Management Report and Financial Statements 2021

KfW IPEX-Bank

2021

Key figures

Volume of lending of the Export and Project Finance business sector

Volume of lending of the business sector[1)] by sector department	2021
	EUR in billions
Maritime Industries	15.1
Power and Environment	15.1
Aviation, Mobility & Transport	10.3
Resources and Recycling	8.4
Infrastructure	8.3
Industries and Services	8.0
Financial Institutions, Trade and Commodity Finance	3.0
Equity Portfolio	0.3
Total	**68.5**

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

KfW IPEX-Bank GmbH key figures

	2021	2020
	EUR in billions	EUR in billions
Balance sheet key figures		
Total assets	27.9	28.1
Volume of lending	39.6	38.1
Contingent liabilities	2.4	2.2
Irrevocable loan commitments	10.3	8.8
Assets held in trust	0.4	0.4
Volume of business (total assets, contingent liabilities and irrevocable loan commitments)	40.6	39.1
Equity	3.2	4.2
Equity ratio (%)	11.4	14.8
Results	**EUR in billions**	**EUR in billions**
Operating income before risk provisions/valuations	273	243
Risk provisions and valuations	–111	–225
Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement	–134	–48
Result of the Export and Project Finance business sector (segment report, consolidated financial statements of KfW Group)[1)]	622	142
Number of employees (including Management Board)	**880**	**837**

[1)] Adjustment to the prior year's figure owing to changes in methodology as per IAS 8; see the KfW Group Financial Report for details.

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The figures in tables were calculated exactly and added up.
Figures presented may not add to totals because of independent rounding.

Actual zero amounts and amounts rounded to zero are presented as EUR 0 million.

Letter from the Management Board

Dear Readers,

2021 was another strange year: once again, both our daily activities and global economic development were dominated by the coronavirus pandemic.

While economies recovered from the first year of coronavirus, with solid economic growth reported globally, individual sectors reacted differently to the challenges posed by the pandemic. Demand for financing of investment assets in tourism-related sectors, such as cruise shipping and aviation, has stagnated. Financing of industrial projects was postponed, for example due to supply shortfalls in raw materials and intermediate industrial goods, as was financing for projects to secure raw materials. Conversely, demand for financing of infrastructure projects, especially in the digital sector, as well as initiatives relating to the energy transition, has remained stable.

At KfW IPEX-Bank, as elsewhere, we have had to adjust to new waves of infection and to adapt our work processes. Our priority was to safeguard the health and wellbeing of our employees and to keep our processes running smoothly. We were able to maintain our business operations throughout 2021, tackling the knock-on effects in partnership and dialogue with our existing customers from very early on.

Against this backdrop, together with our customers we focused on advancing the transformation to a sustainable society around the world, across the three dimensions of economy, environment and social. To support this process of transformation, KfW IPEX-Bank provides tailored medium and long-term financing solutions, especially for future technologies. Overall, we proved ourselves to be a reliable partner to our customers, as testified by the strong volume of new commitments (EUR 13.6 billion) we provided in export and project finance for the benefit of the German and European economies.

The relevance of renewable energy sources to combat climate change is clearly demonstrated by new commitments from the Power and Environment sector department totalling EUR 2.6 billion. Through this important contribution to growth, prosperity and employment, as well as to the energy transition, we are helping to ensure a liveable, sustainable future. Our activities are driven – both now and in the future – by a prevailing environmental awareness in large parts of the world, not just among civil society and governments but also in business and at banks such as ours. Accordingly, KfW IPEX-Bank has done extensive work internally to address the issue of sustainability.

As part of the group-wide tranSForm project, we were able to implement guidelines for our lending practices for five of our particularly CO_2-intensive sectors. In this way we can ensure that the business concluded by KfW IPEX-Bank in these sectors in 2022 is fully compatible with the goals of the Paris Agreement. Further sector guidelines are currently under development and will be implemented as soon as possible.

With the help of external consultants, a greenhouse gas accounting system is being established for the whole of KfW Group and thus also for KfW IPEX-Bank. Implementation of the new system is expected to take place during the current year, probably towards year-end. In addition, during the past financial year we introduced impact reporting, the initial findings of which will be presented during 2022. Using 70 indicators as a basis, it will be possible to illustrate the positive impact of our financing transactions across the 17 Sustainable Development Goals.

At the same time, by providing some EUR 1 billion of financing in the digital sector for projects relating to fibre optic, broadband and mobile network expansion, we are reinforcing our strong position in relation to the development of resilient digital infrastructure. The need for investment in this sector will increase sharply over the next few years as well. Here, too, we will act as a reliable partner to both our existing and new customers, continuing to offer attractive financing solutions.

Over the past financial year our business was also characterised by extremely prudent risk management. We analysed the consequences of the pandemic continually with regard to its impact on the global economy as well

as on our own loan portfolio, both now and looking ahead. As a result, we were able to initiate portfolio management and de-risking measures to address the challenging, volatile economic environment. These actions made it possible to keep the risk provisioning requirements at a low level, despite a conservative approach, and to achieve a good annual profit given the circumstances.

In the current year we would like to further consolidate our position as a specialist bank for structured export and project finance and as a partner to the German and European economies in their transformation process. The anticipated growth in sales markets in industrialised and emerging countries still offers export opportunities.

KfW IPEX-Bank will therefore continue in its role of supporting German and European companies in 2022, assisting them in their international activities by providing medium and long-term financing for exports and investment projects that is geared towards customers' requirements and supports sustainability. The bank seeks to play leading roles in syndicate financing arrangements and to include risk partners in financing structures.

Despite the challenges and uncertainties that lie ahead, let us be confident and enthusiastic about the new financial year. We look forward to working with you in 2022!

Wishing you continued health.

Klaus R. Michalak

Markus Scheer
(left the bank with effect from 16 March 2022)

Claudia Schneider

Andreas Ufer

Report of the Board of Supervisory Directors 2021

KfW IPEX-Bank is responsible for export and project finance within KfW Group. As of the end of December 2021, 901 employees worked at the bank's headquarters in Frankfurt and ten locations outside Germany.

The year 2021 was again dominated by the COVID pandemic. Apart from a short period in late summer, employees continued to work mainly from home. Similarly, aside from one in-person meeting in September, meetings of the Board of Supervisory Directors could take place only as virtual or hybrid meetings.

In 2021, the Board of Supervisory Directors continued to comprehensively carry out its duties of monitoring and advising the Management Board and cooperating closely with the same. It was informed by the Management Board of all significant developments at the bank in a timely, proactive and comprehensive manner. The Board of Supervisory Directors was involved, in line with its supervisory function, in all decisions of major importance for the bank. In addition, the Chairs of the Board of Supervisory Directors and of the Audit Committee discussed important topics and pending decisions with the Management Board in regular meetings.

Meetings of the Board of Supervisory Directors

In accordance with its Rules of Procedure, the Board of Supervisory Directors again held an ordinary meeting each quarter in 2021. It was provided with regular updates from the Management Board on the bank's current state in terms of results, the risk situation and business development. It received relevant risk and performance reports, as well as the interim financial statements, and discussed these at length. Where required, the Board of Supervisory Directors granted its approval in relevant cases, following intensive consultation and review.

The Board of Supervisory Directors was supported in its duties by five committees, each consisting of four members of the Board of Supervisory Directors. In accordance with their respective areas of responsibility, these committees examined current issues in depth, prepared recommendations and reported accordingly to the Board of Supervisory Directors.

The **Executive Committee** is primarily responsible for personnel matters in relation to the Management Board and for the bank's management policies. The Executive Committee monitored compliance with the Management Board's Rules of Procedure and advised the Board of Supervisory Directors regarding the annual evaluation of the structure, size, composition and performance of the Management Board and the Board of Supervisory Directors. In accordance with the previously adopted suitability guidelines governing the principles on selecting, monitoring and planning the succession of members of the Management Board and of the Board of Supervisory Directors, as well as of key personnel, the Executive Committee analysed the self-evaluation conducted by members of the Board of Supervisory Directors and used this as a basis for selecting topics to be covered by training courses in the coming year. The Executive Committee also addressed the two vacancies expected at Management Board level in 2022 and the associated consultation with the Board of Supervisory Directors. The committee met four times during the reporting year.

The **Remuneration Control Committee** dealt in particular with the remuneration strategy and the process for identifying risk takers. It supported the Board of Supervisory Directors with monitoring duties to ensure that systems of remuneration for the various groups (Management Board, employees, head of the risk controlling function, head of the compliance function and risk takers) were designed appropriately. It also examined the suitability of the remuneration systems for members of the Management Board and for employees and the compatibility of these systems with the corporate strategy, which is geared towards the company's sustainable development. The committee made a recommendation in this regard to the Board of Supervisory Directors to then be put to the shareholder. In addition, it assessed the impact of these remuneration systems on the company's risk, capital and liquidity situation, as required by the German Remuneration Ordinance for Institutions (*Institutsvergütungsverordnung – "InstitutsVergV"*). The committee was able to consult with KfW IPEX-Bank's Remuneration Officer at all times when performing its supervisory duties. Four committee meetings took place during 2021.

The **Risk Committee** is responsible for advising the Board of Supervisory Directors on the current risk situation, future risk tolerance and the risk strategy, and helps it to monitor implementation of this strategy by senior management. During its meetings, risk reports and risk-specific developments in selected portfolios were discussed in detail. It ensured that the risk strategy of KfW IPEX-Bank is commensurate with the company's specified risk appetite. In addition, the committee monitored implementation of the risk culture and examined whether the incentives set within the remuneration system take sufficient account of the company's risk, capital and liquidity structure and of the probability and due dates of income. The committee met four times during the reporting year.

The **Audit Committee** deals primarily with accounting matters and monitors the underlying process. Another core responsibility is to closely supervise the performance of audits by the auditor as well as to monitor the auditor's independence and services provided by the auditor. The committee recommended that the Board of Supervisory Directors approve the annual financial statements as of 31 December 2020 and the 2020 management report. The Audit Committee also received detailed reports from the Internal Auditing department on the resolution status of audit findings and current supervisory assessments. In this connection the Audit Committee also dealt in depth with the further development of the new organisational structure of the Internal Auditing department and the enhanced collaboration with KfW Group's Internal Auditing department. Further areas covered by the committee included monitoring the effectiveness of the risk management system, in particular the internal control system (ICS) and the Internal Auditing department as well as the compliance report. It held five meetings during 2021.

The **Loan Committee** is responsible for final approval of loans. In 2021, it took decisions on a total of eight loan applications at the appropriate authorisation level and passed two anticipatory resolutions (on employee loans and on transactions pursuant to Section 15 (6) of the German Banking Act) for the 2022 calendar year. In one loan decision a member of the committee abstained from voting due to a potential conflict of interest. During the reporting period the committee met six times and passed one resolution by means of the circulation method.

Within the framework of their respective areas of responsibility, these committees addressed relevant issues in detail and, where appropriate, made recommendations to the Board of Supervisory Directors. The work of the committees was reported regularly and in detail in subsequent meetings of the Board of Supervisory Directors. The recommendations made by the committees during the reporting year were confirmed by the Board of Supervisory Directors without exception.

Training courses

In 2021, KfW IPEX-Bank offered members of the Board of Supervisory Directors two training sessions, in which the Management Board also participated. The topics covered were 'Current regulatory changes' and 'Modern Customer Relationship Management in corporate banking'.

Changes to the Board of Supervisory Directors

There were three changes to the composition of the Board of Supervisory Directors and its committees in 2021. Ms Laibach was appointed as a member of the Board of Supervisory Directors in place of resigned chair Dr Hengster and was elected as the new chair by the remaining members on 8 July 2021. On 25 March 2021 Ms Kollmann resigned from the Board, and on 14 December 2021, following the formation of a new Federal Government, State Secretary Dr Nußbaum resigned as one of the two representatives from the Federal Government. As of 31 December 2021 both of these positions remained unoccupied.

Audit of the 2021 annual financial statements

Following completion of the audit and after conducting a final review of the annual financial statements as of 31 December 2021 and of the 2021 management report, the Board of Supervisory Directors approved the audit result, the annual financial statements and the management report at its first ordinary meeting, which took place on 25 March 2022, with no objections, and recommended that the general shareholders' meeting approve the annual financial statements.

Discussion centred on the audit report of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), covering the audit of the annual financial statements as of 31 December 2021 that were prepared by the Management Board as of 1 March 2022, and the management report for the 2021 financial year. EY issued an unqualified audit opinion on 8 March 2022.

The Board of Supervisory Directors would like to expressly thank the Management Board and all employees for their hard work during the 2021 financial year in what continues to be an exceptionally challenging environment. The coronavirus pandemic and the measures adopted to contain it have taken a toll on everyone, and this situation continues unabated. In light of this overall situation especially, the commitment again shown by our staff and their continued achievements this year are particularly commendable.

KfW IPEX-Bank has proved that it is capable – even in the second year of the COVID pandemic under extreme operating conditions – of comprehensively fulfilling its mission of supporting German and European export companies on the world's markets.

Frankfurt am Main, March 2022

On behalf of the Board of Supervisory Directors

Christiane Laibach
Chair of the Board of Supervisory Directors

Management Report

Economic Report

Review of 2021

General economic conditions

According to IMF estimates, global real GDP increased by 5.9% in 2021 compared with 2020. This means that, after the decline due to the economic impact of the COVID-19 pandemic in 2020, it again exceeds the level of 2019, but falls below the value forecast by the IMF for 2021 before the pandemic (see Table 1: Gross domestic product at constant prices, global economy). The growth rate of global real GDP in 2021 is positive, despite further infection waves of COVID-19 in various countries as well as supply shortages, as noted by the IMF in the October edition of its World Economic Outlook 2021. However, the OECD Economic Outlook from December 2021 shows that the gap between the 2021 level of real GDP and its 2019 level – prior to the start of the COVID-19 pandemic – varies between countries.

Table 1: Gross domestic product at constant prices, global economy (year-on-year change in %)

	2019	2020	Estimate 2021
Global economy	2.8	–3.1	5.9
	Index (2019 = 100) based on data as of January 2022		
Global economy	100	97	103
	Index (2019 = 100) based on data as of January 2020		
Global economy	100	103	107

Note: The IMF aggregates annual growth rates in gross domestic product of individual countries at constant prices based on shares of the country-specific gross domestic product, valued at purchasing power parity, in the corresponding global aggregate for the growth rate in global real gross domestic product.

In the member states of the European Economic and Monetary Union (EMU) the economy recovered in the past year after the recession triggered by the pandemic. Measured by real GDP, economic output in EMU states rose by 5.2% year-on-year in 2021, after having recorded a decline of 6.4% in 2020, the sharpest downturn in real GDP since the EMU was founded (see Table 2: Gross domestic product at constant prices, euro area and Germany). The European Commission considers that this increase was made possible by COVID-19 vaccination campaigns coupled with the gradual removal of pandemic-related restrictions. However, towards the end of the year economic activity in the euro area was hindered by disruptions in global supply chains, rising energy prices and a renewed increase in COVID-19 infection rates. In all member states, real GDP is no longer far below pre-pandemic levels, although differences persist between member states in terms of their economic recovery process.

Table 2: Gross domestic product at constant prices, euro area and Germany (year-on-year change in %)

	2020	2021	Average 2011–2020	Minimum 1999–2019
Euro area	–6.4	5.2	0.5	–4.5 (2009)
Germany	–4.6	2.8	1.1	–5.7 (2009)

Against the backdrop of global supply shortages of raw materials and intermediate goods as well as new waves of COVID-19 infections, Germany's real GDP grew by 2.8% year-on-year in 2021, after previously contracting by 4.6% in 2020 and growing by an average of 1.1% annually over the previous ten years from 2011 to 2020 inclusive (see Table 2). Positive impetus for the rate of change in real GDP in 2021 came from real-terms increases in government consumption (+3.4%), construction investment (+0.5%) and investment in equipment (+3.2%) and other facilities (+0.7%). Real-terms private consumption stagnated (+0.0%), while the number of people in employment in Germany in 2021 remained virtually the same as the prior year (+0.0%), at 44.9 million people. In real terms, domestic use grew by 1.9% overall during 2021. Net exports supported the rate of change in real GDP by 0.9 percentage points in 2021, with the increase in real exports (+9.4%) higher than the increase in real imports (+8.6%). On the output side, the rate of change in real GDP was given positive momentum in 2021 by real gross value added in most economic sectors, except for the sectors of agriculture, forestry and fishery (–2.1%), construction (–0.4%), and financial services and insurance providers (–0.4%).

Business development in 2021

KfW IPEX-Bank is responsible for export and project finance within KfW Group. It supports German and European companies operating in key industrial sectors in global markets by structuring medium and long-term financing for their exports, funding infrastructure investments, securing raw materials supply and financing environmental protection and climate change mitigation projects worldwide. This activity is derived from KfW's statutory mission, which is set out in Article 2 of the Law Concerning KfW (*KfW-Gesetz*).

The past financial year of KfW IPEX-Bank was again dominated by the ongoing pandemic situation. While economies recovered from the first year of COVID-19, with solid economic growth reported globally, individual sectors reacted differently to the challenges posed by the pandemic. Demand for financing in the passenger transport and tourism sectors, such as in cruise shipping and aviation, has declined significantly. Financing of industrial projects has been postponed, for example due to supply shortfalls in raw materials and intermediate industrial goods, as has financing for projects to secure raw materials. Conversely, demand for financing of infrastructure projects, especially in the digital sector, has increased.

KfW IPEX-Bank concentrated in 2021 on supporting long-standing customers and on structuring financing backed by good collateral. In most cases, it acted as a partner in club or syndicate financing arrangements with other national and international banks.

Thanks to its focus on technologies of the future, KfW IPEX-Bank's business operations remained stable. In 2021 it provided financing totalling EUR 13.6 billion. Of this amount, EUR 13.0 billion (2020: EUR 15.9 billion) related to original lending business and EUR 0.6 billion (2020: EUR 0.7 billion) to funds for bank refinancing under the CIRR ship financing, ERP CIRR export financing and Africa CIRR export financing programmes.

KfW IPEX-Bank maintains a presence in key economic and financial centres around the world, with a branch in London and nine foreign representative offices. KfW IPEX-Bank Asia Ltd. (Singapore), a wholly owned subsidiary of KfW IPEX-Bank GmbH that was founded during 2021, commenced business operations in January 2022. Key elements of KfW IPEX-Bank's business strategy are its presence in important international target markets for the German and European export industries and its extensive sector expertise.

Overview of results of operations, net assets and financial position

Significant developments

KfW IPEX-Bank's operating income before risk provisions and valuations totalled EUR 273 million in the 2021 financial year. It thus exceeded the previous year's result by EUR 30 million (+12%). In order to strengthen its regulatory own funds, the bank contributes to a fund for general banking risks. The fund also helps to stabilise solvency ratios against exchange rate fluctuations resulting from the portion of the loan portfolio denominated in US dollars. The fund is part of special cover pursuant to Section 340h of the German Commercial Code (*Handelsgesetzbuch – "HGB"*), and valuation effects resulting from this are an economic component of the bank's foreign exchange results, which are generally reported under the item 'Other operating income and expenses'. The valuation effect attributable to the fund for general banking risks (EUR –26 million in 2021) is shown in the separate item 'Withdrawals from/additions to the fund for general banking risks pursuant to Section 340g of the German Commercial Code' in accordance with the requirements of the German Ordinance Regarding the Accounting System for Banks and Financial Services Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – "RechKredV"*). KfW IPEX-Bank made no other adjustments to this fund during the reporting year. If this effect is also taken into account, adjusted operating income before risk provisions and valuations is EUR 246 million, a year-on-year decrease of EUR 26 million (–10%).

After deducting the result from risk provisions and valuations (EUR –111 million), the bank generated a profit from operating activities before taxes of EUR 135 million. This represented a year-on-year increase in the result of EUR 88 million (> 100%). The result in the previous year was significantly affected by the crisis triggered by COVID-19 and the associated requirement for additional risk provisions.

The key income components of operating income before risk provisions and valuations are net interest income (EUR 349 million) and net commission income (EUR 172 million). Net interest income increased by EUR 16 million (+5%) year-on-year. Higher contributions to earnings included increased income from commitment fees in the lending business. Net commission income fell by EUR 13 million (–7%) year-on-year. In particular, income from processing fees in the market business fell short of the level in the preceding financial year. Administrative expense amounted to EUR 261 million in the reporting year, an increase of EUR 32 million (+14%). The increase was driven by both personnel and non-personnel expenses. Other operating income and expenses (EUR +13 million) were determined primarily by the foreign exchange result (EUR +29 million). As already described, the valuation effect (EUR –26 million) attributable to the fund for general banking risks pursuant to Section 340g of the German Commercial Code must be added to the foreign exchange result as an economic component. This gives a net currency translation result of EUR +3 million. In addition, other operating income and expenses primarily include the valuation effect (EUR –24 million) from staff pension commitments. This effect resulted from the year-on-year drop of –43 basis points in the discount rate (effect of changes in interest rates) in conjunction with the sustained period of low interest rates.

The result from risk provisions and valuations of EUR –111 million comprised the risk provision result in lending business (EUR –131 million) as well as valuations from securities and investments (EUR +19 million). This item has thus improved by a total of EUR 114 million (+51%) year-on-year. This development was driven in particular by the risk provision result in lending business, which was up by EUR 93 million year-on-year. The comparable figure was predominantly affected by the crisis triggered by COVID-19.

KfW IPEX-Bank generated operating income before taxes of EUR 161 million in the reporting year. After taking into account exchange rate-related additions to the fund for general banking risks in accordance with Section 340g of the German Commercial Code (EUR –26 million), profit from operating activities before taxes was EUR 135 million (previous year: EUR 47 million).

Due to the corporate income tax (CIT) fiscal unity that has existed between KfW IPEX-Bank and KfW Beteiligungsholding GmbH since the 2016 financial year, taxes on income are generally incurred at the level of KfW Beteiligungsholding GmbH as the controlling company (wholly owned subsidiary of KfW and sole shareholder of KfW IPEX-Bank).

The item ‘Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement’ (EUR –134 million) is attributable mostly to the bank’s annual profit of EUR 119 million. This was transferred in full to the controlling company on the basis of the profit transfer agreement concluded in the context of the CIT fiscal unity. This item also includes KfW’s profit share for the silent partner contribution (EUR 15 million).

As of the reporting date, KfW IPEX-Bank had total assets of EUR 27.9 billion, a decrease of EUR 0.2 billion (–1%) compared to 31 December 2020.

Loans and advances to banks and customers accounted for the largest share of assets in the balance sheet at EUR 26.9 billion or 96%. This item includes the bank’s lending business (EUR 26.8 billion). EUR 12.2 billion of the loan portfolio (46%) is denominated in euros. A further EUR 10.2 billion (38%) is attributable to the US dollar portfolio. In total, the loan portfolio was down by EUR 0.3 billion (–1%) year-on-year. The appreciation of the US dollar (+8%) compared with the 2020 year-end rate was more than offset, mostly through the decline in loans denominated in US dollars.

The liabilities side is predominantly influenced by liabilities to banks and customers, which amounted to EUR 22.4 billion, an 80% share of total assets. This represented a year-on-year decrease of EUR 0.4 billion (–2%).

With effect from 31 December 2021, KfW and KfW IPEX-Bank agreed to terminate their contract on the formation of a silent partnership. Under this contract, since 1 January 2008 KfW had held a participation in KfW IPEX-Bank in the form of a silent partner contribution of EUR 1.0 billion for an indefinite period. The silent partner contribution was recognised as a component of the bank’s equity on its balance sheet and from a regulatory perspective had originally been recognised as tier 1 capital. Following the entry into force of the Capital Requirements Regulation (CRR) on 1 January 2014, it became a component of additional tier 1 capital. Its eligibility as additional tier 1 capital was limited under a transitional arrangement, and from 31 December 2021, the silent partner contribution could no longer be recognised as additional tier 1 capital at all. In view of this, the bank decided to replace the silent partner contribution with new capital instruments that are recognised by the supervisory authorities as being eligible. In this context, firstly it issued a subordinated bearer bond with a total nominal value of EUR 0.6 billion. The bond meets the requirements of Article 52 (1) CRR and is thus recognised as an additional tier 1 regulatory capital instrument. KfW acquired the AT1 bond in full. In addition, KfW granted KfW IPEX-Bank a subordinated loan in the amount of EUR 0.4 billion. The loan meets the requirements of Articles 62 and 63 CRR and is recognised by the supervisory authorities as supplementary (tier 2 loan) capital. The bank has thus adapted its capital structure to the current regulatory requirements in accordance with Basel III. This will help the bank to fulfil its role on a sustainable basis in the future as well, as a reliable partner to the German and European export industries.

Conversely, balance sheet equity (EUR 3.2 billion) decreased by EUR 1.0 billion as a result of the measures outlined above.

In addition to total assets, the volume of business also includes irrevocable loan commitments (EUR 10.3 billion) and financial guarantees (EUR 2.4 billion). At a total volume of EUR 40.6 billion, it was up EUR 1.6 billion (+4%) year-on-year, with irrevocable loan commitments rising by EUR 1.5 billion (+17%).

KfW IPEX-Bank’s regulatory own funds totalled EUR 4.6 billion as of 31 December 2021. On this basis, the capital ratios were as follows: total capital ratio = 21.7% (previous year: 21.9%), tier 1 capital ratio = 19.3% (previous year: 17.5%) and CET1 capital ratio = 16.5% (previous year: 16.5%). The CET1 capital ratio was therefore above the previous year’s forecast of 13.1%.

The bank continues to be supervised by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – “BaFin”*) in cooperation with the Deutsche Bundesbank.

Individual items in detail:

Results of operations

	1 Jan.–31 Dec. 2021	1 Jan.–31 Dec. 2020	Change	
	EUR in millions	EUR in millions	EUR in millions	%
Net interest income[1]	349	333	16	5
Net commission income	172	185	–13	–7
General administrative expense	–261	–229	32	14
Other operating income and expenses	13	–46	58	>100
Operating income before risk provisions/ valuations	**273**	**243**	**30**	**12**
Valuations from securities and investments	19	–1	–21	<–100
Risk provision result in lending business	–131	–224	–93	–42
Risk provisions and valuations, total	**–111**	**–225**	**–114**	**–51**
Operating income before taxes	**161**	**18**	**143**	**>100**
Withdrawals from/additions to the fund for general banking risks as per Section 340g of the German Commercial Code (HGB)	–26	29	–56	<–100
Profit/loss from operating activities before taxes	**135**	**47**	**88**	**>100**
Taxes on income	–1	4	5	>100
Other taxes not stated under Other operating income and expense	0	–3	–3	–90
Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement	–134	–48	86	>100
Net income for the year	**0**	**0**	**0**	**–**

[1] Including current income from investments

KfW IPEX-Bank achieved operating income before risk provisions and valuations of EUR 273 million in the reporting year. This represented an increase of EUR 30 million (+12%) on the previous year's result. After additionally taking into account the result from risk provisions and valuations (EUR –111 million) and additions to the fund for general banking risks (EUR –26 million) in order to adjust for the appreciation in the US dollar (+8%) compared with the year-end rate as of 31 December 2020, profit from operating activities before taxes was EUR 135 million. This was up EUR 88 million (> 100%) compared with the preceding financial year, primarily due to the development of the risk provision result in lending business.

Net interest income and net commission income

Net interest income and net commission income, which are key income components of the bank, contributed a total share of EUR 521 million to the bank's profit overall, representing a year-on-year increase of EUR 3 million (+1%). This amount comprised net interest income of EUR 349 million and net commission income of EUR 172 million. Net interest income increased by EUR 16 million (+5%) year-on-year in conjunction with higher earnings contributions and increased income from commitment fees for loans not yet disbursed. On the other hand, net commission income was EUR 13 million (–7%) below the comparable figure. The decrease was driven chiefly by a fall in income from processing fees in the market business. This was partially offset by remuneration paid by KfW to KfW IPEX-Bank for administering the E&P trust business. This is a commission-based fee calculated on the volume of lending handled and subject to minimum and maximum remuneration to cover costs.

Net interest income of EUR 349 million comprised interest income including current income from investments totalling EUR 519 million and interest expense of EUR 170 million. EUR 482 million of the interest income related to interest income in connection with the bank's lending business and money market transactions, including swaps. This item also included interest-like income in the form of commitment fees for loans not yet disbursed of EUR 36 million. Interest expense of EUR 145 million related primarily to ongoing funding of the bank. There were additional expenses, mainly from interest rate, foreign exchange and cross-currency swaps (EUR 18 million).

Net commission income (EUR 172 million) included commission income of EUR 178 million. This mostly included remuneration paid by KfW to KfW IPEX-Bank for administering the E&P trust business (EUR 105 million) and income from processing fees in the market business (EUR 59 million). It also included income from guarantee commissions (EUR 13 million). This was offset by commission expense of EUR 6 million, EUR 5 million of which resulted from fees for guarantees received in connection with the lending business.

Administrative expense

Administrative expense, as the total of other administrative expenses including amortisation on intangible assets, amounted to EUR 261 million, comprising personnel expense of EUR 111 million and non-personnel expense of EUR 151 million. This item increased by altogether EUR 32 million (+14%) year-on-year.

The majority of personnel expense (EUR 91 million or 82%) related to expenditure for wages and salaries for the bank's employees, including representative offices. In addition, this item included expenses for social insurance contributions, pensions and other employee benefits of EUR 20 million, of which EUR 11 million related to the employer's share of social insurance contributions and a further EUR 8 million to expenses for additions to provisions for pension commitments to the bank's employees.

Expenses for pension commitments totalled EUR 39 million in the reporting year. This amount also included the effects of interest rate changes (EUR –24 million; reported under other operating income and expenses). This valuation effect results from the year-on-year fall of –43 basis points in the discount rate in conjunction with the sustained period of low interest rates and was also a key driver of the overall amount in the reporting year. The effect from compound interest on present value in the 2021 financial year (EUR –7 million; reported under net interest income) was also taken into account here. Total expenses for pension commitments of EUR 39 million were thus higher than the level of the previous year (EUR 32 million) by a total of EUR 7 million, primarily as a result of the sustained low interest rate period.

Non-personnel expense was substantially determined by expenses for general services and project services provided by KfW (EUR 106 million or 71%). KfW Beteiligungsholding GmbH and KfW IPEX-Bank signed a controlling agreement back in the 2020 financial year. Thus, in addition to the financial and economic integration of KfW IPEX-Bank into KfW, the criterion of (indirect) organisational integration is also met and a VAT fiscal unity was established as of 1 April 2020 with KfW as controlling company. As a result, VAT does not apply to internal services rendered since this date. The bank purchased further services amounting to EUR 27 million from entities outside the Group. Total non-personnel expense primarily comprised expenses for services used (EUR 79 million), office operating costs (EUR 28 million) and occupancy costs (EUR 14 million). It also included the EU bank levy of EUR 14 million for 2021.

Administrative expense

	2021 EUR in millions	2020 EUR in millions	Change EUR in millions
Wages and salaries	91	84	7
Social insurance contributions	11	10	1
Expense for pension provisions and other employee benefits	9	6	2
Personnel expense	**111**	**101**	**10**
Other administrative expense	148	128	20
Depreciation on equipment	2	0	2
Non-personnel expense	**151**	**128**	**22**
Administrative expense	**261**	**229**	**32**

Other operating income and expenses
Other operating income and expenses of EUR +13 million related predominantly to the foreign exchange result of EUR +29 million, which was substantially influenced by the appreciation of the US dollar over the past financial year. Allowing for the counter effect of the addition to the fund for general banking risks pursuant to Section 340g of the German Commercial Code in order to adjust it to movements in the USD exchange rate, which is reported as an economic component of the foreign currency result in a separate item in the income statement, the net result from foreign currency translation is EUR +3 million.

This item also included the effect of changes in interest rates (EUR –24 million) from provisions for pension commitments. Pension provisions are valued using actuarial methods. A discount rate corresponding to the residual term is used in this context, calculated by the Deutsche Bundesbank as the average market rate for the last ten financial years. The valuation effect (effect of changes in interest rates) results from the reduction in the discount rate by 43 basis points (as of 31 December 2021: 1.87%) compared with the rate as of 31 December 2020.

The item also includes income from the release of provisions (EUR +5 million) and income from services provided by the bank for group companies (EUR +4 million).

Risk provisions and valuations
The result from risk provisions and valuations came to EUR –111 million. It comprised the result from valuations from securities and investments (EUR +19 million) together with the result from risk provisions in lending business (EUR –131 million). Overall, this item increased by EUR 114 million (+51%) year-on-year.

The result from valuations from securities and investments of EUR +19 million largely comprised write-ups to fund investments held by the bank.

In terms of risk provisions for its lending business, KfW IPEX-Bank makes a distinction between specific loan loss provisions for acute risks and portfolio loan loss provisions for loans for which no specific loan loss provisions have been recorded. The bank recognises portfolio loan loss provisions for foreseeable but not yet individually substantiated counterparty default risks in the lending business in the amount of the expected 12-month loss or, if there is a significant deterioration in default risk in comparison to the date of initial recognition, in the amount of the credit loss expected over the residual term of the exposure.

The result from risk provisions in lending business (EUR –131 million) improved by EUR 93 million (+42%) on the previous year, which had been marked by the COVID-19 crisis. This already includes additions to contingency reserves in accordance with Section 340f of the German Commercial Code. However, the ongoing pandemic situation together with the spread of the omicron variant had an impact on the reporting year. Once again, some individual sectors in particular were affected by the pandemic in 2021. As explained above, if there is a significant increase in default risk, the bank sets up a general loan loss provision in the amount of the loss expected over the entire residual term of the exposure. During periods of crisis it also takes into account a 'downturn' of the LGD. Furthermore, there was an increased requirement for specific loan loss provisions, primarily because some individual cases were deemed to be non-performing loans (NPL).

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

Taxes
Taxes on income in the financial year primarily comprised the current income tax expense for the branch office in London (EUR <1 million). Due to the corporate income tax (CIT) fiscal unity that has existed between KfW IPEX-Bank and KfW Beteiligungsholding GmbH since the 2016 financial year, taxes on income for the headquarters in Frankfurt am Main are incurred at the level of KfW Beteiligungsholding GmbH as the controlling company (wholly owned subsidiary of KfW and sole shareholder of KfW IPEX-Bank).

Other taxes included the expense for creating a provision in connection with the bank's US lending business (EUR <1 million). This tax provision resulted from registration and tax return obligations in various US states based on respective local tax laws.

Net income for the year

The item 'Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement' mostly comprised the bank's annual profit of EUR 119 million. As per the profit transfer agreement, this was recognised in income as a liability to KfW Beteiligungsholding GmbH as the controlling company as of 31 December 2021 (Other liabilities) with a corresponding impact on the income statement. The profit was transferred to the controlling company once the annual financial statements had been approved by the general shareholders' meeting in March 2022. This item also included the profit share for the silent partner contribution of KfW (EUR 15 million). Subsequently, KfW IPEX-Bank reported net income of EUR 0 million for the year.

Net assets

Volume of lending for own account

As of 31 December 2021, KfW IPEX-Bank managed a volume of lending for own account of EUR 39.6 billion. As well as the on-balance sheet item 'Loans and advances to banks and customers' (EUR 26.9 billion), this includes irrevocable loan commitments (EUR 10.3 billion) and financial guarantees (EUR 2.4 billion), both reported off-balance sheet. The volume of lending increased by altogether EUR 1.5 billion (+4%) year-on-year. While the volume of lending reported in the balance sheet remained in line with the previous year, irrevocable loan commitments in particular were EUR 1.5 billion higher (+17%) year-on-year.

In the reporting year, the Power and Environment (EUR 5.7 billion), Maritime Industries (EUR 4.5 billion) and Industries and Services (EUR 4.4 billion) sector departments once again accounted for the largest share of the on-balance sheet lending volume, with a total of 54%. The EUR 0.8 billion decrease (–15%) in the Industries and Services sector department in particular was broadly offset by growth in other sectors. The loan portfolio of the Resources and Recycling sector department grew by EUR 0.5 billion (+13%) year-on-year.

During the 2021 financial year, the bank issued new commitments with a total volume of EUR 13.0 billion in the Export and Project Finance business sector as part of its original lending business. At EUR 11.5 billion, by far the largest share of this (88%) related to market business recognised on KfW IPEX-Bank's balance sheet. Furthermore, additional commitments of EUR 1.6 billion were issued in the trust business, which is administered by the bank on behalf of and for the account of KfW. In addition, there were new commitments of EUR 0.6 billion for bank refinancing under the CIRR ship financing, ERP export financing and Africa CIRR export financing programmes. KfW IPEX-Bank participates in these schemes within the framework of an agency agreement with KfW (agent acting on behalf of the Federal Republic). In total, the volume of new commitments (including CIRR) came to EUR 13.6 billion, down EUR 2.9 billion (–18%) year-on-year.

Loans for own account by sector department

Sector department	**31 Dec. 2021**	**31 Dec. 2020**	**Change**
	EUR in millions	**EUR in millions**	**EUR in millions**
Power and Environment	5,750	5,578	171
Maritime Industries	4,480	4,087	392
Industries and Services	4,396	5,178	–782
Resources and Recycling	4,177	3,711	467
Aviation, Mobility & Transport	4,009	4,398	–389
Infrastructure	2,687	2,453	234
Financial Institutions, Trade and Commodity Finance	1,716	1,883	–168
	27,213	**27,288**	**–75**
Other positions[1]	–326	–127	–199
Loans and advances to banks and customers	**26,887**	**27,161**	**–274**
Financial guarantees[2]	**2,420**	**2,160**	**260**
Irrevocable loan commitments[2]	**10,276**	**8,800**	**1,477**
Total	**39,583**	**38,121**	**1,462**

[1] Mainly includes short-term deposits, ancillary loan receivables and general risk provisions reduced on the assets side
[2] Please refer to the notes for a breakdown by sector department.

Development of other material balance sheet assets

Of the bonds and other fixed-income securities (EUR 0.5 billion), EUR 0.4 billion related chiefly to a portfolio of liquid assets consisting of KfW securities. KfW IPEX-Bank holds this portfolio in order to satisfy the regulatory liquidity coverage ratio (LCR).

Assets held in trust (EUR 0.4 billion), which are recognised in the balance sheet, include lending business that KfW IPEX-Bank administers on a trust basis for third parties.

Investments (EUR 41 million) mainly included the bank's fund investments that are denominated in US dollars. During the reporting year there were write-ups in the equivalent amount of EUR 17 million.

Financial position

Funding

KfW IPEX-Bank covers its funding requirements largely through borrowings from KfW. KfW provides KfW IPEX-Bank with the required funds at market-based terms on the basis of a refinancing agreement. Funding is provided in the currencies and for the tenors required for refinancing the lending business. The funding mix comprises conventional money market and capital market products.

Accordingly, liabilities to banks (EUR 22.3 billion) were almost entirely attributable to the bank's funding from KfW (EUR 22.2 billion). The bank covered its medium and long-term funding requirements mostly through promissory note loans (EUR 20.4 billion). In addition, the bank borrowed funds through the issuance of registered Public Pfandbriefe (EUR 1.1 billion), which were acquired exclusively by KfW. Call money and term borrowings (EUR 0.7 billion) were also used as part of short and medium-term borrowing. Liabilities to banks decreased by EUR 0.5 million (–2%) compared to 31 December 2020.

Liabilities to customers (EUR 144 million) primarily included cash collateral (EUR 117 million) that the bank received in connection with the lending business and deposit business with third parties in the form of money market transactions (EUR 15 million).

Structure and development of funding

	31 Dec. 2021	31 Dec. 2020	Change
	EUR in millions	EUR in millions	EUR in millions
Liabilities to banks			
Current account (KfW)	3	7	–4
Call money and term borrowings (KfW)	683	2,852	–2,170
Promissory note loans and other long-term borrowings (KfW)	21,487	19,760	1,727
Interest payable (KfW)	38	42	–4
KfW total	**22,211**	**22,662**	**–451**
Other	84	84	0
	22,295	**22,745**	**–450**
Liabilities to customers			
Other creditors[1)]	144	114	30
Total	**22,439**	**22,860**	**–421**

[1)] Mainly liabilities from term borrowings and cash collateral from the lending business

To cover the bank's funding and liquidity requirements, the aforementioned refinancing agreement with KfW is supplemented by an additional credit line of EUR 3.7 billion granted by the parent company. KfW IPEX-Bank also holds a portfolio of liquid bonds comprising KfW securities (EUR 0.4 billion).

Further details on the liquidity situation are contained in the Risk Report.

Equity, fund for general banking risks in accordance with Section 340g of the German Commercial Code (HGB), additional tier 1 regulatory capital instruments and subordinated liabilities

	31 Dec. 2021		31 Dec. 2020	Change
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Equity		3,180	4,173	–994
Subscribed capital	*1,100*		*2,100*	*–1,000*
Capital reserve	*1,655*		*1,649*	*6*
Retained earnings	*424*		*424*	*0*
Fund for general banking risks in accordance with Section 340g of the German Commercial Code (HGB)		343	316	26
Additional tier 1 regulatory capital instruments		600	0	600
Subordinated liabilities		400	0	400
Total		**4,522**	**4,489**	**33**

Equity on the bank's balance sheet was EUR 3.2 billion (a decrease of EUR 1.0 billion compared with 31 December 2020). As of 31 December 2021, subscribed capital consisted solely of share capital. The silent partner contribution from KfW (EUR 1.0 billion) that was also included in subscribed capital in the previous year was replaced on 31 December 2021 by both an additional tier 1 regulatory capital instrument and a tier 2 capital instrument, following termination of the contract on the formation of a silent partnership. In comparison to 31 December 2020, the capital reserve also included the partial reinvestment, to the extent permitted for tax purposes, of the 2020 profit transferred to KfW Beteiligungs-holding GmbH. As part of the capital planning process, which uses projections spanning several years, capital shortages are identified and measures are recommended where necessary to strengthen the bank's capital. This is used as a basis for making decisions on whether, for example, the bank's capital basis should be strengthened through partial reinvestment of transferred profits (more details on the internal capital adequacy assessment process are contained in the Risk Report). Retained earnings still include earnings retained from the period before the corporate income tax fiscal unity.

KfW IPEX-Bank contributes to a fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) in order to strengthen its regulatory tier 1 capital and stabilise its solvency ratios against fluctuations in the USD exchange rate. The appreciation of the US dollar (+8%) compared with the year-end rate as of 31 December 2020 led to additions totalling EUR 26 million during the past financial year. These are reported in a separate item on the income statement and relate to the bank's foreign exchange results.

In connection with the restructuring of its regulatory own funds to meet current CRR regulations, KfW IPEX-Bank issued a subordinated bearer bond with a total nominal value of EUR 0.6 billion. The bond meets the regulatory requirements for recognition as additional tier 1 regulatory capital (AT1 bond). KfW acquired the AT1 bond in full. Furthermore, KfW granted KfW IPEX-Bank a subordinated loan in the amount of EUR 0.4 billion. The loan forms part of the bank's regulatory tier 2 capital.

Development of other material items of liabilities and equity

Provisions (EUR 338 million) increased by EUR 35 million (+12%) year-on-year. EUR 278 million of this item related to provisions for staff pension commitments (pensions and deferred compensation). These were up EUR 37 million (+15%) year-on-year and as such were a significant driver of the overall increase in provisions. The additional provision requirement of EUR 24 million was mainly due to the valuation effect (effect of changes in interest rates) resulting from the change in the discount rate (–43 basis points) in comparison to 31 December 2020. The sustained period of low interest rates contributed once again to a corresponding increase in provisions in the 2021 financial year, due to the valuation of provisions with a residual term of more than one year at the average market interest rate for the last ten years (Section 253 (2) of the German Commercial Code).

Other provisions (EUR 58 million) included in particular liabilities to bank staff (EUR 25 million) and provisions for credit risks (EUR 14 million).

Off-balance sheet financial instruments

The bank performs derivative transactions solely in order to hedge interest and exchange rate risks in the bank's lending business. The nominal volume of derivatives on the reporting date totalled EUR 34.9 billion, of which EUR 30.4 billion (87%) related to contracts to hedge interest rate risks. A further EUR 3.7 billion (11%) related to foreign exchange (FX) swaps and EUR 0.7 billion (2%) to cross-currency swaps. The derivatives volume increased by a total of EUR 2.2 billion (+7%) year-on-year.

Comparison with previous year's forecast

	2021 Actual	2020 Forecast for 2021
Profit/loss from operating activities before taxes (EUR in millions)	**135**	**233**
Net interest income	349	343
Net commission income	172	225
General administrative expense	–261	–272
Loan loss provisions and valuations/standard risk costs	–111	–100
Cost-income-ratio (CIR)	**51.6%**	**51.5%**
New commitments incl. CIRR (EUR in billions)	**13.6**	**16.2**

KfW IPEX-Bank generated a profit from operating activities before taxes of EUR 135 million in the reporting year. This was EUR 98 million (–42%) below the result forecast by the bank in the previous year, with the shortfall driven mainly by the performance of net commission income. At the time of its 2020 forecast, KfW IPEX-Bank highlighted the extremely high forecasting uncertainty due to the COVID-19 pandemic, also with regard to the earnings forecast for the 2021 financial year.

Net interest income of EUR 349 million exceeded expectations by EUR 6 million (+2%), with the help of non-recurring effects. Net commission income (EUR 172 million) was EUR 53 million lower (–24%) than forecast. This was driven by the development of income from processing fees in the market business, which were EUR 33 million lower than projected. Remuneration paid by KfW for administration of the E&P trust business also fell short of the forecast by EUR 12 million (–10%). This is a commission-based fee calculated on the volume of lending handled and subject to minimum and maximum remuneration to cover costs. The lower remuneration reflects the shift of costs from trust business to market business.

Administrative expense was EUR 10 million lower (–4%) than expected at EUR –261 million. Personnel expense was EUR 5 million lower than forecast, primarily as a result of lower than expected expenses for wages and salaries including social insurance contributions. Non-personnel expense contributed EUR 6 million to the shortfall. This was predominantly because the level of services provided by entities outside of the Group was lower than expected.

This resulted in a cost/income ratio (CIR)[1] of 51.6%, which was in line with the bank's forecast of 51.5%.

[1] CIR = Administrative expense in relation to total net interest income and net commission income plus profit share for the silent partner contribution of KfW (before deduction of risk costs)

The result from risk provisions and valuations totalled EUR –111 million, EUR 11 million (+12%) higher than forecast. The forecast result takes into account the bank's standard risk costs.

KfW IPEX-Bank issued EUR 13.6 billion in new commitments (including CIRR) in the past financial year, a total of EUR 2.5 billion (–16%) below the forecast of EUR 16.2 billion. Of this shortfall, EUR 1.0 billion related to bank refinancing under the CIRR programmes. The bank participates in these schemes within the framework of an agency agreement with KfW (agent acting on behalf of the Federal Republic). When setting out its forecast in the previous year, the bank explained that the spread of the COVID-19 pandemic had led, among other things, to sharply falling demand for financing of passenger-intensive investment assets, and that it was also likely to remain at this level. Accordingly, new contracts concluded by the bank in the Aviation, Mobility & Transport sector department were around EUR 1.1 billion below plan.

Summary

The past financial year was again dominated by the ongoing COVID-19 pandemic. Despite economic recovery overall compared to the previous year, individual sectors were affected differently by the pandemic, including in the context of the spreading omicron variant. In this context, KfW IPEX-Bank concentrated on supporting its long-standing customers and on structuring financing backed by good collateral.

In a still challenging environment, the bank achieved operating income before risk provisions and valuations of EUR 273 million. If the valuation effect attributable to the fund for general banking risks pursuant to Section 340g of the German Commercial Code is also taken into account as an economic component of the foreign currency result (EUR –26 million), adjusted operating income before risk provisions and valuations comes out at EUR 246 million. This is below both the previous year's result (EUR 272 million) and the result forecast (EUR 278 million) in the group business sector planning.

The result from risk provisions and valuations came to EUR –111 million. In particular, the risk provision result in lending business improved by EUR 93 million (+42%) year-on-year. In line with its conservative approach, the bank substantially reinforced its contingency reserves pursuant to Section 340f of the German Commercial Code. During the reporting year, individual sectors were hit by the ongoing pandemic situation in the context of the spreading omicron variant. Overall, the result from risk provisions and valuations improved year-on-year by EUR 114 million (+51%) but exceeded the projected standard risk costs by EUR 11 million (+12%).

KfW IPEX-Bank generated a profit from operating activities before taxes of EUR 135 million in the reporting year, an increase of EUR 88 million (>100%) that was significantly above the previous year's result. The forecast for earnings before tax for the 2021 financial year of EUR 233 million was not met (EUR –98 million or –42%).

On the basis of the CIT fiscal unity, KfW IPEX-Bank will transfer its annual profit (EUR 119 million) to KfW Beteiligungsholding GmbH as the controlling company after the annual financial statements have been approved by the general shareholders' meeting in March 2022.

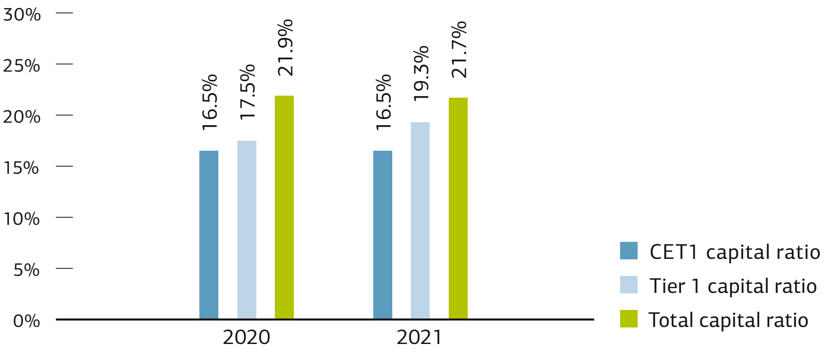
During the 2021 financial year, the bank issued new commitments (excluding CIRR) in the Export and Project Finance business sector with a total volume of EUR 13.0 billion in its original lending business. Taking into account committed bank refinancing under the CIRR programmes (EUR 0.6 billion), the volume of new transactions totalled EUR 13.6 billion.

Risk Report

Overview of key indicators and developments

Risk reporting is performed in accordance with KfW IPEX-Bank GmbH's internal risk management system. Selected risk indicators are presented below:

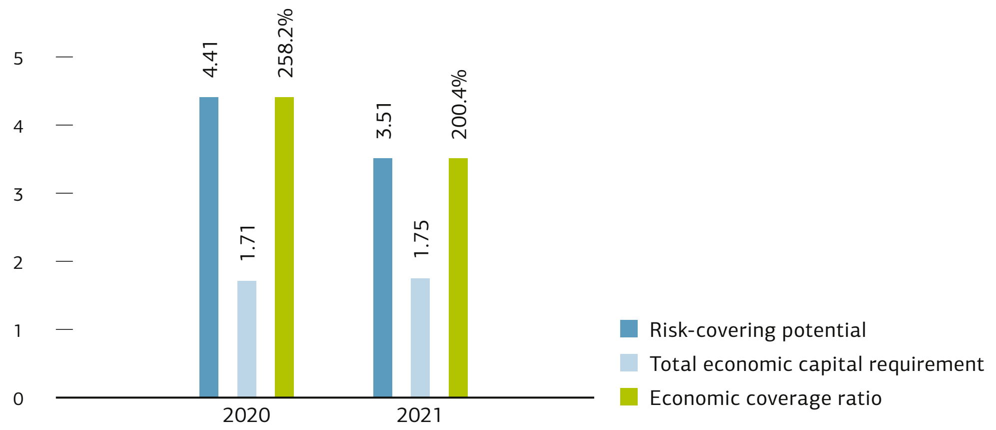
Regulatory capital ratios



With increased regulatory capital requirements due to methodology changes for credit risk (namely implementation of regulatory IRBA requirements) together with a corresponding increase in regulatory own funds, the CET1 capital ratio and the total capital ratio remained virtually the same as in the previous year. The rise in the tier 1 capital ratio is attributable to an increase in additional tier 1 capital in connection with the redemption of the silent partner contribution (see further details in the section 'Internal capital adequacy assessment process').

Economic risk-bearing capacity

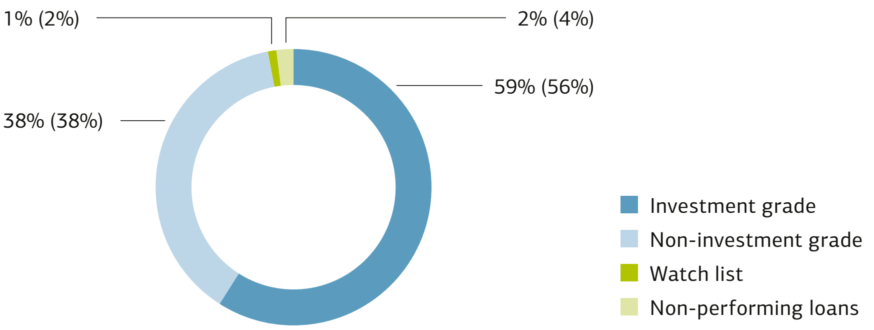
in EUR billions or in %



Economic risk-bearing capacity met the 99.90% solvency target. Excess cover in risk-bearing capacity decreased year-on-year, in particular due to the decline in risk-covering potential. This was caused by the redemption of the silent partner contribution, as the new capital instruments are not eligible for inclusion in risk-covering potential due to the lack of direct loss participation. Total economic capital requirements were the same as in the previous year.

Credit risk

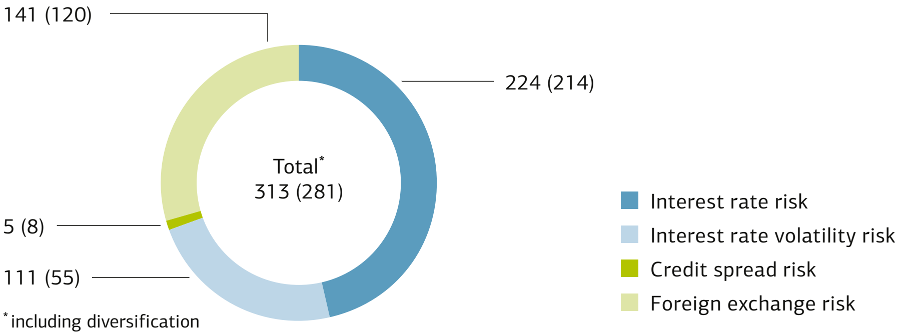
2021 (2020), Breakdown of net exposure



The proportion of net NPL exposures in the portfolio decreased from 4% to 2%. The breakdown of credit ratings by net exposure remained largely stable. The proportion of investment grade exposures increased from 56% to 59%.

Market price risk

2021 (2020), ECAP EUR in millions



* including diversification

Within market price risks, interest rate risks have the largest risk value. The increase in ECAP requirements for market price risks compared with the previous year was mainly due to increased interest rate volatility risk as a result of market fluctuations and to a stronger US dollar. ECAP is calculated from the total risk value for market price risks, taking into account diversification effects between subtypes of risk. As of 31 December 2021, this diversification effect amounted to EUR 167 million.

KfW IPEX-Bank continued to develop its processes and instruments for risk management and control in the 2021 financial year, giving due consideration to current banking supervisory requirements.

A new system was introduced for calculating credit risk ratios for Pillar II, which had already been implemented in the previous year for Pillar I. In connection with this, the pricing process was also converted to the new system, which now uses RCAP rather than ECAP as a reference value.

Following approval by the supervisory authorities, the rating processes for LGD and EAD were adapted to the new IRBA requirements. Furthermore, new PD rating processes for corporates and sovereigns, which likewise meet the new IRBA requirements, were also implemented following supervisory approval.

Another priority was to enhance the management of Environmental, Social and Governance (ESG) risks, as part of a group-wide project, 'tranSForm'. The objective is to enable even earlier identification and evaluation of Environmental, Social and Governance risks in the future, as well as to address growing regulatory requirements. The current focus of the project on ESG risks is on further development of ESG stress test capabilities as well as on the design of an ESG risk database, which will contain ESG risk profiles evaluating the ESG risks of each risk-relevant business partner. As part of the bank's risk strategy, ESG risks are already taken into account in risk management, especially in the context of borrower ratings, credit assessments and portfolio analyses.

Impact and management of the COVID-19 pandemic

The ongoing COVID-19 pandemic, which continued throughout the financial year, once again posed multiple challenges for KfW IPEX-Bank during 2021, requiring continuous management of the resulting effects.

The approach already taken in the previous year to dealing with operational risks and maintaining business operations was thus largely continued, with measures being reviewed and adjusted on a regular basis as the pandemic progressed.

Once vaccines approved by the EU became available, KfW IPEX-Bank – together with KfW – also swiftly offered vaccinations to its employees, meeting with a very positive response. In the wake of the emergence of the critical omicron virus variant, steps were taken in the fourth quarter to continue to ensure a high degree of safety for employees and safeguard business operations by once again offering vaccines.

As the pandemic advanced and individual countries adopted measures to curb it, significant differences emerged in the impacts on individual markets and industries. In segments that remained particularly hard hit by the pandemic, KfW IPEX-Bank continued to closely monitor its exposures, including movements in value of security in rem, made rating adjustments based on industry-specific scenarios, and where necessary modified sector limits and risk guidelines.

Potential effects from the COVID-19 pandemic continued to be considered in regular simulations of scenarios on risk-bearing capacity.

The impact of the crisis on the loan portfolio is still evident above all in industry segments that are related to transport or traffic and are characterised by close proximity of services to the customer, such as aviation (including related infrastructure, such as airports) and to a lesser extent – due to a smaller share of the portfolio – cruise shipping. Some customers in these segments were downgraded significantly, with increasing numbers requiring higher risk provisions. Deferrals were agreed, particularly with customers in the Aviation, Mobility & Transport, Maritime Industries and Resources and Recycling segments. In the aviation segment, which was especially affected by the crisis, the portfolio strategy adopted during 2020 for existing business in the E&P business sector continued to be implemented. As part of this strategy, critical exposures were reduced.

Conversely, cyclical sectors that were particularly hard hit by the slump in growth triggered by the pandemic in 2020, such as basic industries, were able to benefit from a strong rise in demand and considerable price rises due to catch-up effects, such that ratings in this segment improved overall.

Following the peak in the COVID-19 pandemic, momentum in the global economic recovery slowed over the course of 2021, and the prospect of a return in 2022 to the pre-crisis situation has diminished. Alongside disruptions of supply chains and transport networks – no longer solely due to the pandemic – reasons for this on the industrial side include signs of increasing shortages of raw and reusable materials and intermediate goods. These uncertainties are accompanied by rising energy prices.

The forecast rate and timing of economic recovery in 2022 therefore remain subject to considerable uncertainty. Renewed escalation of the pandemic situation due to the emergence of the omicron variant has further heightened this uncertainty. There is a risk that – combined with recent supply constraints – this will cause inflation to increase further, leading central banks to accelerate the change in monetary policy direction that has already been initiated. If interest rates rise more rapidly, this may dampen global growth prospects and put severe pressure on emerging market currencies.

General conditions of risk management and control

KfW IPEX-Bank assumes credit risks in its business activities in order to generate 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. During 2021 KfW IPEX-Bank established KfW IPEX-Bank Asia Ltd., a wholly-owned subsidiary, in order to safeguard existing business in the growth market of Southeast Asia and build up the business further in a sustainable manner. Credit authority will remain with KfW IPEX-Bank in Frankfurt, such that the subsidiary in Singapore will not assume any credit or derivative risks. The financial holding group, which, besides KfW IPEX-Bank, also includes KfW Beteiligungsholding GmbH, is largely dominated by KfW IPEX-Bank. As a result, material risks arise at the level of KfW IPEX-Bank.

Business and risk strategy

KfW IPEX-Bank's strategic business objectives are to support the transformation of the German and European economies on a sustainable basis and to provide a stable and significant contribution to the Group's consolidated earnings. To achieve these strategic aims, KfW IPEX-Bank pursues a growth strategy to help address the challenges to transforming the economy in relation to climate change, the environment and globalisation. 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, as per the risk inventory finalised in October 2021:

- Credit risk (counterparty default risk, migration risk, CVA risk)
- Market price risk (foreign exchange risk, interest rate risk, interest rate volatility risk)
- Operational risk, in particular service provider risk (including outsourcing risk), information security risk, business interruption risk, legal risk and compliance risk
- Liquidity risk (solvency risk)
- Concentration risk
- Regulatory risk
- Reputational risk

As part of the risk inventory, the materiality of risks is evaluated using gross risk (the risk excluding risk-mitigating measures), net risk and qualitative assessments. By a decision of the Management Board as of October 2021, and in contrast to the previous year, solvency risk has been newly identified as a significant risk type for KfW IPEX-Bank, even though it can still be limited through funding from KfW. This is due to a stronger emphasis on hypothetical gross risk in the materiality assessment of solvency risk, whereby the existing funding agreement with KfW cannot be taken into account. Due to its business model, credit risk is the most significant risk type for KfW IPEX-Bank, followed by market price risk and operational risk. Liquidity risks, concentration risks, regulatory risks and reputational 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 risk appetite, and thus the framework for undertaking and managing risks. The risk strategy aims to ensure that the bank has adequate capital and liquidity and that material risks are limited. The risk strategy also takes into account its compatibility with the general risk policy framework within KfW Group. KfW IPEX-Bank's membership of KfW Group and its self-image and mission as a KfW subsidiary operating on commercial terms play a crucial role in determining the bank's risk culture. The written procedural rules on KfW IPEX-Bank's risk culture and especially its credit risk culture are based on the Financial Stability Board's four elements of risk culture – 'management culture', 'employee responsibility', 'open communication and critical dialogue' and 'appropriate incentive structures' – and provide for a continuous annual risk culture control cycle. All employees of KfW IPEX-Bank are encouraged to engage with the risk culture in various formats, for example in the form of training courses and local departmental meetings.

Organisation of risk functions and responsibility for risk types

The Management Board represents the highest decision-making body with responsibility for risk management 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 functions comprise the departments Credit Risk Management I & II, Restructuring & Collateral Management and Risk Controlling. These are all separate from the front-office areas up to the level of the Management Board. The aim is to ensure that functions are separated between the front office and back office at all levels of the organisational structure, as required by the German Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement – "MaRisk"*).

The departments Credit Risk Management I & II are each responsible for approval and analysis. Approval activities in each case include providing a second vote when loan submission documents are assessed, while taking risk aspects into account and adhering to the principle of separating front-office and back-office functions. They also include identifying and evaluating risks in the portfolio at an early stage and determining measures to reduce these risks, as well as reviewing and approving ratings assigned to new and existing project financing transactions. The analysis teams are responsible for conducting regular analyses and ratings of corporate and asset financing for both new and existing transactions, as well as producing sector analyses.

The Restructuring & Collateral Management department is responsible for loan restructuring and collateral management. Both restructuring teams are responsible for problem loan processing and, in some cases, intensified management of exposures. 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 development of the value of collateral.

The Risk Controlling department is responsible for the risk types of credit risk (including portfolio management and operational limit management), concentration risk, market price and liquidity risk, operational risk (including business continuity management/BCM) and reputational risk, including technical support for the tools used (rating, pricing). The department is also responsible for specialist monitoring of risk functions outsourced to KfW, including risk reporting. The Supervisory Management team maintains central contact with BaFin and the Deutsche Bundesbank, which are the responsible supervisory authorities of KfW IPEX-Bank, and coordinates preparation for the possibility of the bank falling under ECB supervision. KfW IPEX-Bank has outsourced a number of risk control activities to KfW. These include validation and development of the rating methodology for counterparty default risks, and the methodology and control procedures related to market price risks, liquidity risks, operational risks and business continuity management. Validation of collateral valuation procedures has also been outsourced to KfW. 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 activities and processes are governed by service level agreements between KfW IPEX-Bank and KfW. Monitoring of outsourced functions is intended to ensure that KfW IPEX-Bank also fulfils its responsibility for the functions outsourced to KfW in accordance with Section 25b of the German Banking Act (*Kreditwesengesetz – "KWG"*).

In addition, the Compliance department is responsible for regulatory risk, and the separation of functions here is also ensured up to Management Board level. Direct access to the Chief Risk Officer (CRO) is ensured through regular reporting to the entire Management Board and to the Non-Financial Risk Committee.

The Internal Auditing department analyses the adequacy and effectiveness of the risk management system independently of processes and reports directly to the Management Board, thereby making an important contribution to ensuring the effectiveness of the internal control system. Audits are planned and performed using a risk-based approach.

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 assessment process

KfW IPEX-Bank's internal capital adequacy assessment process (ICAAP) takes two perspectives into account.

The aim of the ICAAP's normative perspective is in particular the continuity of the bank's operations. To this end, fulfilment of Pillar I regulatory capital requirements under the Capital Requirements Regulation (CRR) and the German Banking Act is to be ensured on an ongoing basis, also taking a longer-term view (normative capital planning). As well as a baseline scenario, various adverse scenarios are also analysed. In particular, the adverse scenarios also take into account the potential impact of risks that do not explicitly have to be backed by capital under Pillar I. Changes in the large exposure limit and the leverage ratio are monitored as additional structural requirements for capital. The aim is to identify any capital shortages at an early stage.

The ICAAP's economic perspective serves to safeguard the institution's economic substance. In this perspective, the capital available on a specific date (risk-covering potential) is compared with the risk assumed as of that date (economic capital requirement or ECAP for all material risks on the capital side). The structure of both the capital side and the risk side is geared towards present values and is static, i.e. new business and expected results are not recognised. The risk-covering potential is based on regulatory own funds adjusted for items with no economic value and hidden charges on securities. The amount of the economic capital requirement, and thus the level of security in the risk-bearing capacity, are determined to a large extent by the solvency level (99.90%) for risk measurement.

Regular forecasts are not made for economic risk-bearing capacity. If required, however, an indicative forecast of the economic risk-bearing capacity will be provided, if a questionnaire has identified future developments that could have a material impact on the risk-bearing capacity.

Both ICAAP perspectives include regular stress tests in the form of simulations of adverse general economic conditions (downturn and stress scenarios). A traffic light system with thresholds for the key figures for normative and economic risk-bearing capacity has been established in this context. When critical developments arise, this system indicates that operational or strategic control measures need to be taken.

The ICAAP is subject to an annual review of its appropriateness. The results of this review are taken into account in the assessment of risk-bearing capacity.

As of 31 December 2021, the risk-bearing capacity is given under both the normative and the economic perspective.

Normative perspective:
Key regulatory figures

	31. Dec. 2021 EUR in millions	31. Dec. 2020 EUR in millions
Total risk exposure in accordance with Art. 92 CRR	21,309	20,698
of which: – Credit risk	*20,515*	*19,773*
– Market price risk	*0*	*102*
– Operational risk	*793*	*823*
Regulatory own funds	4,633	4,525
of which: – CET1 capital	*3,508*	*3,413*
– Additional tier 1 capital	*600*	*200*
– Tier 2 capital	*525*	*911*
CET1 capital ratio	16.5%	16.5%
Tier 1 capital ratio	19.3%	17.5%
Total capital ratio	21.7%	21.9%

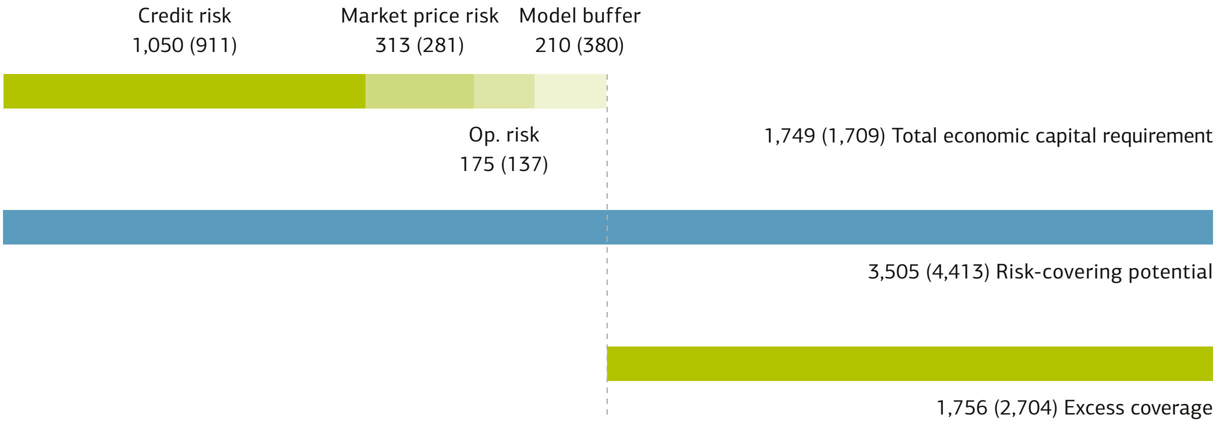
In the normative risk-bearing capacity, as a result of the redemption of the silent partner contribution (EUR 200 million in additional tier 1 capital, EUR 800 million in tier 2 capital), the new capital components in the form of a subordinated bearer bond of EUR 600 million (additional tier 1 capital) and a subordinated loan in the amount of EUR 400 million (tier 2 capital) are recognised in the tier 1 and tier 2 capital. This has led to a corresponding increase in tier 1 capital. Regulatory own funds have also risen slightly overall, due in part to the appreciation of the US dollar as well as lower capital deductions in connection with risk provisions. The overall risk amount has risen due to methodology changes in assessing credit risk (in particular, implementation of regulatory requirements in relation to the IRBA). As a result, the tier 1 capital ratio has improved significantly due to the capital measures. The CET1 and total capital ratios fell marginally.

Economic perspective
As of 31 December 2021, excess risk-covering potential above total economic capital requirements had decreased from EUR 2,704 million at the end of 2020 to EUR 1,756 million.

The decline in risk-covering potential, which was the primary reason for this, was due to the redemption of the silent partner contribution of EUR 1 billion, since the new capital components aimed at strengthening the capital structure in the normative risk-bearing capacity do not entail any direct loss participation and are therefore not eligible for inclusion in economic risk-covering potential.

Conversely, total economic capital requirements were the same as in the previous year. The capital requirement for credit risk increased, in particular because of various methodology changes in relation to credit risk parameters. The increase in the capital requirement for market price risk was mainly due to higher implied interest rate volatilities in interest rate volatility risk as well as to a stronger US dollar. The capital requirement for operational risk increased, chiefly as a result of updates to the risk scenarios used as inputs in the calculation. This was countered by a reduction in the model buffer, which serves to take into account model weaknesses and predicted methodology changes in the economic risk-bearing capacity calculation, primarily due to implementation of the new credit risk methodology.

Economic risk-bearing capacity as of 31 December 2021
in EUR in millions



In brackets: figures as of 31 December 2020

Stress and scenario calculations

Stress and scenario calculations are conducted both for specific risk types and across several risk types, depending on the objective. To this end, material risks for KfW IPEX-Bank are identified on an annual basis in the risk inventory. Quantitatively managed risks that have been identified as “material” are generally included in the regular stress and scenario calculations. Material risk types that are not quantitatively managed are considered on an ad hoc basis, for example as part of scenario analyses.

During 2021, KfW IPEX-Bank’s stress calculations took into account the impact of the COVID-19 pandemic. For this purpose, the economic scenarios considered within the framework of the internal capital adequacy process were adapted to the economic environment influenced by the COVID-19 pandemic.

In addition to economic scenarios, further stress tests are performed on a regular basis, taking concentration risks into account, and are used to examine the resilience of KfW IPEX-Bank’s economic and normative risk-bearing capacity. These include, in particular, various sensitivity analyses and general stress tests (in accordance with Article 177 of the CRR and other regulations). Concentration and reverse stress tests are also used to show how KfW IPEX-Bank’s risk-bearing capacity could be pushed to its limits.

In 2021, scenario stress tests also analysed additional threats to KfW IPEX-Bank beyond the COVID-19 pandemic. The focus included a scenario envisaging escalation of the conflict between Russia and the EU as well as a scenario simulating an interest hike. In addition, a climate stress test was prepared in order to simulate transition risks in the portfolio in the event of direct setting of CO_2 prices in line with the Net Zero 2050 strategy.

The impact on KfW IPEX-Bank’s capital ratios of regulatory reforms in the context of Basel III’s finalisation was also examined in 2021. The European Commission’s proposal of 27 October 2021 finalising implementation of Basel III under EU law was incorporated into the standard scenarios for normative risk-bearing capacity (under the assumption that risk exposures to EU member states’ “central governments” will continue to be assigned a risk weight of 0%, which is only used for Germany).

The annual assessment of the appropriateness of the stress testing programme was conducted during 2021 to ensure that the stress and scenario calculations of KfW IPEX-Bank are appropriate.

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. In particular, credit risks include counterparty default risk, which essentially comprises the risk subcategories of credit risk in the narrower sense, counterparty risk, securities risk, country risk, risk arising from foreign currency loans extended to unsecured borrowers, special financing risk and shadow banking risk. Migration risks also have a significant effect on credit risk exposure. A further factor that influences the credit risk position is credit valuation adjustment (CVA) risk for derivatives business with corporate customers. In the calculation of risk-bearing capacity, migration risks and CVA risks are measured on the reporting date as part of credit risk and are included in total economic capital requirements accordingly. They are also taken into account in risk management through the aforementioned stress and scenario calculations.

Measurement of counterparty default risk

Counterparty default risk is assessed at an individual counterparty or individual transaction level, based on internal rating processes. In this case, the bank uses the advanced internal ratings-based approach (IRBA). For economic management purposes, estimation of the EAD and LGD parameters closely follows the 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 in the elementary/slotting approach

As required by the CRR, the bank's IRBA rating systems are used to estimate the central risk parameters separately[2)]:

– 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 developed internally. 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, risk assessment is mainly determined by the cash flows generated by the financed asset or project.

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 determined observing the principle of dual control in the back-office departments.

There are organisational instructions for the rating processes, which govern in particular 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.

The rating processes are regularly validated and developed further, with the aim of ensuring that it is possible to respond promptly to changing general conditions. The objective is to continuously ensure the suitability of the calibration and selectivity of all rating processes.

In addition to the exposure at default, the valuation of the collateral has a significant influence on the expected loss in the event of default. As part of the collateral valuation for eligible collateral[3)], net proceeds from realisation of collateral in the event of default are estimated over the entire tenor of the loan. Adjustments are applied in this process. In the case of personal collateral, this takes account of the probability of default and loss ratio of the collateral provider, provided the regulatory and internal eligibility requirements are met. In the case of security in rem, in addition to losses in value due to depreciation, further adjustments are applied for expected and unexpected changes in value. 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.

Interaction between risk properties of individual exposures in the loan 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 (ECAP). Concentrations are measured based on the economic capital commitment. The aim is to ensure 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 more extensive than monthly reports in terms of their scope and the details provided on the risk situation. Ad hoc reports are also compiled as required, in addition to regular risk reporting.

[2)] 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.

[3)] 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.

Management of counterparty default risk

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

Limit management

The limit management system (LMS) is used to limit default risks. This involves monitoring individual exposures and concentration risks, with the aim of managing and restricting them by setting limits. Limits are set per main business partner, per group of connected clients, per industry and per country, and also per individual counterparty in the case of shadow banks. Limits are applied based on the variable of net exposure. 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 loan portfolio is managed via risk guidelines. For this purpose, Credit Risk Management proposes specific guidelines based on the current risk situation. These are approved by the Management Board and must be taken into account by front-office 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 and to limit concentration risks 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.

Portfolio Risk Committee

In addition to operational cooperation between portfolio management and front-office departments, the Portfolio Risk Committee (PRC) meets every quarter and 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 proposes limit levels and risk-weighted asset (RWA) budgets, reports on the extent to which measures are being implemented and discusses possible risks in the market environment and observations on the portfolio. During the 2021 reporting year a total of four regular and two ad-hoc PRC meetings took place.

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 monitoring the economic performance of the borrower and reviewing the collateral values on a regular basis. In the case of non-performing loans (NPL), the possibility of loan restructuring or other remedial action is considered. If restructuring or other remedial action is not possible or does not appear to be viable economically, the loan will be liquidated and the collateral realised. At the same time, the alternative of selling the loan on the 'distressed market' is also always evaluated. The Restructuring & Collateral Management department is in charge of processing non-performing loans and, in some cases, it also helps to manage or takes over the processing of exposures subject to intensified loan management. Specialists are involved at an early stage, to ensure professional problem loan management throughout the process.

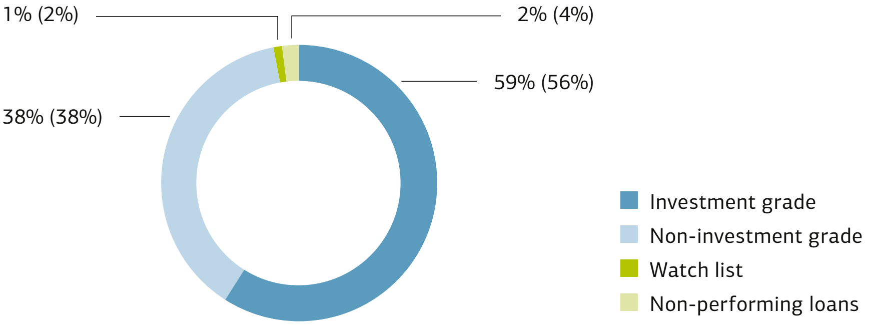
Counterparty Risk Committee

The Counterparty Risk Committee (CRC), which convenes every month and is chaired by the member of the Management Board in charge of risk management, discusses risk-related developments in the loan portfolio, provides an overall perspective on alternatives for action with regard to watch list and NPL cases as well as other exposures subject to particular observation, and monitors their implementation. When required, meetings can take place more frequently in the form of ad hoc CRC meetings. A total of twelve regular meetings were held in the 2021 reporting year.

Structure of credit risk

Net exposure by rating class

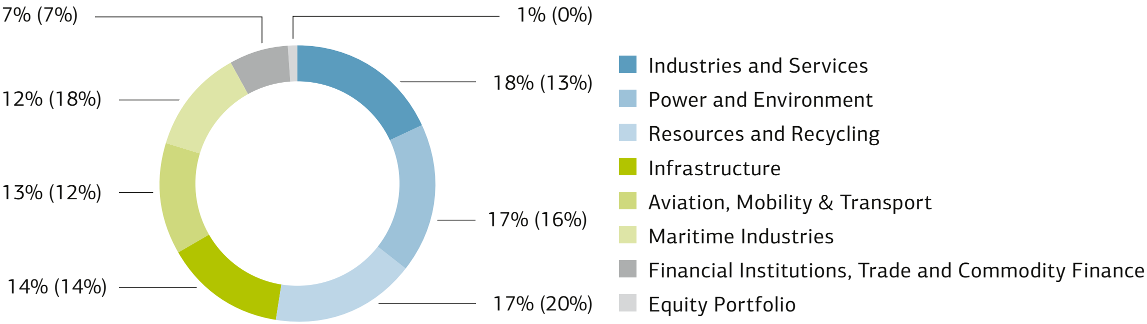
2021 (2020), Total net exposure[4]: EUR 10.1 billion



Net exposure was EUR 10.1 billion. The credit rating structure of the performing portfolio remained virtually unchanged from the previous year. The proportion of investment grade exposures rose from 56% to 59%. The proportion of net NPL exposures in the portfolio fell from 4% to 2%. The average probability of default of the performing portfolio decreased from 0.89% to 0.78% in the financial year 2021.

Economic capital requirements by sector department

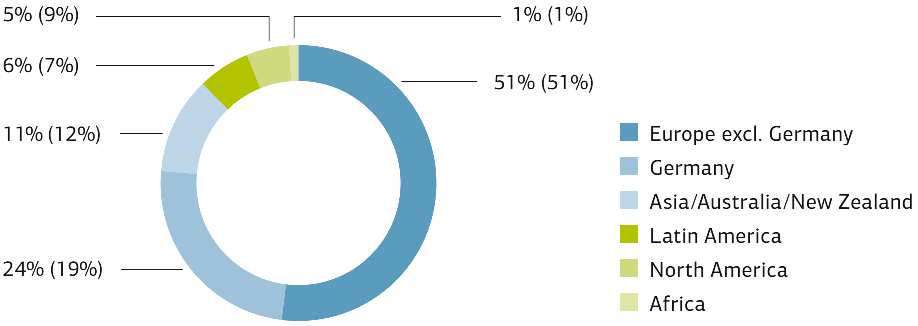
2021 (2020), Total ECAP: EUR 915 million[5]



The overview above shows the diversification of the portfolio across the bank's individual sector departments. The largest shares of economic capital were allocated to the sector departments of Resources and Recycling, Industries and Services, and Power and Environment with 17%, 18% and 17% respectively.

[4] Net exposure gives the expected loss for the risk bearer in the event of default.
[5] Including migration risk but excluding CVA risk included under credit risk

Economic capital requirements by region[6)]
2021 (2020), Total ECAP: EUR 915 million[7)]



In regional terms, business is focused on Europe including Germany, which accounts for 76% of economic capital for counterparty default risk.

Risk provisions for counterparty default risks
The portfolio of specific loan loss provisions and other lending business provisions for disbursed loans, financial guarantees and irrevocable loan commitments, structured according to sector department, was as follows as of 31 December 2021:

Sector department	31 Dec. 2021 EUR in millions	31 Dec. 2020 EUR in millions	Change EUR in millions
Resources and Recycling	55	56	–1
Financial Institutions, Trade and Commodity Finance	39	38	2
Maritime Industries	36	35	2
Power and Environment	22	20	3
Aviation, Mobility & Transport	15	32	–17
Infrastructure	3	16	–14
Industries and Services	0	0	0
Equity Portfolio	0	0	0
Other	15	10	5
Total	**185**	**207**	**–21**

6) From 2021 onwards, ECAP values have been reported on the basis of a standardised reporting size for regions. As a result, the previous year's regional breakdown has been revised.
7) Including migration risk but excluding CVA risk included under credit risk

As of 31 December 2021, portfolio loan loss provisions by sector department were as follows:

Sector department	31 Dec. 2021 EUR in millions	31 Dec. 2020 EUR in millions	Change EUR in millions
Resources and Recycling	30	39	–9
Power and Environment	27	21	5
Maritime Industries	16	34	–18
Industries and Services	13	9	3
Aviation, Mobility & Transport	11	35	–24
Infrastructure	10	15	–6
Financial Institutions, Trade and Commodity Finance	7	16	–9
Equity Portfolio	0	0	0
Other	9	0	9
Total	**122**	**169**	**–48**

Market price risk

KfW IPEX-Bank measures and manages market price risks on a net present value basis. The economic capital requirement for market price risks is calculated based on the value at risk concept. The economic view of Pillar II takes into account interest rate risk (consisting of the risk subtypes of interest rate change risk and tenor and cross-currency basis spread risk, which are examined together) in the banking book, foreign exchange risk, credit spread risk for securities and interest rate volatility risk. The potential loss in present value is determined for each type of market price risk using a value at risk (VaR) based on historical simulation. The economic capital requirement is ultimately calculated from total VaR, which takes into account diversification effects between the various types of market price risks.

As well as monthly reporting as part of risk reporting, the bank has set up a Market Price and Liquidity Risk Committee (MLRC), which meets every quarter and on an ad hoc basis and is chaired by the member of the Management Board in charge of risk management, as a central instrument for managing market price and liquidity risks. The committee focuses both on monitoring the current risk situation and on discussing management of market price and liquidity risks, as well as on issues in relation to funding, transfer pricing, derivatives business, local currency business and valuations conducted in accordance with the German Commercial Code.

In total, EUR 313 million of economic capital was allocated to market price risks at KfW IPEX-Bank as of 31 December 2021. This represents an increase of EUR 32 million compared with 31 December 2020, mainly due to higher absolute values of implied interest rate volatilities together with a stronger US dollar. Market price risk breaks down as follows:

Economic capital requirement for market price risks

	31 Dec. 2021 EUR in millions	31 Dec. 2020 EUR in millions
Interest rate risk[1]	**224**	**214**
Interest rate change risk	144	169
Tenor basis spread risk	91	52
Cross-currency basis spread risk	173	128
Interest rate volatility risk	**111**	**55**
Currency risk	**141**	**120**
Credit spread risk	**5**	**8**
Intra-risk diversification	**–167**	**–117**
Market price risk	**313**	**281**

[1] The risk value is calculated from the integrated, diversified valuation of the risk factors, whereby risk subtypes are not cumulative.

The COVID-19 pandemic had no impact or implications in relation to the management of market price risks during the reporting year.

Value at risk approach
The economic capital requirement is calculated based on the value at risk (VaR), using a model that includes the various types of market price risk and is based on consistent methodology. Historical simulation is used as the VaR model, based on market data time series for the last three years (752 scenarios). The holding period is 12 months in all cases, with time scaling carried out based on a one-day holding period. Parametric scaling is also conducted on the target quantile (99.9%), based on a 97.5% quantile in historical simulation.

Interest rate risk
The economic capital requirement for interest rate risk is calculated based on historical simulation (see section on value at risk approach). Risks from yield curves defined as risk factors are measured. Interest rate change risk, tenor risk and cross-currency basis spread risk are thus implicitly included. In contrast, interest rate volatility risk and credit spread risk are explicitly not included in interest rate risk but are instead shown in separate VaR key figures. The VaR calculation is supplemented by regular stress tests, which investigate potential losses in the event of extreme market conditions. Apart from yield curve shocks that are stipulated in regulations (parallel shifts, yield curve rotations), this includes, in particular, combined scenarios. The capital required to cover interest rate risk was EUR 10 million higher year-on-year at EUR 224 million as of 31 December 2021.

Based on the requirements laid down by Article 448 of the CRR, the following table shows the present value of the interest position, the economic capital requirement calculated for interest rate risk, and the interest rate sensitivity as of 31 December 2021. It also shows the reduction in present value for the regulatory interest rate shock scenario as specified in Circular 06/2019 issued by the German Federal Financial Supervisory Authority (BaFin) in absolute terms and as a proportion of regulatory own funds:

	EUR	**USD**	**GBP**	**AUD**	**CAD**	**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	3,782.7	544.8	128.5	11.0	30.8	9.9	4,507.7
Risk value interest rate risk (99.90%/12-month holding period)	–	–	–	–	–	–	224.1
Interest rate sensitivity (change in present value given an increase in the interest rate by one basis point)	–0.799	–0.298	–0.162	–0.017	–0.036	–0.036	–1.348
Reduction in present value given regulatory interest rate shock (+/–200 bp)	–	–	–	–	–	–	87.9
As a proportion of regulatory own funds[1)]	–	–	–	–	–	–	1.9%

[1)] Own funds as of 31 Dec. 2021: EUR 4,632.9 million

Interest rate risk: Interest rate change risk
Beyond the VaR for interest rate risk, the economic capital requirement for the risk subtype of interest rate change risk is calculated. This calculation is based on a breakdown of the supplied swap curves into basic and basis spread curves. A 'basic curve' is calculated for each currency and the fluctuations in this curve are transferred to all yield curves in the respective currency area. On this basis, a VaR for interest rate change is calculated that quantifies the risk from fluctuations in the general interest rate level in a currency area. The capital requirement for interest rate change risk was EUR 144 million as of 31 December 2021 and was thus lower year-on-year, due to higher interest rates.

Interest rate risk: Tenor and cross-currency basis spread risk
Similar to interest rate change risk, the calculation of the economic capital requirement for basis spread risks is based on a breakdown of the supplied yield curves into basic and basis spread curves. Movements in the other yield curves with respect to the basic curves for the currency area are separated into tenor and cross-currency basis spread risk portions. The tenor and cross-currency basis spread risk is in each case quantified on the spread curves thus categorised. The capital requirement for basis spread risks was EUR 264 million as of 31 December 2021. This represents an increase of EUR 84 million year-on-year. The rise in tenor basis risk is due partly to changes in the definition of cross currency spread in the context of the benchmark reform. This consists of a reallocation within interest rate risk whereby, if positions remain unchanged, the increase in basis spread risks is offset by counter effects (diversification effects), so that there is no increase in the interest rate risk overall.

Interest rate volatility risk
Interest rate volatility risk is based on changes in the market values of interest rate options modelled closely to the market resulting from the fluctuation of implied volatility surfaces. The economic capital requirement for these risks is calculated as for other risk types based on historical simulation (see section on value at risk approach). With respect to the lending business, interest rate volatility risk is based on 'floors at 0' established in loan agreements. Interest rate volatility risk is measured as an ancillary effect of original business activities and is limited through an ECAP sublimit but is not actively managed from an operational viewpoint. The ECAP required to cover interest rate volatility risk is also determined in a volatility stress scenario. As of 31 December 2021, the capital requirement for interest rate volatility risks was EUR 56 million higher year-on-year at EUR 111 million. The increase was mainly attributable to increased implied volatilities in the fourth quarter of 2021.

Currency risk
The economic capital requirement for currency positions is calculated as for interest rate risk based on historical simulation (see section on value at risk approach). Regular stress tests are also carried out in order to estimate potential losses in the event of extreme market conditions. In particular, the appreciation of the US dollar in the reporting year (EUR/USD as of 31 December 2021: 1.13 and 31 December 2020: 1.23) led to a total increase of EUR 137 million in present values due to changes in exchange rates.

The following table provides an overview of capital requirements and regulatory capital requirements for foreign exchange risk as of 31 December 2021.

Economic capital requirement for foreign exchange risk	Regulatory capital requirements for foreign exchange risk
EUR in millions	**EUR in millions**
141 (previous year: 120)	0 (previous year: 8.2)[1)]

1) There is no regulatory capital requirement for foreign exchange risk as the RWA amount to less than 2% of own funds.

Credit spread risk
Risk measurement is carried out for the securities portfolio. The economic capital requirement for this risk is calculated as for other risk types based on historical simulation (see section on value at risk approach). The credit spread risk in extreme market conditions, for example in a subprime crisis, is examined in regular stress tests. The economic capital requirement for credit spread risk was EUR 5 million as of 31 December 2021. Credit spread risk fell by EUR 3 million year-on-year.

Liquidity risk
With regard to liquidity risk, KfW IPEX-Bank distinguishes between solvency risk, market liquidity risk and funding risk. Solvency risk is the risk of being unable to settle payment obligations at all, on time and/or 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.

Solvency risk

KfW IPEX-Bank's solvency risk, which is deemed a material risk type, is limited by the existing refinancing agreement with KfW and the existing credit line with KfW. The securities portfolio also serves to ensure liquidity.

KfW IPEX-Bank's liquidity requirement is 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 coverage ratio (LCR) and the net stable funding ratio (NSFR). Both the LCR and the NSFR are managed following a limit-based approach, which is implemented in the form of a traffic light system. Furthermore, KfW IPEX-Bank calculates the additional liquidity monitoring metrics (ALMM) in accordance with the Capital Requirements Regulation (CRR) and reports these to the responsible supervisory authorities. Operational liquidity is managed by KfW IPEX-Bank's Treasury based on short, medium and long-term liquidity planning. 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 risk

Market liquidity risk is considered not to be material at KfW IPEX-Bank, as the bank mainly holds KfW bonds in its HQLA (High Quality Liquid Assets) portfolio (nominal value of EUR 400 million). These are ECB-eligible and have a very good credit rating (AAA).

Funding risk

At KfW IPEX-Bank, funding risk is quantified using a scenario-based approach for risk measurement purposes. Funding risk is measured by means of the liquidity asset value (*Liquiditätsvermögenswert*), which models the approximate profit/loss arising from funding costs on the liabilities side and funding inflows on the assets side. Funding risk is quantified by means of changes in the liquidity asset value in a scenario of relevance (expansion of funding costs) 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.

The COVID-19 pandemic had no impact or implications in relation to the management of liquidity risks during the reporting year.

Operational risks

Operational risk is the risk of loss (in value) that could result from inadequate or failed internal processes or systems, human error or external events. This definition includes legal risks. The sub-risks of operational risk that have been classified as significant are service provider risk (including outsourcing risk), information security risk, business interruption risk, legal risk and compliance risk.

Service provider risk arises at KfW IPEX-Bank primarily through the outsourcing of activities to KfW, including tasks in the areas of finance and risk controlling, IT, reporting, accounting, taxes and legal affairs. These constitute material outsourcing arrangements as defined in the German Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement – "MaRisk"*), which the outsourcing institution must monitor accordingly (outsourcing risk). Outsourcing arrangements are governed by framework contracts and service level agreements.

KfW IPEX-Bank's outsourcing monitoring activities are divided into roles that are process-dependent, roles that are performed alongside processes, and roles that are independent of processes. The 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, methodology-related aspects of these monitoring activities on a centralised basis. Monitoring activities that are performed alongside processes are conducted by the relevant risk experts as the responsible monitoring unit for the risk (sub)type concerned. The Internal Auditing department carries out process-independent monitoring.

KfW IPEX-Bank's **information security risks** arise mainly from the outsourcing of all IT activities to KfW. Along with KfW IPEX-Bank's own information security risks, which are recorded and monitored using a standard group-wide approach, KfW IPEX-Bank coordinates closely with KfW's information security department with regard to this type of risk. Reports are submitted to the relevant committees and stakeholders every quarter. Decisions on how to deal with information security risks at KfW that are also relevant to KfW IPEX-Bank are made jointly.

Due to the COVID-19 pandemic, the bank recorded and assessed information security risks, particularly those accepted for the purpose of maintaining the ability to work, such as the use of various web conferencing platforms.

Business interruption risk is the risk of loss (in value) as a result of partial or complete disruption to services provided by means of critical business processes. KfW IPEX-Bank manages business interruption risk with the help of preventative business continuity management (BCM) and emergency management measures. Precautionary measures are derived from the findings of the business impact analysis and incorporated into business continuity and recovery plans, which are validated to ensure their effectiveness.

Central risk controlling activities relating to this have been outsourced to KfW by means of a service level agreement. As parts of KfW IPEX-Bank's infrastructure have also been provided by KfW, this is closely linked to the sub-risk 'service provider risk', which has also been classified as significant.

KfW IPEX-Bank manages **legal risks** mainly by involving, via outsourcing, in-house lawyers from KfW's Legal Affairs department in KfW IPEX-Bank's key business processes and by monitoring these legal services.

Three KfW IPEX-Bank units are responsible for **compliance risk**: the data protection officer of KfW IPEX-Bank, who is appointed on the basis of data protection laws; the compliance function (Regulatory Compliance), which is established on the basis of the German Minimum Requirements for Risk Management (MaRisk)[8)]; and Operational Compliance, which acts as the central body responsible for the prevention of money laundering, securities compliance and other compliance requirements of an operational nature.

As part of its annual risk analysis, the Regulatory Compliance department evaluates the appropriateness and effectiveness of safeguards that KfW IPEX-Bank has put in place in order to implement standards that are of significance to the bank.

The Regulatory Compliance department is involved in the product launch process and in changes to key operational processes.

Since the outbreak of the COVID-19 pandemic in March 2020, Regulatory Compliance has kept a list of the measures implemented by standard setters and regulators to ease the regulatory burden on the financial industry. In order to manage compliance risk during the COVID-19 pandemic more closely, Regulatory Compliance asked the specialist divisions for an assessment of the expected impact of COVID-19 on the fulfilment of supervisory requirements. Regulatory Compliance documented this procedure in the written procedural rules.

Operational Compliance is responsible for the prevention of money laundering and financing of terrorism, securities compliance regarding insider trading and market manipulation, compliance with sanctions and prevention of other criminal acts. Operational Compliance conducts an annual risk analysis in these areas, from which it derives the specific issues it will monitor. Operational Compliance is involved on the basis of MaRisk in the product launch process and in changes to key operational processes and advises the main outsourcing contacts on issues within its area of responsibility. KfW IPEX-Bank's central complaints office is also located within this unit.

Supervisory requirements regarding risk management are derived from the standard approach according to the provisions of the Capital Requirements Regulation (CRR), which is used as a basis for calculating regulatory capital requirements for operational risks at KfW IPEX-Bank, as well as from the German Minimum Requirements for Risk Management.

[8)] General Section of MaRisk, 4.4.2.

In total, EUR 175 million of economic capital was allocated to operational risks at KfW IPEX-Bank as of 31 December 2021. This represents an increase of EUR 38 million compared with 31 December 2020.

KfW IPEX-Bank's risk strategy sets out a framework for dealing with operational risks and is based on the guidelines of KfW (group strategy).

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;
- KfW IPEX-Bank's decentralised units with responsibility for operational risk management in the relevant departments (1st LoD);
- KfW IPEX-Bank's Risk Controlling department in charge of both operational risks and business continuity management as the central point of responsibility for operational risk issues and BCM (2nd LoD);
- The Internal Auditing department, which is involved as an independent control unit (3rd LoD).

The most important instruments in operational risk management include risk assessment, monitoring based on risk indicators, recording operational risk events and deriving measures to address them.

Significant operational risks are systematically analysed and assessed using risk scenarios during an annual risk assessment. The operational risk profile of KfW IPEX-Bank is ascertained on this basis.

If operational risks can be appropriately monitored by means of metrics, this is done with the help of risk indicators. The primary objectives are to avoid losses from operational risks and to identify unfavourable trends. The risk indicators address various operational risk areas and are included in quarterly reporting on operational risks.

The event database captures and processes operational risk events. Cause analysis is used to identify weaknesses in business processes and quantify operational risks. The database also enables evaluation and electronic archiving of loss data.

Measures derived from the event database that prevent, reduce or shift risk are recorded in a measures database. This is for documentation purposes and also to monitor the implementation of these measures.

The bank has established a Non-Financial Risk Committee (NFRC) to discuss operational risks, among other matters. The committee is chaired by the member of the Management Board responsible for risk management and meets every quarter and on an ad hoc basis. In addition to monitoring the current risk situation with regard to non-financial risks overall, the committee focuses primarily on discussing subtypes of operational risk that are classified as significant for KfW IPEX-Bank with the responsible specialist units. The committee also deals with relevant issues in relation to regulatory risk, reputational risk and business continuity management, among other matters.

With a focus on internal governance issues, the Management Board has set up an Internal Governance Board (IG Board), in which the heads of Compliance, Risk Controlling, Organisation and Internal Auditing collaborate. In particular, the IG Board's objective is to ensure a common view of regulatory developments that, due to their relevance to KfW IPEX-Bank's internal governance, are of bank-wide importance and thus affect the respective areas of responsibility of the Board's members as cross-cutting issues. The IG Board serves to ensure that the various activities of its members are aligned even more closely, while preserving their technical responsibilities and independence.

The COVID-19 pandemic, which has been prevalent since the beginning of 2020, has still not led to a significant increase in loss events recorded within the framework of KfW IPEX-Bank's operational risk management. However, the impact of the pandemic was taken into account in this year's risk assessment by maintaining elevated loss potential in some risk scenarios.

All of KfW IPEX-Bank's key business processes continued to run throughout 2021 without any changes or emergency-related disruptions, despite the ongoing pandemic. With regard to the prevention of money laundering and financing of terrorism, the pandemic presented challenges in identifying natural persons. By 30 November 2021, the bank had established special COVID-19-related arrangements to deal with this issue. To manage the potential business interruption risk that could result from the pandemic, since February 2020 the bank has participated in KfW Group committees set up for this purpose.

The measures introduced to deal with the pandemic are regularly reviewed and have so far prevented a corresponding absence of staff with an ensuing negative impact on KfW IPEX-Bank's business activities.

Reputational risks

Reputational risk is the risk of a long-term deterioration in the perception of KfW IPEX-Bank from the perspective of relevant internal and external stakeholders with a negative impact on the bank. This negative impact could lead to a decrease in KfW IPEX-Bank's net assets, results of operations or liquidity position (for example, through a decline in new business) or may be of a non-monetary nature (such as difficulty in recruiting new staff). Reputational risk may arise as a consequence of other types of risk, or independently.

Reputational risks are assessed and managed on a qualitative basis. At present, there is no capital requirement for this risk in the calculation of risk-bearing capacity. The framework for managing reputational risks includes a group-wide sustainability mission statement. Within this framework, the risk management process for reputational risk is primarily managed in a decentralised fashion. The core element here is the presentation and critical assessment of reputational aspects within the credit approval process and when carrying out the annual ratings update. Furthermore, new activities in the new products process (NPP) and/or changes to operational processes and structures as well as outsourced activities in outsourcing management are regularly examined with regard to potential reputational risks.

In addition, the central Reputational Risk Controlling department coordinates the qualitative reputational risk assessment as part of the risk identification process.

Relevant reputational risk events are reported to the Non-Financial Risk Committee, which meets (at least) quarterly to discuss them and decide on any necessary measures. In addition, reports about reputational risk events that have occurred are made to the Management Board on an ongoing basis as part of the monthly risk report; reputational risk events classified as material are also reported to the Management Board on an ad hoc basis.

Concentration risks

With regard to concentration 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 credit risk in individual sectors, countries or borrower units. KfW IPEX-Bank aims to actively restrict 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, Mobility & Transport).

Due to the international nature of the bank's business activities, financing is also provided in foreign currencies. This has led to currency concentration in the USD loan book. The bank seeks to avoid the resulting foreign exchange risks as far as possible 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 and monitors concentration risks. Concentration risks are also included in stress tests.

Regulatory risks

Regulatory risks arise for KfW IPEX-Bank primarily through more stringent requirements for minimum capital ratios, charges on the bank's results of operations, net assets and liquidity position, and the adverse impact on the bank's business model and business strategy of changes in the regulatory environment that are yet to enter into force.

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. In addition, any changes in the legal and regulatory environment in which KfW IPEX-Bank operates are actively monitored. Where required, regulatory risks (for example in connection with the finalisation of capital requirements regulations in accordance with Basel III) are also analysed and measured as part of scenario observations.

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 complied with.

In order to achieve efficient risk management, the processes for managing corporate risks must be linked within an integrated system. To manage corporate risks, KfW IPEX-Bank has adopted the 'three lines of defence' model (3LoD) as the regulatory framework for an effective, integrated governance, risk and compliance management system:

- The structure of KfW IPEX-Bank's internal control system is shaped by the first two lines of defence. It essentially comprises the control activities of the operational business units and the monitoring activities of the monitoring units.
- The third line of defence is established by the audit activities of the independent Internal Auditing department.

Internal control procedures

Internal control system		Internal Auditing	
Overall bank management		**Internal Auditing**	
1st line of defence	**RISK OWNERSHIP** Process-integrated controls to mitigate risks. Definition and performance of controls within the processes (1st-line controls).	3rd line of defence	**RISK ASSURANCE** Process-independent audit. Review of the appropriateness and effectiveness of proce-dures, processes, instructions and controls to manage risks within the 1st and 2nd lines.
Monitoring units			
2nd line of defence	**RISK CONTROL** Process-related monitoring of risks and rule-setting function. Definition of requirements to manage risks within the 1st line. Monitoring and reporting of risks (2nd-line controls).		

The responsible monitoring functions (second line) at KfW IPEX-Bank are derived from the significant risk types/subtypes and the significant operational risk types (in accordance with the overview in the 'Business and risk strategy' section).

An annual control cycle has been implemented to ensure that the ICS is continuously updated and stably embedded within KfW IPEX-Bank. The first and second lines of defence have different roles and duties within this control cycle, for which KfW IPEX-Bank's ICS Office sets the framework. This includes components for risk assessment, control activities and monitoring, and an element to ensure notification and communication of findings.

Internal control system
The internal control system consists of

- regulations on organisational and operational structure,
- processes for identifying, assessing, managing, monitoring and communicating risks (risk management and controlling processes), and
- the Risk Controlling and Compliance units.

The Management Board and managers are responsible for designing and implementing the ICS, based on KfW IPEX-Bank's independent ICS framework.

In terms of methodology, the ICS framework is structured according to the COSO 2013 model[9)] in conjunction with the 'three lines of defence' model. It is also geared towards KfW Group's guidelines to ensure consistency within the banking group.

As a basis for the Board of Supervisory Directors' annual deliberations on the internal control system, KfW IPEX-Bank drafts an ICS report and provides information about findings, anomalies and innovations relating to the ICS and its effectiveness.

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. KfW's Accounting department carries out centralised IT-based monitoring of the performance of controls and reports to KfW IPEX-Bank on an annual basis.

Internal Auditing
The purpose of the Internal Auditing department is to, on behalf of the Management Board, provide independent, objective and risk-oriented auditing and advisory services designed to assess all processes and activities of KfW IPEX-Bank with regard to their proper conduct, appropriateness, effectiveness, security (IT) and efficiency. It supports management by systematically and selectively reviewing and evaluating the appropriateness and effectiveness of the risk management system, the internal control system and the business processes, assisting with significant projects and making findings from which measures are derived. It is an instrument of the bank's management, to which it has a direct reporting obligation. It reports its audit findings to the competent management. It also prepares quarterly and annual reports on the audits conducted during the reporting period, compliance with the audit plan, findings that are material or considered particularly important and measures taken. It submits these reports to management and the Audit Committee.

Internal Auditing performs its duties on the basis of a risk-oriented audit approach that includes all processes and activities of KfW IPEX-Bank, regardless of whether they are carried out in-house or are outsourced. In order to perform its duties, Internal Auditing has a complete and unrestricted right to information.

In terms of the processes involved in risk management, during the past financial year the Internal Auditing department reviewed both the risk management processes within KfW IPEX-Bank and risk management activities that are outsourced. Its audits focused on the fundamentals of bank-wide risk management (risk-bearing capacity, capital planning process, stress tests) and the processes of operational risk management, as well as on risk management procedures at a bank-wide and risk-type level, including the specialist monitoring of outsourced functions.

With regard to outsourced functions, Internal Auditing takes into account the findings of audits carried out by the respective companies' internal audit departments. In order to rely on the findings of service providers' internal audit departments, Internal Auditing reviews the latter's functionality at regular intervals.

Moreover, KfW IPEX-Bank's Internal Auditing department monitored the ongoing development of the risk management system during the 2021 financial year by attending meetings of decision-making bodies (as a guest).

[9)] COSO = Committee of Sponsoring Organizations of the Treadway Commission, www.coso.org. The COSO I model and the updates made to it in 2013 are an instrument for introducing internal control systems and reviewing them to ensure they are appropriate and effective.

Other disclosures

Corporate governance statement in accordance with Section 289f (4) of the German Commercial Code
Increasing the number of women in management positions reflects not only the requirements of German law on equal participation of women and men in management positions in the private and public sectors, but also the bank's own objectives. As of 31 December 2021, the proportion of women in head of department positions at KfW IPEX-Bank was 27.8% and the proportion of women at team head level was 31.1%. KfW IPEX-Bank set itself a target for the proportion of female staff at head of department level of 31.6% by 30 June 2022, and a target for the proportion at team head level of 30%. By 30 June 2022, KfW IPEX-Bank aims to achieve the following targets for the proportion of women on the Management Board and Board of Supervisory Directors: 25.0% 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).

Non-financial statement
In accordance with Section 289b (2) of the German Commercial Code, KfW IPEX-Bank is exempt from the obligation to supplement the management report with a non-financial statement. However, pursuant to Section 340a (1a) of said Code, a credit institution must supplement its management report with a non-financial statement if according to Section 267 (3) sentence 1 and Section 267 (4) to (5) of said Code it is deemed a large institution and has employed more than 500 staff on average over the year. The non-financial statement of KfW IPEX-Bank is included in the data section of the 2021 Sustainability Report of KfW Group, as part of the details contained in the non-financial consolidated report of KfW as parent company and of the Group. The Sustainability Report follows the Global Reporting Initiative (GRI) guidelines and can be downloaded from the internet.[10)]

In accordance with Article 8 (1) of the Taxonomy Regulation[11)], KfW IPEX-Bank's non-financial statement incorporates disclosures on how and to what extent its operations involve economic activities that are classified under this EU Regulation as environmentally sustainable. The disclosures, which must be published for the 2021 financial year, are made in the 'Banking business' section of KfW Group's 2021 Sustainability Report.

10) KfW Sustainability Report
11) Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

Forecast and opportunity report

KfW IPEX-Bank expects global real GDP to grow by 4.4% year-on-year in 2022, after increasing, according to International Monetary Fund (IMF) estimates, by 5.9% year-on-year in 2021. The growth rate expected for global real GDP in 2022 is thus lower than the growth rate of the previous year, but above the 2011–2020 average. This trend is forecast for both industrialised countries and developing and emerging countries (see Table 1: 'Gross domestic product at constant prices of industrialised and emerging countries'). Moreover, like the IMF, KfW IPEX-Bank anticipates that the level of real GDP in 2022 for both emerging and low-income countries will be below the value forecast in January 2020 for 2022. KfW IPEX-Bank shares the IMF's view that the outlook varies from country to country largely depending on access to COVID-19 vaccines as well as on variations in the level of economic policy support. The emergence of the omicron variant of COVID-19 makes it clear that the economic and health impacts of the COVID-19 pandemic will continue to play a role in the growth of global GDP in 2022.

Table 1: Gross domestic product at constant prices of industrialised and emerging countries

	Estimate for 2021	Forecast for 2022	Average 2011–2020
	Year-on-year change in %		
Global economy	5.9	4.4	2.8
Industrialised countries	5.0	3.7	1.2
Developing and emerging countries	6.5	4.8	4.1

(Aggregation of annual growth rates in gross domestic product at constant prices of individual countries based on shares of the country-specific gross domestic product, valued at purchasing power parity, in the corresponding aggregate; division into industrialised and emerging countries in accordance with the IMF classification; average calculated as the geometric mean of annual growth rates)

According to the IMF, there are major uncertainties regarding the further development of the pandemic, inflation and global financial conditions. The vast majority of these are downside risks, which – if they were to materialise – could lead to lower growth in global real GDP in 2022 than forecast. These include (a) the emergence of more infectious and deadlier SARS-CoV-2 variants, leading to a renewed surge in the pandemic; (b) longer than expected duration of the pandemic-driven imbalances between supply and demand, which as a result of sustained price pressure could also lead to monetary policy in industrialised countries normalising more rapidly than expected, and a sudden deterioration in global financing conditions; and (c) rising volatility on financial markets, for example due to an abrupt and rapid change in investor sentiment. Further adverse risks are posed by wider social unrest, an increase in climate shocks, cyber attacks on critical infrastructure and the escalation of geopolitical tensions, especially between China and the USA in relation to trade and technology.

On the other hand, global real GDP could conceivably develop more favourably than anticipated if, for example, safe and effective vaccines against COVID-19 are produced more rapidly and extensively than before and can be distributed worldwide in sufficient quantities, or if productivity growth accelerates due to the pandemic driving structural change in many economic sectors, leading to greater automation and transforming jobs.

KfW IPEX-Bank expects GDP in the **euro area** to grow by 3.6% in real terms in 2022. The expected growth rate is thus 1.6 percentage points lower year-on-year but is nevertheless considerably higher than the 2011–2020 average. If this forecast proves correct, aggregate economic production will once again exceed the level of real GDP before the pandemic started, i.e. in 2019 (see Table 2: 'Gross domestic product at constant prices of the euro area, Germany and the USA'). In line with the European Commission's view, KfW IPEX-Bank assumes that, on the whole, COVID-19 will not cause any major disruption to overall economic activity in the euro area during 2022 due to the vaccination rates achieved and households and companies adapting to remaining pandemic-related restrictions, that supply shortages will recede and that the rise in energy prices will ease. However, KfW IPEX-Bank shares the ECB's assessment that economic recovery will slow temporarily at the start of the year against the backdrop of the emergence of the omicron variant, with real GDP growth then expected to rebound over the further course of the year. All demand-side components of GDP should make a positive contribution to real GDP growth in 2022. This forecast is based on the European Commission's view that, on the one hand, there is increasing household demand for contact-intensive services, supported by a rise in employment and growing disposable income, while, on the other hand, growing demand, favourable financing conditions, decreasing uncertainty and funds from the European Recovery and Resilience Facility are all conducive to investment. Due to anticipated growth in countries that are major trading partners and to the sluggish recovery of tourism, the European Commission expects exports to increase and net exports to contribute positively (0.3 percentage points) to growth.

KfW IPEX-Bank expects real GDP in **Germany** to grow by 3.2% year-on-year in 2022. Thus, in 2022 real GDP will probably return to a higher level than in 2019, the year before the outbreak of the COVID-19 pandemic (see Table 2: 'Gross domestic product at constant prices of the euro area, Germany and the USA'), after falling short of this level in 2021. Given the previously described forecasts for the global economy and assuming that supply shortages of raw materials and intermediate goods decrease during the course of 2022, KfW IPEX-Bank expects that, among the output components of GDP, gross value added in the manufacturing sector will grow in 2022. This will support the rise in real GDP during 2022. In addition, 2022 will see increases in the real gross value added of the trade, transport, hotels and restaurants sector and of the other service provider sector. Both of these economic sectors have had to accept restrictions to their business operations as a result of government health policy since the outbreak of the COVID-19 pandemic in 2020. Of the expenditure components of GDP, KfW IPEX-Bank expects investment in equipment and private consumption expenditure to achieve the strongest growth rates in real terms in 2022. The real growth expected in private consumption expenditure is based on the assumption that the average annual number of people in employment in Germany in 2022 will rise year-on-year, while the seven-day incidence rate of new COVID-19 infections in Germany will continue to decline over the course of 2022 compared to its level in the winter period of 2021–2022.

Table 2: Gross domestic product at constant prices of the euro area, Germany and the USA

	2021	Forecast for 2022	Average 2011 – 2020	Forecast for 2022
	Year-on-year change in %			Index 2019 = 100
Euro area	5.2	3.6	0.5	102
Germany	2.8	3.2	1.1	101
USA	5.7	3.8	1.6	106

If the predicted decrease in supply shortages fails to materialise, there is a sudden tightening in financing conditions or there are renewed restrictions to economic activities due to new COVID-19 virus mutations, the growth in real GDP in Germany could be lower than the level forecast by KfW IPEX-Bank for 2022. Conversely, opportunities for higher growth in real GDP than KfW IPEX-Bank has predicted for the year 2022 will primarily arise if there is an unexpectedly swift containment of new COVID-19 infections or if supply shortages ease faster than expected. Russia's attack on Ukraine on 24 February 2022 has further heightened forecasting uncertainty. The economic consequences will depend on the further escalation or de-escalation of the military conflict as well as on the eventual sanctions chosen against Russia and the latter's retaliatory measures. Ultimately, it is virtually impossible as yet to assess the effect on German and European economic output. From a current perspective almost anything is possible, from a renewed recession to the 3.2% growth forecast in this report.

In 2022 KfW IPEX-Bank wants to further consolidate its position as a specialist bank for structured export and project finance and as a partner to the German and European economies. The predicted development of sales markets in industrialised and emerging countries offers continued export opportunities. KfW IPEX-Bank will therefore keep up its role of supporting German and European companies in 2022, assisting them in their international activities by providing medium and long-term financing for exports and foreign investment projects that is geared towards its customers' requirements. It seeks to play leading roles in syndicate financing arrangements and to include risk partners in financing structures.

The spread of COVID-19 is bringing about changes in terms of what is being financed. Demand for financing of passenger-intensive investment assets, for example in cruise shipping and aviation, has fallen sharply and is likely to remain at this level. Some financing of new projects to secure raw materials has been postponed. Conversely, demand for financing of infrastructure projects, especially in the digital sector, has increased. Overall, there is still potential for business.

Based on the market potential it is anticipating and ongoing tough competition, KfW IPEX-Bank has set a target of EUR 14.6 billion for the volume of new commitments for the 2022 financial year. The sector guidelines for CO_2-intensive sectors implemented during 2021 as part of the group-wide tranSForm project are designed to ensure that new business concluded by KfW IPEX-Bank in these sectors in a group context during 2022 will be fully compatible with the goals of the Paris Agreement. Further sector guidelines are currently being developed. With the help of external consultants, a greenhouse gas accounting system is being established by working groups across KfW Group and within KfW IPEX-Bank. Implementation of the new system is expected to take place in 2022, probably towards year-end.

Net interest income and net commission income are budgeted at EUR 339 million and EUR 136 million respectively and are thus EUR 4 million and EUR 89 million below the respective figures budgeted in the previous year, due to the development in new business and disbursements under contracted financing. Following a change in accounting policy, since 1 January 2022 commissions from lending business have been amortised in full through net interest income, leading to significantly lower reported commission income and, conversely, to a gradual increase in interest income. The new accounting policy should provide a better economic portrayal of the commission income earned from lending business. A target of EUR 285 million has been set for administrative expense, EUR 13 million higher than the previous year's budgeted figure. Risk costs in lending business are expected to come to EUR 83 million, down EUR –17 million on the previous year's level. In total, the bank is aiming for earnings after tax of EUR 66 million and a cost/income ratio of 59.9%. The planned CET1 capital ratio of 15.5% exceeds the capital requirements and is met even in the stress case scenario, at 12.9%. KfW IPEX-Bank funds itself almost entirely through borrowings from KfW, also over its planning horizon, with terms and conditions based on KfW IPEX-Bank's rating on capital markets.

The singular nature of the COVID-19 pandemic makes for significantly elevated forecasting uncertainty, but the forecast outlined above is considered to be appropriate and robust. This uncertainty also applies to the earnings forecast for 2022, which will depend, as in previous years, on the level of risk provisions required for our conservative benchmarks.

Moreover, in light of recent developments in the Russia-Ukraine conflict following Russia's attack on Ukraine on 24 February 2022, KfW IPEX-Bank expects a negative impact on German and global economic output in 2022. Subsequently, this may also hinder attainment of the targets set for the 2022 financial year. According to current assessments, the crisis will have a direct impact on KfW IPEX-Bank's credit exposure in Russia in particular. It is also likely that the conflict will have an indirect impact on the course of the bank's business and on its results of operations. There may be adverse effects on the energy and commodity markets and consequences of being affected by the sanctions imposed. At the present time, an exact forecast of the total impact on the net assets, financial position and results of operations is only possible to a very limited extent in view of the fast-changing situation, especially given the uncertainty as to the further escalation or de-escalation of the military conflict. KfW IPEX-Bank will continue to closely monitor the conflict's development and its consequences for the business operations of KfW IPEX-Bank.

Financial Statements, Notes, Independent Auditor's Report

Country-by-country reporting as per Section 26a of the German Banking Act

Corporate Governance Report

Financial Statements of KfW IPEX-Bank 2021

Balance Sheet of KfW IPEX-Bank as of 31 December 2021

Assets

	31 Dec. 2021				31 Dec. 2020			
	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				6	
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	**6**
2. Loans and advances to banks								
a) mortgage loans			0				0	
b) municipal loans			27,919				45,265	
c) other loans and advances			580,319	**608,238**			911,949	**957,214**
of which: due on demand	*2,426*				*2,146*			
of which: collateralised by securities	*0*				*0*			
3. Loans and advances to customers								
a) mortgage loans			806,605				831,554	
b) municipal loans			1,224,534				1,122,244	
c) other loans and advances			24,248,087	**26,279,226**			24,250,383	**26,204,181**
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		507,918	507,918			499,651	499,651	
of which: eligible as collateral with the Deutsche Bundesbank	*410,648*				*409,915*			
c) own bonds			0	**507,918**			0	**499,651**
Nominal value	0				0			
5. Investments				**41,380**				**22,973**
of which: in banks	*360*				*360*			
of which: in financial services institutions	*0*				*0*			
6. Shares in affiliated companies				**982**				**0**
of which: in banks	*982*				*0*			
of which: in financial services institutions	*0*				*0*			
7. Assets held in trust				**404,284**				**362,415**
of which: loans held in trust	*404,284*				*361,460*			
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			14,242				7,651	
c) goodwill			0				0	
d) payments on account			0	**14,242**			0	**7,651**
9. Property, plant and equipment				**436**				**299**
10. Other assets				**22,713**				**14,253**
11. Prepaid expenses and deferred charges								
a) from issuing and lending			17,316				18,267	
b) other			51,168	**68,484**			24,052	**42,319**
Total assets				**27,947,908**				**28,110,961**

Liabilities and equity

	31 Dec. 2021				31 Dec. 2020			
	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			1,138,365				1,043,231	
c) other liabilities			21,156,669	**22,295,034**			21,702,170	**22,745,402**
of which: due on demand	*609,456*				*1,016,413*			
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 period of notice of three months		0				0		
cb) with agreed period of notice of over three months		0	0			0	0	
d) other liabilities			144,150	**144,150**			114,476	**114,476**
of which: due on demand	*70,490*				*34,034*			
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				**404,284**				**362,415**
of which: loans held in trust	*404,284*				*361,460*			
4. Other liabilities				**190,123**				**66,948**
5. Deferred income								
a) from issuing and lending			6,690				5,457	
b) other			47,195	**53,885**			23,934	**29,390**
6. Provisions								
a) provisions for pensions and similar commitments			278,481				241,168	
b) tax provisions			2,090				3,833	
c) other provisions			57,550	**338,121**			57,870	**302,871**
7. Subordinated liabilities				**400,000**				**0**
8. Additional tier 1 regulatory capital instruments				**600,000**				**0**
9. Fund for general banking risks				**342,725**				**316,331**
10. Equity								
a) called capital								
subscribed capital		1,100,000				2,100,000		
less uncalled outstanding contributions		0	1,100,000			0	2,100,000	
b) capital reserves			1,655,138				1,648,678	
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		424,449	424,449			424,449	424,449	
d) Net income for the year			(0)	**3,179,587**			0	**4,173,127**
Total liabilities and equity				**27,947,908**				**28,110,961**
1. Contingent liabilities								
a) from the endorsement of rediscounted bills		0				0		
b) from guarantees and guarantee agreements		2,419,886				2,160,376		
c) assets pledged as collateral on behalf of third parties		0	2,419,886			0	2,160,376	
2. Other obligations								
a) commitments deriving from non-genuine repurchase agreements		0				0		
b) placing and underwriting commitments		0				0		
c) irrevocable loan commitments		10,276,142	10,276,142			8,799,632	8,799,632	

Income Statement of KfW IPEX-Bank from 1 January 2021 to 31 December 2021

Expenses

	1 Jan. – 31 Dec. 2021				1 Jan. – 31 Dec. 2020			
	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			195,746				249,703	
less positive interest from banking business			–25,378	**170,368**			–11,576	**238,126**
2. Commission expense				**5,562**				**3,694**
3. Administrative expense								
a) personnel expense								
aa) wages and salaries		90,799				83,951		
ab) social insurance contributions, expense for pension provision and other employee benefits		19,895	110,694			16,732	100,683	
of which: for pension provisions	*8,228*				*5,382*			
b) other administrative expense			148,400	**259,094**			128,140	**228,823**
4. Amortisation, depreciation and impairment on intangible assets and property, plant and equipment				**2,145**				**159**
5. Other operating expenses				**28,388**				**51,985**
6. Write-downs of and value adjustments on loans and specific securities and increase in loan loss provisions				**127,979**				**224,772**
7. Additions to the fund for general banking risks				**26,394**				**0**
8. Write-downs of and value adjustments on investments, shares in affiliated companies and securities treated as fixed assets				**0**				**245**
9. Taxes on income				**805**				**–3,783**
10. Other taxes not stated under other operating expenses				**327**				**3,344**
11. Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement				**133,949**				**47,622**
12. Net income for the year				**0**				**0**
Total expenses				**755,011**				**794,986**

Income

	1 Jan. – 31 Dec. 2021				1 Jan. – 31 Dec. 2020			
	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		518,084				568,618		
less negative interest from lending and money market transactions		–2	518,082			–106	568,512	
b) fixed-income securities and debt register claims		2,468				2,839		
less negative interest from fixed-income securities and debt register claims		–1,406	1,062	**519,144**		–420	2,418	**570,930**
2. Current income from								
a) shares and other non-fixed income securities			0				0	
b) investments			6				0	
c) shares in affiliated companies			0	**6**			0	**0**
3. Commission income				**177,905**				**188,664**
4. Withdrawals from the fund for general banking risks				**0**				**29,200**
5. Earnings on allocations to investments, shares in affiliated companies and securities treated as fixed assets				**16,897**				**0**
6. Other operating income				**41,059**				**6,191**
Total income				**755,011**				**794,986**

Notes

KfW IPEX-Bank is registered in the Commercial Register of the Local Court of Frankfurt am Main:

Company number: HRB 79744
Company name: KfW IPEX-Bank GmbH
Headquarters: Frankfurt am Main

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 German Ordinance Regarding the Accounting System for Banks and Financial Services Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – "RechKredV"*) and the German Limited Liability Companies Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung – "GmbHG"*), as well as in accordance with the requirements for Pfandbrief banks (in particular the German Pfandbrief Act [*Pfandbriefgesetz – "PfandBG"*]). Disclosures on individual balance sheet items, which may be provided either in the balance sheet or in the notes, are provided 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. Differences between par values and lower amounts disbursed for loans and advances that have interest-like characteristics are included in deferred income and are recognised through the income statement under net interest income on a straight-line basis over their loan term.

Securities held as current assets are valued strictly at the lower of cost or market in accordance with Section 253 (4) sentence 1 of the German Commercial Code. 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 accordance with Section 253 (3) of the German Commercial Code; in the event of a permanent impairment in value, securities are written down. Valuation units have been valued at amortised cost in accordance with Section 254 of the German Commercial Code.

There are no held-for-trading securities.

Structured securities with embedded derivatives are accounted for as one unit and are valued strictly at the lower of cost or market.

Investments are recognised at acquisition cost. During the current financial year a change is being made to the valuation method for investments that are held as fixed assets. In contrast to the previous accounting approach, from the current financial year onwards use will be made of the option provided under Section 253 (3) sentence 6 of the German Commercial Code, whereby securities and investments are valued strictly at the lower of cost or market. This change will provide improved insight into the financial position of the securities and investments at the balance sheet date. The change in approach has no impact on operating results during the reporting year.

Property, plant and equipment and intangible assets are reported at acquisition or production cost as defined by Section 255 of the German Commercial Code, reduced by ordinary depreciation/amortisation over their expected useful life. Additions and disposals of fixed assets during the course of the year are depreciated pro rata temporis (i.e. on an exact monthly basis). A compound item is set up for low-value fixed assets with purchase costs of EUR 250 to EUR 1,000, which is released to the income statement on a straight-line basis over the year of acquisition and the next four years. The bank does not capitalise internally generated intangible assets in accordance with Section 248 (2) of the German Commercial Code.

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

Liabilities are recognised at their repayment value in accordance with Section 253 (1) sentence 2 of the German Commercial Code. Differences between agreed higher repayment amounts and issue amounts are recognised in Prepaid expenses and deferred charges (Section 250 (3) of the Code).

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 and Financial Services Institutions).

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 performed on the basis of Dr Klaus Heubeck's '2018 G Mortality and Disability Tables', applying the following actuarial assumptions:

Assumptions for provisions for pensions and similar commitments

Actuarial assumptions in % p.a.

	31 Dec. 2021
	in % p.a.
Interest rate for accounting purposes	1.87
Projected unit credit dynamics	2.20
Index-linking of pensions[1)]	1.00 to 2.50
Staff turnover rate	4.50

[1)] Varies according to applicable pension scheme

The valuation effect resulting from year-on-year changes in the discount rate used for discounting pension obligations is reported under other operating income.

Other provisions are reported in the amount of their required settlement value as dictated by prudent business judgement, taking future price/cost increases into account (Section 253 (1) sentence 2 of the German Commercial Code). Provisions with a residual term of more than one year are discounted using average market interest rates published monthly by the Deutsche Bundesbank, on the basis of their residual term (average interest rate over the last ten years for provisions for pension commitments; average interest rate over the last seven years for other provisions; Section 253 (2) of the Code). The net method is used to calculate present value. Here, a present value addition to the provision is taken and the initial discounting effect is offset against the administrative expense. The interest effect resulting from subsequent valuation is reported under net interest income and its amount is disclosed in the Notes.

Prepaid expenses and deferred charges and deferred income as defined by Section 250 of the Code are recognised 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.

Deferred tax assets and liabilities are determined based on differences in value between the commercial and the tax balance sheet. Any deferred tax assets resulting from this calculation are offset with any deferred tax liabilities. KfW IPEX-Bank exercises the option under Section 274 (1) sentences 2 and 3 of the German Commercial Code, whereby if the overall net position of the deferred tax assets and liabilities is a deferred tax asset, this is not recognised. However, where the net position is a deferred tax liability, this is reported in the balance sheet (Section 274 (1) sentence 1 of the German Commercial Code) accordingly.

Allowance has been made for risks arising from the lending business through the recognition of value adjustments and loan loss provisions. 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 cash flows 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).

The bank recognises portfolio loan loss provisions for foreseeable but not yet individually substantiated counterparty default risks in the lending business in the amount of the expected 12-month loss or, if there is a significant deterioration in default risk in comparison to the date of initial recognition, in the amount of the credit loss expected over the residual term of the exposure.

Additions and reversals are reported net under the item 'Write-downs of and value 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.

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 (1) in conjunction with Section 249 (1) sentence 1, second alternative of the Code for any excess obligations resulting from the valuation of the interest-related banking book. The requirements set forth in the Accounting Principle of the Banking Panel of Experts of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland – "IDW"*) on the loss-free valuation of the banking book (IDW AcP BFA 3) are taken into account. In order to determine any excess obligation, KfW IPEX-Bank calculates the balance of all discounted future net income of the banking book. Together with net interest income, this includes relevant commission income, administrative expenses and risk costs in the amount of expected losses. No such provision for contingent losses was required in the reporting year.

In the context of the ongoing period of low interest rates, 2021 once again saw negative interest rates on the money and capital markets. Disclosure requirements for the income statement under German commercial law include separate disclosure of negative interest under net interest income – 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 in 2021, amounts with a material impact occurred in connection with liabilities-side promissory note loans, money market transactions and interest-bearing securities.

Profit shares in relation to the silent partner contribution of KfW are reported under the item 'Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement'.

Expenditure for the EU bank levy is reported under the item 'Administrative expense', as specified by the Institute of Public Auditors in Germany.

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

	Due on demand	Maturity with agreed term or period of notice				Pro rata interest	Total
		Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years		
	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]	27,624	75,261	192,867	288,428	20,145	3,914	608,238
(as of 31 Dec. 2020)	*43,774*	*194,873*	*417,883*	*271,900*	*23,247*	*5,538*	*957,214*
Loans and advances to customers	0	930,252	2,583,292	13,193,006	9,490,882	81,793	26,279,226
(as of 31 Dec. 2020)	*0*	*1,111,357*	*2,803,027*	*12,860,654*	*9,344,567*	*84,576*	*26,204,181*
Total	**27,624**	**1,005,513**	**2,776,159**	**13,481,434**	**9,511,027**	**85,707**	**26,887,464**
(as of 31 Dec. 2020)	*43,774*	*1,306,230*	*3,220,910*	*13,132,553*	*9,367,814*	*90,114*	*27,161,394*
in %	**0**	**4**	**10**	**50**	**35**	**0**	**100**

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

	Loans and advances to		Total
	Banks	Customers	
of which to:	EUR in thousands	EUR in thousands	EUR in thousands
Shareholder	0	0	**0**
Affiliated companies	28,108	0	**28,108**
Companies in which KfW IPEX-Bank holds a stake	23,118	0	**23,118**
Subordinated assets	0	8,383	**8,383**

Bonds and other fixed-income securities

Listed/marketable securities

	31 Dec. 2021	31 Dec. 2020
	EUR in thousands	EUR in thousands
Listed securities	507,918	499,651
Unlisted securities	0	0
Marketable securities	**507,918**	**499,651**

The ‘Bonds and other fixed-income securities’ item totalling EUR 508 million (previous year: EUR 500 million) mainly contains a portfolio (HQLA portfolio) of high-quality and highly liquid securities issued by KfW – as an affiliated company – in the amount of EUR 411 million (previous year: EUR 410 million). The portfolio includes securities amounting to EUR 97 million (previous year: EUR 0 million) which fall due during the year following the balance sheet date.

The HQLA portfolio is assigned to current assets and is hedged by means of asset swaps. ‘Loss peaks’ arising from fluctuations in the bonds and their associated asset swaps have a direct impact on the income statement. Other fixed-income securities of EUR 97 million (previous year: EUR 90 million) are assigned to fixed assets.

Fixed assets

	Changes 2021[1]	Residual book value 31 Dec. 2021	Residual book value 31 Dec. 2020
	EUR in thousands	EUR in thousands	EUR in thousands
Investments	18,406	41,380	22,973
Shares in affiliated companies	982	982	0
Bonds and other fixed-income securities	7,535	97,270	89,735
of which: included in valuation units within the meaning of Section 254 of the German Commercial Code (“HGB”)	*0*	*0*	*0*
Summe	**26,923**	**139,632**	**112,708**

[1] Including exchange rate changes

	Acquisition/ production costs	Additions	Disposals	Transfers	Acquisition/ production costs as of 31 Dec. 2021	Cumulative amortisation, depreciation and impairment as of 1 Jan. 2021
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Intangible assets	7,922	8,634	0	0	16,556	271
Property, plant and equipment[2]	823	239	48	0	1,014	524
Sum	**8,744**	**8,873**	**48**	**0**	**17,570**	**794**
Total						

	Amortisation, depreciation and impairment 2021	Write-ups	Cumulative amortisation, depreciation and impairment in the financial year			Cumulative amortisation, depreciation and impairment as of 31 Dec. 2021	Residual book value 31 Dec. 2021	Residual book value 31 Dec. 2020
			Additions	Disposals	Transfers			
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Intangible assets	2,042	0	1,993	0	0	2,313	14,242	7,651
Property, plant and equipment[2]	102	0	18	47	0	579	436	299
Sum	**2,145**	**0**	**2,012**	**47**	**0**	**2,892**	**14,678**	**7,950**
Total							**154,310**	**120,658**

[2] Of which: as of 31 Dec. 2021: – total value of plant and equipment: EUR 436 thousand
– total value of land and buildings used for the bank’s activities EUR 0

Bonds and other fixed-income securities intended as a permanent part of business operations have been included under fixed 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. The book value of these securities amounts to EUR 97 million. As of the balance sheet date write-downs of EUR 1 million had been avoided.

KfW IPEX-Bank holds shares in the affiliated company KfW IPEX-Bank Asia Ltd. in the amount of EUR 1 million. A wholly-owned subsidiary of KfW IPEX-Bank, this company was formally founded on 8 July 2021 and is not marketable.

Disclosures on shareholdings
Figures in accordance with Section 285 (11) of the German Commercial Code (“HGB”)

	Company name and headquarters	Capital share	Currency	Equity	Net income for the year
		in %		in thousands	in thousands
1.	KfW IPEX-Bank Asia Ltd., Singapore[1)]	100.0	SGD	1,465	27
2.	Sperber Rail Holdings Inc., Wilmington, USA[2)]	100.0	USD	69	–7
3.	Bussard Air Leasing Ltd. i.L., Dublin, Ireland[2)]	100.0	USD	–2,152	165

1) Preliminary data as of 31 Dec. 2021 is available.
2) No current annual financial statements are available.

Assets held in trust

	31 Dec. 2021	31 Dec. 2020	Change
	EUR in thousands	EUR in thousands	EUR in thousands
Loans and advances to banks	0	0	0
Loans and advances to customers	404,284	361,460	42,824
Shares	0	955	–955
Total	**404,284**	**362,415**	**41,869**

In addition to assets held in trust of EUR 404 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 22.3 billion (previous year: EUR 22.6 billion), on behalf of KfW as an indirect agent.

Other assets
Other assets totalling EUR 23 million (previous year: EUR 14 million) mainly include receivables from KfW Beteiligungs-holding GmbH arising from excess payment – prior to the formation of the CIT fiscal unity – of capital gains tax and the solidarity surcharge to the tax authorities of EUR 13 million (previous year: EUR 5 million), other assets from interest rate options amounting to EUR 5 million (previous year: EUR 5 million) and receivables from the tax authorities arising from tax advances and tax refund claims totalling EUR 2 million (previous year: EUR 1 million).

Prepaid expenses and deferred charges
Prepaid expenses and deferred charges of EUR 68 million (previous year: EUR 42 million) include, in particular, pro rata deferred upfront payments for derivative financial instruments amounting to EUR 51 million (previous year: EUR 24 million) and capitalised premium amounts from purchases of receivables of EUR 17 million (previous year: EUR 18 million).

Notes on liabilities and equity

Liabilities to banks and customers

Maturities structure of liabilities

	Due on demand	Maturity with agreed term or period of notice				Pro rata interest	Total
		Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years		
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Liabilities to banks	609,456	1,462,910	2,080,540	12,372,090	5,731,836	38,202	22,295,034
(as of 31 Dec. 2020)	*1,016,413*	*3,400,640*	*3,161,074*	*10,648,300*	*4,476,984*	*41,991*	*22,745,402*
Liabilities to customers – other liabilities	70,490	70,885	0	0	0	2,775	144,150
(as of 31 Dec. 2020)	*34,034*	*78,109*	*0*	*0*	*0*	*2,333*	*114,476*
Total	**679,946**	**1,533,795**	**2,080,540**	**12,372,090**	**5,731,836**	**40,977**	**22,439,184**
(as of 31 Dec. 2020)	*1,050,446*	*3,478,749*	*3,161,074*	*10,648,300*	*4,476,984*	*44,324*	*22,859,878*
in %	**3**	**7**	**9**	**55**	**26**	**0**	**100**

	Liabilities to		Total
	Banks	Customers	
of which to:	EUR in thousands	EUR in thousands	EUR in thousands
Shareholder	0	0	0
Affiliated companies	22,210,876	0	22,210,876
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 German Ordinance Regarding the Accounting System for Banks and Financial Services Institutions (“RechKredV”)

		31 Dec. 2021	31 Dec. 2020
		EUR in millions	EUR in millions
Public Pfandbriefe in issue		**1,137**	**1,042**
Cover assets			
Loans and advances to customers		1,604	1,387
a) mortgage loans		*0*	*0*
b) municipal loans		*852*	*621*
c) other loans and advances		*752*	*766*
Bonds and other fixed-income securities		75	75
Cover assets total		**1,679**	**1,462**
Over-collateralisation	**absolute value**	**542**	**420**
	in %	**48**	**40**

Information in accordance with Section 28 of the German Pfandbrief Act (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. 2021 **EUR in millions**	**31 Dec. 2020** **EUR in millions**	**31 Dec. 2021** **EUR in millions**	**31 Dec. 2020** **EUR in millions**	**31 Dec. 2021** **EUR in millions**	**31 Dec. 2020** **EUR in millions**
Total value of Pfandbriefe in issue including derivatives	1,137	1,042	1,150	1,062	1,229	1,170
of which: derivatives	*0*	*0*	*0*	*0*	*0*	*0*
Total value of cover pools including derivatives	1,679	1,462	1,797	1,590	1,759	1,600
of which: derivatives	*0*	*0*	*0*	*0*	*0*	*0*
Over-collateralisation absolute	**542**	**420**	**647**	**528**	**530**	**429**
value in %	**48**	**40**	**56**	**50**	**43**	**37**

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

Section 28 (1) nº 2 of the Pfandbrief Act **Maturity structure and fixed-interest period**	**Pfandbriefe in circulation**		**Cover pool**	
	31 Dec. 2021 **EUR in millions**	**31 Dec. 2020** **EUR in millions**	**31 Dec. 2021** **EUR in millions**	**31 Dec. 2020** **EUR in millions**
up to 6 months	0	0	66	67
more than 6 to 12 months	0	0	68	66
more than 12 to 18 months	163	232	84	66
more than 18 months to 2 years	44	0	69	69
more than 2 to 3 years	163	197	200	151
more than 3 to 4 years	94	157	108	202
more than 4 to 5 years	35	91	85	112
more than 5 to 10 years	637	366	606	407
more than 10 years	0	0	394	321

Section 28 (1) nº 9 of the Pfandbrief Act	**31 Dec. 2021** **in %**	**31 Dec. 2020** **in %**
Proportion of fixed-rate		
– cover pool	*47*	*31*
– Pfandbriefe	*57*	*44*

Section 28 (1) nº 10 of the Pfandbrief Act **(as per Section 6 of the Pfandbrief Net Present Value Regulation)**	**Net present value**	
Foreign currency	**31 Dec. 2021** **EUR in millions**	**31 Dec. 2020** **EUR in millions**
AUD	0	21
CAD	98	101
USD	–130	–92

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 German Pfandbrief Act			
	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
	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. 2021	31 Dec. 2020
	EUR in millions	EUR in millions
up to EUR 10 million	3	12
more than EUR 10 million to EUR 100 million	356	478
more than EUR 100 million	1,321	973
Total	**1,679**	**1,462**

	Section 28 (3) no 2 of the German Pfandbrief Act Total value of claims used by country and debtor class											
	Government				Regional authorities				Local authorities			
	31 Dec. 2021		31 Dec. 2020		31 Dec. 2021		31 Dec. 2020		31 Dec. 2021		31 Dec. 2020	
	a[1)]	b[2)]	a[1)]	b[2)]	a[1)]	b[2)]	a[1)]	b[2)]	a[1)]	b[2)]	a[1)]	b[2)]
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Federal Republic of Germany	0	555	0	584	0	151	0	3	0	40	0	55
Denmark	0	0	0	0	0	0	0	0	0	0	0	0
Finland	0	0	0	0	0	0	0	0	0	0	0	0
France	359	0	225	0	0	0	0	0	0	0	0	0
Austria	0	20	0	20	0	0	0	0	0	0	0	0
Total	**359**	**575**	**225**	**604**	**0**	**151**	**0**	**3**	**0**	**40**	**0**	**55**

[1)] Owed
[2)] Guaranteed

Section 28 (3) nº 2 of the German Pfandbrief Act Total value of claims used by country and debtor class								
	Other debtors				Total		thereof: guarantees provided to promote export finance	
	31 Dec. 2021		31 Dec. 2020		31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
	a[1]	b[2]	a[1]	b[2]				
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Federal Republic of Germany	153	108	159	75	1,007	875	706	584
Denmark	0	251	0	269	251	269	251	269
Finland	0	43	0	72	43	72	43	72
France	0	0	0	0	359	225	0	0
Austria	0	0	0	0	20	20	20	20
Total	**153**	**401**	**159**	**416**	**1,679**	**1,462**	**1,019**	**945**

[1] Owed
[2] Guaranteed

Claims outstanding

	Section 28 (3) nº 3 of the German Pfandbrief Act Total value of claims outstanding for at least 90 days		Section 28 (3) nº 3 of the Pfandbrief Act Total value of claims where the arrear is at least 5% of the claim	
	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Sovereigns	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. 2021	31 Dec. 2020	Change
	EUR in thousands	EUR in thousands	EUR in thousands
Liabilities to banks	0	0	0
Liabilities to customers	404.284	362.415	41.869
Total	**404.284**	**362.415**	**41.869**

Other liabilities
Other liabilities totalling EUR 190 million (previous year: EUR 67 million) mainly consist of the liability to KfW Beteiligungsholding GmbH resulting from the existing profit transfer agreement of EUR 119 million (previous year: EUR 30 million), the balancing item for the foreign currency translation of derivative hedges of EUR 43 million (previous year: EUR 9 million) and the profit share for the silent partner contribution of KfW of EUR 15 million (previous year: EUR 18 million).

Deferred income
Deferred income totalling EUR 54 million (previous year: EUR 29 million) primarily includes deferred upfront payments for derivative financial instruments amounting to EUR 47 million (previous year: EUR 24 million) and discounts from receivables purchases totalling EUR 7 million (previous year: EUR 5 million).

Provisions
In addition to provisions for pensions and similar commitments totalling EUR 278 million (previous year: EUR 241 million) and tax provisions amounting to EUR 2 million (previous year: EUR 4 million), other provisions of EUR 58 million (previous year: EUR 58 million) were recognised as of 31 December 2021. Tax provisions comprise primarily liabilities in connection with the bank's US lending business (EUR 2 million). The other provisions relate in particular to liabilities to staff (EUR 25 million), provisions for credit risks (EUR 14 million), archiving costs (EUR 10 million) and provisions for contingent losses on derivatives concluded in connection with the lending business (EUR 2 million).

The difference between provisions for pension commitments recognised on the basis of the average market interest rate from the last ten financial years and provisions recognised based on the average market interest rate from the last seven financial years, in accordance with Section 253 (6) sentence 1 of the German Commercial Code, came to EUR 35 million as of 31 December 2021 (previous year: EUR 42 million).

Subordinated liabilities
With effect from 31 December 2021, KfW – as an affiliated company – has granted KfW IPEX-Bank a subordinated loan in the amount of EUR 400 million. The contractual structure is set out below.

Amount in millions	Currency	Interest rate	Maturity date
400	EUR	0.85% p.a. up until (and excluding) 30 April 2027; from 30 April 2027 until full repayment, the applicable interest rate is the higher of either the reference rate (5-year swap offer rates) plus a margin of 0.959% p.a. or 0%. The interest payment date is annually on 30 April; the first interest payment is on 30 April 2022 (short first interest period)	31 Dec. 2031 with an optional repayment on 30 April 2027

In the event of liquidation or insolvency, liabilities in relation to the loan rank below the bank's senior debt. Until such time, KfW IPEX-Bank is not obliged to make a repayment ahead of schedule. The subordinated liabilities meet the requirements of tier 2 capital laid down in the Capital Requirements Regulation (CRR) and are included in the regulatory own funds of KfW IPEX-Bank in full.

Interest expense for the subordinated loan amounted to EUR 9 thousand in 2021.

Additional tier 1 regulatory capital instruments
In addition, with effect from 31 December 2021 KfW IPEX-Bank issued a subordinated bearer bond of EUR 600 million to KfW as an affiliated company. In the event of liquidation or insolvency, liabilities in relation to the bearer bond rank below the bank's senior debt. Until such time, KfW IPEX-Bank is not obliged to make a repayment ahead of schedule.

According to the bond terms and conditions, the bond must be written down if the common equity tier 1 capital ratio (CET1 ratio) falls below 5.125%. When such a reduction occurs, the bond can – under certain conditions – be written back up to par value in the subsequent financial year. No arrangement has been made for the creditor to have any additional participation in the issuer's profit or loss under commercial law. Under the German Commercial Code, the bond qualifies as debt capital.

KfW IPEX-Bank has the right, at any time and at its own discretion, to dispense with interest payments either partly or in full. Under certain conditions, it will be mandatory for interest payments to cease. There is no requirement to make good any missed interest payments.

The bond meets the requirements of additional tier 1 (AT1) capital laid down in the CRR and is included in the regulatory own funds of KfW IPEX-Bank in full.

Key features of the AT1 bond:

Amount in millions	Currency	Interest rate	Maturity date
600	EUR	2.742% p.a. up until (and excluding) 30 April 2027; starting from 30 April 2027 until full repayment the applicable interest rate is the higher of either the reference rate (5-year swap offer rates) plus a margin of 2.854% p.a. or 0%. The interest payment date is annually on 30 April; the first interest payment is on 30 April 2022 (short first interest period)	No final maturity date. Optional repayment on 30 April 2027 or on any subsequent fifth anniversary

Interest expenses incurred amounted to EUR 45 thousand in 2021.

Other required disclosures on liabilities and equity

Contingent liabilities

Sector department	31 Dec. 2021	31 Dec. 2020	Change
	EUR in millions	EUR in millions	EUR in millions
Power and Environment	824	695	129
Aviation, Mobility & Transport	748	590	158
Financial Institutions, Trade and Commodity Finance	292	183	109
Industries and Services	200	193	7
Resources and Recycling	159	123	36
Infrastructure	152	130	23
Maritime Industries	44	247	–202
Total	**2,420**	**2,160**	**260**

New guarantees given in the 2021 financial year amounted to EUR 601 million. In contrast, a total of EUR 341 million was redeemed.

Irrevocable loan commitments

Sector department	31 Dec. 2021 EUR in millions	31 Dec. 2020 EUR in millions	Change EUR in millions
Maritime Industries	2,132	1,249	883
Industries and Services	1,813	1,284	529
Power and Environment	1,751	1,653	98
Aviation, Mobility & Transport	1,484	988	496
Resources and Recycling	1,389	1,865	–476
Infrastructure	1,272	1,235	37
Financial Institutions, Trade and Commodity Finance	435	526	–91
Total	**10,276**	**8,800**	**1,476**

Total irrevocable loan commitments as of 31 December 2021 stood at EUR 10,276 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 German Ordinance Regarding the Accounting System for Banks and Financial Services Institutions ("RechKredV")

	31 Dec. 2021			31 Dec. 2020		
	Frankfurt EUR in thousands	London EUR in thousands	Total EUR in thousands	Frankfurt EUR in thousands	London EUR in thousands	Total EUR in thousands
Interest income	516,142	3,002	519,144	567,160	3,770	570,930
Current income from						
a) shares and other non-fixed-income securities	0	0	0	0	0	0
b) investments	6	0	6	0	0	0
c) shares in affiliated companies	0	0	0	0	0	0
Commission income	177,900	6	177,905	188,642	22	188,664
Other operating income	28,391	12,668	41,059	–1,277	7,468	6,191
Total	**722,440**	**15,675**	**738,114**	**754,525**	**11,261**	**765,786**

Interest expense and interest income
Valuation of provisions led to interest expense from compounding of EUR 6,815 thousand (previous year: EUR 6,968 thousand).

In 2021, negative interest amounts arose to a significant extent in connection with liabilities-side promissory note loans in the amount of EUR 22,320 thousand (previous year: EUR 7,504 thousand) and interest-bearing securities in the amount of EUR 1,406 thousand (previous year: EUR 420 thousand). Furthermore, negative interest amounts arose in connection with money market transactions – EUR 3,058 thousand (previous year: EUR 4,072 thousand) from call money and term borrowings and EUR 2 thousand (previous year: EUR 106 thousand) from call money and term lending.

Other operating expense
Other operating expense amounted to EUR 28 million (previous year: EUR 52 million). This primarily included the effect of changes in interest rates from the valuation of provisions in connection with staff pension commitments amounting to EUR 24 million (previous year: EUR 20 million) and realised and unrealised exchange losses from foreign currency valuation totalling EUR 2 million (previous year: EUR 31 million).

Other operating income
Other operating income of EUR 41 million (previous year: EUR 6 million) chiefly related to realised and unrealised exchange gains from foreign currency valuation totalling EUR 32 million (previous year: EUR 0 million), income from the reversal of provisions no longer required of EUR 5 million (previous year: EUR 1 million) and income from services provided to group companies totalling EUR 4 million (previous year: EUR 4 million).

Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement

	31 Dec. 2021	31 Dec. 2020
	EUR in millions	EUR in millions
Annual profit to be transferred due to the profit transfer agreement concluded with KfW Beteiligungsholding GmbH	119	30
Profit sharing for the KfW silent partner contribution	15	18
Total	**134**	**48**

Appropriation of profit
As part of the implementation of the existing profit transfer agreement, the annual profit (EUR 119 million) is transferred to KfW Beteiligungsholding GmbH, subject to approval of the financial statements by the general shareholders' meeting.

Other required disclosures

Assets and liabilities denominated in foreign currency
Assets and liabilities denominated in foreign currency as well as spot transactions that were not settled by the balance sheet date were converted into euros at the average spot exchange rates applicable as of 31 December 2021.

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

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

As of 31 December 2021, 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 15.0 billion (previous year: EUR 15.5 billion), of which EUR 14.3 billion related to loans and advances to customers.

Total liabilities denominated in foreign currency amounted to EUR 14.9 billion (previous year: EUR 15.4 billion), of which the majority (EUR 10.1 billion) related to liabilities to banks.

Other financial liabilities

Total call obligations arising in connection with equity finance transactions added up to EUR 4 million (previous year: EUR 4 million).

In individual cases, KfW IPEX-Bank employees perform specific functions on governing bodies of companies in which KfW IPEX-Bank holds investments or with which it maintains another, relevant creditor relationship. Risks arising in connection with these functions are covered by directors' and officers' (D&O) liability 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 the liquidity reserve that are hedged in valuation units against interest risks as of the balance sheet date.

	Nominal value		Carrying amount		Fair value	
	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Liquidity reserve						
Bonds and other fixed-income securities	410	410	411	410	421	421
Total	**410**	**410**	**411**	**410**	**421**	**421**

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

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

The offsetting effect of the underlying and hedging transactions is verified through a critical terms match. The critical terms match ensures that fluctuations in value are offset both retrospectively and prospectively through matching parameters affecting the value of the underlying and hedging transactions.

Due 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 of the balance sheet date. In view of the bank's intention to hold the hedges until maturity, it can also be assumed that, in the future, too, the effects will remain almost 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 of 31 December 2021, there was a positive present value.

Derivatives reporting

KfW IPEX-Bank uses 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.

In the following table, the calculation of fair values for all contract types is based on the market valuation method. It discloses the positive and negative fair values of derivative positions as of 31 December 2021.

Derivative transactions – volumes

	Nominal value		Fair values positive	Fair values negative
	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2021
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Contracts with interest rate risks				
Interest rate swaps	29,842	27,434	745	844
Swaptions	0	0	0	0
Caps/floors	517	438	4	4
Total	**30,359**	**27,872**	**749**	**849**
Contracts with foreign exchange risks				
Cross-currency swaps	746	964	13	42
FX swaps	3,702	3,777	5	34
FX forward transactions	77	105	3	3
Total	**4,526**	**4,846**	**21**	**78**
Equity and other price risks	**0**	**0**	**0**	**0**
Credit derivatives	**0**	**0**	**0**	**0**
Total	**34,884**	**32,718**	**770**	**927**

Derivative transactions – maturities by nominal volume

	Interest rate risks		Foreign exchange risks		Credit derivatives	
	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Maturity						
– up to 3 months	454	486	2,961	3,096	0	0
– more than 3 months to 1 year	1,718	1,531	956	952	0	0
– more than 1 year to 5 years	12,037	12,160	517	693	0	0
– more than 5 years	16,150	13,696	92	105	0	0
Total	**30,359**	**27,872**	**4,526**	**4,846**	**0**	**0**

Derivative transactions – counterparties

	Nominal value		Fair values positive	Fair values negative
	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2021
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Counterparties				
OECD banks	23,101	21,787	143	840
Non-OECD banks	0	0	0	0
Other counterparties	11,676	10,824	609	85
Public sector	107	107	18	2
Total	**34,884**	**32,718**	**770**	**927**

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 27,491 million as of 31 December 2021 (previous year: EUR 24,135 million). In addition, financial guarantees amounting to EUR 221 million (previous year: EUR 169 million) were administered.

	31 Dec. 2021	31 Dec. 2020	Change
	EUR in millions	EUR in millions	EUR in millions
Market business	9,235	9,750	–515
Trust business	11,737	9,516	2,221
Other[1)]	6,519	4,869	1,650
Total	**27,491**	**24,135**	**3,356**

[1)] Including refinancing for CIRR ship financings by third-party banks totalling EUR 6,147 million (previous year: EUR 4,460 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 table below shows the average number of staff employed during the financial year:

	2021	2020	Change
Female employees	428	405	23
Male employees	448	429	19
Total	**876**	**833**	**43**
Staff not covered by collective agreements	*626*	*605*	*21*
Staff covered by collective agreements	*217*	*195*	*22*
Staff working in representative offices	*33*	*33*	*0*

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

Total remuneration paid to active members of the Management Board in financial year 2021 was EUR 2,029 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[2)]	Other remuneration[3)]	Total
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Klaus R. Michalak (CEO)	410	84	15	508
Markus Scheer	410	76	28	514
Claudia Schneider	410	63	11	483
Andreas Ufer	410	76	38	524
Gesamt	**1,638**	**298**	**92**	**2,029**

1) Differences may occur in the table due to rounding.
2) Variable remuneration relates to the payment of performance-based bonuses for work performed as a member of the Management Board and also contains deferred bonus components from previous years.
3) Other remuneration mainly comprises use of company cars, insurance premiums and taxes incurred on such remuneration.

Deferred performance-based bonuses in relation to previous years in the amount of EUR 8 thousand and retirement pension payments totalling EUR 575 thousand were paid to former members of the Management Board in the 2021 financial year.

As of 31 December 2021, provisions for pensions for former members of the Management Board and their surviving dependants stood at a total of EUR 14,658 thousand.

Total remuneration paid to the members of the Board of Supervisory Directors was EUR 94 thousand (net). Attendance fees amounting to EUR 61 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. Members of the Board of Supervisory Directors can also 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, nor to their surviving dependants. 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 Secretaries Dr Kukies and Dr Nussbaum also waived their remuneration and attendance fees.

As of 31 December 2021, there were no loans outstanding to members of the Management Board or the Board of Supervisory Directors.

Seats on statutory supervisory bodies of large corporations (Section 267 (3) of the German Commercial Code) held by members of the Management Board or other employees
Thomas Brehler, Department Head
Member of the Advisory Board of STEAG Energy Services GmbH, Essen (since 1 April 2018)

Subsequent events
In light of recent developments in the Russia-Ukraine conflict following Russia's attack on Ukraine on 24 February 2022, KfW IPEX-Bank expects there to be a negative impact on German and global economic output in 2022. Subsequently, this may also hinder attainment of the targets set for the 2022 financial year. According to current assessments, the crisis will have a direct impact on KfW IPEX-Bank's credit exposure in Russia in particular. KfW IPEX-Bank's direct exposure in Russia has been decreasing since 2014 and as of 31 January 2022 amounted to EUR 224 million. Net exposure was EUR 14 million. There is no direct exposure in Ukraine. It is also likely the conflict will have an indirect impact on KfW IPEX-Bank's loan commitments and thus also on the course of the bank's business and on its results of operations. There may be adverse effects on the energy and commodity markets and consequences of being affected by the sanctions imposed. At the present time, an exact forecast of the total impact on the net assets, financial position and results of operations is only possible to a very limited extent in view of the fast-changing situation, especially given the uncertainty as to the further escalation or de-escalation of the military conflict. KfW IPEX-Bank will continue to closely monitor the conflict's development and its consequences for the business operations of KfW IPEX-Bank.

No other events have occurred since the end of the financial year that would have a significant impact on the net assets, financial position or results of operations of KfW IPEX-Bank.

Board of Supervisory Directors

Chair: Christiane Laibach
(Member of the Executive Board, KfW Group)
(Chair of the Board of Supervisory Directors)
from 8 July 2021

Dr Ingrid Hengster
(Member of the Executive Board, KfW Group)
(Chair of the Board of Supervisory Directors)
up to 8 July 2021

Dr Stefan Peiß
(Member of the Executive Board, KfW Group)
(Deputy Chair of the Board of Supervisory Directors)

Guido Knittel
(KfW IPEX-Bank employee representative, Chair of the works council)

Dieter Koch
(KfW IPEX-Bank employee representative, Project Manager)

Dagmar P. Kollmann
(Businesswoman and Supervisory Board member)
up to 24 March 2021

Dr Jörg Kukies
(State Secretary, Federal Ministry of Finance)

Dr Ulrich Nussbaum
(State Secretary, Federal Ministry for Economic Affairs and Energy)
up to 14 December 2021

Timm Rometzki
(KfW IPEX-Bank employee representative, Team Head)

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

Management Board

Klaus R. Michalak
(CEO)

Andreas Ufer

Markus Scheer

Claudia Schneider

Frankfurt am Main, 1 March 2022

Klaus R. Michalak | **Andreas Ufer**

Markus Scheer | **Claudia Schneider**

Independent auditor’s report

Independent auditor’s report[1)]

To KfW IPEX-Bank GmbH

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of KfW IPEX-Bank GmbH, which comprise the balance sheet as at 31 December 2021, and the income statement for the financial year from 1 January 2021 to 31 December 2021, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of KfW IPEX-Bank GmbH for the financial year from 1 January 2021 to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the sections “Corporate governance statement in accordance with Section 289f (4) of the German Commercial Code” and “Non-financial statement pursuant to Section 289b (2) of the German Commercial Code” of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

– the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Institution as at 31 December 2021 and of its financial performance for the financial year from 1 January 2021 to 31 December 2021 in compliance with German legally required accounting principles, and
– the accompanying management report as a whole provides an appropriate view of the Institution’s position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the sections “Corporate governance statement in accordance with Section 289f (4) of the German Commercial Code” and “Non-financial statement pursuant to Section 289b (2) of the German Commercial Code”.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the *Institut der Wirtschaftsprüfer* [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the annual financial statements and of the management report” section of our auditor’s report. We are independent of the Institution in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

[1)] Translation of the independent auditor’s report issued in German language on the annual financial statements prepared in German language by the Management Board of KfW IPEX-Bank GmbH, Frankfurt am Main. The German language statements are decisive.

Key audit matters in the audit of the annual financial statements
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2021 to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Valuation of the loan (sub-)portfolios Resources and Recycling as well as Power and Environment

Reasons why the matter was determined to be a key audit matter
The valuation of loan portfolios and the resulting estimate of any necessary specific loan loss provisions constitutes a significant area of management judgement. The identification of impaired loans and the determination of value in use or the recoverable net proceeds involve uncertainty and entail various assumptions and influencing factors, namely the financial position of the borrower, expectations of future cash flows, observable market prices and expectations of net sale prices. Minimal changes in the assumptions can lead to great variation in values.

In our audit, the valuation of the loan (sub-)portfolios Resources and Recycling as well as Power and Environment within the customer loan portfolio was a key audit matter, since against the background of the negative impact of the Covid-19 pandemic these two (sub-)portfolios do have a higher ratio of engagements listed on watch lists for potential and acute default risks or with a significant increase in credit risk since initial recognition compared to the total loan portfolio. Therefore, judgemental decisions made when determining the assumptions regarding the valuation of the loan (sub-)portfolios Resources and Recycling as well as Power and Environment, notably the assumptions on the impact of the Covid-19 pandemic, can have a particularly strong impact on the individual loan loss provision.

Auditor's response
We assessed the design and operating effectiveness of the internal control system with regard to the key accounting-related lending processes. In doing so, we focused on the processes identifying and evaluating risks.

We also performed substantive procedures on a sample basis, assessing specific loan loss provisions in terms of necessity and adequacy in a test of details. We selected our sample using a risk-based approach, notably using criteria such as the management of loans on watch lists for potential and acute default risks, rating class, the level of net exposure and specific loan loss provisions recognised as well as a significant deterioration in default risk compared to the point of the origination of the loans.

In particular, we examined the credit files with regard to the documents of the borrowers' economics and the need for specific loan loss provision. In cases for which specific loans loss provisions were booked, we examined the significant assumptions in the impairment process. This included reviewing the estimates of the expected future cash flows from customers, including the cash flows from the realisation of collateral held, and estimates of the recoverability of defaults on payments.

Our audit procedures did not lead to any reservations with respect to the valuation of the loan (sub-)portfolios Resources and Recycling as well as Power and Environment.

Reference to related disclosures
The Institution's disclosures on the valuation of the loan portfolios (including the loan (sub-)portfolios Resources and Recycling as well as Power and Environment) are contained in the "Accounting and valuation regulations" section of the notes and also in the "Measurement of counterparty default risk" section of the management report accompanying the annual financial statements.

Other information
According to Art. 10 of the Articles of Association of IPEX, the Board of Supervisory Directors is responsible for the annual report of the Board of Supervisory Directors. In accordance with Art. 16 of the Articles of Association of KfW IPEX-Bank GmbH, the Management Board and the Board of Supervisory Directors are required to annually declare that they recognise the Public Corporate Governance Code, detailing any recommendations that have not been applied and the reasons for this, and to publish the declaration of compliance as part of the Corporate Governance Report. In all other respects, the Management Board is responsible for the other information. The other information that we obtained prior to completion of our audit comprises the following sections:

– Corporate governance statement in accordance with Section 289f (4) of the German Commercial Code
– Non-financial statement pursuant to Section 289b (2) of the German Commercial Code

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

– is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
– otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management Board and the Board of Supervisory Directors for the annual financial statements and the management report
The Management Board is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles. In addition, the Management Board is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Management Board is responsible for assessing the Institution's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Management Board is responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Institution's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Board of Supervisory Directors is responsible for overseeing the Institution's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report
Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Institution's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the *Institut der Wirtschaftsprüfer* (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Institution.
– Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
– Conclude on the appropriateness of the Management Boards' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to be able to continue as a going concern.
– Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles.
– Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Institution's position it provides.
– Perform audit procedures on the prospective information presented by the Management Board in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation
We were elected as auditor by the general shareholders' meeting on 20 March 2021. We were engaged by the Board of Supervisory Directors on 21 April 2021. We have been the auditor of KfW IPEX-Bank GmbH without interruption since financial year 2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided the following services that are not disclosed in the annual financial statements or in the management report:

– Agreed-upon procedures with regard to the calculation of contributions pursuant to Arts. 10 and 14 of the Articles of the deposit guarantee fund of the VÖB [*"Bundesverband Öffentlicher Banken Deutschlands e.V."*: Association of German Public Banks]
– Review of the schedule of deductions to accompany IPEX's application to BaFin [*"Bundesanstalt für Finanzdienstleistungsaufsicht"*: German Federal Financial Supervisory Authority] pursuant to Sec. 16j (2) Sentence 2 FinDAG [*"Finanzdienstleistungsaufsichtsgesetz"*: German Financial Services Supervision Act]
– Review of the report pursuant to Sec. 53 HGrG [*"Haushaltsgrundsätzegesetz"*: German Law on Budgetary Principles] regarding remuneration paid to the members of the Board of Supervisory Directors and the Management Board as well as to managerial staff at IPEX.
– Audit according to Sec. V No. 11 (1) of the General Terms and Conditions of the Deutsche Bundesbank.

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Matthias Koch.

Eschborn/Frankfurt am Main, 8 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Koch
Wirtschaftsprüfer
[German Public Auditor]

Hölscher
Wirtschaftsprüfer
[German Public Auditor]

Country-by-country reporting as per 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 requires disclosure of the following 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 the operating result before risk provisions and administrative expense.

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 of 31 December 2021.[12)]

Country	Company name	Nature of activities	Geographical location of branches	Turnover[2)]	Number of employees	Profit before tax[2), 3)]	Tax on profit[2) 4)]	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	532.75	765	131.61	0.06	0.00
UK	KfW IPEX-Bank GmbH	Export and project finance	London	8.64	20	3.47	0.75	0.00

1) The number of employees on a full-time equivalent basis is shown in rounded figures.
2) Calculated on a gross basis
3) On the basis of the profit transfer agreement concluded with KfW Beteiligungsholding GmbH in the context of the CIT fiscal unity the profit for the year is transferred in full to the controlling company at whose level the taxes are determined and transferred.
4) These are tax matters that lie outside the CIT fiscal unity or were established prior to the CIT fiscal unity.

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 of 31 December 2021, the return on assets within the meaning of Section 26a (1) sentence 4 of the Act is 0.0043 or 0.43%[13)].

12) Consolidated financial statements are not prepared. KfW IPEX-Bank GmbH is included in the consolidated financial statements of KfW Group, Frankfurt am Main.
13) The net profit is the annual profit that the bank intends to transfer under the profit transfer agreement with KfW Beteiligungsholding GmbH.

Corporate Governance Report

As a member of KfW Group, KfW IPEX-Bank GmbH (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 in March 2021, the recommendations of the Public Corporate Governance Code, as adopted by the Federal Government on 1 July 2009 and amended on 16 September 2020, have been and will continue to be fulfilled, with the exception of the following deviations."

D&O insurance deductible

KfW has taken out D&O insurance in the form of a group insurance policy, which provides insurance cover for members of both the Management Board and the Board of Supervisory Directors of KfW IPEX-Bank. During the reporting period, in deviation from Clause 4.3.2 of the PCGC, these D&O insurance policies only provided for a deductible for members of the Management Board. This deductible complies with the provisions of Clause 4.3.2 of the PCGC.

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 financing transactions that exceed a certain predefined limit; this is contrary to Clause 6.1.7 of the PCGC. In this way, the Board of Supervisory Directors and the Management Board of KfW IPEX-Bank achieve an appropriate distribution of competencies between the Board of Supervisory Directors and the Management Board, while at the same time reacting to the expanding volume of business and growing volumes of individual commitments of KfW IPEX-Bank.
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 Chair of the Executive Committee – and not the shareholder or the Board of Supervisory Directors as per Clause 5.4.4 of the PCGC – decides on sideline activities exercised by the members of the Management Board. The transfer of this authority is also for practical and efficiency reasons.

Allocation of responsibilities

The Management Board adopted Rules of Procedure, after consulting with the Board of Supervisory Directors and with the consent of the general shareholders' meeting, which include regulations governing cooperation among the management.

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 Chair 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 Chair 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 in detail about all relevant matters regarding KfW IPEX-Bank, and particularly any matters concerning the bank's net assets, financial position and results of operations, its risk assessment, risk management, risk culture, risk controlling, compliance 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. The members of the Management Board were responsible for the following areas during the reporting year:

- Mr Klaus R. Michalak: Finance, IT, Products and Corporate Affairs including Compliance (CEO and CFO)
- Mr Andreas Ufer: Markets II, Syndication and Treasury
- Mr Markus Scheer: Markets I
- Ms Claudia Schneider: 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 and to the Board of Supervisory Directors. No such situation occurred during the reporting year.

With the aim of achieving equal participation of women and men in management positions, KfW IPEX-Bank has set itself a target of 35% for the proportion of female staff at team head level, and a target of 31.6% for the proportion of female staff at head of department level.
The target for the proportion of women on the Management Board is 25% and the target for the Board of Supervisory Directors is 22.2%.

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 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 Climate Action – and two representatives from industry as well as three employee representatives. In accordance with the provisions of the German One-Third Participation Act, the three employee representatives serve to safeguard the interests of employees at Supervisory Board level.

In accordance with the Rules of Procedure for the Board of Supervisory Directors and its committees, the Board of Supervisory Directors is to be chaired by a representative of KfW. This requirement is fulfilled by Ms Christiane Laibach. During the reporting year and as of 31 December 2021, the Board of Supervisory Directors included one female representative. As of 31 December 2021, two positions on the Board of Supervisory Directors were unoccupied.

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. Members of the Board of Supervisory Directors should also not serve in an administrative, supervisory or consulting capacity 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 where a loan was submitted to the Loan Committee for approval, members abstained from the vote in order to avoid a conflict of interest. No 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 **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 **Risk Committee** is responsible for risk-related issues. In particular, it advises the Board of Supervisory Directors on matters relating to risk tolerance and risk strategy.

The **Loan Committee** is responsible for loan-related issues. It makes final decisions on all loan-related matters for which the Management Board requires the approval of the Board of Supervisory Directors pursuant to the Articles of Association and/or Rules of Procedure for the Members of the Management Board.

The **Audit Committee** is responsible for matters regarding accounting and risk management, as well as preparatory work for the issuance of the audit engagement 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 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

As shareholder, KfW 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, 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 of 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 financing transactions (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 Capital Requirements Regulation (CRR), for which KfW IPEX-Bank is the superordinated undertaking. KfW IPEX-Bank has incorporated KfW Beteiligungsholding GmbH into the consolidated group for regulatory reporting purposes as a subordinated undertaking within the meaning of Section 10a (1) sentence 3 of the German Banking Act.

Protection of deposits

With effect from 1 January 2008, BaFin had assigned KfW IPEX-Bank to the statutory deposit guarantee scheme of the Association of German Public Banks (*Entschädigungseinrichtung des Bundesverbandes Öffentlicher Banken Deutschlands GmbH – "EdÖ"*). From 1 October 2021, the bank was reassigned from this scheme to the Compensation Scheme of German Private Banks (*Entschädigungseinrichtung deutscher Banken – "EdB"*). This change resulted from reforms to the German Deposit Guarantee Act (*Einlagensicherungsgesetz – "EinSiG"*) and the dissolution of the statutory deposit guarantee scheme of the Association of German Public Banks, and took place through legal succession.
Until 31 December 2021, the bank was also a voluntary member of the deposit guarantee fund of the Association of German Public Banks (*Bundesverband Öffentlicher Banken Deutschlands e.V.*).

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 appetite 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 and documented comprehensively in monthly risk reports to the Management Board as well as by internal committees that meet on a regular basis, and decisions are taken on risk-related measures. The Board of Supervisory Directors is updated regularly on the bank's risk situation; it is provided with written reports on a monthly basis and with detailed information during meetings that take place on a quarterly basis.

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 ensuring adherence to data protection requirements, securities compliance, regulatory compliance, compliance with financial sanctions, as well as measures for preventing money laundering, terrorist financing and other criminal activities. There are corresponding binding rules and procedures that ensure the day-to-day implementation of such values and determine the associated corporate culture and risk culture (and as part of this, the credit risk culture); these are continually updated and developed to reflect the current legal and regulatory framework as well as market requirements. Training sessions on all compliance-related issues and on KfW IPEX-Bank's risk culture are held on a regular basis for KfW IPEX-Bank employees.

Accounting and annual audit

On 20 March 2020, the general shareholders' meeting of KfW IPEX-Bank appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditor of the financial statements for the 2021 financial year. The Board of Supervisory Directors had already issued the audit engagement to Ernst & Young on 20 March 2020, subject to the firm being appointed by the general shareholders' meeting. The bank and the auditor agreed that the Chair 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 Chair 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 2021 on the basis of structured questionnaires. The overall outcome of the assessment was a score of 1.3. 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 2021 and will be completed in the first quarter of 2022.

Sustainability

As a member of KfW Group, KfW IPEX-Bank pursues sustainable corporate governance in accordance with the German sustainability strategy and geared towards the Sustainable Development Goals (SDGs). In the coming years, KfW IPEX-Bank, as part of KfW Group, will set the course for a core business that measurably contributes to the UN Sustainable Development Goals and is compatible with the Paris climate targets. As a member of KfW Group, KfW IPEX-Bank is also strategically preparing for the EU Taxonomy for sustainable investment. Its goals for the next few years are as follows:

- Successively apply the Paris-compatible sector guidelines for the financing of particularly greenhouse gas-intensive industries and set up a greenhouse gas accounting system (including greenhouse gas footprint) for the entire portfolio
- Establish an impact management system guided by the Sustainable Development Goals
- Systematically strengthen the analysis of ESG risks in risk management across the Group

Fair taxation

KfW IPEX-Bank has fully outsourced its tax function to KfW under a Service Level Agreement. As a result of this outsourcing relationship, KfW Group's tax regulations are directly applicable to KfW IPEX-Bank. Full compliance with all national and international tax laws is part of KfW Group's sustainable corporate governance. As per its tax mission statement and its Code of Conduct, KfW Group undertakes to pay taxes as and when due and to present all tax positions transparently and comprehensively. In this way it operates as a responsible taxpayer that makes a fair contribution to society in accordance with national and international tax legislation. KfW Group does not develop or support any tax models aimed exclusively at achieving tax advantages or reductions. In particular, KfW Group does not create, use or support any artificial tax schemes. KfW Group fosters open, transparent and cooperative interaction with domestic and foreign tax authorities. The foundations of KfW Group's tax policy are enshrined in the tax mission statement of the Group tax guidelines, which apply to all of KfW Group in the form of a work instruction. In addition to the aforementioned tax mission statement, this also describes KfW Group's Tax Compliance Management System (TCMS). An independent auditor certified the appropriateness and implementation of KfW Group's TCMS in 2018. KfW Group duly complies with the provisions of the EU Directive on fairness in taxation ('DAC6') and meets its reporting obligations in accordance with the law introducing mandatory disclosure of cross-border tax arrangements.

Diversity and equal opportunities

KfW IPEX-Bank is committed to diversity and equal opportunities: nobody may be discriminated against on grounds of nationality, ethnicity, gender, religious beliefs, world view, disability, age or sexuality. This is also reflected in KfW IPEX-Bank's mission statement: "Our behaviour is shaped by respect, esteem and integrity. The balance of work and life is important to us. We want openness and diversity, and we collectively uphold decisions that have been made." To underpin its commitment to a diverse workforce, KfW IPEX-Bank signed the Diversity Charter in 2020. Implementation of the charter is communicated within the Group using posters in staff canteens or articles on the intranet for example, and externally on KfW IPEX-Bank's career pages. Activities aimed at promoting diversity and respect and the progress in implementation are published on an annual basis.

For KfW IPEX-Bank, commitment to ensuring equal opportunities for women and men – including in relation to remuneration – is a key component of its human resources policy. The bank is governed by the law on equal participation of women and men in management positions.

KfW IPEX-Bank supports the inclusion of individuals with severe disabilities as one aspect of social responsibility. It bases its approach on the UN's Convention on the Rights of People with Disabilities (CRPD), which has been in force in Germany since March 2009. In addition, virtual workshops are offered to raise awareness. The main focus here is on sensitisation and dealing openly with people with disabilities. Another focus is digital accessibility. To make sure that their interests are represented appropriately, employees with severe disabilities elect a representative body.

Mobile working/work-life balance

Finding a balance between work and private life is an important prerequisite for the health and employability of the men and women on our staff. This approach forms the basis of KfW Group's strategic, family-friendly human resources policy. KfW IPEX-Bank enables its employees to combine their work and family lives as well as possible, each in their own unique way to fit individual roles and life styles. To do so, it offers them a wide range of part-time models. The bank also substantially expanded mobile working in 2020.

Remuneration

In terms of working hours, holiday entitlement and remuneration, KfW IPEX-Bank employees are subject to the regulations of the collective bargaining agreement for the public and private banking sectors. KfW IPEX-Bank is expressly committed to fair, transparent and non-discriminatory remuneration principles and to the same standards for the evaluation process. The remuneration systems do not draw any distinctions on grounds of gender, nationality, ethnicity or religion. Activities that fall under collective bargaining agreements are assigned in accordance with collective bargaining pay scale groups for the private banking sector and public banks. The remuneration of staff who are not covered by a collective agreement is regulated at KfW IPEX-Bank by a company agreement. For the individual levels not covered by a collective agreement, different salary ranges are prescribed and form the basis for remuneration. Furthermore, the variable component is based on performance assessments focusing on the achievement of qualitative and quantitative targets. KfW IPEX-Bank's remuneration system is geared towards achievement of objectives that have been set out in the business and risk strategy. It is also based on the corporate values and corporate culture, especially the risk culture (risk appetite), and is consistent with the long-term interests of KfW IPEX-Bank and measures taken to avoid conflicts of interest. KfW IPEX-Bank awards appropriate (fixed and variable) remuneration and fringe benefits that are in line with the market, with a strong emphasis on fixed remuneration and fringe benefits. Variable remuneration is performance-based and rewards sustainable business success as well as the success of organisational units and the contribution of the individual staff member. Variable remuneration is only paid if the conditions set out in Section 7 of the German Remuneration Ordinance for Institutions (*Institutsvergütungsverordnung* – "*InstitutsVergV*") have been met. Every year, KfW IPEX-Bank applies a structured procedure to assess employee performance. Employee target management and performance assessment are important instruments for corporate management, leadership and motivation. Performance management results create the basis for determining remuneration at KfW IPEX-Bank. Since 2018, all KfW IPEX-Bank employees have been able to assert their individual right to access information according to Section 10 of the German Remuneration Transparency Act (*Entgelttransparenzgesetz*). To this end, they can learn about the criteria and procedures used to determine remuneration and make enquiries about median monthly gross remuneration and up to two salary components of a peer group of the other gender.

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 were drafted 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*) adopted by the Federal Cabinet. The contracts have since been further developed based on legal and regulatory requirements, for example, the German Remuneration Ordinance for Institutions. The contracts take PCGC requirements and further relevant legal provisions 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. 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 general shareholders' meeting – after consultation with the Board of Supervisory Directors – at the beginning of each year. This agreement includes financial, quantitative and qualitative targets for both the Group and the company, targets specific to the areas of responsibility for each member of the Management Board, and also personal targets. In the subsequent years, in line with currently applicable legal requirements, the performance-based bonus, which is calculated according to the achievement of targets, is either paid out immediately – on a pro rata basis – or deferred. Deferred remuneration components are tracked by means of a 'bonus account'. These components are paid out on a pro rata basis over a holding period that is set in accordance with currently applicable legal requirements, provided that the legal requirements in this regard have been met. Beyond this holding period, it is possible for claims for deferred remuneration components to be reduced, up to and including their complete elimination, depending upon the bank's financial performance or as a result of any misconduct.

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

	2021 EUR in thousands	2020 EUR in thousands	Change EUR in thousands
Members of the Management Board	2,029	2,027	1
Members of the Board of Supervisory Directors	155	175	–21
Total	**2,183**	**2,202**	**–19**

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.

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 paid out over the payment period required by the Ordinance. 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. Depending on the bank's performance, both the cash and sustainability components 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 reserved performance-based bonus components are also shown.

Annual remuneration paid to active members of the Management Board and additions to pension provisions during 2021 and 2020 in EUR thousands[1)]

	Salary		Variable remuneration[2)]		Other remuneration[3)]		Total		Bonus account[4)]		Additions to pension provisions	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
		EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands
Klaus R. Michalak (CEO)	410	410	84	101	15	15	508	526	129	278	229	159
Markus Scheer	410	410	76	78	28	29	514	516	113	213	629	469
Claudia Schneider	410	410	63	47	11	8	483	465	111	198	493	378
Andreas Ufer	410	410	76	75	38	36	524	521	113	214	492	230
Total	**1,638**	**1,638**	**298**	**302**	**92**	**87**	**2,029**	**2,027**	**466**	**903**	**1,843**	**1,237**

1) Rounding differences may occur in the table for computational reasons.
2) Variable remuneration relates to the payment of performance-based bonuses for work performed as a member of the Management Board and also to deferred bonus components from previous years.
3) 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* – "*SVG*"). These totalled EUR 57 thousand in 2021 (previous year: EUR 55 thousand).
4) As well as individual performance-based bonuses carried forward from previous years, the bonus account also includes the provision for bonuses for financial year 2021. In this financial year bonus components due for payment and carried forward were paid out partly with a reduction due to the insufficient sustainable performance of KfW IPEX-Bank and penalties.

Responsibilities
The general shareholders' meeting 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 on 1 October 2021.

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. There is a deductible of 10% in relation to D&O insurance policies for the members of the Management Board. Members of the Management Board of KfW IPEX-Bank acting in their management capacity are also protected by a special group legal expenses insurance policy for employees that covers criminal defence, which was taken out by KfW.

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 personal income of members of the Management Board. In 2021, 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 2021 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 Clause 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 2021.

Retirement pension payments and other benefits in the case of early retirement
According to Section 5 (1) sentence 6 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. Members of the Management Board who turn 65 years of age and/or reach statutory retirement age and whose contract for serving on the Management Board has expired are entitled to retirement pension payments. One board member who was first appointed as a member of the Management Board prior to 2014 may, at his/her request, retire early when he/she reaches 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 dependants are based on the 1992 version of the principles for the appointment of board members at German federal credit institutions adopted by the Federal Cabinet. The PCGC is taken into account when contracts of employment are drawn up for members of the Management Board.

A severance payment 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 for members of the Management Board equals 49% of the most recent gross salaries paid. In one case this entitlement amounts to 55%. 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 575 thousand (previous year: EUR 566 thousand) were made in the 2021 financial year.

In addition, deferred performance-based bonuses totalling EUR 8 thousand (previous year: EUR 26 thousand) were paid to former members of the Management Board. As of 31 December 2021, the bonus account had thus been utilised in full.
Provisions for pension obligations for former members of the Management Board and their dependants totalled EUR 14,658 thousand as of the end of the 2021 financial year (previous year: EUR 14,111 thousand).

The overview below shows payments made to former members of the Management Board and/or to their surviving dependants:

Remuneration paid to former members of the Management Board and/or their surviving dependants

	Number of payees		Retirement benefits		Number of payees		Payment of deferred performance-based bonuses[1]		Number of payees		Provisions for pension obligations	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
			EUR in thousands				EUR in thousands				EUR in thousands	
Former members of the Management Board	3	3	575	566	1	1	8	26	3	3	14,658	14,111
Surviving dependants	0	0	0	0	0	0	0	0	0	0	0	0
Total	**3**	**3**	**575**	**566**	**1**	**1**	**8**	**26**	**3**	**3**	**14,658**	**14,111**

[1] In this financial year payments were made with a deduction due to the insufficient sustainable performance of KfW IPEX-Bank.

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. According to its provisions, and unchanged from the previous year, the net annual remuneration for a member of the Board of Supervisory Directors is EUR 22,000, and the net annual remuneration for the Chair 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. Members of the Board of Supervisory Directors can also claim, to a reasonable extent, reimbursement of travel and other miscellaneous expenses that they have incurred in the performance of their duties.

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 2021 and 2020 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.

Remuneration of members of the Board of Supervisory Directors for 2021 in EUR

Member	Dates of service	Annual remuneration (net)	Attendance fees net[1]	Total (net)
Dr Hengster[2]	1 Jan.–8 Jul.	0.00	0.00	0.00
Ms Laibach[2]	8 Jul.–31 Dec.	0.00	0.00	0.00
Dr Peiß[2]	1 Jan.–31 Dec.	0.00	0.00	0.00
Dr Nußbaum[2]	1 Jan.–14 Dec.	0.00	0.00	0.00
Dr Kukies[2]	1 Jan.–31 Dec.	0.00	0.00	0.00
Dr Rupp	1 Jan.–31 Dec.	22,000.00	21,000.00	43,000.00
Ms Kollmann	1 Jan.–24 Mar.	5,500.00	3,000.00	8,500.00
Mr Rometzki	1 Jan.–31 Dec.	22,000.00	10,000.00	32,000.00
Mr Knittel	1 Jan.–31 Dec.	22,000.00	14,000.00	36,000.00
Mr Koch	1 Jan.–31 Dec.	22,000.00	13,000.00	35,000.00
Total		**93,500.00**	**61,000.00**	**154,500.00**

[1] EUR 1,000 per meeting
[2] These members waived their remuneration in advance.

Remuneration paid to members of the Board of Supervisory Directors for 2020 in EUR

Member	Dates of service	Annual remuneration (net)	Attendance fees net[1]	Total (net)
Dr Nagel[2]	1 Jan. – 31 Oct.	0.00 €	0.00 €	0.00 €
Dr Hengster[2]	1 Nov. – 31 Dec.	0.00 €	0.00 €	0.00 €
Dr Peiß[2]	1 Jan. – 31 Dec.	0.00 €	0.00 €	0.00 €
Dr Nußbaum[2]	1 Jan. – 31 Dec.	0.00 €	0.00 €	0.00 €
Dr Kukies[2]	1 Jan. – 31 Dec.	0.00 €	0.00 €	0.00 €
Dr Rupp	1 Jan. – 31 Dec.	22,000.00 €	17,000.00 €	39,000.00 €
Ms Kollmann	1 Jan. – 31 Dec.	22,000.00 €	12,000.00 €	34,000.00 €
Mr Gasten	1 Jan. – 30 Sep.	16,500.00 €	11,000.00 €	27,500.00 €
Mr Rometzki	1 Oct. – 31 Dec.	5,500.00 €	2,000.00 €	7,500.00 €
Mr Knittel	1 Jan. – 31 Dec.	22,000.00 €	12,000.00 €	34,000.00 €
Mr Koch	1 Jan. – 31 Dec.	22,000.00 €	11,000.00 €	33,000.00 €
Total		**110,000.00 €**	**65,000.00 €**	**175,000.00 €**

[1] Lump sum of EUR 1,000 net per meeting attended
[2] Remuneration not claimed

The indicated amounts are net values and were all paid for the reporting year.

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 board activities. 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. Members of the Board of Supervisory Directors of KfW IPEX-Bank acting in their capacity as such are also protected by a special group legal expenses insurance policy for employees that covers criminal defence, which was taken out by KfW.

Frankfurt, March 2022

Management Board **Board of Supervisory Directors**

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