

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms KfW IPEX-Bank's Aa2 long-term deposit ratings, outlook stable

07 May 2024

Frankfurt am Main, May 07, 2024 -- Moody's Ratings (Moody's) today affirmed KfW IPEX-Bank GmbH (IPEX-Bank)'s Aa2/P-1 long- and short-term deposit and Counterparty Risk Ratings (CRR). The outlook on the bank's long-term deposit ratings remains stable.

At the same time, Moody's affirmed IPEX-Bank's a3 Baseline Credit Assessment (BCA) and Adjusted BCA, as well as the bank's Aa2(cr)/P-1(cr) long- and short-term Counterparty Risk (CR) Assessments.

RATINGS RATIONALE

AFFIRMATION OF IPEX-BANK'S BCA

The affirmation of IPEX-Bank's a3 BCA and Adjusted BCA continues to reflect the extremely limited funding and liquidity risks as well as its strong capital buffers. It further takes into account the bank's clear focus on corporate lending and its high concentration risk to cyclical industries, expected strong portfolio growth and the bank's established track record of capital strengthening despite the requirement to upstream profits under its profit-and-loss transfer agreement.

AFFIRMATION OF LONG-TERM RATINGS

The affirmation of the ratings of IPEX-Bank reflects the affirmation of its BCA, as well as unchanged rating uplift from Moody's support and structural analysis, yielding three notches of rating uplift for IPEX-Bank's long-term deposit and Counterparty Risk Ratings. While Moody's acknowledges the low likelihood that a bail-in would be considered by resolution authorities in case of failure, IPEX-Bank formally falls under the EU Bank Recovery and Resolution Directive (BRRD), which is reflected in the rating agency's application of its Advanced Loss Given Failure (LGF) approach.

Although Moody's does not consider IPEX-Bank a systemically relevant institution, the rating agency believes extraordinary support for IPEX-Bank would be coordinated by

the Government of Germany (Aaa stable), its ultimate owner, in case of need, resulting in one notch of additional uplift for government support.

STABLE OUTLOOK

Moody's expects the stable development of IPEX-Bank's key financial metrics to continue over the next 12 to 18 months. The stable outlook on the long-term deposit ratings also reflects Moody's expectation that the bank will maintain its current liability structure, resulting in an unchanged notching uplift from Moody's Advanced LGF analysis.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

IPEX-Bank's long-term ratings could be upgraded if the bank's BCA is upgraded or if Moody's adopted a more favorable view of the bank's combined affiliate and government support likelihood.

An upgrade of IPEX-Bank's BCA could result from a significantly better diversified asset profile while at the same time reaching a sustainably increased profitability while also preserving its strong funding and liquidity profile.

A downgrade of IPEX-Bank's ratings could be triggered by a downgrade of the bank's BCA or by a decrease in the combined uplift provided by Moody's Advanced LGF analysis and its government support assumptions.

A downgrade of IPEX-Bank's BCA could result if the financial integration of the bank and its funding access to Kreditanstalt fuer Wiederaufbau (KfW, backed long-term deposits Aaa / backed senior unsecured debt Aaa) were to change or in case of a massive and unexpected fundamental deterioration of the bank's solvency profile.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/409852>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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