

## CREDIT OPINION

4 July 2024

Update



Send Your Feedback

### RATINGS

#### KfW IPEX-Bank GmbH

Domicile	Frankfurt am Main, Germany
Long Term CRR	Aa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Aa2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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## KfW IPEX-Bank GmbH

Update following rating affirmation

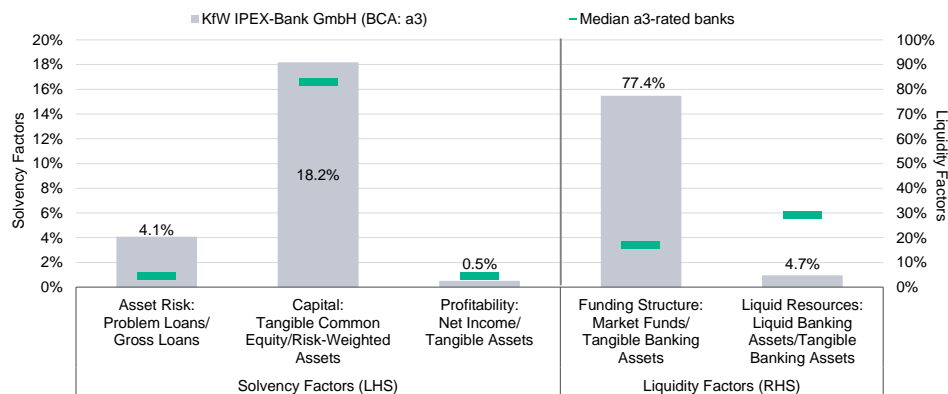
### Summary

KfW IPEX-Bank GmbH's (IPEX-Bank) Aa2/P-1 deposit ratings reflect the bank's a3 Baseline Credit Assessment (BCA) and Adjusted BCA, three notches of rating uplift from our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class, and one notch of additional rating uplift for government support based on the strategic and financial importance of IPEX-Bank to its parent, [Kreditanstalt fuer Wiederaufbau](#) (KfW, Aaa<sup>1</sup>), which is Germany's largest government-owned development bank.

IPEX-Bank's a3 BCA reflects 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.

Exhibit 1

### Rating Scorecard - Key financial ratios As of 31 December 2023



For the asset risk and profitability ratios, we calculate the average of the three latest year-end numbers and the latest quarterly data if available, and the ratio used is the weaker of the average compared with the latest period. For the capital ratio, we use the latest reported figure. For the funding structure and liquid resources ratios, we use the latest year-end figures.

Source: Moody's Ratings

## Credit strengths

- » De minimis funding and liquidity risks based on its privileged and contractually committed access to group funding from KfW
- » Solid capital adequacy metrics supported by capital reinjections to support growth

## Credit challenges

- » High single-industry and single-borrower concentrations stemming from the bank's focus on export and project finance activities.
- » Geopolitical tensions could cause results volatility despite positive core revenue trends

## Outlook

We expect 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 our expectation that the bank will maintain its current liability structure, resulting in an unchanged notching uplift from our Advanced LGF analysis.

## Factors that could lead to an upgrade

- » IPEX-Bank's long-term ratings could be upgraded if the bank's BCA is upgraded or if we 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.

## Factors that could lead to a downgrade

- » 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 our 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 KfW were to change or in case of a massive and unexpected fundamental deterioration of the bank's solvency profile.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### KfW IPEX-Bank GmbH (Consolidated Financials) [1]

	12-23 <sup>2</sup>	12-22 <sup>2</sup>	12-21 <sup>2</sup>	12-20 <sup>2</sup>	12-19 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (EUR Billion)	31.6	25.9	27.9	28.1	26.0	5.0 <sup>4</sup>
Total Assets (USD Billion)	34.9	27.7	31.7	34.4	29.2	4.6 <sup>4</sup>
Tangible Common Equity (EUR Billion)	3.6	3.6	3.5	3.5	3.4	1.1 <sup>4</sup>
Tangible Common Equity (USD Billion)	3.9	3.8	4.0	4.3	3.8	0.7 <sup>4</sup>
Problem Loans / Gross Loans (%)	3.4	5.1	3.7	3.9	2.9	3.8 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	18.2	21.1	16.5	16.8	19.1	18.3 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	25.5	31.4	25.9	27.0	19.1	25.8 <sup>5</sup>
Net Interest Margin (%)	1.9	1.3	1.3	1.2	1.2	1.4 <sup>5</sup>
PPI / Average RWA (%)	2.3	1.3	1.3	1.4	1.5	1.6 <sup>6</sup>
Net Income / Tangible Assets (%)	0.8	0.3	0.4	0.1	0.5	0.4 <sup>5</sup>
Cost / Income Ratio (%)	42.2	52.6	51.5	50.8	47.8	49.0 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	77.4	77.0	79.8	79.1	77.0	78.1 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	4.7	3.5	3.6	4.9	5.9	4.5 <sup>5</sup>
Gross Loans / Due to Customers (%)	2526.0	5882.0	18443.4	23219.0	21925.0	14399.1 <sup>5</sup>

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime.

[6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

## Profile

KfW IPEX-Bank GmbH (IPEX-Bank) is a specialist provider of export and project finance based in Frankfurt, Germany. The company is a wholly owned subsidiary of KfW Beteiligungsholding, which, in turn, is a 100%-owned subsidiary of KfW, Germany's largest public development bank, which serves the government's domestic and international promotional public policy objectives. KfW is wholly owned and fully guaranteed by the [Government of Germany](#) (Aaa stable), and it is largely exempt from banking regulations. In contrast, IPEX-Bank operates as a commercial bank without a guarantee. Within KfW, IPEX-Bank is responsible for the underwriting and management of the group's export finance, as well as domestic and international project finance exposures. During 2023, IPEX-Bank had on average 911 employees, and operated from its headquarters in Frankfurt, a branch office in London and eight representative offices in New York, Sao Paulo, Mexico City, Johannesburg, Istanbul, Abu Dhabi, Mumbai and Bogota as well as a fully owned subsidiary in Singapore.

## Weighted macro profile of Strong

We derive the weighted macro profile of Strong from IPEX-Bank's regional allocation of its economic capital needs. As of December 2023, Germany, which has a macro profile of Strong+, accounted for almost a third of IPEX-Bank's capital allocation. Outside the domestic market, most of IPEX-Bank's capital is allocated to other European countries, but the bank also has single digit percent allocations as well to each of the regions North America, Asia-Pacific, Latin America and Africa.

## Detailed credit considerations

### High sector and large single-borrower concentrations in cyclical industries define its asset-risk profile

IPEX-Bank's ba3 Asset Risk score, four notches below the baa2 initial score, reflects the cyclical and higher-risk nature of IPEX-Bank's export and project financing activities. We also account for significant sector and single-name concentrations within IPEX-Bank's portfolio.

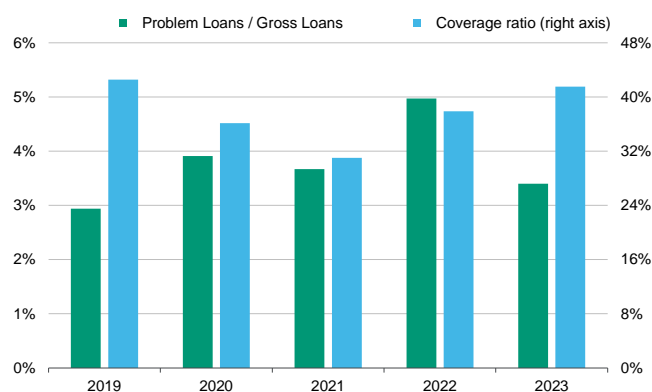
With its focus on funding German and European export business, infrastructure investment, raw materials supply security and environmental and climate protection projects globally, IPEX-Bank is more exposed to the development of international trade and of geopolitical tensions than the broader German banking sector. The bank manages these risks through heatmaps and scenario analyses.

IPEX-Bank has significant concentrations in cyclical industries, including the higher-risk maritime and commodities sectors. Whereas these exposures can lead to large loan loss charges, IPEX-Bank's international exposures in Emerging Market economies benefit from third party guarantees, typically from a select group of global export credit insurers.

Within the context of IPEX-Bank's strategic agenda to support transformation towards sustainability and digitalisation, the bank's new lending activities have increasingly focused on a more dedicated subset of activities designed to foster these goals. Strong new lending growth within subsegments that are at least partly exposed to risks of technological obsolescence require significant sector expertise and prudent lending practices. We understand IPEX-Bank's loan selection track record in its re-aligned four focus industries has been sound, despite the bank's higher-than-average (within the German banking sector) problem loan ratio that reflects the higher and more clustered risk profiles in its financing book.

Exhibit 3

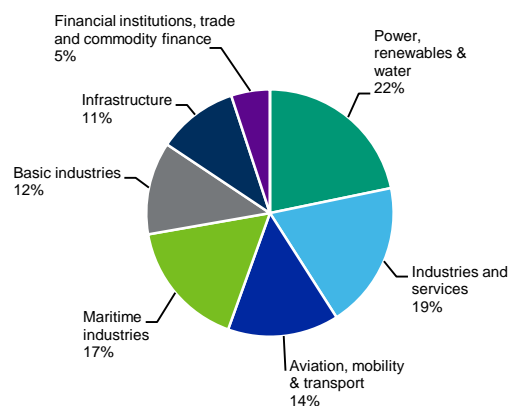
#### IPEX-Bank's problem loans declined from 2022 peak levels



The problem loan ratio is per Moody's definition.  
Sources: Company reports and Moody's Ratings

Exhibit 4

#### Breakdown of IPEX-Bank's lending book per sector In percentage as of year-end 2023



Sectors with marginal exposures (less than 0.5%) are not displayed.  
Sources: Company reports and Moody's Ratings

### IPEX-Bank's solid capitalisation remains a credit strength

IPEX-Bank's aa3 Capital score, one notch below the initial score, reflects the bank's solid capitalisation ratios, strong leverage metrics and the proven ability of its parent to provide capital injections. In the medium term, we expect the bank's capital metrics to soften gradually because of continued volume growth and regulatory developments, such as the phasing in of the Basel IV capital framework from 2025, which could lead to significantly higher risk-weighted assets (RWA), specifically when considering the underlying nature of IPEX-Bank's lending arrangements. We understand the bank is assessing potential medium-term solutions that could partly mitigate rising risk weightings.

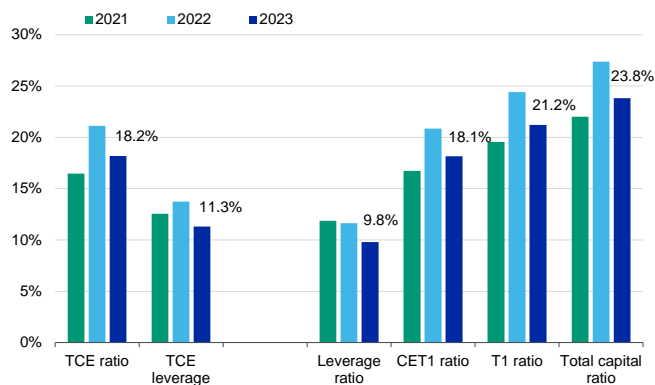
KfW supported IPEX-Bank's capitalisation through a series of capital reinjections since 2017, and we expect the group will remain supportive of IPEX-Bank's further business growth. IPEX-Bank's Moody's-adjusted tangible common equity (TCE)/RWA does not include undisclosed contingency reserves booked according to Article 340f of the German Commercial Code (HGB), which we would in principle consider TCE-eligible. Both our TCE metric and the regulatory Common Equity Tier 1 (CET1) capital ratio do include IPEX-Bank's fund for general banking risks (section 340g of HGB). IPEX-Bank maintains this reserve in US dollars to mitigate exchange rate effects on the bank's capital ratios given its sizeable US dollar exposures.

IPEX-Bank's leverage ratios are high compared with the German banking industry, reflecting a higher RWA-density.

Exhibit 5

#### Strong business growth has triggered a decline in IPEX-Bank's capital ratios

Our (left) and regulatory capital ratios (right) as a share of RWA, except for leverage metrics which are measured against our tangible assets or regulatory leverage exposure

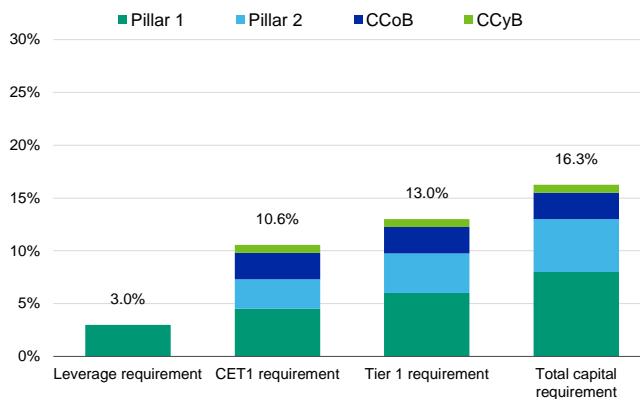


TCE = Tangible common equity (Moody's calculation); CET1 = Common Equity Tier 1 capital (fully loaded).

Sources: Company reports and Moody's Ratings

Exhibit 6

#### IPEX-Bank comfortably exceeds its regulatory capital requirements As a share of RWA, except for leverage requirement which is expressed as a share of leverage exposure



CCoB = capital conservation buffer; CCyB = countercyclical capital buffer; Pillar 1 / 2 = Pillar 1 / 2 requirements.

Sources: Company reports and Moody's Ratings

### Profitability will remain volatile in a difficult operating environment

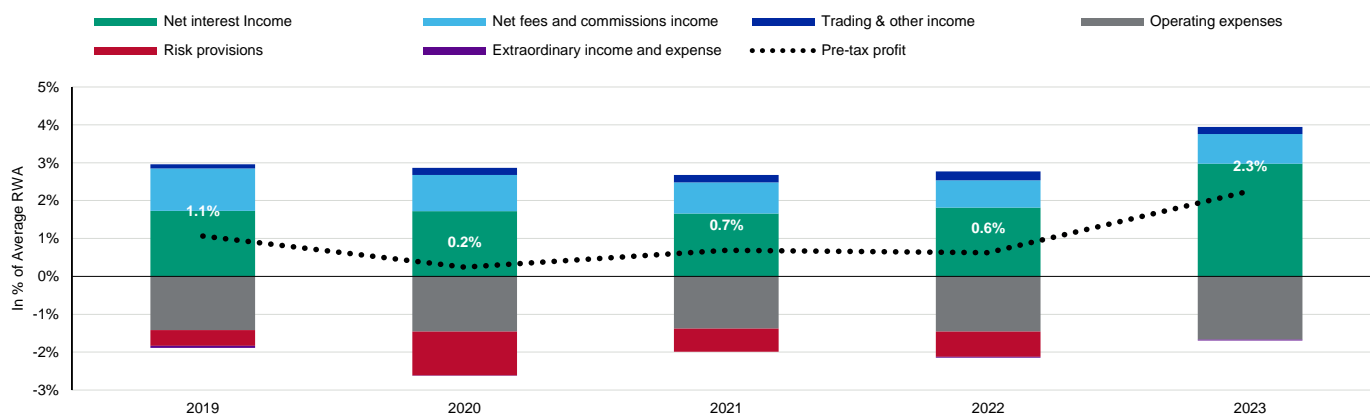
IPEX-Bank's ba1 Profitability score, one notch below the baa3 initial score, reflects IPEX-Bank's improving long-term profitability outlook, but also the volatile nature of its earnings.

We anticipate further growth in IPEX-Bank's operating revenue, which will outpace a contained increase in expenses. Cost reductions from IPEX-Bank's broadly concluded efficiency program will help the bank limit inflationary pressures. First effects from the efficiency program have been visible in 2023 when the cost-to-income ratio improved to below 45% which is well below the historical average. At the same time, the bespoke and highly specialised nature of IPEX-Bank's lending business limits the capacity of the bank to reap broad-based cost savings from IT and digitalisation projects that form an important part of the cost base of banks.

As a result of its strong leverage ratio and the higher interest rate level, IPEX-Bank's net interest income has benefitted more than that of most of its peers from higher interest income on the investment of its (accounting-wise non-interest bearing) own funds. Because IPEX-Bank reports a net profit of zero under its profit and loss transfer agreement (PLTA), we apply a normalised tax rate of 34% to pretax income to assess the bank's underlying earnings power.

Exhibit 7

### The favorable rate environment has contributed to IPEX's higher operating revenues In € million



Sources: Company reports and Moody's Ratings

### IPEX-Bank's refinancing agreement with KfW ensures reliable access to funding ...

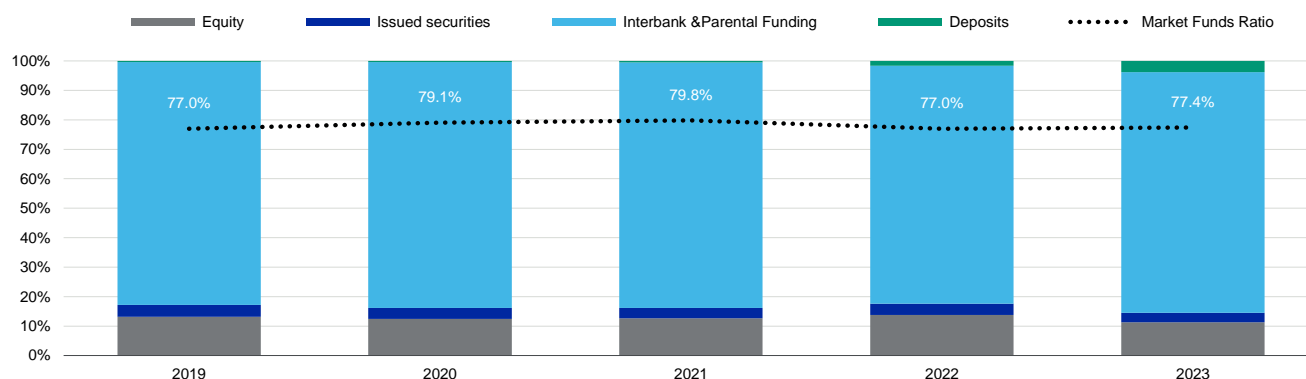
IPEX-Bank'saa1 Funding Structure score, which is significantly above the caa3 initial score, reflects the refinancing agreement between IPEX-Bank and KfW, which ensures reliable access to funding even in times of market stress.

Under the refinancing agreement, KfW has contractually committed to provide all funding to IPEX-Bank at market prices. Given KfW's status as a quasi-government issuer in the capital markets, this arrangement ensures that IPEX-Bank has secure access to funding at any time, above all during periods of market stress, when KfW is seen as a safe haven. IPEX-Bank's funding structure mimics that of a standalone commercial bank, with the funding mix sold to KfW containing public-sector covered bonds, senior unsecured debt and hybrid debt, using plain vanilla and structured products, as well as short- and long-term formats in various currencies. IPEX-Bank thereby ensures that tenor mismatches and foreign-currency risks, as well as undue benefits from its privileged access to KfW funding, are largely avoided.

The bank's NSFR was 107% as of year-end 2023, reflecting a high stable funding requirement of €26.9 billion. The bank aims to maintain an NSFR of at least 105%, which is moderately above the 100% regulatory requirement.

Exhibit 8

### IPEX-Bank's funding structure weakened slightly over time Composition of market funding sources



\*Market funds ratio = market funds/tangible banking assets.

Sources: Company reports and Moody's Ratings

### ... and effectively rules out any liquidity shortfalls

IPEX-Bank's aa1 Liquid Resources score, significantly above the b3 initial score, reflects IPEX-Bank's refinancing agreement with its parent, which effectively rules out any liquidity shortfalls.

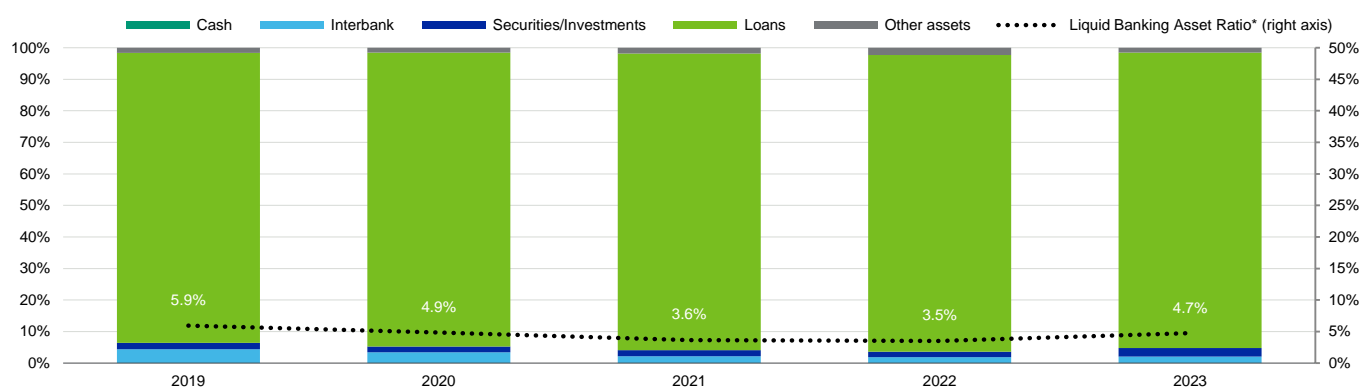
The bulk of IPEX-Bank's liquid resources is represented by the bank's high-quality liquid assets portfolio. These solely comprise securities issued by KfW. In addition, KfW provides € multi-billion irrevocable credit facilities for IPEX-Bank.

Per the bank's regulatory liquidity coverage ratio (LCR), which stood at a very high level of 154% as of year-end 2023, IPEX-Bank's high-quality liquid assets were €437 million, up from €335 million a year earlier. All high-quality liquid assets are hedged with asset swap agreements to prevent significant volatility in fixed assets. Moreover, the bank did not report any unrecognised losses from its bond portfolio as of year-end 2023.

Exhibit 9

#### IPEX-Bank's weak liquidity ratios are offset by the liquidity support provided by its parent

##### Composition of liquid assets



\*Liquid banking asset ratio = liquid assets/tangible banking assets.

Sources: Company reports and Moody's Ratings

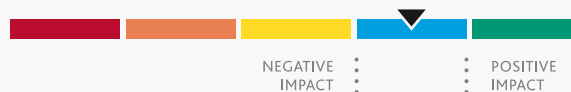
## ESG considerations

### KfW IPEX-Bank GmbH's ESG credit impact score is CIS-2

Exhibit 10

#### ESG credit impact score

# CIS-2



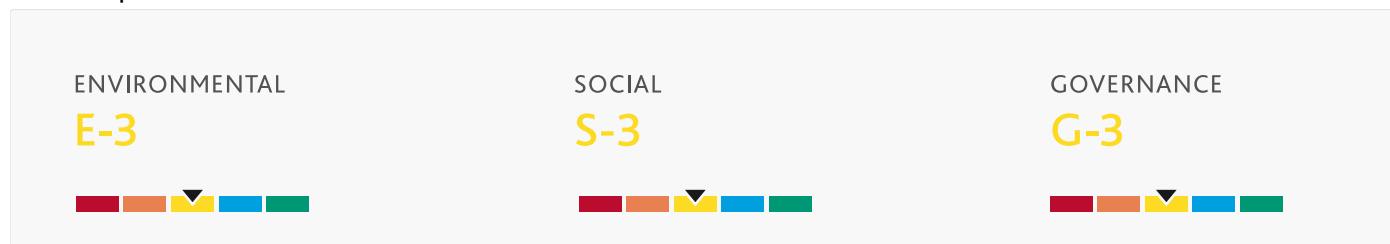
ESG considerations do not have a material impact on the current rating.

Source: Moody's Ratings

IPEX-Bank's **CIS-2** indicates that ESG considerations do not have a material impact on the current rating. This reflects the mitigating rating impact of government support over IPEX-Bank's ESG risk profile which takes into consideration its importance for and close integration into the business strategy of its parent, KfW.

Exhibit 11

## ESG issuer profile scores



Source: Moody's Ratings

### Environmental

IPEX-Bank faces moderate environmental risks primarily because of its exposure to carbon transition risk as a corporate lender. Like its peers, the bank is facing mounting business risks and stakeholder pressure to meet more demanding carbon transition targets. Within the framework of the groupwide "tranSForm" program implemented since 2021, IPEX-Bank strives to improve the recognition, evaluation and steering of ESG risks as well as the transparency around these.

### Social

IPEX-Bank faces moderate exposure to social risks related to regulatory and litigation risks, requiring high compliance standards. The exposure to customer relation risks is lower than those of its peers given the bank's focus on sophisticated corporate clients. Cyber and data risks are mitigated by a strong IT framework.

### Governance

Governance risks for IPEX-Bank are moderate, reflecting higher concentration risks and risk appetite. Germany's developed institutional framework mitigates associated governance risks. IPEX-Bank is owned by Germany's largest development bank KfW, which is largely reflected in the composition of its board of directors. Its strategy and organisational structure are in line with industry practices.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Support and structural considerations

### Loss Given Failure analysis

IPEX-Bank is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider an Operational Resolution Regime. Therefore, we apply our Advanced LGF analysis, using our standard assumptions.

IPEX-Bank's ratings strongly benefit from the fact that the bank is almost exclusively financed by its parent. We consider this funding to be bail-in-able and subordinated to any third-party deposits or counterparty risk liabilities. Given the large volume of parental funding, our Advanced LGF analysis indicates that IPEX-Bank's deposits are likely to face extremely low loss-given-failure resulting in a three-notch uplift from the bank's Adjusted BCA.

While we acknowledge the low likelihood that a bail-in would be considered by resolution authorities in case of failure, given the bank's unique funding structure (whereby the German government would effectively bail itself in), IPEX-Bank formally falls under the BRRD, which is reflected in our application of the Advanced LGF approach.

### Government support

We assume moderate support for IPEX-Bank's deposits, resulting in one additional notch of uplift for extraordinary government support. This reflects IPEX-Bank's importance to and close integration into the business strategy of its parent, KfW.

## Methodology and scorecard

### Methodology

The principal methodology we used in rating IPEX-Bank was [Banks Methodology](#), published in March 2024.

### About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by unadjusted accounting data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

### Rating methodology and scorecard factors

Exhibit 12

#### KfW IPEX-Bank GmbH

Macro Factors							
Weighted Macro Profile		Strong	100%				
Factor		Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency							
Asset Risk							
Problem Loans / Gross Loans		4.1%	baa2	↔	ba3	Sector concentration	Single name concentration
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		18.2%	aa2	↔	aa3	Risk-weighted capitalisation	Nominal leverage
Profitability							
Net Income / Tangible Assets		0.5%	baa3	↔	ba1	Return on assets	Expected trend
Combined Solvency Score			a3		baa2		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		77.4%	caa3	↔	aa1	Market funding quality	Extent of market funding reliance
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		4.4%	b3	↔	aa1	Additional liquidity resources	Access to committed facilities
Combined Liquidity Score			caa2		aa1		
Financial Profile					a3		
Qualitative Adjustments					Adjustment		
Business Diversification					0		
Opacity and Complexity					0		
Corporate Behavior					0		
Total Qualitative Adjustments					0		
Sovereign or Affiliate constraint					Aaa		
BCA Scorecard-indicated Outcome - Range					a2 - baa1		
Assigned BCA					a3		
Affiliate Support notching					0		
Adjusted BCA					a3		

**Balance Sheet is not applicable.**

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF	Assigned	Additional	Preliminary
	Instrument	Sub-ordination	Instrument	Sub-ordination	De Jure	De Facto	Notching Guidance vs. Adjusted BCA	LGF notching	Notching	Rating Assessment
Counterparty Risk Rating	-	-	-	-	-	-	-	3	0	aa3
Counterparty Risk Assessment	-	-	-	-	-	-	-	3	0	aa3 (cr)
Deposits	-	-	-	-	-	-	-	3	0	aa3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	aa3	1	Aa2	Aa2
Counterparty Risk Assessment	3	0	aa3 (cr)	1	Aa2(cr)	
Deposits	3	0	aa3	1	Aa2	Aa2

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

## Ratings

Exhibit 13

Category	Moody's Rating
<b>KFW IPEX-BANK GMBH</b>	
Outlook	Stable
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa2/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
<b>PARENT: KREDITANSTALT FUER WIEDERAUFBAU</b>	
Outlook	Stable
Bkd Bank Deposits	Aaa/P-1
Bkd Senior Unsecured	Aaa
Bkd Commercial Paper	P-1
Bkd Other Short Term -Dom Curr	(P)P-1

Source: Moody's Ratings

## Endnotes

<sup>1</sup> The ratings shown are KfW's backed deposit ratings and backed senior unsecured debt ratings.

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