for risk management. The PRC decides on risk reduction measures, prohibits new business where necessary and chooses sectors where limits are to be applied. Furthermore, it takes preliminary decisions on limit

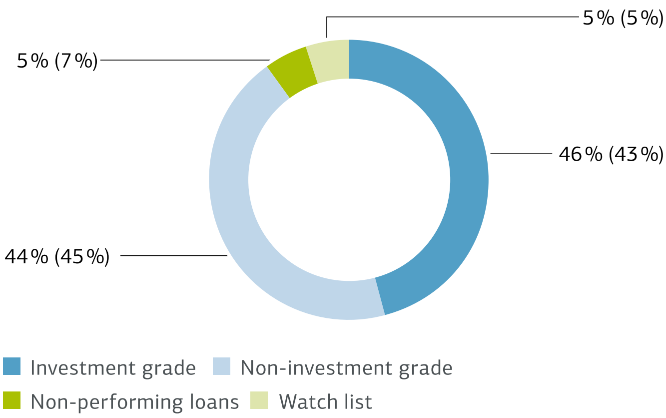
[2)] In order for collateral to be eligible, it must be possible to quantify the risk-mitigating effect of the collateral reliably and realistically, and the Collateral Management team must take all necessary and possible procedural steps to ensure that the mitigating effect of the collateral taken as a basis when measuring risk can actually be realised. Apart from eligible collateral there is also non-eligible collateral, although it is not taken into account when measuring risk.

levels and risk-weighted asset (RWA) budgets, investigates the extent to which measures are being implemented and discusses possible risks in the market environment and observations on the portfolio.

Intensified loan management and problem loan processing
Exposures with a considerably higher risk of default (watch list cases) are subject to intensified loan management. This involves closely monitoring the economic performance of the borrower and examining the transferred collateral on a regular basis (throughout the year). In the case of non-performing loans (NPL) the possibility of restructuring or other remedial action is considered. If restructuring or other remedial action is not possible or not worthwhile financially, the loan will be liquidated and the collateral realised, or the loan will be sold on the distressed market. The Special Asset Group is in charge of processing non-performing loans. In some cases, it also helps to manage commitments subject to intensified loan management. This ensures that specialists are involved at an early stage in order to guarantee comprehensive and professional problem loan management.

Counterparty risk committee
The counterparty risk committee, which convenes every month and is chaired by the member of the Management Board in charge of risk control, discusses risk-related developments in the credit portfolio, provides an overall perspective on alternatives for action with regard to watch list and NPL cases as well as other commitments subject to particular observation, and monitors their implementation.

Structure of counterparty default risk
Net exposure by rating class[1)]
2015 (2014), Total net exposure: EUR 8.0 billion

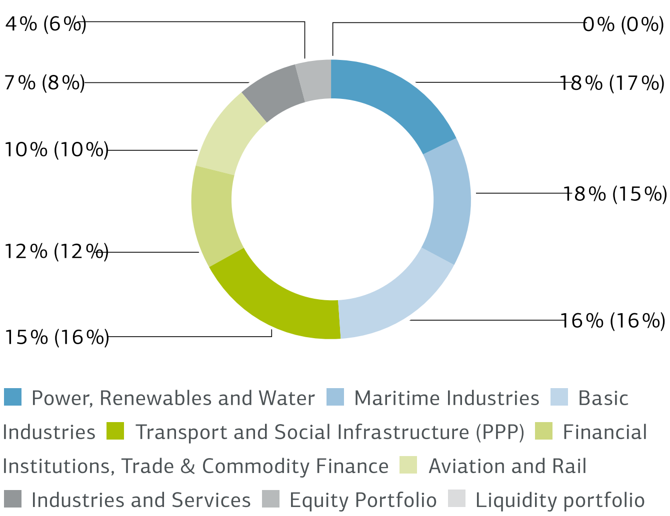


[1)] The net exposure for performing loans can be calculated as the maximum function of economic and political net exposure.

Total net exposure is EUR 8.0 billion. The investment grade class makes up 46% of the total, the non-investment grade category 44%, and watch list and NPL loans 5% each. The average probability of default of the performing portfolio improved from 1.37% to 1.22% in financial year 2015, driven by new business with good credit quality.

Economic capital requirements by sector department

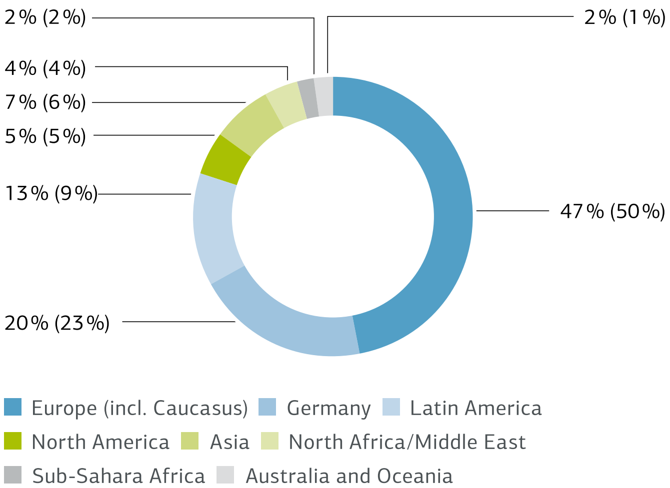
2015 (2014), Total ECAP: EUR 1,024 million



The above overview shows the diversification of the portfolio across the bank's sector departments. Most of the economic capital is allocated to the sector departments of Maritime Industries and Power, Renewables and Water with 18% each, followed by Basic Industries with 16%.

Economic capital requirements by region

2015 (2014), Total ECAP: EUR 1,024 million



In regional terms, business is focused on Europe, including Germany, where 67% of economic capital is allocated to counterparty default risk.

Risk provisions for counterparty default risks

All identifiable loan default risks in the lending business are adequately taken into account by creating risk provisions. Specific loan loss provisions and other provisions for the lending business decreased significantly year-on-year to EUR 294 million as at 31 December 2015. This was primarily due to greater utilisation of risk provisions in the Maritime Industries sector department following the termination of commitments, as well as a generally low requirement for additions to provisions.

The portfolio of specific loan loss provisions and lending business provisions for disbursed loans, financial guarantees and irrevocable loan commitments, structured according to sector department, was as follows as at 31 December 2015:

Specific loan loss provisions

Sector department	31 Dec. 2015	31 Dec. 2014	Change
	EUR in millions	EUR in millions	EUR in millions
Maritime Industries	162	317	–155
Power, Renewables and Water	40	22	18
Basic Industries	36	27	9
Transport and Social Infrastructure (PPP)	20	16	4
Industries and Services	15	47	–32
Aviation and Rail	13	29	–16
Equity Portfolio[1)]	7	7	0
Financial Institutions, Trade & Commodity Finance	1	14	–13
Total	**294**	**479**	**–185**

[1)] The 'Leveraged and Acquisition Finance, Mezzanine, Equity' sector department was renamed 'Equity Portfolio' in 2015.

Portfolio loan loss provisions as at 31 December 2015 by sector department were as follows:

Portfolio loan loss provisions

Sector department	31 Dec. 2015	31 Dec. 2014	Change
	EUR in millions	EUR in millions	EUR in millions
Maritime Industries	23	22	1
Power, Renewables and Water	20	23	–3
Transport and Social Infrastructure (PPP)	14	14	0
Financial Institutions, Trade & Commodity Finance	13	12	1
Aviation and Rail	13	14	–1
Basic Industries	11	13	–2
Industries and Services	7	6	1
Equity Portfolio[1)]	1	4	–3
Other	0	1	–1
Total	**102**	**109**	**–7**

[1)] The 'Leveraged and Acquisition Finance, Mezzanine, Equity' sector department was renamed 'Equity Portfolio' in 2015.

Write-downs on equity investments totalling EUR 9 million were also required during the financial year for solvency reasons. There were no write-downs on other securities in the investment portfolio (bonds and shares) for solvency reasons in 2015.

Market price and liquidity risks

As a result of the business policy decision not to engage in proprietary trading and not to generate short-term gains through trading, KfW IPEX-Bank is a non-trading book institution. The risk strategy guidelines for trading transactions are formulated so that these transactions do not fall under the definition of Article 4 (1) Nº 86 of the CRR. The portfolios have a medium to long-term investment horizon. Market price risks are generally managed so as to ensure that they play as subordinate a role as possible at KfW IPEX-Bank from an overall risk perspective.

Market price risks of relevance to the bank are interest rate risk, foreign exchange risk and credit spread risk. Interest rate risk is defined as the risk of loss (of value) caused by a change in the interest structure adverse to KfW IPEX-Bank. Accordingly, foreign exchange risk is defined as the risk of loss (of value) caused by a change in exchange rates adverse to KfW IPEX-Bank. Credit spread risk is defined as the risk of loss (of value) arising from credit spread changes adverse to KfW IPEX-Bank. At KfW IPEX-Bank, credit spread risk plays a role for securities on the assets side held for liquidity management purposes as well as for securities-based lending. The risk of issuer default is not allocated to credit spread risk; rather, it falls under counterparty default risk.

With regard to liquidity risk, KfW IPEX-Bank distinguishes between institutional liquidity risk, market liquidity risk and funding risk. Institutional liquidity risk is the risk of not settling payment obligations at all, on time and/or not to the required extent. Market liquidity risk is the risk of losses (in value) if, as a result of a lack of liquidity in the market, assets cannot be traded at all, on time, in full, in sufficient quantity and/or at market conditions. Funding risk is the risk of losses (in value) due to increased market rates for obtaining funding.

Interest rate risk and foreign exchange risk

In line with the business and risk strategy of KfW IPEX-Bank, from an overall risk perspective interest rate risk generally plays a subordinate role, given that the bank has a largely closed interest rate position. The bank has an open interest rate position arising from the variable-interest EUR and USD short-term book and provisions for pensions in the EUR long-term book. The (KfW) bonds held in its portfolio are primarily used to supply liquidity and meet regulatory liquidity requirements. Interest and principal payments on these fixed-income bonds are hedged by asset swaps, reducing the interest rate risk that arises from them. The general rule for the entire interest book is to avoid interest rate risk. In terms of both fixed-income and variable-interest items, interest rate risks will only be accepted if they can no longer be efficiently hedged. Interest rate risk is measured on a monthly basis and monitored and managed by means of a risk budget.

The general rule for foreign exchange risk is that foreign currency positions may not be entered into for the purpose of generating earnings from exchange rate fluctuations. Any individual foreign exchange risks arising indirectly in the course of business are closed, wherever this is possible and economically viable, through refinancing or hedging. Any residual risks are eliminated at the macro level as far as possible and appropriate. In order to stabilise fluctuations in the regulatory capital requirement caused by changes in exchange rates, a limited part of the USD loan book is financed through a fund denominated in USD set up to cover general banking risks as per Section 340g of the German Commercial Code. This is carried out to only a limited extent for the purpose of stabilising the regulatory risk-bearing capacity, and not to generate short-term income from exchange rate fluctuations. The level of foreign exchange risk is measured on a regular basis and restricted by means of a risk budget.

Interest rate risk and foreign exchange risk are measured and controlled on a net present value basis using the economic capital concept. In this process, a present value loss is calculated that is highly unlikely to be exceeded within one year across the entire portfolio of KfW IPEX-Bank in the event of possible changes in the yield curve or foreign exchange rates. The economic capital requirement for both interest rate risk and foreign exchange risk is composed of a capital buffer for present value losses and a risk value. The capital buffer for present value losses is for a present value loss that is accepted by the bank's management and may occur within one year. Furthermore, any losses in value that may occur when a position is closed are measured as value at risk (VaR) with a holding period of two months and a confidence level of 99.96 %. Diversification effects between interest rate and foreign exchange risks that would reduce overall risk are not taken into account. Since two separate models are used, which are both based on a variance/covariance approach, a conservative assumption is made that there is a completely positive correlation between both risks.

Based on the requirements laid down by Article 448 (b) of the CRR, the following table shows the present value of the interest position, the economic capital requirement calculated for the interest rate risk, and the interest rate sensitivity as at 31 December 2015. It also shows the reduction in present value for the regulatory interest rate shock scenario as specified in Circular 11/2011 issued by the German Federal Financial Supervisory Authority (BaFin) in absolute terms and as a proportion of regulatory own funds:

Currency

	EUR	USD	GBP	CHF	JPY	Other	Total
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Present value interest book	2,946.5	615.4	72.9	0.4	1.3	46.7	3,683.3
Economic capital requirement for interest rate risk (99.96 %/two-month holding period)	–	–	–	–	–	–	60.0
Interest rate sensitivity (change in present value given an increase in the interest rate by one basis point)	0.137	–0.060	–0.033	–	–	–0.013	0.032
Reduction in present value given regulatory interest rate shock (+200/–200 bp)	45.7	11.3	6.0	–	–	2.4	65.4
As a proportion of regulatory own funds[1]	–	–	–	–	–	–	1.73 %

[1] Own funds as at 30 Nov. 2015

The indicators of interest rate risk clearly show that the interest rate risk position of KfW IPEX-Bank is comparatively small. Like interest rate risk, foreign exchange risk plays a subordinate role from an overall risk perspective. The following table provides an overview of the economic capital requirement and regulatory capital requirements for foreign exchange risk as of 31 December 2015.

Economic capital requirement for foreign exchange risk	Capital requirements for foreign exchange risk
EUR in millions	EUR in millions
165.1	6.3

Credit spread risk in the securities portfolio
All positions in the securities portfolio of KfW IPEX-Bank are subject to a buy-and-hold approach. The bank does not engage in proprietary trading in order to generate short-term earnings.

The securities portfolio is composed of the liquidity portfolio, the HQLA (High Quality Liquid Assets) portfolio and other securities (in particular securities-based lending).

The liquidity portfolio (which is a run-down portfolio containing only residual assets) and HQLA portfolio are held in order to supply liquidity and meet liquidity requirements pursuant to Section 11 of the German Banking Act in conjunction with the German Liquidity Regulation *(Liquiditätsverordnung – LiqV)*. Moreover, the securities are treated as highly liquid assets for the purpose of calculating and reporting the liquidity coverage ratio in accordance with the Capital Requirements Regulation (CRR).

The economic capital concept is used to measure credit spread risk in the securities portfolio. In this process, a loss in the value of the securities portfolio is calculated that is 99.96 % probable not to be exceeded within one year in the event of possible changes in credit spreads. Credit spread risk is measured as the value at risk (VaR) based on a historical simulation. The economic capital requirement for the credit spread risk as at 31 December 2015 was EUR 71.2 million.

Institutional liquidity risk
Institutional liquidity risk (or solvency risk) is the risk of not settling payment obligations at all, on time and/or not to the required extent. KfW IPEX-Bank's solvency risk is considerably limited by an existing refinancing agreement with KfW. The refinancing agreement guarantees KfW IPEX-Bank access to liquidity through KfW at any time (at market conditions). KfW IPEX-Bank also has marketable securities as well as access to credit lines with KfW in order to ensure that it is sufficiently capable of meeting its payment obligations at all times in accordance with Section 11 of the German Banking Act in conjunction with the German Liquidity Regulation.

KfW IPEX-Bank's liquidity requirements are taken into account at group level in the strategic refinancing planning of KfW. However, KfW IPEX-Bank takes direct responsibility for the operational measurement and management of its own liquidity.

KfW IPEX-Bank measures its solvency risk on the basis of the regulatory liquidity ratio in accordance with the German Liquidity Regulation. Furthermore, KfW IPEX-Bank calculates the liquidity coverage ratio and the net stable funding ratio in accordance with the Capital Requirements Regulation and reports them to the responsible supervisory authorities. Operational liquidity is managed by KfW IPEX-Bank's Treasury based on short, medium and long-term liquidity planning. In addition, a daily forecast is calculated for the liquidity ratio of the first maturity band (remaining terms up to one month) in order to keep the ratio within a specified target range. As part of its liquidity management, KfW IPEX-Bank's Treasury determines – within a defined management framework – the measures to be taken to achieve optimum liquidity positions.

Market liquidity and funding risk

Market liquidity risk is the risk of losses (in value) if, as a result of a lack of liquidity in the market, assets cannot be traded at all, on time, in full, in sufficient quantity and/or at market conditions. Funding risk is the risk of losses (in value) due to increased market rates for obtaining funding.

At KfW IPEX-Bank, market liquidity risk and funding risk are included under funding cost risk for risk measurement purposes. Funding cost risk is measured by the liquidity asset value *(Liquiditätsvermögenswert – LVW),* which models the approximate profit/loss arising from funding costs on the liabilities side and funding inflows on the assets side. Funding cost risk is quantified by means of changes in the liquidity asset value in various scenarios of relevance to the risk situation of KfW IPEX-Bank. A risk limit exists for changes in the liquidity asset value. Monthly checks ensure that this limit is adhered to.

Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, human error or external events.

This definition includes legal risks. KfW IPEX-Bank mitigates legal risks as far as possible by involving its internal Legal Affairs department at an early stage and by collaborating closely with external legal consultants, particularly in the case of commitments abroad.

Reputational risks and strategic risks are not included. Supervisory requirements regarding risk management are derived from the standard approach according to the CRR, which is used as a basis for calculating regulatory capital requirements for operational risks at KfW IPEX-Bank, as well as from the Minimum Requirements for Risk Management *(Mindestanforderungen an das Risikomanagement – MaRisk).*

The operational risk strategy forms the framework for dealing with operational risks at KfW IPEX-Bank and is based on the guidelines of KfW (group strategy). For KfW IPEX-Bank, purely operational risks that are not credit-related are sub-risks that are manageable in quantitative terms.

Core functions in the process of managing and controlling operational risks within KfW IPEX-Bank are:
- The Management Board of KfW IPEX-Bank as the operational risk decision-making and control body;
- The KfW IPEX-Bank coordinator in charge of both operational risks and business continuity management as the central point of responsibility for operational risk issues;
- Inclusion of the Internal Auditing department as an independent control mechanism.

The most important instruments in operational risk management include risk assessment, the early-warning system and the operational risk event and measures database.

Operational risks are systematically analysed and assessed in an annual risk assessment. The operational risk profile of KfW IPEX-Bank is established on this basis.

There is also an early-warning system for continuous recording and measurement of operational risk indicators. The primary objectives are to prevent losses from operational risks and to identify unfavourable trends. The indicators address various operational risk areas and are included in quarterly reporting on operational risks.

The event database captures and processes operational risk events. This means weaknesses can be identified in business processes and operational risks can be quantified. The database also enables evaluation and electronic archiving of loss data.

Derived measures that prevent, reduce or shift an identified operational risk are recorded in a measures database. This is for documentation purposes and also to monitor the implementation of the measures.

Outsourcing risks

KfW IPEX-Bank outsources key elements of funding, finance, financial and risk controlling, IT and reporting to KfW. These constitute major outsourcing arrangements as defined in the Minimum Requirements for Risk Management, which the outsourcing institution must monitor accordingly. Outsourcing arrangements are governed by framework contracts and service level agreements.

KfW IPEX-Bank's outsourcing monitoring activities are divided into monitoring measures that are process-dependent, measures that are performed alongside processes, and those that are independent of processes. The service recipient's main points of contact in the relevant departments are responsible for specialised process-dependent monitoring on a decentralised basis, while KfW IPEX-Bank's outsourcing officer or sourcing managers are responsible for formal aspects of these monitoring activities on a centralised basis. The bank's Legal Affairs and Regulation team provides centralised support for the monitoring of the processes. Internal Auditing and the bank's external auditor carry out process-independent monitoring.

Risk concentrations

Concentrations are important for KfW IPEX-Bank as overarching risks. KfW IPEX-Bank differentiates between intra-risk concentrations (within one risk type) and inter-risk concentrations (spanning several risk types).

Significant intra-risk concentrations result from business activities in individual sectors, countries or borrower units. KfW IPEX-Bank actively restricts intra-risk concentrations by means of limit management. In addition, concentrations of personal collateral and security in rem obtained to mitigate credit risk are a by-product of the bank's business model as a project and specialist financier. Providers of personal collateral are primarily sovereigns and government institutions (export credit insurance). Security in rem is largely attributable to the transport sectors (primarily Maritime Industries as well as Aviation and Rail).

Due to the international nature of the bank's business activities, financing is also provided in foreign currencies. This has led to a currency concentration in the USD loan book. Resulting foreign exchange risks are avoided as far as possible and appropriate by means of funding in the same currency and hedging.

Given the bank's business model, inter-risk concentrations are less pronounced than intra-risk concentrations.

As part of its regular risk reporting process, the bank describes risk concentrations in detail and monitors them on an ongoing basis. Risk concentrations are also included in stress tests.

Regulatory risk

Regulatory risks for KfW IPEX-Bank arise primarily through the more stringent requirements for minimum capital ratios and potentially negative consequences for KfW IPEX-Bank's business model resulting from future changes in the regulatory environment. These also include costs incurring in connection with the implementation and ongoing fulfilment of additional requirements (e. g. bank levy, reporting system and recovery plan) and the resources that are tied up as a result.

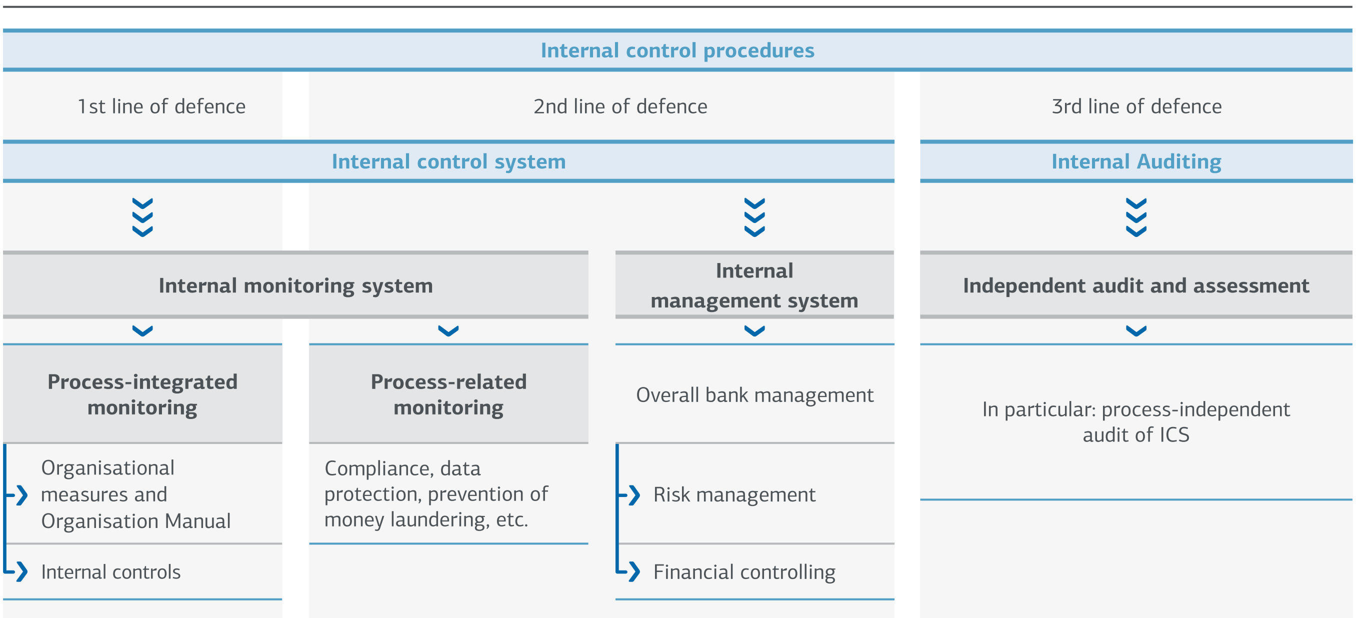
Regulatory risk is accounted for as part of the capital adequacy process using a conservative traffic light system as a management tool and early warning instrument in accordance with regulatory capital requirements. In addition, KfW IPEX-Bank's capitalisation and possible capitalisation measures are continuously reviewed in the course of capital planning and in collaboration with the bank's shareholder. Furthermore, KfW IPEX-Bank actively tracks changes in its legal environment, enabling regulatory changes to be identified at an early stage and appropriate measures to be taken.

Internal control procedures

The internal control procedures at KfW IPEX-Bank consist of the internal control system (ICS) and the Internal Auditing department. They aim to ensure that corporate activities are controlled and that the rules that have been put in place are functioning properly and being complied with.

KfW IPEX-Bank's ICS includes the entire internal monitoring system (monitoring measures that are integrated into processes or that support processes) and the internal management system (rules for controlling corporate activities).

The ICS is based on the organisational structure of KfW IPEX-Bank, which involves risk-oriented separation of functions up to the level of the Management Board, and the Risk Manual and Organisation Manual of KfW IPEX-Bank, which together lay out the procedural rules of KfW IPEX-Bank.



Internal Auditing
The Internal Auditing department is an instrument of the Management Board. As a department independent of bank processes, it reviews and assesses all processes and activities of KfW IPEX-Bank with regard to risk and reports directly to the Management Board.

In terms of the processes involved in risk management, during the past financial year the Internal Auditing department reviewed both risk management processes within KfW IPEX-Bank and risk management activities which are outsourced. Its focus was on reviewing risk assessment processes involved in lending and loan management, the procedures connected with bank-wide risk management and on monitoring outsourced functions.

With regard to outsourced functions, Internal Auditing's reporting also takes into account the findings of audits carried out by the respective companies' internal auditing departments. KfW IPEX-Bank's Internal Auditing department can also perform its own audits of outsourced processes where necessary.

Internal control system –
Process-related monitoring – Compliance
Compliance with regulatory requirements and voluntary performance standards is part of KfW IPEX-Bank's corporate culture. KfW IPEX-Bank's compliance organisation includes, in particular, systems for preventing insider trading, conflicts of interest, money laundering, terrorist financing and other criminal activities. It also encompasses regulatory compliance. Accordingly, the bank has binding rules and procedures that are continually updated to reflect the latest statutory and regulatory conditions as well as market requirements. Compliance performs risk-based control procedures on the basis of a control plan. Regular training sessions on compliance are held for KfW IPEX-Bank employees.

Internal control system –
Process-integrated monitoring – Internal controls
KfW IPEX-Bank prepares an annual ICS report for the Audit Committee of the Board of Supervisory Directors in accordance with statutory reporting requirements, on the basis of KfW IPEX-Bank's independent ICS framework. In order to maintain group-wide standards on comprehensibility and basic methodology, the ICS of KfW IPEX-Bank is based on the ICS framework of KfW, particularly in terms of the structure of the internal control system using the COSO model.[3)]

Monitoring measures integrated into processes help to prevent, reduce, detect and/or correct processing errors or financial losses. For this purpose, control activities have been incorporated into the business processes of KfW IPEX-Bank. The appropriateness and effectiveness of these activities is regularly assessed and reported annually to the Audit Committee of the Board of Supervisory Directors of KfW IPEX-Bank. The procedures and methods used to assess the appropriateness and effectiveness of these internal controls are based on the established processes of the Internal Auditing department, which are in turn based on applicable standards (e. g. DIIR, IIA, ISA, IDW).[4)]

Accounting-related internal control system
A further feature of the ICS is that KfW IPEX-Bank is directly integrated into KfW's internal control system for accounting processes.

The performance of controls over the preparation of the annual financial statements is monitored by the respective unit using ICS process-control checklists. KfW's Accounting carries out centralised IT-based monitoring of the performance of controls and reports to KfW IPEX-Bank on an annual basis.

The fact that KfW IPEX-Bank outsources processes relating to the annual financial statements to KfW is described accordingly in the internal control system framework ('ICS for accounting purposes').

[3)] COSO = Committee of Sponsoring Organizations of the Treadway Commission
[4)] DIIR = German Institute for Internal Auditing *(Deutsches Institut für Interne Revision)*, IIA = Institute for Internal Audit, ISA = International Standards on Auditing, IDW = Institute of Public Auditors in Germany *(Institut der Wirtschaftsprüfer)*

Forecast Report

KfW IPEX-Bank anticipates global growth of between 2.75% and 3.75% in 2016. Global economic momentum is thus expected to be slightly higher than in 2015. The recovery in industrialised nations is likely to continue in 2016, particularly in the largest economies – the USA, the euro area and Japan. Improved employment prospects will have a beneficial effect in many countries, as will rising consumer spending, the end of restrictive fiscal policies, low prices for energy and other commodities, and the ongoing favourable interest rate environment.

Differences in growth rates will remain considerable among developing and emerging countries. Large emerging countries (Brazil, Russia, etc.) and commodity exporters will continue to experience a very difficult period. The gradual economic slowdown in China is set to continue, but a hard landing is unlikely. External factors (commodity prices, USD exchange rate, dependency on growth in China and industrialised nations) are key determinants for developing and emerging countries. However, these countries also have the ability to improve their own prospects by introducing economic reforms.

The gradual recovery in the member states of the European Economic and Monetary Union (EMU) will continue to unfold in 2016. Positive, too, is that there is now an upward trend across a broad regional base. Consumer spending remains the primary growth driver, supported by declining unemployment. As in the previous year, expansionary monetary policy should stimulate the real economy through a boost to lending and a weaker euro. Fiscal policy is also playing a role for the first time since 2010. Additional spending to deal with the migration of refugees and to combat terrorism is contributing to this. Overall, KfW expects GDP to grow by around 1.6% in real terms in the EMU countries in 2016. Despite the progress made, the sustained period of weakness is still a long way from being overcome. Euro area production will remain below potential in 2016. The high unemployment associated with this continues to exert pressure on political stability.

The German economy is generally in good shape at the start of 2016. Business sentiment improved overall throughout 2015, but deteriorated slightly in the new year in the face of global stock market turbulence. The main driver of economic growth – strong domestic demand – remains strong. Employment is set to rise further, as are wages, while average inflation and interest rates for the year will remain low. This means that consumer spending will be the most important pillar of growth again in 2016. Along with housing construction, consumer spending is also gaining added impetus from the flow of refugees. Against the backdrop of the expected recovery of growth rates in emerging countries, which have disappointed of late, along with a continuation of the moderate upturn in Europe, exports are likely to pick up and provide for better utilisation of industrial capacity. Corporate investment should recover as a result, having stagnated for a time in 2015. All in all, KfW expects real growth in 2016 to be in the order of that seen in the previous year (1.7%). At the beginning of the year, publicly available growth forecasts for 2016 ranged from 1.3% to 2.2%.

On the whole, given these global economic conditions, demand for exports from Germany and Europe, and hence also for appropriate financing, should remain stable. The high liquidity of banks and institutional investors, who continue to face major pressure to invest given the ongoing low interest rate environment, means that competition remains intense in 2016. KfW IPEX-Bank is working constructively with its market partners with the aim of structuring tailor-made syndicate financing to support the export projects and investment plans of German and European industry.

Taking into account the various circumstances relevant to the market, KfW IPEX-Bank is focusing its business in 2016 on reinforcing its position as a dependable specialist financier and strong partner to key industries vital to the German and European economies. Overall, the development of sales markets in industrialised and emerging countries offers continued export opportunities for German and European companies. KfW IPEX-Bank will therefore continue to focus in 2016 on its role in supporting German and European companies and helping them go international with tailored medium and long-term financing for exports and foreign investment projects.

The bank expects generally good market opportunities across all sector departments in 2016. In regional terms, the focus will primarily be on growth markets that are important for the German and European economies in terms of exports and direct investment. Together with industrialised countries, these include, in particular, the emerging markets in Asia, southern Africa and Latin America.

In all sector departments and regions, KfW IPEX-Bank is maintaining its sales and marketing activities at a high level or intensifying them further in order to expand the bank's position as a leading specialist financier with proven structuring expertise. By selectively adding to its product portfolio and moderately expanding its network of foreign representative offices, the bank aims to build on existing customer relationships and tap into new customer groups for financings in the business sector. The bank's strategic focus is also designed to generate a steady share of new business that contributes to environmental and climate protection. KfW IPEX-Bank is again aiming for moderate, organic growth in the coming financial year. The bank's performance in 2015 was the cumulative result of a number of individual factors and cannot simply be projected into the future. The 2016 target for new commitments is EUR 16.2 billion and percentage growth in the low single-digit range is expected in subsequent years. This target is subject to the customary forecasting uncertainty arising from the unpredictability of major factors that influence the course of the bank's business. This uncertainty also applies to the forecast result for 2016, which will depend largely on the level of risk provisions required.

KfW Group plans to merge its two holding companies in 2016. KfW Beteiligungsholding GmbH will become shareholder of KfW IPEX-Bank in the course of the merger. KfW will remain the indirect shareholder. In order to allow an assessment of the shareholder pursuant to Section 2c of the German Banking Act *(Kreditwesengesetz – KWG)* to be performed, the reports required under supervisory law were sent in January 2016, providing notification of the intended merger. KfW expects approval from the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin)* and the ECB in the first half of 2016.

››› Financial Statements, Notes, Auditor's Report, Country-by-Country Reporting as per Section 26a of the German Banking Act and Corporate Governance Report

Financial Statements of KfW IPEX-Bank 2015

Balance Sheet of KfW IPEX-Bank as at 31 December 2015

Assets

	31 Dec. 2015				31 Dec. 2014			
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
1. Cash reserves								
a) cash on hand			6				7	
b) funds with central banks			0				0	
of which: with the Deutsche Bundesbank	*0*				*0*			
c) funds held with postal giro offices			0	**6**			0	**7**
2. Loans and advances to banks								
a) mortgage loans			0				0	
b) municipal loans			691,495				1,237,464	
c) other loans and advances			964,633	**1,656,128**			911,734	**2,149,198**
of which: due on demand	*1,266*				*1,543*			
of which: collateralised by securities	*0*				*0*			
3. Loans and advances to customers								
a) mortgage loans			765,556				764,417	
b) municipal loans			1,198,260				1,336,023	
c) other loans and advances			22,386,144	**24,349,960**			20,133,357	**22,233,797**
of which: collateralised by securities	*0*				*0*			
4. Bonds and other fixed-income securities								
a) money market instruments								
aa) of public issuers		0				0		
of which: eligible as collateral with the Deutsche Bundesbank	*0*				*0*			
ab) of other issuers		0	0			0	0	
of which: eligible as collateral with the Deutsche Bundesbank	*0*				*0*			
b) bonds and notes								
ba) of public issuers		0				0		
of which: eligible as collateral with the Deutsche Bundesbank	*0*				*0*			
bb) of other issuers		2,233,320	2,233,320			1,613,526	1,613,526	
of which: eligible as collateral with the Deutsche Bundesbank	*2,026,866*				*1,385,842*			
c) own bonds			0	**2,233,320**			0	**1,613,526**
Nominal value	0				0			
5. Shares and other non-fixed-income securities				**0**				**10,739**
6. Investments				**95,954**				**102,546**
of which: in banks	*360*				*360*			
of which: in financial services institutions	*0*				*0*			
7. Assets held in trust				**195,895**				**160,867**
of which: loans held in trust	*195,895*				*160,867*			
8. Intangible assets								
a) internally generated industrial property rights and similar rights and assets			0			0		
b) purchased concessions, industrial property rights and similar rights and assets and licences to such rights and assets			406			310		
c) goodwill			0			0		
d) payments on account			0	**406**		0		**310**
9. Property, plant and equipment				**327**				**416**
10. Other assets				**5,242**				**4,407**
11. Prepaid expenses and deferred charges								
a) from issuing and lending			1,312				2,380	
b) other			27,022	**28,334**			32,786	**35,166**
Total assets				**28,565,572**				**26,310,979**

Liabilities and equity

	31 Dec. 2015				31 Dec. 2014			
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
1. Liabilities to banks								
a) registered Mortgage Pfandbriefe in issue			0				0	
b) registered Public Pfandbriefe in issue			939,976				752,056	
c) other liabilities			21,821,517	**22,761,493**			20,276,530	**21,028,586**
of which: due on demand	*13,799*				*25,911*			
of which: registered Mortgage Pfandbriefe pledged as collateral for loans taken up	*0*				*0*			
and registered Public Pfandbriefe	*0*				*0*			
2. Liabilities to customers								
a) registered Mortgage Pfandbriefe in issue			0				0	
b) registered Public Pfandbriefe in issue			0				0	
c) savings deposits								
ca) with agreed term or period of notice of three months		0				0		
cb) with agreed term or period of notice of over three months		0	0			0	0	
d) other liabilities			555,750	**555,750**			360,321	**360,321**
of which: due on demand	*22,674*				*15,146*			
of which: registered Mortgage Pfandbriefe pledged as collateral for loans taken up	*0*				*0*			
and registered Public Pfandbriefe	*0*				*0*			
3. Liabilities held in trust				**195,895**				**160,867**
of which: loans held in trust	*195,895*				*160,867*			
4. Other liabilities				**70,147**				**31,513**
5. Deferred income								
a) from issuing and lending			7,370				6,990	
b) other			29,192	**36,562**			30,949	**37,939**
6. Provisions								
a) provisions for pensions and similar commitments			116,562				99,028	
b) tax provisions			27,400				54,398	
c) other provisions			52,251	**196,213**			64,053	**217,479**
7. Subordinated liabilities				**918,527**				**823,655**
8. Fund for general banking risks				**356,544**				**319,718**
9. Equity								
a) called capital								
subscribed capital		2,100,000				2,100,000		
less uncalled outstanding contributions		0	2,100,000			0	2,100,000	
b) capital reserves			949,992				949,992	
c) retained earnings								
ca) legal reserve		0				0		
cb) reserves for shares in a company in which KfW IPEX-Bank holds a controlling or majority stake		0				0		
cc) statutory reserve		0				0		
cd) other retained earnings		280,909	280,909			280,909	280,909	
d) balance sheet profit			143,540	**3,474,441**			0	**3,330,901**
Total liabilities and equity				**28,565,572**				**26,310,979**
1. Contingent liabilities								
a) from the endorsement of rediscounted bills		0				0		
b) from guarantees and guarantee agreements		1,961,200				2,078,605		
c) assets pledged as collateral on behalf of third parties		0	1,961,200			0	2,078,605	
2. Other obligations								
a) commitments deriving from reverse repurchase agreements		0				0		
b) placing and underwriting commitments		0				0		
c) irrevocable loan commitments		7,689,259	7,689,259			7,046,027	7,046,027	

Income Statement of KfW IPEX-Bank from 1 January 2015 to 31 December 2015

Expenses

	1 Jan.–31 Dec. 2015				1 Jan.–31 Dec. 2014			
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
1. Interest expense				**366,844**				**325,896**
2. Commission expense				**3,483**				**1,650**
3. Administrative expense								
a) personnel expense								
aa) wages and salaries		73,867				67,580		
ab) social insurance contributions, expense for pension provision and other employee benefits		24,270	98,137			19,299	86,879	
of which: for pension provision	*16,567*				*11,840*			
b) other administrative expense			117,757	**215,894**			102,764	**189,643**
4. Depreciation and impairment on intangible assets and property, plant and equipment				**148**				**188**
5. Other operating expense				**7,600**				**14,771**
6. Write-downs of and valuation adjustments on loans and specific securities and increase in loan loss provisions				**84,877**				**90,851**
7. Appropriations to the fund for general banking risks				**36,826**				**38,252**
8. Taxes on income				**93,208**				**60,772**
9. Net income for the year				**143,540**				**139,497**
Total expenses				**952,420**				**861,520**
1. Net income for the year				**143,540**				**139,497**
2. Allocations to other retained earnings				**0**				**(139,497)**
Balance sheet profit				**143,540**				**0**

Income

	1 Jan. – 31 Dec. 2015				1 Jan. – 31 Dec. 2014			
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
1. Interest income from								
a) lending and money market transactions			680,010				599,911	
b) fixed-income securities and debt register claims			19,968	**699,978**			23,875	**623,786**
2. Current income from								
a) shares and other non-fixed-income securities			491				918	
b) investments			8				99	
c) shares in affiliated companies			0	**499**			0	**1,017**
3. Commission income				**191,623**				**186,243**
4. Earnings on allocations to investments, shares in affiliated companies and securities treated as fixed assets				**8,766**				**1,229**
5. Other operating income				**51,554**				**49,245**
Total income				**952,420**				**861,520**

Notes

Accounting and valuation regulations

The individual financial statements of KfW IPEX-Bank have been prepared in accordance with the requirements of the German Commercial Code *(Handelsgesetzbuch – HGB),* the Ordinance Regarding the Accounting System for Banks *(Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV)* and the Limited Liability Companies Act *(Gesetz betreffend die Gesellschaften mit beschränkter Haftung – GmbHG),* and, since 2014, in accordance with the requirements for Pfandbrief banks (in particular the German Pfandbrief Act *(Pfandbriefgesetz – PfandBG)*. Disclosures on individual balance sheet items which may appear in either the balance sheet or the notes are made in the Notes.

Cash reserves, loans and advances to banks and customers, and other assets are recognised at cost, par or at a lower fair value in accordance with the lower of cost or market principle. Differences between par values and amounts disbursed for loans and advances are included in deferred income whenever such differences are quasi-interest in nature.

Securities held under current assets are valued strictly at the lower of cost or market principle. Insofar as these securities are pooled together with derivative financial instruments to form a valuation unit for hedging interest rate risks, they are valued at amortised cost – to the extent that there were compensating effects in the underlying and hedging transactions.

Fixed-asset securities are valued according to the moderate lower of cost or market principle; in the event of a permanent reduction in value, securities are written down. Valuation units have been measured at amortised cost.

There are no held-for-trading securities.

Investments are recognised at acquisition cost. They are written down if there is a permanent reduction in value.

Property, plant and equipment is reported at acquisition or production cost, reduced by ordinary depreciation in accordance with the expected useful life of the items. Additions and disposals of fixed assets during the course of the year are depreciated pro rata temporis according to tax regulations. A compound item is set up for low-value fixed assets with purchase costs of EUR 150 to EUR 1,000, which is depreciated on a straight-line basis over five years.

The statutory write-ups are made for all assets in accordance with Section 253 (5) of the German Commercial Code.

The bank does not capitalise internally generated intangible assets in accordance with Section 248 (2) of the Code.

Liabilities are recognised at their repayment value. Differences between agreed higher repayment amounts and issue amounts are recognised in Prepaid expenses and deferred charges.

KfW IPEX-Bank issues registered Public Pfandbriefe. These are purchased in their entirety by KfW. The Pfandbriefe are accordingly reported under Liabilities to banks. The balance sheet template is based on the requirements in force for Pfandbrief banks (notes to the Template 1 annex, Section 2 of the Ordinance Regarding the Accounting System for Banks).

Foreign currency conversion is performed in accordance with the provisions of Section 256a in conjunction with Section 340h of the German Commercial Code.

Provisions for pensions and similar commitments are calculated using actuarial principles in accordance with the projected unit credit method. The calculation is made on the basis of Dr Klaus Heubeck's '2005 G Mortality and Disability Tables' *(Richttafeln)*, applying the following actuarial assumptions:

	31 Dec. 2015
	in % p.a.
Interest rate for accounting purposes	3.89
Projected unit credit dynamics	2.20
Index-linking of pensions[1)]	1.00 bis 2.50
Staff turnover rate	3.40

[1)] Varies according to applicable pension scheme

Other provisions are recognised at their expected recourse value. Provisions with a residual term of more than one year are, in principle, discounted to the balance sheet date using market interest rates published by the Deutsche Bundesbank.

Deferred tax assets result from differences in value between the commercial and the tax balance sheet with regard to the valuation of loans and advances to banks and customers, bonds and other fixed-income securities, equity investments and intangible assets as well as the recognition and valuation of provisions and of the fund for general banking risks. There are no deferred tax liabilities. A nominal tax rate of 31.92 % is applied for the valuation of deferred tax assets. The option under Section 274 (1) of the German Commercial Code not to recognise deferred tax assets has been exercised.

Sufficient allowance has been made for risks arising from the lending business. The risk provisions recognised in the balance sheet for the lending business consist of specific loan loss provisions affecting net income (the amount corresponds to the difference between the carrying amount of the loan and the present value of the expected cash inflows from interest and principal repayments as well as the payment streams from collateral) and portfolio loan loss provisions for loans and advances for which no specific loan loss provisions have been made. In addition, risk provisions are recognised for contingent liabilities and irrevocable loan commitments, both for individually identified risks (specific loan loss provisions) and for impairments that have not yet been identified individually (portfolio loan loss provisions). Additions and reversals are reported net under the item 'Write-downs of and valuation adjustments on loans and specific securities and increase in loan loss provisions' or 'Income from write-ups on loans and specific securities and from reversal of loan loss provisions'. Use is made in the income statement of options to offset pursuant to Section 340f (3) and Section 340c (2) of the German Commercial Code. Interest income on non-performing loans is recognised in principle on the basis of expectations.

Prepaid expenses and deferred charges and deferred income are established for expenses and income occurring before the balance sheet date to the extent that they represent expense or income related to a specific period after the balance sheet date.

The valuation of interest rate-related transactions in the banking book *(Refinanzierungsverbund)* reflects KfW IPEX-Bank's interest rate risk management. The principle of prudence as required under the German Commercial Code is taken into account by establishing a provision in accordance with Section 340a in conjunction with Section 249 (1) sentence 1, 2nd alternative of the Code for a potential excess liability arising from the valuation of the interest-driven banking book. The requirements of accounting practice statement BFA 3 issued by the Banking Panel of Experts *(Bankenfachausschuss – BFA)* of the Institute of Public Auditors in Germany *(Institut der Wirtschaftsprüfer in Deutschland – IDW)* relating to loss-free valuation of the banking book are fully recognised. In order to determine a potential excess liability, KfW IPEX-Bank calculates the balance of all discounted future net income of the banking book. Together with net interest income, this includes relevant fee and commission income, administrative expenses and risk costs to the extent of expected losses. No such provision for anticipated losses was required in the reporting year.

In the context of the ongoing low-interest period, 2015 saw the occurrence of negative interest rates on the money and capital markets. Disclosure requirements in the income statement under German commercial law were the subject of controversy, with the result that separate disclosure of negative interest under net interest income is recommended – in the form of new items or a breakdown of existing items – wherever these rates have a material impact. The analysis performed for KfW IPEX-Bank found that negative interest rates generally did not have a material impact on the bank's income in 2015. The template therefore does not provide for separate disclosure. Significant negative interest amounts occurred only in the context of money market transactions. These are reported gross in accordance with requirements.

Expenditure for the new EU bank levy is reported under the item 'Administrative expense', as specified by the Institute of Public Auditors in Germany. Contributions to the existing national bank levy are included in Other operating expense.

All additions to and withdrawals from the fund for general banking risks appear as separate items in the income statement in accordance with Section 340g of the German Commercial Code.

Group affiliation

Consolidated financial statements are not required to be prepared. KfW IPEX-Bank is included in the consolidated financial statements of KfW Group, Frankfurt am Main. The IFRS-compliant consolidated financial statements are published in German in the electronic edition of the Federal Gazette *(Bundesanzeiger)*.

Notes on assets

Loans and advances to banks and customers

Remaining term structure of loans and advances

		Maturity with agreed term or period of notice					
	Due on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Pro rata interest	Total
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Loans and advances to banks[1]	686,285	149,850	599,720	186,911	25,325	8,037	1,656,128
(as at 31 Dec. 2014)	*1,236,177*	*127,135*	*523,799*	*227,447*	*29,272*	*5,368*	*2,149,198*
Loans and advances to customers	0	949,672	2,901,183	11,728,487	8,679,889	90,729	24,349,960
(as at 31 Dec. 2014)	*0*	*991,979*	*2,652,406*	*11,104,502*	*7,399,961*	*84,949*	*22,233,797*
Total	**686,285**	**1,099,522**	**3,500,903**	**11,915,398**	**8,705,214**	**98,766**	**26,006,088**
(as at 31 Dec. 2014)	*1,236,177*	*1,119,114*	*3,176,205*	*11,331,949*	*7,429,233*	*90,317*	*24,382,995*
in %	**3**	**4**	**13**	**46**	**34**	**0**	**100**

[1] Loans and advances due on demand including municipal loans

	Loans and advances to		
	Banks	Customers	Total
of which to:	EUR in thousands	EUR in thousands	EUR in thousands
Shareholder	0	0	**0**
Affiliated companies	691,496	89,329	**780,825**
Companies in which KfW IPEX-Bank holds a stake	0	38,562	**38,562**
Subordinated assets	0	72,006	**72,006**

Bonds and other fixed-income securities

Listed/marketable securities

	31 Dec. 2015	31 Dec. 2014
	EUR in thousands	EUR in thousands
Listed securities	2,233,320	1,613,526
Unlisted securities	0	0
Marketable securities	**2,233,320**	**1,613,526**

The ‘Bonds and other fixed-income securities’ item totalling EUR 2,233 million (previous year: EUR 1,614 million) contains securities of KfW as an affiliated company amounting to EUR 1,985 million (previous year: EUR 1,344 million). The portfolio includes securities amounting to EUR 337 million (previous year: EUR 295 million) which fall due during the year following the balance sheet date.

Shares and other non-fixed-income securities

	31 Dec. 2015 EUR in thousands	31 Dec. 2014 EUR in thousands
Listed securities	0	10,739
Unlisted securities	0	0
Marketable securities	0	**10,739**

The participation certificate reported under 'Shares and other non-fixed-income securities' as at 31 December 2014 matured on 14 July 2015 and was redeemed at nominal value.

Fixed assets

	Change 2015[1] EUR in thousands	Residual book value 31 Dec. 2015 EUR in thousands	Residual book value 31 Dec. 2014 EUR in thousands
Shares and other non-fixed-income securities	–10,739	0	10,739
of which: included in valuation units within the meaning of Section 254 of the German Commercial Code (HGB)	*–10,739*	*0*	*10,739*
Investments	–6,592	95,954	102,546
Bonds and other fixed-income securities	–1,365,301	248,225	1,613,526
of which: included in valuation units within the meaning of Section 254 of the German Commercial Code (HGB)	*–31,469*	*41,772*	*73,241*
Total	**–1,382,632**	**344,179**	**1,726,811**

[1] Including exchange rate changes

	Purchase/ production costs	Additions	Disposals	Transfers	Write-ups	Depreciation/ impairment		Residual book value	Residual book value
						Total	2015	31 Dec. 2015	31 Dec. 2014
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Intangible assets	382	129	0	0	0	105	33	406	310
Property, plant and equipment[2]	699	26	6	0	0	392	115	327	416
Sum	**1,081**	**155**	**6**	**0**	**0**	**497**	**148**	**733**	**726**
Total								**344,912**	**1,727,537**

[2] Of which: as at 31 Dec. 2015: – total value of plant and equipment: EUR 327 thousand
– total value of land and buildings used for the bank's activities: EUR 0 thousand

Bonds and other fixed-income securities intended as a permanent part of business operations have been included under fixed assets. The considerable reduction in the carrying amount compared with 31 December 2014 is primarily attributable to the reclassification of KfW bonds from fixed to current assets in financial year 2015. These bonds have been hedged using asset swaps to reduce earnings volatility when applying the strict lower of cost or market principle. The reason for this reclassification was the liquidity coverage ratio introduced by the Capital Requirements Regulation. KfW IPEX-Bank was required to phase in fulfilment of the liquidity coverage ratio starting on 1 October 2015. To ensure this ratio is met on a sustainable basis, the bank has decided to establish a portfolio of high-quality liquid assets.

Bonds and other fixed-income securities held under fixed assets have been valued in accordance with the moderate lower of cost or market principle. As a result, it has been possible to avoid write-downs of altogether EUR 13 million on these securities, since a recovery is expected before their maturity date.

The book value of these securities that are reported above their fair value totals EUR 185 million. The corresponding fair value of these securities is EUR 172 million.

Disclosures on shareholdings

Figures in accordance with Section 285 (11) of the German Commercial Code (HGB)

Company name and headquarters		Capital share	Equity[1)]	Net income for the year[1)]
		in %	EUR in thousands	EUR in thousands
1.	MD Capital Beteiligungsgesellschaft mbH (in liquidation), Düsseldorf	50.0	9	–46
			USD in thousands	USD in thousands
2.	Bussard Air Leasing Ltd., Dublin, Ireland	100.0	–2,535	–2,535
3.	Canas Leasing Ltd., Dublin, Ireland	50.0	0	0
4.	Sperber Rail Holdings Inc., Wilmington, USA	100.0	2,536	844
5.	8F Leasing S.A., Luxembourg	22.2	11,589	239

[1)] Figures available as at 31 Dec. 2014 only.

Assets held in trust

	31 Dec. 2015	31 Dec. 2014	Change
	EUR in thousands	EUR in thousands	EUR in thousands
Loans and advances to banks	99,730	99,400	330
Loans and advances to customers	96,165	61,467	34,698
Total	**195,895**	**160,867**	**35,028**

In addition to assets held in trust of EUR 196 million that are recognised in the balance sheet and are owned by the bank in civil-law terms, KfW IPEX-Bank also administers the E&P trust business totalling EUR 23.2 billion (previous year: EUR 21.9 billion) on behalf of KfW as an indirect agent.

Prepaid expenses and deferred charges

Prepaid expenses and deferred charges of EUR 28 million (previous year: EUR 35 million) include in particular upfront interest payments from swaps amounting to EUR 27 million (previous year: EUR 33 million) and accrued discounts from promissory note loans from KfW of EUR 1 million (previous year: EUR 2 million). Discounts from liabilities of EUR 1 million are capitalised as assets under Prepaid expenses and deferred charges.

Notes on liabilities

Liabilities to banks and customers

Maturities structure of liabilities

		Maturity with agreed term or period of notice					
	Due on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Pro rata interest	Total
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Liabilities to banks	13,799	3,708,474	3,807,452	10,383,974	4,757,291	90,503	22,761,493
(as at 31 Dec. 2014)	*25,911*	*4,292,745*	*2,890,640*	*9,350,048*	*4,390,053*	*79,189*	*21,028,586*
Liabilities to customers – other liabilities	22,674	460,113	10,388	2,708	55,965	3,902	555,750
(as at 31 Dec. 2014)	*15,146*	*262,740*	*0*	*22,523*	*56,127*	*3,785*	*360,321*
Total	**36,473**	**4,168,587**	**3,817,840**	**10,386,682**	**4,813,256**	**94,405**	**23,317,243**
(as at 31 Dec. 2014)	*41,057*	*4,555,485*	*2,890,640*	*9,372,571*	*4,446,180*	*82,974*	*21,388,907*
in %	**0**	**18**	**16**	**45**	**21**	**0**	**100**

	Liabilities to		
	Banks	Customers	Total
of which to:	EUR in thousands	EUR in thousands	EUR in thousands
Shareholder	0	0	0
Affiliated companies	22,608,557	0	22,608,557
Companies in which KfW IPEX-Bank holds a stake	0	0	0

Special information for Pfandbrief banks

Cover as per Section 35 (1) Nº 7 of the Ordinance Regarding the Accounting System for Banks (RechKredV)

		31 Dec. 2015	31 Dec. 2014
		EUR in millions	EUR in millions
Public Pfandbriefe in issue		**939**	**752**
Cover assets			
Loans and advances to customers		955	929
a) mortgage loans		*0*	*0*
b) municipal loans		*525*	*580*
c) other loans and advances		*430*	*349*
Bonds and other fixed-income securities		75	50
Cover assets total		**1,030**	**979**
Over-collateralisation	**absolute value**	**91**	**227**
	in %	**10**	**30**

Information in accordance with Section 28 of the German Pfandbrief Act *(Pfandbriefgesetz – PfandBG)*

Information on total liabilities and maturity structure

Section 28 (1) Nos 1 and 3 of the German Pfandbrief Act Relation between Pfandbriefe in issue and cover pool		Nominal value		Net present value		Risk-adjusted net present value including forex stress[1)]	
		31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
		EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Total value of Pfandbriefe in issue including derivatives		939	752	950	759	829	669
of which: derivatives		*0*	*0*	*0*	*0*	*0*	*0*
Total value of cover pools including derivatives		1,030	979	1,110	1,057	965	905
of which: derivatives		*0*	*0*	*0*	*0*	*0*	*0*
Over-collateralisation	**absolute value**	**91**	**227**	**160**	**298**	**136**	**236**
	in %	**10**	**30**	**17**	**39**	**16**	**35**

1) Both the risk-adjusted net present value and the forex stress are calculated statically.

Section 28 (1) No 2 of the German Pfandbrief Act Maturity structure and fixed-interest period	Pfandbriefe in circulation		Cover pool	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
up to 6 months	0	0	44	42
more than 6 to 12 months	0	0	45	43
more than 12 to 18 months	92	0	47	43
more than 18 months to 2 years	0	0	72	43
more than 2 to 3 years	184	82	146	91
more than 3 to 4 years	92	165	94	142
more than 4 to 5 years	75	82	91	91
more than 5 to 10 years	496	422	389	392
more than 10 years	0	0	102	93

Section 28 (1) No 9 of the German Pfandbrief Act	31 Dec. 2015	31 Dec. 2014
	in %	in %
Proportion of fixed-rate		
– cover pool	29	38
– Pfandbriefe	13	0

Section 28 (1) No 10 of the German Pfandbrief Act (as per Section 6 of the Pfandbrief Net Present Value Regulation)	Net present value in EUR	
	31 Dec. 2015	31 Dec. 2014
	EUR in millions	EUR in millions
USD	49	137

Structure of cover assets

	Section 28 (1) Nºs 4 and 5 of the German Pfandbrief Act Total value of claims registered				Section 28 (1) Nº 8 of the German Pfandbrief Act Total value of claims exceeding thresholds	
	Equalisation claims within the meaning of Section 20 (2) Nº 1 of the Pfandbrief Act		Claims within the meaning of Section 20 (2) Nº 2 of the Pfandbrief Act			
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Total	**0**	**0**	**0**	**0**	**0**	**0**
of which: covered bonds[1]			*0*	*0*		

[1] Within the meaning of Article 129 of Regulation (EU) Nº 575/2013

	Section 28 (3) Nº 1 of the German Pfandbrief Act Total value of claims used by size class	
	31 Dec. 2015	31 Dec. 2014
	EUR in millions	EUR in millions[1]
up to EUR 10 million	4	–
more than EUR 10 million to EUR 100 million	219	–
more than EUR 100 million	807	–
Total	**1,030**	**–**

[1] In accordance with the transitional provision in Section 54 of the German Pfandbrief Act, no prior-year figures are reported.

	Section 28 (3) Nº 2 of the German Pfandbrief Act Total value of claims used by country and debtor class							
	Federal Republic of Germany		Denmark		Austria		Total	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Government	807	846	0	0	10	0	817	846
Regional authorities	0	0	0	0	0	0	0	0
Local authorities	40	40	0	0	0	0	40	40
Other debtors	121	93	52	0	0	0	173	93
Total	**968**	**979**	**52**	**0**	**10**	**0**	**1,030**	**979**

Claims outstanding

	Section 28 (3) Nº 2 of the German Pfandbrief Act Total value of claims outstanding for at least 90 days		Section 28 (3) Nº 2 of the German Pfandbrief Act Total value of claims where the arrear is at least 5% of the claim	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Government	0	0	0	0
Regional authorities	0	0	0	0
Local authorities	0	0	0	0
Other debtors	0	0	0	0
Total	**0**	**0**	**0**	**0**

Liabilities held in trust

	31 Dec. 2015 EUR in thousands	31 Dec. 2014 EUR in thousands	Change EUR in thousands
Liabilities to banks	3,707	5,012	–1,305
Liabilities to customers	192,188	155,855	36,333
Total	**195,895**	**160,867**	**35,028**

Other liabilities

Other liabilities of EUR 70 million (previous year: EUR 32 million) mainly consist of the balancing item for the foreign currency translation of derivative hedging instruments of EUR 65 million (previous year: EUR 24 million), and liabilities to the financial authorities of EUR 2 million (previous year: EUR 4 million).

Deferred income

Deferred income totalling EUR 37 million (previous year: EUR 38 million) mainly comprises discounts from upfront interest payments from swaps that have been received but do not yet impact income of EUR 29 million (previous year: EUR 31 million), and discounts from receivables purchases adding up to EUR 7 million (previous year: EUR 7 million).

Provisions

As well as provisions for pensions and similar commitments totalling EUR 117 million (previous year: EUR 99 million), and tax provisions amounting to EUR 27 million (previous year: EUR 54 million), other provisions of EUR 52 million (previous year: EUR 64 million) were recognised as at 31 December 2015. These other provisions relate in particular to liabilities to staff (EUR 23 million), provisions for credit risks (EUR 19 million) and archiving costs (EUR 6 million).

Subordinated liabilities

KfW has granted KfW IPEX-Bank subordinated loans amounting to USD 1,000 million with the following contractual conditions:

	Amount in millions	Currency	Interest rate	Maturity date
1.	500	USD	3-month USD LIBOR + 0.85 % p. a.	31 Dec. 2017
2.	500	USD	3-month USD LIBOR + 0.85 % p. a. until 27 February 2015; premium subsequently increases by 0.5 % to + 1.35 % p. a.	31 Dec. 2019

Interest payments are made quarterly at different interest payment dates. KfW IPEX-Bank is not obliged to repay the subordinated loans ahead of schedule.

Interest expense for subordinated loans in 2015 amounted to the equivalent of EUR 12 million (previous year: EUR 8 million).

The subordinated liabilities are due exclusively to KfW as an affiliated company.

Other required disclosures on liabilities and equity

Contingent liabilities

Sector department	31 Dec. 2015 EUR in millions	31 Dec. 2014 EUR in millions	Change EUR in millions
Power, Renewables and Water	881	571	310
Industries and Services	360	381	–21
Maritime Industries	211	232	–21
Aviation and Rail	178	495	–317
Transport and Social Infrastructure (PPP)	152	179	–27
Basic Industries	137	93	44
Financial Institutions, Trade & Commodity Finance	42	114	–72
Equity Portfolio[1)]	0	14	–14
Total	**1,961**	**2,079**	**–118**

[1)] The 'Leveraged and Acquisition Finance, Mezzanine, Equity' sector department was renamed 'Equity Portfolio' in 2015.

The new guarantees given in financial year 2015 amounted to EUR 51 million. In contrast, a total of EUR 169 million was redeemed.

Irrevocable loan commitments

Sector department	31 Dec. 2015 EUR in millions	31 Dec. 2014 EUR in millions	Change EUR in millions
Maritime Industries	1,867	1,491	376
Power, Renewables and Water	1,644	1,346	298
Basic Industries	1,294	1,652	–358
Aviation and Rail	1,011	679	332
Industries and Services	666	711	–45
Financial Institutions, Trade & Commodity Finance	611	450	161
Transport and Social Infrastructure (PPP)	594	713	–119
Equity Portfolio[1)]	2	4	–2
Total	**7,689**	**7,046**	**643**

[1)] The 'Leveraged and Acquisition Finance, Mezzanine, Equity' sector department was renamed 'Equity Portfolio' in 2015.

Total irrevocable loan commitments as at 31 December 2015 stood at EUR 7,689 million. Risks from these transactions are taken into account by creating portfolio loan loss provisions and specific loan loss provisions.

Required disclosures on the income statement
Geographical markets in accordance with Section 34 (2) Nº 1 of the Ordinance Regarding the Accounting System for Banks (RechKredV)

In financial year 2015, income from Frankfurt am Main and London was as follows:

	31 Dec. 2015			31 Dec. 2014			Change		
	Frankfurt	London	Total	Frankfurt	London	Total	Frankfurt	London	Total
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Interest income	675,959	24,019	699,978	600,912	22,874	623,786	75,047	1,145	76,192
Current income from									
a) shares and other non-fixed-income securities	491	0	491	918	0	918	–427	0	–427
b) investments	8	0	8	99	0	99	–91	0	–91
c) shares in affiliated companies	0	0	0	0	0	0	0	0	0
Commission income	191,052	571	191,623	185,996	247	186,243	5,056	324	5,380
Other operating income	34,165	17,389	51,554	39,445	9,800	49,245	–5,280	7,589	2,309
Total	**901,675**	**41,979**	**943,654**	**827,370**	**32,921**	**860,291**	**74,305**	**9,058**	**83,363**

Interest expense and interest income

Valuation of provisions led to interest expense from compounding of EUR 5,474 thousand and interest income from discounting of EUR 154 thousand.

Negative interest only arose to a significant extent in the context of money market transactions. Interest expense includes EUR 1,640 thousand from lending, while interest income includes EUR 270 thousand from borrowing.

Other operating expense

Other operating expense amounted to EUR 8 million (previous year: EUR 15 million). It mainly includes (EUR 8 million) realised and unrealised exchange losses from foreign currency valuation (previous year: EUR 8 million).

Other operating income

Other operating income of EUR 52 million (previous year: EUR 49 million) chiefly relates to realised and unrealised exchange gains from foreign currency valuation totalling EUR 45 million (previous year: EUR 45 million). This item also includes income from the reversal of provisions no longer required and from writing off liabilities (EUR 3 million) as well as from services to group companies (EUR 2 million).

Taxes on income

Taxes on income totalling EUR 93 million (previous year: EUR 61 million) are made up of corporate income tax and capital gains tax plus the solidarity surcharge totalling EUR 47 million, and trade tax of EUR 46 million.

Other required disclosures

Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currency as well as cash transactions that were not settled by the balance sheet date were converted into euros at the average rates of exchange applicable as at 31 December 2015.

Expenses and income resulting from currency conversions have been included in other operating income under the principle of imparity *(Imparitätsprinzip)*.

Forward transactions were converted with due observance of the regulations on special cover or cover in the same currency. There was no effect on the income statement.

As at 31 December 2015, total assets denominated in foreign currency converted in accordance with Section 340h in conjunction with Section 256a of the German Commercial Code amounted to EUR 16.8 billion (previous year: EUR 14.7 billion), of which EUR 15.7 billion related to loans and advances to customers.

Total liabilities denominated in foreign currency amounted to EUR 16.8 billion (previous year: EUR 14.7 billion), of which the majority (EUR 13.7 billion) related to liabilities to banks.

Other financial liabilities

Total call obligations arising in connection with equity finance transactions amounted to EUR 11 million (previous year: EUR 13 million).

In individual cases, KfW IPEX-Bank employees perform specific functions on governing bodies of companies in which the bank holds investments or with which it maintains another, relevant creditor relationship. Risks resulting in connection with these functions are covered by liability for monetary damages insurance (D&O insurance) taken out by the respective company. Should a case arise in which there is no valid insurance cover, liability risks may arise for KfW IPEX-Bank.

Auditor's fee

Information on the total auditing fee can be found in the Notes to the consolidated financial statements of KfW Group.

Valuation units

Listed below are the volumes of underlying transactions in securities held as fixed assets which are hedged in valuation units against interest risks as at the balance sheet date.

	Nominal value		Carrying amount		Fair value	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Fixed assets						
Bonds and other fixed-income securities	40	70	42	73	43	76
Shares and other non-fixed-income securities	0	11	0	11	0	11
Liquidity reserve						
Bonds and other fixed-income securities	1,970	0	1,985	0	2,012	0
Total	**2,010**	**81**	**2,027**	**84**	**2,055**	**87**

KfW IPEX-Bank uses derivatives only to hedge open positions. The option of accounting for economic hedges as valuation units is exercised solely in relation to securities held in the banking book as designated underlying transactions. The effective portions of the valuation units created are accounted for using the net hedge presentation method.

For securities held as fixed assets, micro valuation units are formed by combining fixed-income securities and hedging transactions (interest rate swaps).

The offsetting effect of the underlying and the hedging transactions is verified through a critical terms match. The critical terms match ensures the retrospective and prospective offsetting of fluctuations in value through the identification of the parameters affecting the value of the underlying and hedging transactions.

Owing to the fact that changes in value correlate negatively with comparable risks of the underlying and hedging transactions, opposite changes in value or cash flows largely offset each other as at the balance sheet date. In view of the bank's intention to hold the hedges until maturity, it can be assumed that, in the future, too, the effects will also remain virtually entirely offsetting with respect to the hedged risk until the expected maturities of the valuation units.

In connection with hedging interest rate risks in the banking book, the derivative financial instruments used for this purpose and the interest-bearing underlying transactions form part of asset/liability management, along with valuation units in accordance with Section 254 of the German Commercial Code. KfW IPEX-Bank manages the market value of all interest-bearing transactions in the banking book as one unit. As at 31 December 2015 there was a positive present value.

Derivatives reporting

KfW IPEX-Bank used the following forward transactions or derivative products mainly to hedge against the risk of changes in interest rates and exchange rates:

1. Interest rate-related forward transactions/derivative products
   - Interest rate swaps
   - Caps/floors
2. Currency-related forward transactions/derivative products
   - Cross-currency swaps
   - FX swaps
   - FX forward transactions

Interest rate-related and currency-related derivatives are used for hedging purposes. The ongoing results from swap transactions are accrued on a pro rata basis in the respective period.

As part of limit management and in order to hedge against default risks, KfW IPEX-Bank also currently purchases single-name credit default swaps (SNCDSs) as the protection buyer. Ongoing results are accrued on a pro rata basis in the respective period.
As at 31 December 2015, the bank held one SNCDS with a positive market value of EUR 68 thousand.

In the following table, the calculation of market values for all contract types is based on the market valuation method. It discloses the positive and negative fair values of derivative positions as at 31 December 2015.

Derivative transactions – volumes

	Nominal values		Fair values positive	Fair values negative
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2015
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Contracts with interest rate risks				
Interest rate swaps	19,033	14,995	717	894
Caps/floors	0	833	0	0
Total	**19,033**	**15,828**	**717**	**894**
Contracts with foreign exchange risks				
Cross-currency swaps	1,191	1,092	12	89
FX swaps	729	51	3	15
FX forward transactions	139	125	1	1
Total	**2,059**	**1,268**	**16**	**105**
Share and other price risks	**0**	**0**	**0**	**0**
Credit derivatives	**10**	**0**	**0**	**0**
Total	**21,102**	**17,096**	**733**	**999**

Derivative transactions – maturities by nominal volume

	Interest rate risks		Foreign exchange risks		Credit derivatives	
	31 Dec. 2015 EUR in millions	31 Dec. 2014 EUR in millions	31 Dec. 2015 EUR in millions	31 Dec. 2014 EUR in millions	31 Dec. 2015 EUR in millions	31 Dec. 2014 EUR in millions
Maturity						
– up to 3 months	376	356	694	186	0	0
– more than 3 months to 1 year	1,173	1,557	266	119	10	0
– more than 1 to 5 years	8,210	6,023	889	834	0	0
– more than 5 years	9,274	7,892	210	129	0	0
Total	**19,033**	**15,828**	**2,059**	**1,268**	**10**	**0**

Derivative transactions – counterparties

	Nominal values		Fair values positive	Fair values negative
	31 Dec. 2015 EUR in millions	31 Dec. 2014 EUR in millions	31 Dec. 2015 EUR in millions	31 Dec. 2015 EUR in millions
Counterparties				
OECD banks	14,246	10,797	26	985
Non-OECD banks	0	0	0	0
Other counterparties	6,856	6,274	707	14
Public sector	0	25	0	0
Total	**21,102**	**17,096**	**733**	**999**

Loans in the name of third parties and for third-party account

Loans in the name of third parties and for third-party account (administered loans) totalled EUR 13,811 million as at 31 December 2015 (previous year: EUR 12,617 million). In addition, financial guarantees amounting to EUR 119 million (previous year: EUR 115 million) were administered.

	31 Dec. 2015 EUR in millions	31 Dec. 2014 EUR in millions	Change EUR in millions
Market business	4,291	3,611	680
Trust business	7,191	6,964	227
Other[1)]	2,329	2,042	287
Total	**13,811**	**12,617**	**1,194**

[1)] Including refinancing for CIRR ship financings by third-party banks totalling EUR 2,279 million (previous year: EUR 2,031 million)

The loans in the name of third parties and for third-party account mainly relate to syndicated loans for which KfW IPEX-Bank is the lead bank and, as such, handles the loan accounting for the account of the other syndicate members.

Personnel

The average number of staff, not including trainees and the Management Board (but including temporary staff) is calculated from the end-of-quarter figures during financial year 2015.

	2015	2014	Change
Female employees	303	300	3
Male employees	345	335	10
Staff not covered by collective agreements	536	517	19
Staff covered by collective agreements	112	118	–6
Total	**648**	**635**	**13**

Remuneration and loans to members of the Management Board and the Board of Supervisory Directors

Total remuneration paid to the members of the Management Board in financial year 2015 was EUR 1,927 thousand. Details of the remuneration paid to the members of the Management Board are given in the following table.

Annual remuneration[1)]

	Salary	Variable remuneration	Other remuneration[2)]	Total
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Klaus R. Michalak (CEO)	395	39	21	456
Christiane Laibach[3)]	46	74	89	208
Christian K. Murach	395	73	20	489
Markus Scheer	395	73	24	493
Andreas Ufer[4)]	262	–	20	281
Total	**1,494**	**259**	**174**	**1,927**

[1)] Differences may occur in the table due to rounding.
[2)] Other remuneration comprises a payment for a service anniversary, use of company cars, insurance premiums and taxes incurred on such remuneration.
[3)] Left the Management Board of KfW IPEX-Bank with effect from 15 February 2015.
[4)] Appointed to the Management Board of KfW IPEX-Bank with effect from 1 May 2015.

Total remuneration paid to the members of the Board of Supervisory Directors was EUR 132 thousand (net). Attendance fees amounting to EUR 75 thousand (net) were also paid. Remuneration is structured as follows: Annual remuneration amounts to EUR 22 thousand (net) for membership of the Board of Supervisory Directors and EUR 29 thousand (net) for the chairmanship. In addition, attendance fees of EUR 1 thousand are paid for meetings of the Board of Supervisory Directors and the Loan, Executive and Audit Committees respectively, in each case pro rata where membership is for less than the whole year. In addition, members of the Board of Supervisory Directors can claim reimbursement of travel and other miscellaneous expenses to a reasonable extent. There were no payments made to former members of the Board of Supervisory Directors, or to their surviving dependents. Remuneration to members of the Executive Board of KfW, who on the basis of Section 9 (1) of the Articles of Association of KfW IPEX-Bank are members of the Board of Supervisory Directors, was suspended with effect from 1 July 2011 until further notice. State Secretary Machnig also waived his remuneration and attendance fees.

As at 31 December 2015, provisions for pensions for former members of the Management Board and their surviving dependents stood at a total of EUR 7,381 thousand. Retirement pension payments to former members of the Management Board totalling EUR 141 thousand were made in the 2015 financial year.

As at 31 December 2015, there were no loans outstanding to members of the Management Board or the Board of Supervisory Directors.

Board of Supervisory Directors

Dr Norbert Kloppenburg
(Member of the Executive Board, KfW Group)
(Chairman of the Board of Supervisory Directors)

Johannes Geismann
(State Secretary, Federal Ministry of Finance)

Ulrich Goretzki
(KfW IPEX-Bank employee representative)

Alexander Jacobs
(KfW IPEX-Bank employee representative)
up to 31 July 2015

Dagmar P. Kollmann
(Businesswoman and Supervisory Board member)

Bernd Loewen
(Member of the Executive Board, KfW Group)

Matthias Machnig
(State Secretary, Federal Ministry for Economic Affairs and Energy)

Dr Nadja Marschhausen
(KfW IPEX-Bank employee representative)

Dr Jürgen Rupp
(Member of the Executive Board, RAG Aktiengesellschaft)

Friedrich Weigmann
(KfW IPEX-Bank employee representative)
from 1 August 2015

Management Board

Klaus R. Michalak
(CEO)

Christiane Laibach
Left the bank with effect from 15 February 2015

Christian K. Murach

Markus Scheer

Andreas Ufer
Member of the Management Board since 1 May 2015

Frankfurt am Main, 16 February 2016

Klaus R. Michalak **Christian K. Murach**

Markus Scheer **Andreas Ufer**

Auditor's Report

Auditor's Report

'We have audited the annual financial statements – comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of KfW IPEX-Bank GmbH, Frankfurt am Main, for the business year from 1 January to 31 December 2015. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB [Handelsgesetzbuch: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of KfW IPEX-Bank GmbH in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.'

Frankfurt am Main, 01 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Mock
Certified accountant

Wiechens
Certified accountant

Disclosures in accordance with Section 26a of the German Banking Act

The requirements of Article 89 of EU Directive 2013/36/EU ‘Capital Requirements Directive’ (CRD IV) have been transposed into German law in Section 26a of the German Banking Act *(Kreditwesengesetz – KWG)*. This, in conjunction with Section 64r (15) of the Act, requires country-by-country reporting.

Such reporting involves disclosure of the following necessary information:
1. Company name, nature of activities and geographical location of branches
2. Turnover
3. Number of employees on a full-time equivalent basis
4. Profit or loss before tax
5. Tax on profit or loss
6. Public subsidies received

Turnover has been defined as operating result before risk provisions and administrative expenses.
The disclosures were made on the basis of the individual financial statements of KfW IPEX-Bank GmbH prepared in accordance with the German Commercial Code *(Handelsgesetzbuch – HGB)* as at 31 December 2015.[5)]

Country	Company name	Nature of activities	Geographical location of branches	Turnover[2)]	Number of employees	Profit before tax[2)]	Tax on profit[2)]	Public subsidies received
				EUR in millions	in FTE[1)]	EUR in millions	EUR in millions	EUR in millions
EU countries								
Germany	KfW IPEX-Bank GmbH	Export and project finance	Frankfurt am Main	551.27	556	222.45	90.19	0.00
UK	KfW IPEX-Bank GmbH	Export and project finance	London	21.98	22	14.29	3.02	0.00

1) The number of employees on a full-time equivalent basis is shown in rounded figures.
2) Calculated on a gross basis

Return on assets

Article 90 of EU Directive 2013/36/EU ‘Capital Requirements Directive’ (CRD IV) has also been transposed into German law under Section 26a of the German Banking Act.

As at 31 December 2015, the return on assets within the meaning of Section 26a (1), 4th sentence of the Act, is 0.0050 or 0.50 %.

5) Consolidated financial statements are not prepared. KfW IPEX-Bank GmbH is included in the consolidated financial statements of KfW Group, Frankfurt am Main.

Corporate Governance Report

As a member of KfW Group, KfW IPEX-Bank has committed itself to acting responsibly and transparently in an accountable manner. Both the Management Board and the Board of Supervisory Directors of KfW IPEX-Bank recognise the principles of the German Federal Government's Public Corporate Governance Code (PCGC) as applicable to KfW IPEX-Bank. A Declaration of Compliance with the recommendations of the PCGC was issued for the first time on 23 March 2011. Since then, any instances of non-compliance have been disclosed annually and explained.

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

Declaration of compliance

The Management Board and the Board of Supervisory Directors of KfW IPEX-Bank hereby declare: 'Since the last Declaration of Compliance submitted on 20 March 2015, the recommendations of the Federal Government's Public Corporate Governance Code, as adopted by the Federal Government on 1 July 2009, have been fulfilled, with the exception of the following recommendations.'

D&O insurance deductible

KfW has concluded D&O insurance contracts in the form of a group insurance policy which also provides insurance cover for members of the Management Board and the Board of Supervisory Directors of KfW IPEX-Bank. These contracts contain only an option to introduce a deductible, contrary to Clause 3.3.2 of the PCGC. The decision to exercise this option will be taken together with the Chairman and Deputy Chairman of the Board of Supervisory Directors of KfW.

Delegation to committees

The committees of the Board of Supervisory Directors of KfW IPEX-Bank essentially perform only preparatory work for the Board of Supervisory Directors. The Loan Committee takes final loan decisions for financings that exceed certain predefined limits; this is contrary to Clause 5.1.8 of the PCGC. This procedure is necessary for both practical and efficiency reasons. The delegation of loan decisions to a loan committee is standard practice at banks. It serves to accelerate the decision-making process and to consolidate technical expertise within the committee. The Chairman of the Executive Committee – and not the Board of Supervisory Directors as per Clause 4.4.4 of the PCGC – decides on sideline activities exercised by the members of the Management Board.

Loans to members of bodies

According to the Rules of Procedure for the Board of Supervisory Directors and its Committees, KfW IPEX-Bank may not grant individual loans to members of the Board of Supervisory Directors. Although the employment 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 prohibition does not apply – in derogation of Clause 3.4 of the PCGC – to utilisation of promotional loans made available under KfW programmes. Due to the standardisation of lending and the principle of on-lending through applicants' own banks, there is no risk of conflicts of interest with regard to programme loans.

Allocation of responsibilities

The Management Board has adopted Rules of Procedure, after consulting with the Board of Supervisory Directors and with the shareholder's consent, which include regulations governing cooperation among the management. According to these rules the Management Board allocates responsibilities itself – without additional consent from the Board of Supervisory Directors, in deviation from Clause 4.2.2 of the PCGC, but with the shareholder's approval – in a schedule of responsibilities. This ensures that the Management Board has the flexibility it needs to make necessary changes so that responsibilities are divided up efficiently.

Cooperation between the Management Board and the Board of Supervisory Directors

The Management Board and the Board of Supervisory Directors work together closely for the benefit of KfW IPEX-Bank. The Management Board, in particular the CEO, is in regular contact with the Chairman of the Board of Supervisory Directors. The Management Board discusses important matters concerning corporate governance and corporate strategy with the Board of Supervisory Directors. The Chairman of the Board of Supervisory Directors informs the Board of Supervisory Directors of any issues of major significance and convenes an extraordinary meeting if necessary.

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

Management Board

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

On 3 February 2015, the Management Board of KfW IPEX-Bank decided on a new schedule of responsibilities, which took effect as of 15 February 2015 following its approval by the shareholder. The 'Risk and Finance' area of business, for which Ms Laibach was responsible until her departure from the Management Board, has now become the 'Risk' area. 'Finance' now falls within Mr Michalak's area of responsibility. Since 15 February 2015, this has encompassed 'Finance, Products and Corporate Affairs'. The members of the Management Board were responsible for the following areas during the reporting year:

- Mr Klaus R. Michalak, CEO; Products and Corporate Affairs; from 15 February 2015 also Finance and (on an acting basis until 30 April 2015) Risk
- Ms Christiane Laibach: Risk and Finance (until 14 February 2015)
- Mr Christian K. Murach: Markets II/Transport Sectors and Treasury
- Mr Markus Scheer: Markets I/Industry Sectors
- Mr Andreas Ufer (from 1 May 2015): Risk

The members of the Management Board are obliged to act in the best interests of KfW IPEX-Bank, may not consider personal interests in their decisions, and are subject to a comprehensive non-competition clause during their employment with KfW IPEX-Bank. 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 company has a mandatory Board of Supervisory Directors in accordance with Section 1 (1) Nº 3 of the German One-Third Participation Act *(Drittelbeteiligungsgesetz – DrittelbG)*. The Board of Supervisory Directors advises and monitors the Management Board in the management of the bank.

In accordance with KfW IPEX-Bank's current Articles of Association, the Board of Supervisory Directors has nine members: two representatives from KfW, two representatives from the Federal Government – one each from the Federal Ministry of Finance and the Federal Ministry for Economic Affairs and Energy – and two representatives from industry as well as three employee representatives. In accordance with the Rules of Procedure for the Board of Supervisory Directors and its Committees, the latter 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. There were two women on the Board of Supervisory Directors in the reporting year.

In accordance with the Rules of Procedure for the Board of Supervisory Directors and its Committees, adapted to the requirements of Section 25d (3) of the German Banking Act *(Kreditwesengesetz – KWG)*, the members of the Board of Supervisory Directors may not include anyone who is on the management board of a company and also a member of more than two companies' administrative or supervisory bodies, or who is a member of more than four companies' administrative or supervisory bodies. However, pursuant to Section 64r (14) of the Banking Act, this rule does not apply to mandates for administrative and supervisory bodies already held by members of the Board of Supervisory Directors as at 31 December 2013. This 'grandfather clause' applies to three members of the Board of Supervisory Directors. In addition, the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin)* may authorise a member of an administrative or supervisory body to assume an additional mandate. One member of the Board of Supervisory Directors has received such authorisation for an additional mandate. Members of the Board of Supervisory Directors should also not serve in an administrative, supervisory or consulting role for any significant competitors of the company. The members of the Board of Supervisory Directors complied with these recommendations during the reporting period. Conflicts of interest should be disclosed to the Board of Supervisory Directors. In one case when a loan was submitted to the Loan Committee for approval, one member abstained from the vote in order to avoid a conflict of interest. No other cases apart from this occurred during the reporting period.

One member of the Board of Supervisory Directors participated in fewer than half of the board meetings during the reporting year.

Committees of the Board of Supervisory Directors

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

The **Executive Committee** is responsible for personnel-related matters 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 loan-related issues.

The **Audit Committee** is responsible for matters regarding accounting and risk management, as well as 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 annual financial statements in preparation for meetings of the full Board of Supervisory Directors.

The **Remuneration Control Committee** is responsible for overseeing remuneration and ensuring that systems of remuneration for members of the Management Board and employees are appropriate.

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 – with the exception of the competencies of the Remuneration Control Committee.

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.

Shareholder

KfW IPEX-Beteiligungsholding GmbH owns 100 % of the share capital of KfW IPEX-Bank. 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, for the determination of the amount available for payment of performance-based, variable remuneration within the company, for the appointment and removal of members of the Board of Supervisory Directors who are not employee representatives, and members of the Management Board, for the formal approval of their work at the end of each financial year, and for the appointment of the auditor.

Supervision

Since its spin-off, KfW IPEX-Bank has been fully subject to the provisions of the German Banking Act. With effect from 1 January 2008, BaFin granted the bank a licence to act as an IRBA (Internal Ratings-Based Approach) bank for rating corporates, banks, sovereigns and specialist financings (elementary/slotting approach). The bank uses the standard approach to calculate the regulatory capital requirements associated with operational risks. Due to the special status of KfW (in accordance with Section 2 (1) Nº 2 of the German Banking Act, KfW is not considered a credit institution), there is a financial holding group within the meaning of Section 10a of the German Banking Act in conjunction with Article 11 ff. of the CRR, for which KfW IPEX-Bank is the superordinated undertaking. KfW IPEX-Bank has incorporated KfW IPEX-Beteiligungsholding GmbH and MD Capital Beteiligungsgesellschaft mbH (in liquidation) into the consolidated group for regulatory reporting purposes as subordinated undertakings within the meaning of Section 10a (1) sentence 3 of the German Banking Act.

Protection of deposits

With effect from 1 January 2008, BaFin assigned KfW IPEX-Bank to the statutory deposit guarantee scheme of the Association of German Public Banks *(Entschädigungseinrichtung des Bundesverbandes Öffentlicher Banken Deutschlands GmbH)*. The bank is also a member of the deposit guarantee fund of the Association of German Public Banks *(Bundesverband Öffentlicher Banken Deutschlands e. V.)* on a voluntary basis.

Transparency

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

Risk management

Risk management and risk controlling are key responsibilities within the integrated risk/return management at KfW IPEX-Bank. Using the risk strategy, the Management Board defines the framework for the bank's business activities regarding risk tolerance and risk-bearing capacity. This ensures that KfW IPEX-Bank can fulfil its particular responsibilities with an appropriate risk profile in a sustainable, long-term manner. The bank's overall risk situation is analysed comprehensively in monthly risk reports to the Management Board. 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 depends to a large extent on the trust of its shareholder, clients, business partners, employees and the general public in terms of its performance and, especially, its integrity. This trust is based not least on implementing and complying with the relevant legal and regulatory provisions and internal procedures, and all other applicable laws and regulations. The compliance organisation at KfW IPEX-Bank includes, in particular, measures for assuring adherence to data protection requirements, ensuring securities compliance and compliance with financial sanctions, as well as measures for preventing money laundering, terrorist financing and other criminal activities, and achieving an appropriate level of information security. There are corresponding binding rules and procedures that ensure the day-to-day implementation of such values and determine the associated corporate culture; these are continually updated to reflect the current legal and regulatory framework as well as market requirements. Compliance also encompasses regulatory compliance. Training sessions on all compliance-related issues are held on a regular basis for KfW IPEX-Bank employees.

Accounting and annual audit

On 20 March 2015, the shareholder of KfW IPEX-Bank appointed KPMG AG Wirtschaftsprüfungsgesellschaft as auditor of the financial statements for the 2015 financial year. The Board of Supervisory Directors then issued the audit assignment to KPMG on 30 June 2015 and in October determined the audit priorities together with the auditor. The bank and the auditor agreed that the Chairman of the Audit Committee would be informed without delay of any findings and incidents arising during the audit that could be of importance to the work of the Board of Supervisory Directors. It was furthermore agreed that the auditor would inform the Audit Committee Chairman if it identified any facts during the audit that would render the Declaration of Compliance with the PCGC incorrect, and/or record this in the audit report. A declaration of auditor independence was obtained.

Efficiency review of the Board of Supervisory Directors

The Board of Supervisory Directors has always regularly reviewed the efficiency of its activities. Since Section 25d (11) of the German Banking Act entered into force on 1 January 2014, the Board of Supervisory Directors has been obliged to evaluate itself and the Management Board on an annual basis. It performed its latest evaluation in the fourth quarter of 2015 on the basis of structured questionnaires. The overall outcome of the audit was a ‘good’ rating (with an average score of 1.6). The Board of Supervisory Directors' self-evaluation does not indicate an urgent or acute need for any measures to be taken. The evaluation of the Management Board began at the end of 2015 and will be completed in the first quarter of 2016.

Remuneration report

The remuneration report describes the basic structure of the remuneration system for members of the Management Board and of the Board of Supervisory Directors; it also discloses the remuneration of the individual members. The level of remuneration for the Management Board and the Board of Supervisory Directors is disclosed in the notes to the financial statements.

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

	2015	2014	Change
	EUR in thousands	EUR in thousands	EUR in thousands
Members of the Management Board	1,927	1,690	237
Members of the Board of Supervisory Directors	207	219	–12
Total	**2,134**	**1,909**	**225**

Remuneration for the Management Board

The remuneration system for the Management Board of KfW IPEX-Bank is intended to remunerate the members of the Management Board appropriately according to their roles and areas of responsibility and to take account of both individual performance and the performance of the bank. Management Board contracts are drawn up based on the 1992 version of the principles for the appointment of board members at German federal credit institutions *(Grundsätze für die Anstellung der Vorstandsmitglieder bei den Kreditinstituten des Bundes)*. The contracts take PCGC requirements into account.

Components of remuneration

The remuneration of the Management Board consists of a fixed, annual base salary and a variable, performance-based bonus. All contracts are in accordance with Section 25a (5) of the German Banking Act in conjunction with the German Remuneration Ordinance for Institutions *(Institutsvergütungsverordnung – IVV)*. However, as agreed with BaFin, the new requirements of the Ordinance valid from 1 January 2014 were implemented from 1 January 2015. The establishment of the variable, performance-based bonus component is based on an agreement regarding targets that is concluded with the Management Board by the shareholder – after consultation with the Board of Supervisory Directors – at the beginning of each year. This agreement includes financial, quantitative and qualitative targets for the entire bank, targets specific to the areas of responsibility for each member of the Management Board, and also personal targets. 50% of the performance-based bonus, calculated according to achievement of targets, is paid out immediately, up to and including for financial year 2014. The remaining 50% is deferred as a provisional claim and paid into a ‘bonus account’. It is paid out in equal instalments over the following three years, provided that the bank does not materially miss its financial targets. Reductions in provisional claims during these years, up to and including complete elimination, are possible depending upon the bank’s financial performance.

For the 2015 financial year and subsequent financial years, the rules for payment of performance-based bonuses have been amended in accordance with the relevant provisions of the Remuneration Ordinance for Institutions. According to these rules, 60% of the performance-based bonus is deferred and generally paid out over a three-year payment period. Each ‘annual tranche’ of the payment (and the 40% tranche paid immediately) is divided into two components: 50% of the annual tranche is allocated to the ‘cash component’ and the remaining 50% to the ‘sustainability component’. Unlike the cash component, the sustainability component is subject to an additional one-year ‘holding period’ before being paid out. The ‘value’ of the sustainability component of this variable remuneration may also increase or decrease over the course of the payment period. Until further notice, the cash component will earn interest over the holding period at KfW IPEX-Bank's interest rate for deferred compensation.

Depending on the bank's performance, both the cash and sustainability components of the deferred 60 % of the performance-based bonus may be cancelled in their entirety.

The overview below shows the total remuneration paid to the individual members of the Management Board, divided into fixed and variable remuneration components and other remuneration, as well as additions to pension provisions. The members' bonus accounts containing the deferred performance-based bonus components are also shown.

Annual remuneration to members of the Management Board and additions to pension provisions during 2015 and 2014 in EUR thousands[1)]

	Salary		Variable remuneration		Other remuneration[2)]		Total		Bonus account[3)]		Additions to pensions provisions	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
		EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands
Klaus R. Michalak (CEO)	395	252	39	–	21	17	456	269	157	78	227	48
Christiane Laibach[4) 5)]	46	400	74	71	89	10	208	481	81	146	1	292
Christian K. Murach	395	378	73	70	20	20	489	468	163	145	944	337
Markus Scheer	395	378	73	70	24	24	493	472	163	145	737	310
Andreas Ufer[6)]	262	–	–	–	20	–	281	–	61	–	596	–
Total	**1,494**	**1,407**	**259**	**210**	**174**	**72**	**1,927**	**1,690**	**625**	**513**	**2,503**	**987**

1) Rounding differences may occur in the table for computational reasons.
2) This remuneration is presented in analogy with the figures given in the Notes in accordance with Section 285 (9) of the German Commercial Code excluding employer benefits according to the German Social Insurance Act (*Sozialversicherungsgesetz*). These totalled EUR 45 thousand in 2015 (previous year: EUR 44 thousand).
3) As well as individual performance-based bonuses carried forward from previous years, the bonus account also includes the provision for bonuses for financial year 2015.
4) Left KfW IPEX-Bank GmbH with effect from 15 February 2015
5) Other remuneration 2015 includes a service anniversary bonus.
6) Appointed to the Management Board of KfW IPEX-Bank GmbH as of 1 May 2015

Responsibilities

The shareholder consults on the remuneration system for the Management Board, including its contractual elements, and reviews it regularly. It approves the remuneration system after consulting with the Board of Supervisory Directors. The most recent review of the system's appropriateness took place in November 2015.

Contractual fringe benefits

Other remuneration primarily includes contractual fringe benefits. The members of the Management Board of KfW IPEX-Bank are entitled to a company car for both business and private use. Costs incurred as a result of private use of a company car are borne by the members of the Management Board in accordance with currently valid tax legislation.

The members of the Management Board are insured under a group accident insurance policy. They are covered by two insurance policies for the risks associated with their activities on the bank's management bodies. The first provides liability insurance for monetary damages (D&O insurance) and the second offers supplemental legal protection for monetary damages. Both policies are group insurance policies. A deductible has not been agreed at present. As part of their activities, the members of the Management Board of KfW IPEX-Bank are also included in special criminal law protection insurance for employees that was established as a group insurance policy.

Other remuneration does not include remuneration received for the exercise of corporate mandates held and sideline activities performed by a member of the Management Board outside the Group with the approval of the competent bodies of KfW IPEX-Bank. The entire amount of such remuneration is considered as personal income of members of the Management Board. In 2015, the members of the Management Board did not receive remuneration for exercising group mandates.

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

In addition, contractual fringe benefits include the costs of security measures for residential property occupied by members of the Management Board; these costs are not reported under Other remuneration but instead under Non-personnel expense. As in the previous year, the bank did not incur any costs for security measures in the 2015 financial year. Contractual fringe benefits also comprise employer benefits as per the German Code of Social Law *(Sozialgesetzbuch – SGB);* in analogy to the figures in the Notes (Section 285 (9) of the German Commercial Code *[Handelsgesetzbuch – HGB]*), these are not reported under Other remuneration.

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 in 2015.

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, the appointment of a member of the Management Board is not to extend beyond statutory retirement age. Board members who turn 65 and/or reach statutory retirement age and whose contract for serving on the Management Board has expired are entitled to retirement pension payments. Board members whose contract for serving on the Management Board was signed before 2014 may, at their request, retire early when they reach 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 principles for the appointment of board members at German federal credit institutions. The PCGC is taken into account when contracts of employment are drawn up for members of the Management Board.

A severance cap has been included in the employment contracts of members of the Management Board in accordance with PCGC recommendations. This cap limits payments to a member of the Management Board 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 remuneration including fringe benefits for the remainder of the contract, whichever is lower.

In principle the maximum retirement pension entitlement equals 70% of the pensionable remuneration. In one case the entitlement amounts to 55%. The pension entitlement is derived from the most recent gross base salaries paid. The retirement pension entitlement increases over an individually agreed period by a fixed percentage with every year of service completed until the maximum pension entitlement is attained.

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

Retirement pension payments to former members of the Management Board totalling EUR 141 thousand (previous year: EUR 0 thousand) were made in the 2015 financial year.

Provisions for pensions for former members of the Management Board and their surviving dependents totalled EUR 7,381 thousand at the end of the 2015 financial year (previous year: EUR 6,601 thousand).

Remuneration for the Board of Supervisory Directors

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

Remuneration 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 that they attend. Furthermore, members of the Board of Supervisory Directors are entitled 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 have waived this remuneration 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 the Board of Supervisory Directors during the 2015 and 2014 financial years are listed in the following tables; travel expenses and other miscellaneous expenses were reimbursed based upon receipts and are not included in this table. The indicated amounts are net values and were all paid.

Remuneration of members of the Board of Supervisory Directors for 2015 in EUR

Member	Dates of membership 2015	Annual remuneration	Attendance fees[1)]	Total
Dr Kloppenburg	1 Jan.–31 Dec.	–	–	–
Mr Loewen	1 Jan.–31 Dec.	–	–	–
Dr Rupp	1 Jan.–31 Dec.	22,000	14,000	36,000
State Secretary Geismann[2)]	1 Jan.–31 Dec.	22,000	15,000	37,000
State Secretary Machnig[3)]	1 Jan.–31 Dec.	–	–	–
Ms Kollmann	1 Jan.–31 Dec.	22,000	14,000	36,000
Dr Marschhausen	1 Jan.–31 Dec.	22,000	15,000	37,000
Mr Goretzki	1 Jan.–31 Dec.	22,000	9,000	31,000
Mr Jacobs	1 Jan.–31 July	12,834	5,000	17,834
Mr Weigmann	1 Aug.–31 Dec.	9,167	3,000	12,167
Total		**132,001**	**75,000**	**207,001**

1) Lump sum of EUR 1,000 net per meeting attended
2) This amount is subject to the German Sideline Activity Earnings Regulation *(Bundesnebentätigkeitsverordnung)*.
3) Remuneration not claimed

Remuneration of members of the Board of Supervisory Directors for 2014 in EUR

Member	Dates of membership 2014	Annual remuneration	Attendance fees[1)]	Total
Dr Kloppenburg	1 Jan.–31 Dec.	–	–	–
Mr Loewen	1 Jan.–31 Dec.	–	–	–
State Secretary Geismann[2)]	17 Feb.–31 Dec.	20,167	12,000	32,167
State Secretary Kapferer[2)]	17 Feb.–30 Sep.	14,667	6,000	20,667
State Secretary Machnig[3)]	23 Oct.–31 Dec.	–	–	–
Dr Rupp	1 Jan.–31 Dec.	22,000	13,000	35,000
Ms Kollmann	1 Jan.–31 Dec.	22,000	12,000	34,000
Dr Marschhausen	1 Jan.–31 Dec.	22,000	13,000	35,000
Mr Goretzki	1 Jan.–31 Dec.	22,000	10,000	32,000
Mr Jacobs	1 Jan.–31 Dec.	22,000	8,000	30,000
Total		**144,834**	**74,000**	**218,834**

1) Lump sum of EUR 1,000 net per meeting attended
2) This amount is subject to the German Sideline Activity Earnings Regulation *(Bundesnebentätigkeitsverordnung)*.
3) Remuneration not claimed

There are no pension obligations in respect of 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 extended 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 on the board. The first provides liability insurance for monetary damages (D&O insurance) and the second offers supplemental legal protection for monetary damages. Both policies are group insurance policies of KfW. A deductible has not been agreed at present. As part of their activities, the members of the Board of Supervisory Directors of KfW IPEX-Bank are also included in special criminal law protection insurance for employees that was established by KfW as a group insurance policy.

Frankfurt, 18 March 2016

Management Board **Board of Supervisory Directors**

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