Management Report and Financial Statements 2022

KFW IPEX-Bank

2022

Key figures

Volume of lending of the Export and Project Finance business sector

Volume of lending of the business sector[1] by sector department	**2022**
	EUR in billions
Power and Environment	16.0
Maritime Industries	14.2
Aviation, Mobility & Transport	10.1
Resources and Recycling	9.2
Infrastructure	9.2
Industries and Services	9.0
Financial Institutions, Trade and Commodity Finance	3.0
Equity Portfolio	0.2
Total	**71.1**

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

KfW IPEX-Bank GmbH key figures

	2022	**2021**
	EUR in billions	**EUR in billions**
Balance sheet key figures		
Total assets	25.9	27.9
Volume of lending	39.7	39.6
Contingent liabilities	2.6	2.4
Irrevocable loan commitments	12.2	10.3
Assets held in trust	0.4	0.4
Volume of business (total assets, contingent liabilities and irrevocable loan commitments)	40.7	40.6
Equity	3.2	3.2
Equity ratio (%)	12.4	11.4
Results	**EUR in millions**	**EUR in millions**
Operating income before risk provisions/valuations	251	273
Risk provisions and valuations	–132	–111
Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement	–96	–134
Result of the Export and Project Finance business sector (segment report, consolidated financial statements of KfW Group)[1]	578	622
Number of employees (including Management Board)	**901**	**880**

[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.

Contents

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.

Statement on the financial year

2022 was a year of great challenges. The world was repeatedly shaken by political, economic and social crises: Russia's war of aggression in Ukraine with its impact on global economic growth, the uncertainty of international food and energy supplies, but also the return of inflation at levels not seen for many years.

In the midst of these shocks, we find ourselves in a crucial phase: Can we, together with the German and European economy and our international customers, initiate and permanently secure the changeover to a sustainable society in Germany, Europe and the world in all three dimensions – economic, environmental and social?

Our focus on future technologies shows that we are on the right track. Despite the challenges mentioned above, KfW IPEX-Bank was able to increase its new commitments significantly to EUR 18.1 billion in 2022 compared to EUR 13.6 billion the previous year. Our activities are driven by a prevailing environmental awareness among civil society and governments and in much of the global

economy. They are underpinned by new commitments of EUR 2.8 billion in the Power and Environment sector department, a large part of which has been committed to energy transition projects such as wind farms or alternative energy generation projects.

The push towards a climate-friendly, digital and resilient world has begun. Many projects, large and small, are already under way that show we have the strength and energy to see this through. We are therefore optimistic about the future and feel very confident that Germany, Europe and the world are strong enough to partially reinvent themselves.

Management Board of KfW IPEX-Bank
Belgin Rudack (CEO, from 1 April 2023) and
Klaus R. Michalak (CEO, until 31 March 2023)

"Despite significant economic shocks and dynamic geopolitical developments, KfW IPEX-Bank can look back on a good financial year. Together with our customers, we are working hard to transform our society – and together we hope for peace in Ukraine."

Belgin Rudack (CEO, from 1 April 2023)

"We are underpinning KfW IPEX-Bank's excellent market position as a partner to European industry and business with new commitments of EUR 18.1 billion. We have been able to help our customers make substantial investments even in difficult times."

Klaus R. Michalak (CEO, until 31 March 2023)

"In 2022, our focus was again on financing projects for the energy transition and climate protection. Environmental and climate protection projects thus accounted for around 17% of commitments across all sector departments – in this way we also help to improve economic resilience."

Dr Velibor Marjanovic (Member of the Management Board)

"In the past year we focused in particular on supporting long-standing customers and structuring financing backed by good collateral. KfW IPEX-Bank assumed responsibility in leading roles and actively sought the involvement of other banks, institutional investors and insurance companies in order to create investment security."

Claudia Schneider (Member of the Management Board)

"Besides the restructuring of the energy sector and the transport revolution, we are also concerned with digital transformation – another major focus area of our time. We enabled the expansion of fibre-optic networks worldwide in 2022 with loans totalling EUR 1.9 billion. In this way we are helping to shape the digital society."

Andreas Ufer (Member of the Management Board)

Management Report

Economic Report

Review of 2022

General economic conditions

According to International Monetary Fund (IMF) estimates, global real gross domestic product (GDP) increased by 3.4% in 2022 compared with 2021. The growth rate in global real GDP in 2022 was thus positive but lower than that recorded in 2021. This trend was apparent for both industrialised countries and developing and emerging countries. The IMF attributes this broad-based downturn in the global economy to the consequences of war in Ukraine, including its impact on international food and energy prices and energy insecurity in Europe, the lasting effects of COVID-19 outbreaks, especially in China, unexpectedly high levels of inflation worldwide, the associated monetary policy response of central banks and tighter financing conditions. Prior to Russia's invasion of Ukraine at the end of February 2022, the Organisation for Economic Co-operation and Development (OECD) had expected the economic situation to normalise, following above-average growth in 2021 in the wake of recovery from the COVID-19 pandemic.

Gross domestic product at constant prices, global economy

	Estimate 2022	2021	Average 2012–2021
	in %	in %	in %
Global economy[1)]	3.4	6.0	3.0
Industrialised countries[1)]	2.7	5.2	1.6
Developing and emerging countries[1)]	3.9	6.6	4.1

[1)] 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 euro area, economic growth was well above average in the past year. Measured by real GDP, economic output in the euro area rose by 3.5% year-on-year in 2022, having risen by 5.3% in 2021, the strongest increase in real GDP recorded since 1999 (see Table: Gross domestic product at constant prices, euro area and Germany). The European Commission believes that growth in the first three quarters was driven by the removal of pandemic-related restrictions. There was increased demand from private households for contact-intensive services, such as hotels and restaurants. However, towards the end of the year pressures arising from the war in Ukraine became more significant, increasingly hampering economic activity in the euro area. High inflation eroded the purchasing power of household income, while increased energy costs reduced corporate earnings. At the same time, external demand also slowed. Together with high levels of uncertainty, this environment dampened consumer and investment demand. Nevertheless, real GDP in the euro area once again exceeded pre-pandemic levels in 2022.

Gross domestic product at constant prices, euro area and Germany

	2022	2021	Average 2012–2021	Maximum 1999–2021
	in %	in %	in %	in %
Euro area	3.5	5.3	0.9	5.3 (2021)
Germany	1.8	2.6	1.0	4.2 (2010)

Against the backdrop of war in Ukraine, rising prices (especially for energy and food), rising interest rates, continued global supply-chain issues and the withdrawal of most non-pharmaceutical interventions to contain the COVID-19 pandemic, Germany's real GDP grew by 1.8% year-on-year in 2022, having previously grown by 2.6% in 2021 and by an average of 1.0% annually over the previous ten years from 2012 to 2021 inclusive (see Table: Gross domestic product at constant prices, euro area and Germany). Positive impetus for the rate of change in real GDP in 2022 came from real-terms increases in private consumption (+4.6%), government consumption (+1.1%), investment in other facilities (+2.1%) and investment in equipment (+2.5%), whereas construction investment fell (–1.6%). In real terms, domestic use grew by 3.4% overall during 2022. Net exports had an adverse impact of 1.3 percentage points on the rate of change in real GDP in 2022, with the increase in real exports (+3.2%) lower than the increase in real imports (+6.7%). On the output side, the rate of change in real GDP was given positive momentum in 2022 by real gross value added in most economic sectors, except for the sectors of agriculture, forestry and fishery (–4.5%) and construction (–2.3%), while the sector of manufacturing excluding construction stagnated (+/–0.0%). The number of people in employment in Germany in 2022 was 45.56 million people, representing an increase over the previous year (+1.3%).

In 2022 developments in financial markets were dominated by high rates of inflation. The Russian attack on Ukraine provided new, sustained impetus for the already elevated rates of inflation for energy, food and some intermediate industrial goods. The macroeconomic environment of persistent inflation in 2022 led to a rethink at central banks. The US Federal Reserve (Fed) pushed ahead with successive rate hikes from March 2022, gradually raising the federal funds rate to 4.25%–4.5% by the end of the year. The European Central Bank (ECB) discontinued its asset purchase programmes in March (pandemic emergency purchase programme, PEPP) and at the end of June (regular asset purchase programme, APP). From the end of July, the ECB also began to turn interest rates around. Starting from a level of –0.5%, it raised the deposit rate in stages, each time by 50–75 basis points, reaching 2.0% at the end of the year.

Business development in 2022

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. As a bank that stands for transformation, it finances future technologies in order to support the transition to a sustainable society across the three dimensions of economy, environment and society. Using ambitious sector guidelines for CO_2-intensive sectors, KfW IPEX-Bank ensures the compatibility of its financing transactions with the goals of the Paris Agreement on climate change.

Despite the global challenges outlined above, in 2022 KfW IPEX-Bank was able to issue new commitments of EUR 18.1 billion, a significant increase compared to the previous year (EUR 13.6 billion). The past financial year saw especially strong demand for financing of projects related to the energy transition, notably those for renewable energies such as wind farms and photovoltaic installations. There was also a strong focus in 2022 on financing of fibre optic projects, which play a key role in the expansion of digital infrastructure. Of total new commitments, EUR 17.5 billion (2021: EUR 13.0 billion) related to original lending business and – as in the prior year – EUR 0.6 billion to funds for bank refinancing under the CIRR programmes.

During the past year, KfW IPEX-Bank concentrated on supporting long-standing customers and structuring financing backed by good collateral, as well as on loans for investments in the future and transformation of the economy and society. In most cases, it acted as a partner in club or syndicate financing arrangements with other national and international banks.

KfW IPEX-Bank maintains a presence in key economic and financial centres around the world, with a branch in London, eight foreign representative offices and KfW IPEX-Bank Asia Ltd., a wholly-owned subsidiary in Singapore. 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

In a challenging financial year that was marked by the consequences of war in Ukraine, high inflation and the lasting effects of COVID-19 outbreaks, KfW IPEX-Bank achieved operating income before risk provisions and valuations of EUR 251 million. This represented a decrease of EUR 22 million (–8%) on the previous year's result. In order to strengthen its regulatory own funds and stabilise its solvency ratios against exchange rate fluctuations resulting from the portion of the loan portfolio denominated in US dollars, KfW IPEX-Bank contributes to a fund for general banking risks. 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 –21 million) is shown in a 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, Financial Services Institutions and Investment Firms (*Verordnung über die Rechnungslegung der Kreditinstitute, Finanzdienstleistungsinstitute und Wertpapierinstitute – "RechKredV"*). The bank made no other adjustments to the fund during the reporting year. After additional consideration of the valuation effect, adjusted operating income before risk provisions and valuations of EUR 230 million was achieved. Operating income before risk provisions and valuations thus decreased year-on-year by EUR 17 million (–7%).

The key income components of KfW IPEX-Bank's operating income are net interest income and net commission income (totalling EUR 484 million). Their contribution to earnings was down by EUR 37 million (–7%) compared to the previous year. While net interest income was down by EUR 3 million (–1%), net commission income (down by EUR 34 million or 20% compared to the previous year's result) reflects methodology changes implemented for the 2022 financial year as part of the introduction of a new data processing system for KfW IPEX-Bank's individual financial statements, which are prepared in accordance with HGB. The change to a new system enables parallel processing of HGB and IFRS data and entails some changes to accounting policies. The main impact on results of operations has come from a change in policy in relation to fee recognition in lending business. In the past, fees incurred in direct connection with the origination of a loan were immediately recognised in full by the bank through net commission income. Since these fees have predominantly interest-like characteristics, from the 2022 financial year onwards they are spread over the tenor of the loan and reported under net interest income. The deferred fees are recognised as a liability on the balance sheet under 'Deferred income' and amortised in subsequent periods over the tenor of the loan. The new approach will further enhance the bank's provision of a true and fair view of its results of operations. The change in policy has resulted in a year-on-year reduction in operating income before risk provisions and valuations (the comparative figures have not been revised). General administrative expense amounted to EUR 272 million in the reporting year, an increase of EUR 11 million (+4%). The primary driver of the increase is personnel expense, which increased by EUR 8 million (+7%). The largest item included under other operating income and expenses (EUR +38 million) is the foreign exchange result (EUR +19 million). As previously explained, the valuation effect (EUR –21 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 –2 million. After adjusting for the currency effect of the fund for general banking risks, other operating income and expenses amounted to EUR 17 million (previous year: EUR –14 million).

The result from risk provisions and valuations of EUR –132 million comprised the risk provision result in lending business (EUR –128 million) as well as valuations from securities and investments (EUR –4 million). In total, the expense increased by EUR 21 million (+19%) year-on-year. While the risk provision result in lending business remained at a similar level overall to the previous year, valuations from securities and investments in the previous year (EUR +19 million) primarily comprised income from write-ups to fund investments held by the bank.

This leaves operating income before taxes of EUR 119 million. 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 –21 million), profit from operating activities before taxes was EUR 98 million (previous year: EUR 135 million).

In the 2016 financial year, KfW IPEX-Bank and KfW Beteiligungsholding GmbH (wholly-owned subsidiary of KfW and sole shareholder of KfW IPEX-Bank) concluded a profit transfer agreement and founded a corporate income tax (CIT) fiscal unity. On this basis, the bank transfers its annual profit in full to KfW Beteiligungsholding GmbH as the controlling company. As a result, taxes on income are primarily incurred at the level of KfW Beteiligungsholding GmbH. After deducting the tax expense, KfW IPEX-Bank generated net income for the year of EUR 96 million. Although below the level of the previous year (EUR 119 million), overall this is in line with the bank's forecast (EUR 98 million), in spite of the described challenges encountered during the financial year.

The bank reports the annual profit to be transferred in the item 'Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement' (EUR 96 million). In addition to the previous year's annual profit (EUR 119 million), the prior-year figure (EUR 134 million) includes KfW's profit share for the silent partner contribution (EUR 15 million). As part of the adaptation of its capital structure to current regulatory requirements under Basel III that was carried out in 2021, the bank replaced the silent partner contribution with new capital instruments that are recognised by the supervisory authorities.

As of the reporting date, KfW IPEX-Bank had total assets of EUR 25.9 billion, a decrease of EUR 2.0 billion (–7%) compared to 31 December 2021.

Loans and advances to banks and customers accounted for by far the largest share of assets on the balance sheet at EUR 24.9 billion or 96%. This item comprises the bank's on-balance sheet lending business (EUR 24.9 billion). At EUR 11.3 billion, the largest portion of the loan portfolio is denominated in euros (46%), while EUR 8.8 billion (36%) is denominated in US dollars. In total, the loan portfolio was down by EUR 2.0 billion (–7%) year-on-year. The reduction in the portfolio was partially offset by the appreciation of the US dollar (+6%) compared with the 2021 year-end rate.

The most significant item on the liabilities side was liabilities to banks and customers, which amounted to EUR 20.4 billion, a 79% share of total assets. This represented a year-on-year decrease of EUR 2.1 billion (–9%).

Equity on the bank's balance sheet was EUR 3.2 billion. Subscribed capital consisted solely of the bank's share capital. In comparison to 31 December 2021, the capital reserve also includes the partial reinvestment, to the extent permitted for tax purposes, of the 2021 profit transferred to KfW Beteiligungsholding GmbH. Retained earnings consist solely of earnings retained from the period before the corporate income tax fiscal unity.

In the 2021 financial year, KfW IPEX-Bank adapted its capital structure to current regulatory requirements in accordance with Basel III. In this connection, 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. It is recognised as an additional tier 1 regulatory capital instrument (AT1 bond) and was acquired by KfW in full (liability item 'Additional tier 1 regulatory capital instruments'). 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 classified by the supervisory authorities as regulatory tier 2 capital (tier 2 loan, liability item 'Subordinated liabilities').

In addition to total assets, the volume of business (EUR 40.7 billion) also takes into account irrevocable loan commitments (EUR 12.2 billion) and financial guarantees (EUR 2.6 billion). Overall, the volume is in line with the previous year (EUR 40.6 billion), with the decline in total assets largely offset by an increase in off-balance sheet items. In particular, irrevocable loan commitments have grown by EUR 1.9 billion (+19%) year-on-year, again reflecting the positive development in new business. During the past financial year, the bank issued new commitments with a volume of EUR 17.5 billion in its original lending business. At EUR 12.4 billion, the largest share of this (71%) related to market business recognised on KfW IPEX-Bank's balance sheet.

KfW IPEX-Bank's regulatory own funds totalled EUR 4.7 billion as of 31 December 2022. On this basis, the capital ratios were as follows: total capital ratio = 27.6% (previous year: 21.7%), tier 1 capital ratio = 24.6% (previous year: 19.3%) and CET1 capital ratio = 21.1% (previous year: 16.5%). The CET1 capital ratio was therefore above the forecast of 15.5%.

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. 2022	1 Jan.–31 Dec. 2021	Change	
	EUR in millions	EUR in millions	EUR in millions	%
Net interest income[1]	346	349	–3	–1
Net commission income	139	172	–34	–20
General administrative expense	–272	–261	11	4
Other operating income and expenses	38	13	26	>100
Operating income before risk provisions/ valuations	**251**	**273**	**–22**	**–8**
Valuations from securities and investments	–4	19	23	>100
Risk provision result in lending business	–128	–131	–3	–2
Risk provisions and valuations, total	**–132**	**–111**	**21**	**19**
Operating income before taxes	**119**	**161**	**–42**	**–26**
Withdrawals from/additions to the fund for general banking risks as per Section 340g of the German Commercial Code (HGB)	–21	–26	–5	–20
Profit/loss from operating activities before taxes	**98**	**135**	**–37**	**–28**
Taxes on income	–1	–1	0	0
Other taxes not stated under Other operating income and expense	–1	0	0	–
Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement	–96	–134	–38	–28
Net income for the year	**0**	**0**	**0**	**–**

[1] Including current income from investments

Net interest income and net commission income

Net interest income and net commission income are once again key income components of the bank in the 2022 financial year. They contributed a total of EUR 484 million to the bank's profit, representing a decrease of EUR 37 million (–7%) compared with the previous year (EUR 521 million). While net interest income (EUR 346 million) was down on the previous year by EUR 3 million (–1%), net commission income (EUR 139 million) was EUR 34 million (–20%) lower than the comparative figure. The development in net commission income reflects the above-mentioned methodology changes implemented as part of the introduction of a new data processing system for the individual financial statements under HGB and the accompanying change to income recognition of fees with interest-like characteristics in the lending business. From the 2022 financial year onwards these are spread over the tenor of the loan and recognised under net interest income, instead of being recognised immediately in full through net commission income as they were in the past. In this connection, during the financial year KfW IPEX-Bank booked fee receipts of EUR 55 million to the liability item 'Deferred income'. These fees will be amortised in subsequent periods through net interest income and therefore represent future earnings.

Net interest income of EUR 346 million comprised interest income of EUR 929 million and interest expense of EUR 583 million. At EUR 886 million, the majority of the interest income related to income in connection with 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 (EUR 39 million) as well as the earnings contribution from fixed-income securities (EUR 4 million). Interest expense related primarily to ongoing funding including swaps (EUR 551 million). Interest expense for the regulatory capital instruments (AT1 bond and tier 2 loan) accounted for a further EUR 20 million. In addition, interest expense included the expense for commitment fees (EUR 6 million) for credit lines granted by KfW as well as regular compound interest on provisions for staff pension commitments (EUR 5 million).

Net commission income (EUR 139 million) included commission income of EUR 145 million. This mostly included remuneration paid by KfW to KfW IPEX-Bank for administering the E&P trust business (EUR 106 million). It also contained income from guarantee commissions (EUR 21 million) and income from processing fees in the market business (EUR 19 million). Commission expense of EUR 7 million relates primarily to fees for guarantees received in connection with lending business (EUR 6 million).

Administrative expense

Administrative expense (EUR 272 million) comprised personnel expense (EUR 119 million) and non-personnel expense (EUR 153 million), being the total of other administrative expenses, amortisation on intangible assets and depreciation on property, plant and equipment. This item increased by a total of EUR 11 million (+4%) year-on-year.

The majority of personnel expense (EUR 97 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 22 million, of which EUR 12 million related to the employer's share of social insurance contributions and a further EUR 10 million to expenses for additions to provisions for staff pension commitments.

During the 2022 financial year KfW IPEX-Bank paid expenses for staff pension commitments totalling EUR 20 million (previous year: EUR 39 million). This amount also includes the effects of interest rate changes (EUR –6 million; reported under other operating income and expenses). This valuation effect results from the year-on-year fall of 9 basis points in the discount rate (in the previous year the decline was still 43 basis points). The rise in the interest rate level observed during the 2022 financial year led to a slowdown in the reduction of the 10-year average interest rate published by the Deutsche Bundesbank, which forms the basis for discounting pension commitments. This resulted in a EUR 19 million lower expense for the Bank compared to the previous year. The total expense also takes into account the effect of regular compound interest on the present value of the provision (EUR –5 million; reported under net interest income).

Non-personnel expense (EUR 153 million) was substantially determined by expenses for general services and project services provided by KfW (EUR 92 million or 60%). The controlling agreement concluded between KfW Beteiligungs-holding GmbH and KfW IPEX-Bank means that, in addition to the financial and economic integration of KfW IPEX-Bank into KfW, the criterion of (indirect) organisational integration is also met. In line with the VAT fiscal unity established between the bank and KfW, with KfW as controlling company, VAT does not apply to internal services rendered. KfW IPEX-Bank purchased further services amounting to EUR 31 million from entities outside the Group. Total non-personnel expense primarily comprised expenses for services used (EUR 72 million), office operating costs (EUR 30 million) and occupancy costs (EUR 13 million). It also included the EU bank levy for 2022 of EUR 21 million.

Administrative expense

	2022 EUR in millions	2021 EUR in millions	Change EUR in millions
Wages and salaries	97	91	6
Social insurance contributions	12	11	0
Expense for pension provisions and other employee benefits	10	9	1
Personnel expense	**119**	**111**	**8**
Other administrative expense	150	148	1
Depreciation on equipment	3	2	1
Non-personnel expense	**153**	**151**	**3**
Administrative expense	**272**	**261**	**11**

Other operating income and expenses
Other operating income and expenses amounted to a total of EUR 38 million. Other operating income (EUR +44 million) related predominantly to the foreign exchange result (EUR +19 million), which was substantially influenced by the appreciation of the US dollar over the past financial year. Allowing for the addition to the fund for general banking risks (part of the special cover pursuant to Section 340h of the German Commercial Code) in order to adjust the fund to movements in the USD exchange rate, which is reported as an economic component of the bank's foreign currency result in a separate item in the income statement, the net result from foreign currency translation is EUR –2 million.

Furthermore, the item included in particular income from the release of provisions (EUR +9 million) as well as realised income from early termination of stand-alone derivatives (close-outs) amounting to EUR 8 million.

Other operating expenses (EUR –6 million) mainly comprised the effect of changes in interest rates (EUR –6 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 9 basis points compared with the rate as of 31 December 2021.

This resulted in **operating income before risk provisions and valuations** of EUR 251 million. After taking into account the above-mentioned valuation effect attributable to the fund for general banking risks, this results in adjusted operating income before risk provisions and valuations of EUR 230 million, down EUR 17 million (–7%) year-on-year.

Risk provisions and valuations
The result from risk provisions and valuations of EUR –132 million comprised the risk provision result in lending business (EUR –128 million) as well as valuations from securities and investments (EUR –4 million). In total, the net expense was up EUR 21 million (+19%) year-on-year.

The result from risk provisions in lending business (EUR –128 million) was broadly in line with the previous year (EUR –131 million). This already includes additions to contingency reserves in accordance with Section 340f of the German Commercial Code. Macroeconomic developments during the financial year, combined with increasing expectations of recession over the course of the year and the impact on credit quality, led once again to some higher risk provisions being required in individual sector departments in the 2022 financial year.

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 latent risks in relation to 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 (Stage 1). This amount takes into account all payment defaults expected over the residual term of the exposure based on default events that are possible within the next 12 months. If there is a significant deterioration in default risk in comparison to the date of initial recognition, the bank recognises a general loan loss provision in the amount of the credit loss expected over the residual term of the exposure (Stage 2). During periods of crisis the bank also takes into account a 'downturn' of the loss given default (LGD). The basis for determining the general loan loss provision is the principle of prudence, in particular the principle of imparity in accordance with Section 252 (1) nº 4 of the German Commercial Code, which requires that all foreseeable risks and losses be considered.

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 fiscal unity between KfW IPEX-Bank and KfW Beteiligungsholding GmbH, 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' consisted solely of the bank's annual profit of EUR 96 million. In the previous year, in addition to the annual profit (EUR 119 million), this item included the profit share for the silent partner contribution of KfW (EUR 15 million). In accordance with the profit transfer agreement, KfW IPEX-Bank recognised the obligation to make a transfer on 31 December as a liability on the balance sheet to KfW Beteiligungsholding GmbH as the controlling company ('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 2023. 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 2022, KfW IPEX-Bank's volume of lending for own account amounted to EUR 39.7 billion. At EUR 24.9 billion, on-balance sheet 'Loans and advances to banks and customers' accounted for the largest portion of this amount. It also included off-balance sheet lending business (EUR 14.7 billion), comprising irrevocable loan commitments (EUR 12.2 billion) and financial guarantees (EUR 2.6 billion), both reported off-balance sheet. Overall, the volume of lending thus remained in line with the previous year (EUR 39.6 billion). While the volume of lending reported on-balance sheet fell by EUR 2.0 billion (–7%) this was offset by an increase in off-balance sheet items. Most notably, the portfolio of irrevocable loan commitments grew by EUR 1.9 billion (+19%), in line with the positive trend in new business.

The Power and Environment (EUR 5.6 billion), Industries and Services (EUR 4.8 billion) and Maritime Industries (EUR 4.4 billion) sector departments accounted for the largest share of the on-balance sheet lending volume, with a total of 59%. The lending volume in the Industries and Services sector department grew by EUR 0.4 billion (+8%) year-on-year.

Despite the macroeconomic challenges outlined earlier, KfW IPEX-Bank issued new commitments of EUR 17.5 billion in the Export and Project Finance business sector as part of its original lending business. At EUR 12.4 billion, the largest share of this (71%) related to market business recognised on the bank's balance sheet. Additional commitments amounting to EUR 5.1 billion related to 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). The total volume of new commitments (including CIRR) came to EUR 18.1 billion, up EUR 4.5 billion (+33%) year-on-year.

Loans for own account by sector department

Sector department	31 Dec. 2022 EUR in millions	31 Dec. 2021 EUR in millions	Change EUR in millions
Power and Environment	5,622	5,750	–127
Industries and Services	4,764	4,396	368
Maritime Industries	4,399	4,480	–81
Aviation, Mobility & Transport	3,413	4,009	–596
Resources and Recycling	3,089	4,177	–1,088
Infrastructure	2,830	2,687	143
Financial Institutions, Trade and Commodity Finance	1,001	1,716	–714
	25,118	**27,213**	**–2,095**
Other positions[1]	–190	–326	136
Loans and advances to banks and customers	**24,928**	**26,887**	**–1,959**
Financial guarantees[2]	**2,557**	**2,420**	**137**
Irrevocable loan commitments[2]	**12,177**	**10,276**	**1,901**
Total	**39,662**	**39,583**	**79**

1) Mainly includes 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

The carrying amount of bonds and other fixed-income securities (EUR 0.4 billion) related solely 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 on the balance sheet, comprise lending business that the bank administers on a trust basis for third parties.

Investments (EUR 19 million) mainly included the bank's fund investments that are denominated in US dollars (previous year: EUR 41 million). The EUR 23 million reduction was primarily due to capital repayments during the 2022 financial year.

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. It is composed of conventional money market and capital market products.

Liabilities to banks (EUR 20.0 billion) were almost entirely attributable to funding from KfW (EUR 19.8 billion). The bank covered its medium and long-term funding requirements (EUR 19.1 billion) through promissory note loans and the issuance of registered Public Pfandbriefe, the latter being acquired exclusively by KfW. Call money and term borrowings (EUR 0.6 billion) were also used as part of short and medium-term borrowing. Liabilities to banks decreased by EUR 2.3 million (–10%) compared to 31 December 2021. The lower funding requirement was consistent with the decline in the bank's on-balance sheet lending volume.

Liabilities to customers (EUR 423 million) primarily included cash collateral that the bank received in connection with the lending business.

Structure and development of funding

	31 Dec. 2022 EUR in millions	31 Dec. 2021 EUR in millions	Change EUR in millions
Liabilities to banks			
Current account (KfW)	56	3	52
Call money and term borrowings (KfW)	608	683	–75
Promissory note loans and other long-term borrowings (KfW)	19,062	21,487	–2,425
Interest payable (KfW)	83	38	45
KfW total	**19,808**	**22,211**	**–2,403**
Other	157	84	73
	19,965	**22,295**	**–2,330**
Liabilities to customers			
Other creditors[1]	423	144	279
Total	**20,388**	**22,439**	**–2,051**

[1] Mainly cash collateral from the lending business

The refinancing agreement with KfW is supplemented by a credit line of EUR 3.7 billion. To cover its liquidity requirements, 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. 2022		31 Dec. 2021	Change
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Equity		3,206	3,180	27
Subscribed capital	*1,100*		*1,100*	*0*
Capital reserve	*1,682*		*1,655*	*27*
Retained earnings	*424*		*424*	*0*
Fund for general banking risks in accordance with Section 340g of the German Commercial Code (HGB)		*364*	343	21
Additional tier 1 regulatory capital instruments		*600*	600	0
Subordinated liabilities		400	400	0
Total		**4,570**	**4,522**	**48**

As of the reporting date, equity on KfW IPEX-Bank's balance sheet was EUR 3.2 billion. This is mainly composed of subscribed capital (share capital) and the capital reserve. In comparison to the previous year, the capital reserve also included the partial reinvestment, to the extent permitted for tax purposes, of the 2021 annual profit transferred to KfW Beteiligungsholding 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). Equity also includes retained earnings, which consist solely of 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 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 (+6%) compared with the year-end rate as of 31 December 2021 led to additions totalling EUR 21 million during the past financial year. These are reported as a separate item on the income statement and relate to the bank's foreign exchange results.

In the 2021 financial year the bank restructured its regulatory own funds, adapting them to the current regulations under Basel III. In this connection, 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 recognised as additional tier 1 regulatory capital (AT1 bond). KfW acquired the bond in full. Furthermore, 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, as a subordinated liability, forms part of the bank's regulatory tier 2 capital (tier 2 loan).

Development of other material items of liabilities and equity
Of the provisions (EUR 362 million), the largest portion (EUR 296 million or 82%) comprised provisions for the bank's staff pension commitments (pensions and deferred compensation).

Other provisions (EUR 65 million) included in particular further liabilities to staff (EUR 29 million) and provisions for credit risks (EUR 24 million).

Overall, provisions were up by EUR 24 million (+7%) year-on-year, driven especially by an increase of EUR 17 million (+6%) in provisions for pension commitments. This also included the effect of changes in interest rates (EUR –6 million; reported as other operating income and expenses). In the case of provisions for pension commitments, the valuation of provisions with a residual term of more than one year is carried out using the average market interest rate for the last ten years published by the Deutsche Bundesbank (Section 253 (2) of the German Commercial Code). The effect of changes in interest rates reflects the year-on-year fall of 9 basis points in the discount rate. The rise in the interest rate level observed during the 2022 financial year is currently leading to a slowdown in the reduction of the 10-year average interest rate that accompanied the sustained period of low interest rates in recent years, and hence to a decline in the overall amount of the bank's pension commitments.

Off-balance sheet financial instruments
KfW IPEX-Bank performs derivative transactions exclusively in order to hedge interest and exchange rate risks in the bank's lending business. The nominal volume of derivatives as of 31 December 2022 totalled EUR 36.4 billion, of which EUR 31.5 billion (87%) related to contracts to hedge interest rate risk. A further EUR 3.1 billion (8%) related to foreign exchange (FX) swaps and EUR 1.8 billion (5%) to cross-currency swaps. The derivatives volume increased by a total of EUR 1.5 billion (+4%) year-on-year.

Comparison with previous year's forecast

	2022 Actual	2021 Forecast for 2022
Profit/loss from operating activities before taxes (EUR in millions)	**98**	**98**
Net interest income	346	339
Net commission income	139	136
General administrative expense	–272	–285
Loan loss provisions and valuations	–132	–83
Cost-income-ratio (CIR)[1)]	**56.1%**	**59.9%**
New commitments incl. CIRR (EUR in billions)	**18.1**	**14.6**

[1)] CIR = Administrative expense in relation to total net interest income and net commission income, but before deduction of risk costs

KfW IPEX-Bank generated a profit from operating activities before taxes of EUR 98 million in the reporting year. The bank therefore achieved the result forecast in group business sector planning. The earnings contributions of both net interest income and net commission income were higher than forecast. Other operating income and expenses were also better than projected. These effects were offset by the requirement for higher risk provisions.

Net interest income of EUR 346 million exceeded expectations by EUR 6 million (+2%), with the help of non-recurring effects. Net commission income (EUR 139 million) was EUR 3 million higher (+2%) than forecast, driven in particular by income from processing fees in the market business, which were EUR 8 million higher than projected. The previously outlined change implemented during the 2022 financial year in relation to the recognition of fees with interest-like characteristics – which are now amortised through net interest income over the tenor of the loan rather than being recognised immediately through net commission income – was already taken into account in the previous year's forecast. As such, this has had no impact on the comparison between forecast and actual figures. This was partially offset by remuneration paid by KfW to KfW IPEX-Bank for administering the E&P trust business. This fell short of the forecast by EUR 4 million. 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 bank's lower than budgeted costs for managing the trust business. After taking into account the addition to the fund for general banking risks (in order to adjust the fund to movements in the USD exchange rate, which is an economic component of the bank's foreign currency result), other operating income and expenses amounted to EUR 17 million, a significantly better result than forecast (EUR –10 million). A major contributor to this was the effect of changes in interest rates (EUR –6 million) on staff pension commitments, which were significantly lower than forecast (EUR –17 million) due to the rising interest rate level during 2022. Unbudgeted income from the release of provisions (EUR +9 million) as well as realised income from early termination of stand-alone derivatives (EUR +8 million) also contributed to the positive development.

Administrative expense was EUR 13 million lower (–5%) than expected at EUR –272 million. EUR 3 million of the shortfall against budget related to personnel expense (wages and salaries including social insurance contributions). Non-personnel expense fell short of the forecast by EUR 10 million (–6%), predominantly because services provided by KfW were EUR 11 million lower (–10%).

This resulted in a cost/income ratio (CIR) of 56.1%, which was better than the bank's forecast of 59.9%.

The result from risk provisions and valuations totalled EUR –132 million, EUR 49 million higher (+60%) than the forecast of EUR –83 million. The forecast result primarily takes into account the bank's standard risk costs. Macroeconomic developments during the financial year, combined with increasing expectations of recession and the impact on credit quality, led to a higher risk provision requirement overall than budgeted.

Despite the challenges outlined earlier, KfW IPEX-Bank issued new commitments (including CIRR) of EUR 18.1 billion in the Export and Project Finance business sector. The volume of new transactions exceeded the forecast by EUR 3.5 billion (+24%). Significant contributions to this performance came from the Maritime Industries and Industries and Services sector departments, which saw especially strong growth in new business.

Summary

The 2022 financial year was marked by the consequences of war in Ukraine and high levels of inflation, as well as the lasting effects of COVID-19 outbreaks. The associated economic downturn is accompanied by increasing expectations of a recession. In particular, this led to additional requirements for general loan loss provisions as well as additional contributions in accordance with Section 340f of the German Commercial Code.

In this challenging environment, after taking into account the addition to the fund for general banking risks (in order to adjust the fund to movements in the USD exchange rate, which is an economic component of the bank's foreign currency result), the bank generated adjusted operating income before risk provisions and valuations of EUR 230 million. This fell short of the bank's result of EUR 246 million in the previous year. However, it was EUR 49 million (+27%) higher than the result forecast in group business sector planning (EUR 181 million).

The risk provision and valuation result came to EUR –132 million. The risk provision requirement was thus EUR 21 million (+19%) higher than the previous year's level and EUR 49 million (+60%) above the forecast. In view of current uncertainties with respect to macroeconomic developments, especially in connection with the war in Ukraine, the bank further strengthened its contingency reserves in accordance with Section 340f of the German Commercial Code.

KfW IPEX-Bank generated a profit from operating activities before taxes of EUR 98 million in the reporting year. The result fell short of the previous year's result by EUR 37 million (–28%), but was in line with the result forecast in group business sector planning. On the basis of its corporate income tax fiscal unity, KfW IPEX-Bank will transfer in full its annual profit after tax of EUR 96 million to KfW Beteiligungsholding GmbH as the controlling company.

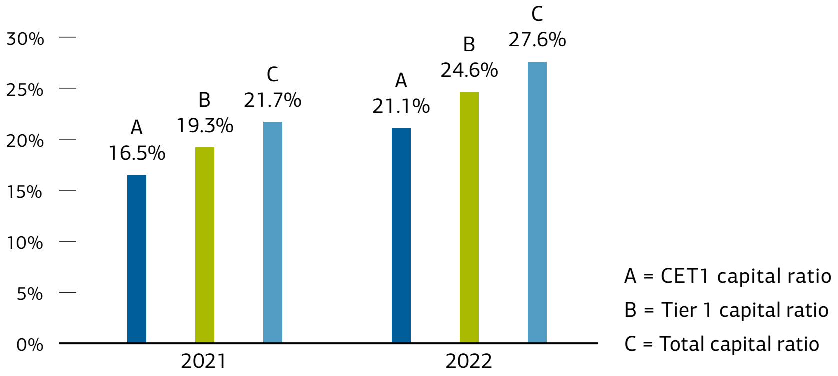
During the reporting year, KfW IPEX-Bank concentrated primarily on supporting its long-standing customers and on structuring financing backed by good collateral. During the 2022 financial year, the bank issued new commitments (excluding CIRR) in its original lending business with a total volume of EUR 17.5 billion. At EUR 12.4 billion, the largest share of this (71%) related to market business recognised on the bank's balance sheet. Taking into account committed bank refinancing under the CIRR programmes (EUR 0.6 billion), the volume of new commitments totalled EUR 18.1 billion, exceeding the previous year's forecast by EUR 3.5 billion (+24%).

Risk Report

Overview of key indicators and developments

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

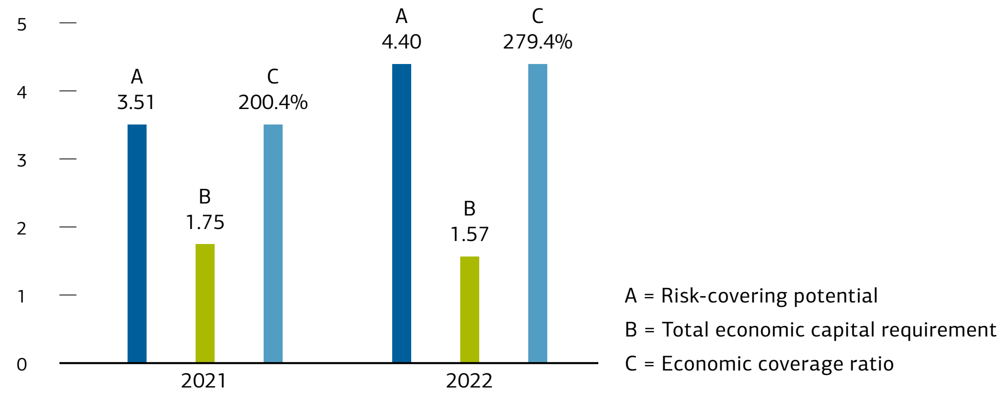
Regulatory capital ratios



Methodology changes for credit risk (namely implementation of regulatory IRBA requirements) have essentially reduced regulatory capital requirements, with all capital ratios increasing (see further details in the section 'Internal capital adequacy assessment process').

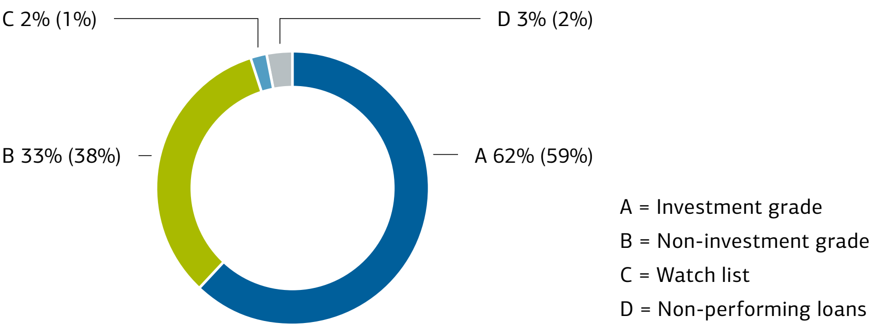
Economic risk-bearing capacity

in EUR billions or in %



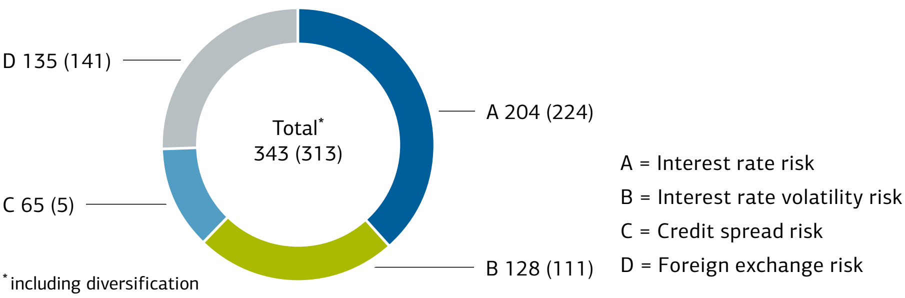
Economic risk-bearing capacity met the 99.90% solvency target. Excess cover in risk-bearing capacity increased year-on-year, in particular due to the rise in risk-covering potential. This was primarily due to a change in the method for determining risk-covering potential, which is now calculated using present value. Total economic capital requirements fell, in particular due to the reduction in the model risk buffer and the decline in credit valuation adjustment (CVA) risk. This also improved economic risk-bearing capacity.

Credit risk
2022 (2021), Breakdown of net exposure



The breakdown of credit ratings by net exposure remained largely stable. The proportion of investment grade exposures increased from 59% to 62%.

Market price risk
2022 (2021), ECAP EUR in millions



* including diversification

Within market price risks, interest rate risk has the largest risk value. The increase in ECAP requirements for market price risks compared with the previous year was mainly due to the inclusion of asset-side promissory note loans in credit spread risk as well as to greater market volatility. 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 2022, this diversification effect amounted to EUR 190 million.

KfW IPEX-Bank continued to develop its processes and instruments for risk management and control in the 2022 financial year, giving due consideration to current banking supervisory requirements.

The method for assessing credit risk for loan loss provisions in accordance with IFRS 9 (in correspondence with HGB) was migrated to the new ‘risk method pool’ system by the end of 31 May 2022. The ‘risk method pool’ was already implemented in the previous year for Pillar II of the Basel Framework and for risk-adjusted pricing. For Pillar II of the Basel Framework, the methodology for calculating credit risk and risk-covering potential was further enhanced by the introduction of a present-value approach.

For Pillar I of the Basel Framework, after receiving approval from BaFin to do so, KfW IPEX-Bank reverted to using the standardised approach for credit risk in relation to its bank portfolio (permanent partial use).

Another priority was to enhance the management of environmental, social and governance (ESG) risks. In this regard, KfW IPEX-Bank is involved in a KfW Group-wide transformation project and, as part of this, is strengthening its ESG risk management to enable even earlier identification and evaluation of these risks in the future, as well as to address increasing regulatory requirements. The basis of the project on ESG risks is the development and launch of an ESG risk database ("ESG risk profile"). Going forward, this will contain ESG risk profiles evaluating the ESG risks of each risk-relevant business partner. The ESG risk profile database is intended to replace the existing illustrations of environmental and climate risks used in the rating process. Other focal points of the project included further development of ESG stress test capabilities and reporting as well as enhanced consideration of ESG risks in relevant risk and general management processes at the bank. ESG risks are already taken into account in risk management, especially in the context of borrower ratings, credit assessments and portfolio management as well as sector limits.

Impact of and response to the war in Ukraine

As soon as Russia began its war against Ukraine, KfW Group established a crisis committee to provide a coordinated response to the complex issues arising. KfW IPEX-Bank is represented on the committee by either the Management Board member responsible for risk management or a head of Credit Risk Management. In addition, KfW IPEX-Bank set up a Russia-Ukraine task force – coordinated by Credit Risk Management and market representatives, with the involvement of all departments at KfW IPEX-Bank affected by Russia-Ukraine issues – to collate and share information. Initially, the task force reported directly to both the entire Management Board and Counterparty Risk Committee several times a week. However, during this process it was ascertained that the level of risk was limited, so that reporting to both the Management Board and CRC now only takes place as and when necessary.

Since Russian business had already been substantially reduced since 2014, KfW IPEX-Bank only has a small amount of direct exposure in Russia, which is hedged in full. Of the manageable indirect exposure to Russia, a small portion is classified as high risk. KfW IPEX-Bank has no direct or indirect exposure to either Ukraine or Belarus.

Moreover, KfW IPEX-Bank has dealt extensively with the issue of the energy crisis, due to the war in Ukraine and resulting acceleration in energy price rises. The sectors of steel, wood and paper, petrochemicals and fertilisers were all deemed to be strongly affected. As part of a Deutsche Bundesbank survey conducted in October 2022, a further in-depth analysis was carried out at counterparty level. This showed that individual counterparties in the portfolio were predominantly more resilient than the assessment for the sector overall. For those counterparties strongly affected, close monitoring was put in place and a focus portfolio entitled "Energy price dependency in Europe" was established.

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 founded KfW IPEX-Bank Asia Ltd., a wholly-owned subsidiary, in order to build on existing business in the growth market of Southeast Asia in a sustainable manner. KfW IPEX-Bank in Frankfurt has retained credit authority, such that the subsidiary in Singapore does not assume any credit or derivative risks. The financial holding group of KfW IPEX-Bank, which, besides KfW IPEX-Bank and its direct subsidiary, also includes KfW Beteiligungsholding GmbH, is essentially dominated by KfW IPEX-Bank. As a result, risks primarily 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 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 and subtypes are of significance to KfW IPEX-Bank, according to the risk inventory[1] conducted during 2022:

- Credit risk (counterparty default risk including migration risk, counterparty risk including CVA risk)
- Market price risk (interest rate risk, interest rate volatility risk, foreign exchange risk, credit spread risk)
- Operational risk (service provider risk including outsourcing risk, information security risk, operational risk from change processes, business interruption risk, legal risk and compliance risk)
- Reputational risk
- Liquidity risk in the narrow sense (synonym: solvency risk)
- Concentration risk
- Regulatory risk
- Primary model 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. In contrast to the previous year, primary model risk has been specified as a new, independent material risk type. In addition, credit spread risk for securities has been reclassified from "not material" to "material" due to the inclusion of asset-side promissory note loans in the risk measurement. Credit spread risk from asset-side promissory note loans was previously incorporated by means of an ECAP buffer.

Due to its business model, credit risk is the most significant risk type, followed by market price risk and operational risk. Liquidity risks in the narrow sense, concentration risks, regulatory risks, reputational risk and primary model risk 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 decentralised departmental meetings.

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.

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 and Collateral Management and Risk Controlling. These are all separate from the front-office areas up to the level of the Management Board. This ensures 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.

[1] KfW IPEX-Bank Asia Ltd. was also considered as part of the risk inventory, as it is a direct subsidiary of KfW IPEX-Bank.

The Restructuring and 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), reputational risk and primary model risk. 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 credit 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"*).

The Compliance department is responsible for regulatory risk. Direct access to the member of the Management Board responsible for risk management 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) is aimed at securing the bank's risk-bearing capacity at all times and hence also ensuring the long-term continuity of the bank's operations on the basis of its own economic substance and profitability. To this end, the ICAAP takes two perspectives into account.

The ICAAP's normative perspective aims in particular to ensure fulfilment of Pillar I regulatory capital requirements under the Capital Requirements Regulation (CRR) and the German Banking Act on an ongoing basis, also taking a longer-term view (normative capital planning). As well as a baseline scenario, various adverse scenarios (downturn and stress 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 long-term economic substance and thus to protect creditors against losses from an economic viewpoint. In this perspective, the risk-covering potential available on a specific date 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 risk-covering potential side and the risk side is geared towards present values and is static, i.e. new business and expected results from business transactions that are not yet under contract are not recognised. 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 adequacy. The results of this review are taken into account in the assessment of risk-bearing capacity.

As of 31 December 2022, the risk-bearing capacity is adequate in both the normative and the economic perspective.

Normative perspective:
Key regulatory figures

	31 Dec. 2022 EUR in millions	31 Dec. 2021 EUR in millions
Total risk exposure in accordance with Art. 92 CRR	16,876	21,309
of which: – Credit risk	*15,981*	*20,515*
– Market price risk	*121*	*0*
– Operational risk	*773*	*793*
Regulatory own funds	4,656	4,633
of which: – CET1 capital	*3,558*	*3,508*
– Additional tier 1 capital	*600*	*600*
– Tier 2 capital	*498*	*525*
CET1 capital ratio	21.1%	16.5%
Tier 1 capital ratio	24.6%	19.3%
Total capital ratio	27.6%	21.7%

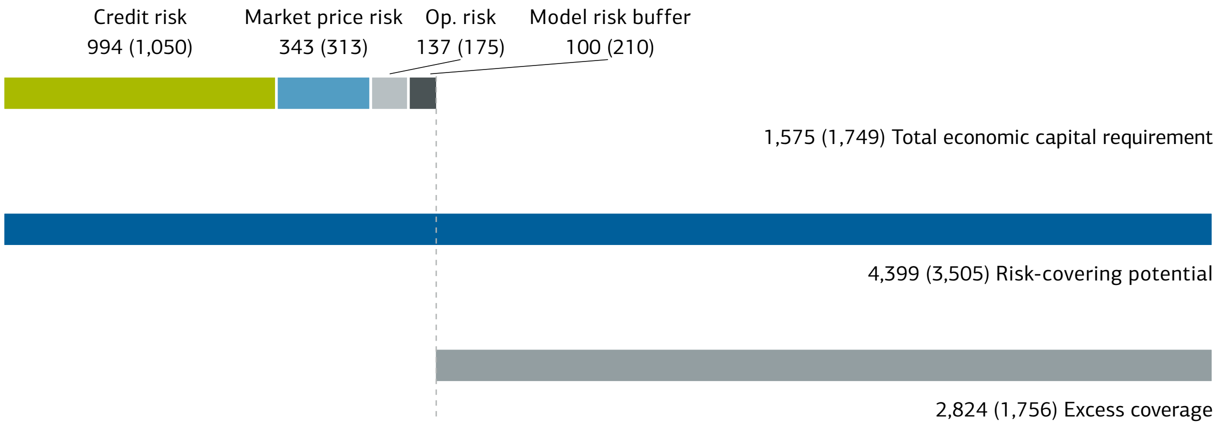
Regulatory own funds have remained virtually unchanged. The overall risk amount has decreased considerably due primarily to methodology changes in assessing credit risk (in particular, implementation of regulatory requirements in relation to the IRBA). As a result, all capital ratios have improved significantly.

Economic perspective
As of 31 December 2022, excess risk-covering potential above total economic capital requirements had significantly increased from EUR 1,756 million at the end of 2021 to EUR 2,824 million.

The rise in risk-covering potential, which was the main reason for the increase, was primarily attributable to the change in calculation method for risk-covering potential, which is now determined using present value. The starting point for the risk-covering potential is KfW IPEX-Bank's balance sheet equity, which is then adjusted by present value differences arising from the present value calculation of market price risk, recognised cumulative gains, the balance sheet general loan loss provision for business for which no specific loan loss allowance has been recognised, contingency reserves pursuant to Sections 340f and 340g of the German Commercial Code and intangible assets.

In line with the calculation of risk-covering potential, the measurement of credit risk has also been converted to a present value approach. Despite the associated increase in the economic capital requirement, overall the economic capital requirement for credit risk decreased year-on-year, since the effect from the change to a present value approach was more than offset by the decline in CVA risk. The increase in the capital requirement for market price risk, which was already calculated using present value as of 31 December 2021, was mainly due to the inclusion of asset-side promissory note loans in credit spread risk as well as to greater market volatility. The capital requirement for operational risk, which is still determined using a period-based approach, decreased primarily as a result of updates to the risk scenarios used as inputs in the calculation. The model risk buffer – which allows for model weaknesses and foreseeable methodology changes in the economic risk-bearing capacity calculation – decreased, essentially due to the relief afforded by changes in the methodology. As a result of these effects, total economic capital requirements were lower than the previous year.

Economic risk-bearing capacity as of 31 December 2022
EUR in millions



In brackets: figures as of 31 December 2021.

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[2]. 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 2022, KfW IPEX-Bank's regular stress calculations considered the impact of the Russia-Ukraine war. To this end, the economic scenarios considered within the framework of the internal capital adequacy assessment process were adjusted to reflect the significant influence of the Russia-Ukraine war on the economic environment, especially due to rising energy and commodity prices.

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 inverse stress tests are also used to show how KfW IPEX-Bank's risk-bearing capacity could be pushed to its limits.

In addition to the Russia-Ukraine war, scenario stress tests in 2022 also analysed other potential threats to KfW IPEX-Bank. The focus included a scenario envisaging confrontation between China and the USA, along with an ensuing bloc formation at a global level. In addition, a scenario was prepared to simulate attacks on critical infrastructure in Europe with implications for certain sectors and companies.

Furthermore, work was conducted in 2022 to expand the stress testing methods for ESG risks, with a current focus on acute physical climate risks.

During the first half of 2022, a separate stress test report was introduced, to be prepared on a quarterly basis. This enables the assumptions and findings of the various stress and scenario calculations to be presented in a targeted manner to appropriate decision-makers at KfW IPEX-Bank.

The annual assessment of the appropriateness of the stress testing programme was conducted during 2022 to ensure that the stress and scenario calculations of KfW IPEX-Bank are appropriate.

[2] KfW IPEX-Bank Asia Ltd. was also considered as part of the risk inventory, as it is a direct subsidiary of KfW IPEX-Bank.

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 (including migration risk), which essentially comprises the subcategories of credit risk in the narrower sense, securities risk, country risk, special financing risk, shadow banking risk, risk arising from leveraged transactions, syndication risk and liquidation risk. A further factor that influences the credit risk position is counterparty risk (including credit valuation adjustment (CVA) risk). In the calculation of risk-bearing capacity, counterparty default risks (including migration risks) and counterparty risks (including CVA risks) are measured on the reporting date as part of credit risk and are included in total normative and economic capital requirements accordingly. They are also taken into account in risk management through the aforementioned stress and scenario calculations. Business activities in operational investments are held in a separate portfolio and are treated as credit risks.

Measurement of credit risk

Counterparty default risk[3)] 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)[4)]. 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
- Countries
- Project, ship and aircraft financing
- Simple risk weighting for special financing in the elementary/slotting approach

The use of an IRBA rating system for banks was discontinued after approval from the supervisory authorities. The bank portfolio is assessed using the standardised approach for credit risk.

As required by the CRR, the bank's IRBA rating systems are used to estimate the central risk parameters separately[5)]:

- 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.

3) Also includes counterparty risk.
4) Exceptions are made for sections of the portfolio with low materiality, for which the standardised approach is used.
5) 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.

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 security in rem[6)], net proceeds from realisation of collateral in the event of default are estimated over the entire tenor of the loan. During this process, discounts are applied. In addition to losses in value due to depreciation, further discounts are applied for expected changes in value. The value thus calculated is an important component of loss estimates (LGD). In the case of personal collateral, the secured portion is treated like a direct transaction with the collateral provider, thus taking account of the probability of default and unsecured loss ratio of the collateral provider.

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.

CVA risks arise for KfW IPEX-Bank as a result of unsecured customer derivatives in connection with global corporate, project and asset financing and are therefore associated with the original lending business. They are assessed using methodology based on regulatory requirements for CVA risk.

Interaction between risk properties of individual exposures in the loan portfolio is assessed using an internal portfolio model. In the case of counterparty default risks (including migration risks), the loss potential is calculated using the risk measure of credit value at risk (VaR). In the present value approach adopted since November 2022, potential migrations up until the end of the tenor of the respective loan are taken into account at present value. 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.

Management of credit risk

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

LIMIT MANAGEMENT

The limit management system (LMS) is used to limit credit risks. This involves monitoring individual exposures and concentration risks, with the aim of managing and restricting them by setting limits. Limits are set per primary 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; for shadow banks the variable used is the commitment volume. Individual limits deviating from standard limits may be defined, taking into account internal guidelines. There is also an overall limit for underwriting.

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.

[6)] 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.

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 2022 reporting year a total of four regular 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 as required. 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 evaluated. The Restructuring and 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 commitments subject to intensified loan management. Specialists are involved at an early stage, to ensure professional problem loan management throughout the process.

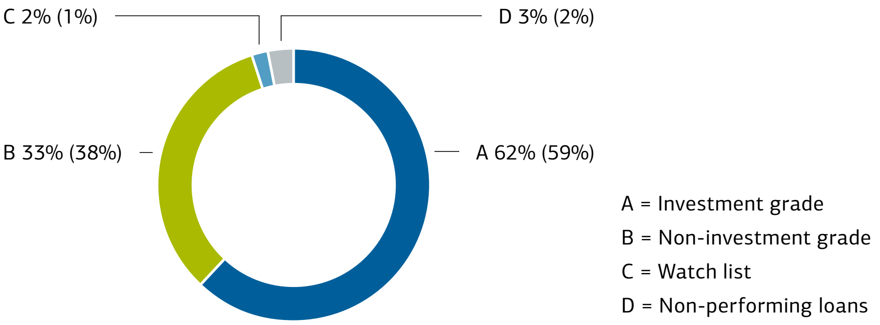
COUNTERPARTY RISK COMMITTEE

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 commitments subject to particular observation, and monitors their implementation. When required, meetings can take place more frequently in the form of ad hoc CRC meetings. During the 2022 reporting year, a total of twelve regular meetings and five ad-hoc meetings were held.

Structure of credit risk

Net exposure by rating class

2022 (2021), Total net exposure[7]: EUR 9.1 billion

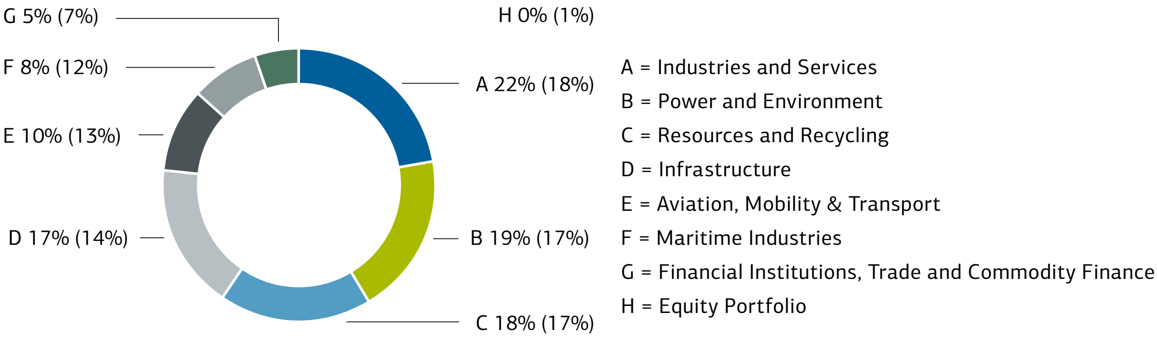


Net exposure was EUR 9.1 billion. The credit rating structure of the performing portfolio remained virtually unchanged from the previous year. The proportion of investment grade exposures rose from 59% to 62%. The average probability of default of the performing portfolio fell from 0.78% to 0.70% in financial year 2022.

[7] Net exposure gives the expected loss for the risk bearer in the event of default.

Economic capital requirements by sector department

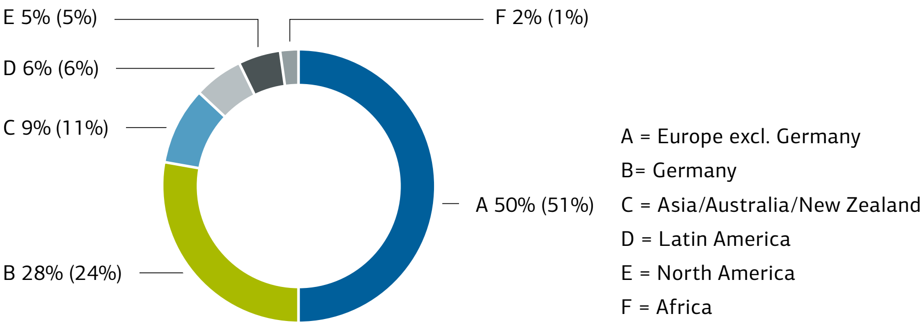
2022 (2021), Total ECAP: EUR 984 million[8)]



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 Industries and Services, Power and Environment, and Resources and Recycling with 22%, 19% and 18% respectively. The year-on-year increase in credit risk ECAP was driven in part, as expected, by the change to a present-value approach.

Economic capital requirements by region

2022 (2021), Total ECAP: EUR 984 million[8)]



In regional terms, business is focused on Europe including Germany, which accounts for a total of 78% of economic capital for credit risk.

[8)] Excluding CVA risk included under credit risk.

Risk provisions for credit 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 2022:

Sector department	31 Dec. 2022[1)] EUR in millions	31 Dec. 2021 EUR in millions	Change EUR in millions
Resources and Recycling	168	55	113
Financial Institutions, Trade and Commodity Finance	63	39	24
Power and Environment	42	22	20
Maritime Industries	37	36	1
Aviation, Mobility & Transport	22	15	7
Infrastructure	3	3	1
Industries and Services	0	0	0
Other	4	15	–11
Total	**340**	**185**	**154**

1) Since 2022, the portfolio has also included the interest rate corrections for interest receivables at risk of default; as of the reporting date, these amount to EUR 118 million.

As of 31 December 2022, portfolio loan loss provisions by sector department were as follows:

Sector department	31 Dec. 2022 EUR in millions	31 Dec. 2021 EUR in millions	Change EUR in millions
Power and Environment	45	27	18
Resources and Recycling	35	30	5
Industries and Services	29	13	17
Infrastructure	10	10	0
Maritime Industries	9	16	–7
Financial Institutions, Trade and Commodity Finance	5	7	–2
Aviation, Mobility & Transport	4	11	–7
Other	3	9	–6
Total	**140**	**122**	**18**

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 subrisks of interest rate change risk and tenor and cross-currency basis spread risk, which are examined together) in the banking book, interest rate volatility risk, foreign exchange risk and credit spread risk. The potential loss in present value is determined for each subtype 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 subtypes 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 343 million of economic capital was allocated to market price risks at KfW IPEX-Bank as of 31 December 2022. This represents an increase of EUR 30 million compared with 31 December 2021, mainly due to the inclusion of asset-side promissory note loans in the measurement of credit spread risk as well as to greater market volatility overall. Market price risk breaks down as follows:

Economic capital requirement for market price risks

	31 Dec. 2022 EUR in millions	31 Dec. 2021 EUR in millions
Interest rate risk[1)]	**204**	**224**
Interest rate change risk	82	144
Tenor basis spread risk	102	91
Cross-currency basis spread risk	136	173
Interest rate volatility risk	**128**	**111**
Foreign exchange risk	**135**	**141**
Credit spread risk	**65**	**5**
Intra-risk diversification	**–190**	**–167**
Market price risk	**343**	**313**

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

Value at risk approach

The economic capital requirement is calculated based on the value at risk (VaR), using a model that includes the various subtypes 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 (99.90%), 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 basis 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 instead are 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. As well as yield curve shocks that are stipulated in regulations (parallel shifts, yield curve rotations), this includes, in particular, combined scenarios. The economic capital required to cover interest rate risk fell by EUR 20 million year-on-year to EUR 204 million as of 31 December 2022, primarily as a result of the rise in interest rates.

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 2022. 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	3,912.7	462.6	62.9	9.2	30.9	18.7	4,497.0
Risk value interest rate risk (99.90%/12-month holding period)	–	–	–	–	–	–	204.1
Interest rate sensitivity (change in present value given an increase in the interest rate by one basis point)	0.059	–0.213	–0.061	0.000	–0.057	–0.005	–0.277
Reduction in present value given regulatory interest rate shock (+/–200 bp)	–	–	–	–	–	–	72.6
As a proportion of regulatory own funds	–	–	–	–	–	–	1.6%

Interest rate risk: Interest rate change risk
In addition to the VaR for interest rate risk, the economic capital requirement for the subrisk 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 economic capital requirement for interest rate change risk was EUR 82 million as of 31 December 2022 and was thus lower year-on-year by EUR 62 million, 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 238 million as of 31 December 2022. This represents a decline of EUR 26 million year-on-year.

Interest rate volatility risk
Interest rate volatility risk is based on variations 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 subtypes 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. Regular stress tests are also carried out in order to estimate potential losses in the event of extreme market conditions. As of 31 December 2022, the economic capital requirement for interest rate volatility risks was EUR 128 million, a year-on-year increase of EUR 17 million. The increase was mainly attributable to increased implied volatilities.

Foreign exchange risk
The economic capital requirement for currency positions is calculated as for other risk subtypes 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.

The following table provides an overview of capital requirements and regulatory capital requirements for foreign exchange risk as of 31 December 2022.

Economic capital requirement for foreign exchange risk	Regulatory capital requirements for foreign exchange risk
EUR in millions	**EUR in millions**
135 (previous year: 141)	10 (previous year: 0[1])

[1] In the previous year there was no regulatory capital requirement for foreign exchange risk as the risk-weighted assets amounted to less than 2% of own funds.

Credit spread risk
Risk measurement is carried out for the securities portfolio and for the asset-side promissory note loans. The economic capital requirement for this risk is calculated as for other risk subtypes 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 65 million as of 31 December 2022. Credit spread risk rose by EUR 60 million year-on-year. The reason for this increase was the additional consideration of asset-side promissory note loans in the risk measurement.

Operational risks
Operational risk is the risk of an adverse impact on the net assets, results of operations or liquidity position that could result from inadequate or failed internal processes or systems, human error or external events. This definition includes legal risks but does not include project risks or reputational risks. The risk subtypes of operational risk that have been classified as significant are service provider risk (including outsourcing risk), information security risk, operational risk from change processes, 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 largely constitute material outsourcing arrangements as defined in the German Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement – "MaRisk"*), which must be managed and monitored in accordance with regulatory requirements. Services provided by KfW are governed by a framework contract and service level agreements. There are also, to a small extent, further outsourcing arrangements with external service providers as well as other external IT services.

At KfW IPEX-Bank the operational management of service providers and specialist monitoring of outsourcing arrangements are conducted on a decentralised basis by the relevant points of contact. Monitoring activities for service provider risk that are performed alongside processes are conducted by the central Sourcing Management department. This department sets minimum requirements for specialist outsourcing monitoring activities and monitors overall service provider risk with the help of key performance indicators (KPIs) and key risk indicators (KRIs).

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.

Operational risk from change processes primarily comprises risks arising from the new products process (NPP) as well as due to organisational changes. This has been reclassified as a material risk as a result of strategically important projects (including medium-term organic growth and preparation for direct ECB supervision). The associated risks are monitored and managed as part of the control processes carried out by the IPEX Portfolio Management and Control (PSC) department. These include, in particular, the materiality assessment in accordance with MaRisk 8.2 and regular status and risk reporting as well as quarterly reporting to the Management Board.

Business interruption risk is the risk of an adverse impact on the net assets, results of operations or liquidity position as a result of the failure or disruption of critical business processes. KfW IPEX-Bank manages business interruption risk with the help of preventative business continuity management (BCM) and emergency management measures.

The primary objective of BCM at KfW IPEX-Bank is to ensure the continuity of time-critical business processes and the availability of related internal processes and resources in compliance with applicable laws and contractual obligations. The extent of necessary safeguards to be put in place is determined using a risk-based approach.

As part of the business impact analysis (BIA), critical business processes are identified that, due to an intolerable level of loss (risk tolerance limit) in the event of their failure or disruption, are deemed to be critical and therefore essential to maintaining the provision of services in emergency mode.

As experts in the risk subtype of business interruption risk, the BCM department is involved in the risk analysis for outsourcing arrangements. The Business Continuity Response Manager (BCRM) is also informed if BCM-related incidents arise, such as failures with the potential to become emergencies or emergencies that occur during the course of dealing with business interruptions.

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.

At KfW IPEX-Bank there are four teams who are responsible for **compliance risk** alongside the data protection officer of KfW IPEX-Bank, who is appointed on the basis of data protection laws.

As part of its annual risk analysis, the compliance function (Regulatory Compliance department), which is established on the basis of the German Minimum Requirements for Risk Management (MaRisk)[9)], 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.

The Operational Compliance department consists of three teams:

– Securities compliance, prevention of criminal acts and financial sanctions
– Operational money laundering prevention and compliance applications
– Policies and AML principles

and 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.

For operational risk, supervisory requirements for 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 (MaRisk).

In total, EUR 137 million of economic capital was allocated to operational risks at KfW IPEX-Bank as of 31 December 2022. This represents a decrease of EUR 38 million compared with 31 December 2021, as a result of adjustments made to risk scenarios following completion of the 2022 risk assessments.

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).

[9)] MaRisk, AT 4.4.2.

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 operational risks as the central point of responsibility for operational risk issues (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 through the early detection of risks and identification of unfavourable trends. The risk indicators address various operational risk areas and are included in quarterly reporting on operational risks.

The operational risk database serves to capture and process 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 this to prevent, reduce or shift risk are recorded in the operational risk 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 material for KfW IPEX-Bank with the responsible specialist units. The committee also deals with relevant issues in relation to reputational risk and business continuity management, among other matters.

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. 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.

Liquidity risk (in the narrow sense)

Liquidity risk in the narrow sense (synonym: solvency risk) is the risk of being unable to settle payment obligations at all, on time and/or to the required extent. This risk is deemed a material risk type for KfW IPEX-Bank and 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 liquidity risk (in the narrow sense) 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.

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 actively restricts intra-risk concentrations by means of limit management. In addition, concentrations of personal collateral and security in rem obtained to mitigate credit risk are a by-product of the bank's business model as a project and specialist financier. Providers of personal collateral are primarily sovereigns and government institutions (export credit insurance). Security in rem is largely attributable to the transport sectors (primarily Maritime Industries as well as Aviation, Mobility and 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 US dollar 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 or 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.

Primary model risk

Primary model risk was newly identified as a material overarching risk during the 2022 risk inventory, since weaknesses and/or errors either in the models themselves or arising from the interplay between models can have direct implications for the results of operations, net assets or liquidity position.

At KfW IPEX-Bank models are an essential component of risk and business management. The use of models means that model risks may arise, which can have an impact on other types of risk such as credit or market price risks. In this regard, a distinction is made between model risks that arise from weaknesses and deficiencies in existing models (primary model risk) and model risks that arise due to inappropriate application of these models (secondary model risks; a subtype of operational risk).

The objective of identifying and managing model risks is to promote an appropriate risk culture when dealing with models, to ensure that model risks are adequately monitored and that any (systematic) model weaknesses, such as those identified during independent validation, are removed or offset in a prompt and risk-based manner.

Primary model risk is mitigated by means of a capital buffer in the economic risk-bearing capacity as well as through individual amendments at model level such as valuation reserves, manual adjustments or taking into account account margin of conservatism (MoC) premiums in model parametrisation.

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 design 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 procedures, 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 (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[10)] 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 Internal Auditing department provides independent auditing and advisory services that are designed to create added value and enhance business processes. It supports the organisation in achieving its objectives by systematically and selectively evaluating the effectiveness of the risk management system, the controls and the management and monitoring processes and helping to improve these.

Internal Auditing is an instrument of the entire Management Board. From an organisational perspective, Internal Auditing reports directly to the CEO, without this impinging on the overall responsibility of the Management Board. Notwithstanding the Management Board's authority to order additional audits, Internal Auditing carries out its duties in an autonomous and independent manner.

It reports its audit findings to the Management Board. 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 KfW IPEX-Bank's Management Board and the Audit Committee of the Board of Supervisory Directors.

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 procedures for measuring and managing credit, market and liquidity risk. Furthermore processes of operational risk management were subject of audit

When it comes to processes outsourced outside of the KfW Group, Internal Auditing refers to the audit findings of the respective companies' internal audit functions. 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 2022 financial year by attending meetings of decision-making bodies (as a guest).

[10)] 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 not only reflects the requirements of German law on equal participation of women and men in management positions in the private and public sectors, but also the bank's own objectives. KfW IPEX-Bank had 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%. Its targets for the proportion of women on the Management Board and Board of Supervisory Directors – also to be achieved by 30 June 2022 – were 25.0% for the Management Board and 22.2% for the Board of Supervisory Directors.

As of 30 June 2022, the final proportion of women on the Management Board at KfW IPEX-Bank was 25.0%, the proportion in head of department positions was 26.3%, and the proportion at team head level was 33.8%. The proportion of women on the Board of Supervisory Directors was 33.3%. This means that the target ratios were met or exceeded at almost all levels with the exception of head of department level, where just one further female appointment would have been sufficient for the target ratio to be achieved.

The bank has set itself the following new targets for the proportion of female staff to be achieved by 30 June 2027: Management Board level 50.0%, head of department level 40.0%, team head level 40.5% and for the Board of Supervisory Directors 44.4%.

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 the 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 the German Commercial 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 first section of the 2022 Sustainability Report of KfW Group, as part of the details contained in KfW Group's combined non-financial report. The sustainability report follows the Global Reporting Initiative (GRI) guidelines and can be downloaded from the internet.[11)]

In accordance with Article 8 (1) of the Taxonomy Regulation[12)], KfW IPEX-Bank's non-financial statement must incorporate disclosures on how and to what extent its operations involve economic activities that are classified as environmentally sustainable. The disclosures, which must be published for the 2022 financial year, are made in the 'Report on EU Taxonomy' section of KfW Group's 2022 Sustainability Report.

[11)] Link to Sustainability Report: KfW Sustainability report
[12)] 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 gross domestic product (GDP) to grow by 2.4% year-on-year in 2023, after increasing, according to International Monetary Fund (IMF) estimates, by 3.4% year-on-year in 2022. The growth rate expected for global real GDP in 2023 is thus lower than both the growth rate of the previous year and the 2012–2021 average. This below-average growth by historical standards is forecast for both industrialised countries and developing and emerging countries (see Table: Gross domestic product at constant prices, year-on-year change). KfW IPEX-Bank shares the IMF's view that the outlook for 2023 has been determined first and foremost by Russia's war of aggression in Ukraine, which has contributed to globally rising food and energy prices and led to an energy crisis in Europe. Secondly, the IMF expects inflation rates during 2023 to be above the 2012–2021 average for most national economies around the world. The effects of this high inflation and of tighter monetary policy will make themselves felt. To this must be added the knock-on and after-effects of the COVID-19 pandemic.

Gross domestic product at constant prices

Year-on-year change	Estimate for 2022 in %	Forecast for 2023 in %	Average 2012–2021 in %
Global economy[1)]	3.4	2.4	3.0
Industrialised countries[1)]	2.7	0.8	1.6
Developing and emerging countries[1)]	3.9	3.6	4.1

[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 is an exceptionally high level of uncertainty regarding global economic development, with a significant threat that the situation will deteriorate further. The ongoing war between Russia and Ukraine could lead to even higher energy and food prices than expected and cause lasting divisions in the international community with negative consequences for trade and the fight against climate change, among other things. There is a risk that monetary and fiscal policy responses to inflation are inappropriately calibrated, causing an already sluggish economy to slump to an even greater extent, especially in developing and emerging countries. For one thing, the impact of energy and food shortages in 2023 would be felt most strongly in countries that are net importers of both. Secondly, countries that are already heavily indebted, including industrialised countries, would suffer even more than currently anticipated because of the inevitable further interest rate hikes. It is not inconceivable that numerous countries will experience a further debt crisis. Moreover, China could experience even weaker growth. Major uncertainty remains over the progress of the pandemic. The relaxation in COVID-19 measures could depress growth considerably due to sharp increases in case numbers. The conflict between China and the USA could intensify, possibly contributing to a situation where other Western countries look more closely at their trade relations with China. At the same time, tensions between the EU and the USA could increase, hindering trade still further. The situation could also be aggravated if the negative consequences of climate change accelerate. Accordingly, the global economic slowdown forecast by the IMF could turn out to be more severe, affecting virtually every region in the world more strongly than previously expected.

KfW IPEX-Bank expects GDP in the **euro area** to stagnate in real terms in 2023, following growth of 3.5 percentage points in the previous year, which was thus above the average growth recorded for the years 2012–2021. If this forecast proves correct, aggregate economic production in 2023 will be 2.3 percentage points higher than the level of real GDP before the pandemic started, i.e. in 2019 (see Table: Gross domestic product at constant prices, year-on-year change). KfW IPEX-Bank shares the European Commission's view that gas supplies will not be disrupted in the winters of either 2022/2023 or 2023/2024, due firstly to a price and policy-induced fall in demand and secondly to continuing diversification of the gas supply. None of the demand-side components of GDP should make a relevant contribution to real GDP growth in 2023. This forecast is supported by the European Commission's assessment that growth in consumer demand from private households will slow considerably due to the sharp inflation-driven decline in real disposable income and net assets. At the same time, investment projects will be hit by rising costs, interest rates and weak demand. This is likely to be only partially mitigated by the ongoing implementation of European recovery and resilience plans. Due to the expected decline in global growth, the European Commission expects net exports to make a low positive contribution (0.1 percentage points) to growth in the euro area. Among the four largest countries in the euro area, KfW IPEX-Bank anticipates that Germany and Italy will record the weakest growth in real GDP, due to their relatively important industrial sectors, while France and Spain – in contrast to the euro area overall – should achieve slightly positive growth.

KfW IPEX-Bank expects real GDP in **Germany** to shrink by 1.0% year-on-year in 2023. Thus, the level of real GDP in 2023 will probably be lower than in 2019, the year before the outbreak of the COVID 19 pandemic (see Table: Gross domestic product at constant prices, year-on-year change). Given the forecasts for the global economy described above and assuming that problems will persist as a result of the Russia-Ukraine war, such as uncertainties around energy supply, rising energy and raw material costs and reduced purchasing power for private households as a result of consumer price increases, KfW IPEX-Bank anticipates that, among the output components of GDP, the real gross value added of the two consumer-related economic sectors of trade, transport, hotels and restaurants, and other service providers will shrink. The real gross value added of the construction sector and the manufacturing sector will also contract in 2023. Of the expenditure components of GDP, KfW IPEX-Bank expects corporate investment, housing and private consumption expenditure to decline in real terms in 2023. Partly as a result of the shortage in skilled workers, the average annual number of people in employment in Germany in 2023 will remain virtually the same year-on-year, despite the negative rate of change in real GDP.

Gross domestic product at constant prices

	2022	Forecast for 2023	Average 2012–2021	Forecast for 2023
Year-on-year change	**in %**	**in %**	**in %**	**Index 2019 = 100**
Euro area	3.5	0.0	0.9	102.3
Germany	1.8	–1.0	1.0	99.6
USA	2.1	0.7	2.1	105.9

If there is further military escalation, such as the war spreading beyond the national territory of Ukraine, or if there are gas shortages or renewed restrictions to economic activities due to new COVID-19 variants, the contraction in Germany's real GDP in 2023 could be more significant than that predicted by KfW IPEX-Bank. There is a chance that real GDP will contract less than KfW IPEX-Bank's forecast for 2023 or even grow in 2023 if the substitution of Russian energy and raw materials goes more smoothly than expected or if a widely accepted peace settlement is reached for Ukraine. This would remove the war-related uncertainties and enable additional investment and exports.

Since July 2022 the European Central Bank (ECB) has raised the deposit rate by a total of 250 basis points to 2.0% by the end of the year. For the euro area, KfW IPEX-Bank expects the deposit rate set by the European Central Bank (ECB) to average 2.8% over the full year 2023. For the USA, KfW IPEX-Bank also expects a further – but only moderate – interest rate increase in 2023, since inflation is gradually regressing and economic activity is likely to slow markedly.

In 2023 KfW IPEX-Bank would like 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 that are relevant for KfW IPEX-Bank offers continued export opportunities, in spite of the gloomy global economic outlook. Stimulus packages, especially in the area of infrastructure investment and transformation projects aimed at creating a climate-neutral economy, can also stimulate demand for financing. KfW IPEX-Bank will therefore continue in its role of supporting German and European companies in 2023, 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 a leading role in syndicate financing arrangements and to include risk partners in financing structures.

After two years of COVID-19 and restricted travel as well as the impact of the Russia-Ukraine war, KfW IPEX-Bank is returning to its planned growth trajectory and reorganising its sectoral structure to focus on areas of transformation. In 2023 it plans to increase the volume of new commitments to a total of EUR 19.6 billion, of which EUR 18.1 billion will relate to original E&P business and EUR 1.5 billion to CIRR business. The sector guidelines for CO_2-intensive sectors implemented during 2021 as part of the KfW Group-wide 'tranSForm' project are designed to ensure that new business concluded by KfW IPEX-Bank in these sectors in a group context during 2023 will fully support the goals of the Paris Agreement (with its goal of limiting the man-made global temperature increase due to the greenhouse effect to 1.5 degrees Celsius). With the help of external consultants, a greenhouse gas accounting system is being established by working groups across KfW Group and KfW IPEX-Bank. Implementation of the new system is expected to take place by the end of 2023.

Net interest income and net commission income are budgeted at EUR 419 million and EUR 139 million respectively and are thus EUR 79 million and EUR 3 million above the respective figures budgeted in the previous year, due to net interest income from equity (as a result of higher interest rates). A target of EUR 293 million has been set for administrative expense, EUR 8 million higher than the previous year's budgeted figure. Risk costs in lending business are expected to come to EUR 88 million, up EUR 5 million on the previous year's level. In total, the bank is aiming for earnings before tax of EUR 181 million and a cost/income ratio of 52.5%. The planned CET1 capital ratio of 16.1% exceeds the capital requirements and is met even in the stress case scenario, at 14.8%. 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 current crisis-hit global environment – including the war against Ukraine, the impact of the pandemic and high inflation – 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 2023, which will depend, as in previous years, on the level of risk provisions required for our conservative benchmarks.

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 2022

Balance Sheet of KfW IPEX-Bank as of 31 December 2022

Assets

	31 Dec. 2022				31 Dec. 2021			
	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			82,472				27,919	
c) other loans and advances			416,972	**499,443**			580,319	**608,238**
of which: due on demand	*1,987*				*2,426*			
of which: collateralised by securities	*0*				*0*			
3. Loans and advances to customers								
a) mortgage loans			653,726				806,605	
b) municipal loans			1,187,248				1,224,534	
c) other loans and advances			22,587,555	**24,428,529**			24,248,087	**26,279,226**
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		410,616	410,616			507,918	507,918	
of which: eligible as collateral with the Deutsche Bundesbank	*410,616*				*410,648*			
c) own bonds			0	**410,616**			0	**507,918**
Nominal value	0				0			
5. Investments				**18,600**				**41,380**
of which: in banks	*360*				*360*			
of which: in financial services institutions	*0*				*0*			
6. Shares in affiliated companies				**11,538**				**982**
of which: in banks	*11,538*				*982*			
of which: in financial services institutions	*0*				*0*			
7. Assets held in trust				**403,594**				**404,284**
of which: loans held in trust	*403,594*				*404,284*			
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			11,198				14,242	
c) goodwill			0				0	
d) payments on account			0	**11,198**			0	**14,242**
9. Property, plant and equipment				**427**				**436**
10. Other assets				**108,698**				**22,713**
11. Prepaid expenses and deferred charges								
a) from issuing and lending			17,771				17,316	
b) other			37,645	**55,416**			51,168	**68,484**
Total assets				**25,948,066**				**27,947,908**

Equity and liabilities

	31 Dec. 2022				31 Dec. 2021			
	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			1,037,198				1,138,365	
c) other liabilities			18,928,005	**19,965,203**			21,156,669	**22,295,034**
of which: due on demand	*599,836*				*609,456*			
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			423,473	**423,473**			144,150	**144,150**
of which: due on demand	*53,184*				*70,490*			
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				**403,594**				**404,284**
of which: loans held in trust	*403,594*				*404,284*			
4. Other liabilities				**127,732**				**190,123**
5. Deferred income								
a) from issuing and lending			61,396				6,690	
b) other			34,515	**95,911**			47,195	**53,885**
6. Provisions								
a) provisions for pensions and similar commitments			295,556				278,481	
b) tax provisions			1,724				2,090	
c) other provisions			64,628	**361,907**			57,550	**338,121**
7. Subordinated liabilities				**400,000**				**400,000**
8. Additional tier 1 regulatory capital instruments				**600,000**				**600,000**
9. Fund for general banking risks				**363,932**				**342,725**
10. Equity								
a) called capital								
subscribed capital		1,100,000				1,100,000		
less uncalled outstanding contributions		0	1,100,000			0	1,100,000	
b) capital reserves			1,681,864				1,655,138	
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	**3,206,313**			0	**3,179,587**
Total liabilities and equity				**25,948,066**				**27,947,908**
1. Contingent liabilities								
a) from the endorsement of rediscounted bills		0				0		
b) from guarantees and guarantee agreements		2,557,008				2,419,886		
c) assets pledged as collateral on behalf of third parties		0	2,557,008			0	2,419,886	
2. Other obligations								
a) commitments deriving from non-genuine repurchase agreements		0				0		
b) placing and underwriting commitments		0				0		
c) irrevocable loan commitments		12,177,384	12,177,384			10,276,142	10,276,142	

Income Statement of KfW IPEX-Bank from 1 January 2022 to 31 December 2022

Expenses

	1 Jan. – 31 Dec. 2022				1 Jan. – 31 Dec. 2021			
	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			588,044				195,746	
less positive interest from banking business			–4,736	**583,307**			–25,378	**170,368**
2. Commission expense				**6,681**				**5,562**
3. Administrative expense								
a) personnel expense								
aa) wages and salaries		97,126				90,799		
ab) social insurance contributions, expense for pension provision and other employee benefits		21,604	118,730			19,895	110,694	
of which: for pension provisions	*9,505*				*8,228*			
b) other administrative expense			149,627	**268,356**			148,400	**259,094**
4. Amortisation, depreciation and impairment on intangible assets and property, plant and equipment				**3,446**				**2,145**
5. Other operating expenses				**5,958**				**28,388**
6. Write-downs of and value adjustments on loans and specific securities and increase in loan loss provisions				**127,236**				**127,979**
7. Additions to the fund for general banking risks				**21,207**				**26,394**
8. Write-downs of and value adjustments on investments, shares in affiliated companies and securities treated as fixed assets				**4,501**				**0**
9. Taxes on income				**769**				**805**
10. Other taxes not stated under other operating expenses				**767**				**327**
11. Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement				**96,232**				**133,949**
12. Net income for the year				**0**				**0**
Total expenses				**1,118,461**				**755,011**

Income

	1 Jan. – 31 Dec. 2022				1 Jan. – 31 Dec. 2021			
	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		924,921				518,084		
less negative interest from lending and money market transactions		0	924,921			–2	518,082	
b) fixed-income securities and debt register claims		4,168				2,468		
less negative interest from fixed-income securities and debt register claims		0	4,168	**929,089**		–1,406	1,062	**519,144**
2. Current income from								
a) shares and other non-fixed income securities			0				0	
b) investments			0				6	
c) shares in affiliated companies			0	**0**			0	**6**
3. Commission income				**145,221**				**177,905**
4. Earnings on allocations to investments, shares in affiliated companies and securities treated as fixed assets				**0**				**16,897**
5. Other operating income				**44,151**				**41,059**
Total income				**1,118,461**				**755,011**

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, Financial Services Institutions and Investment Firms (*Verordnung über die Rechnungslegung der Kreditinstitute, Finanzdienstleistungsinstitute und Wertpapierinstitute – "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. In the lending business this difference is amortised through the income statement under net interest income on a straight-line basis over the loan tenor; otherwise the effective interest rate method is generally used as a basis for amortisation. 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. Use is 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 provides a better insight into the financial position of the securities and investments at the balance sheet date.

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, Financial Services Institutions and Investment Firms).

Foreign currency conversion is performed in accordance with the provisions of Section 256a in conjunction with Section 340h of the German Commercial Code. Balance sheet accounts denominated in foreign currency are converted into euros at month-end using the relevant average spot exchange rate. In the income statement, a distinction is made between non-recurring revenues (such as the creation of a specific loan loss provision) and recurring revenues (such as accrued interest). Non-recurring revenue is converted at the average spot exchange rate on the transaction or valuation date, whereas recurring revenue is converted at the average spot exchange rate on the last day of the respective month.

Provisions for pensions and similar commitments are calculated by independent qualified experts 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:

	31 Dec. 2022
	in % p.a.
Interest rate for accounting purposes	1.78
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 recourse 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 temporary differences in valuation between the commercial and the tax balance sheet. Any deferred tax assets resulting from this calculation are offset with any deferred tax liabilities. The net asset position that has been determined at the level of KfW IPEX-Bank would, in principle, be recognised at the level of the controlling company as a result of the existing corporate income tax fiscal unity. However, at the level of the controlling company use has been made of the option provided 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.

Allowance has been made for risks arising from the lending business through the recognition of value adjustments and loan loss provisions. The total risk provisions for balance sheet lending business consist of specific loan loss provisions with an impact on 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 the net book value (gross book value less risk provisions recognised).

The valuation of interest rate-related transactions in the banking book (*Refinanzierungsverbund*) reflects KfW IPEX-Bank’s management of interest rate change risk. 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 individual issues in connection with the loss-free valuation of interest-related transactions in the banking book (interest book) (IDW AcP BFA 3, as amended) 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, 2022 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 2022 amounts with a material impact occurred in connection with liabilities-side promissory note loans and money market transactions.

Profit shares in relation to the silent partner contribution of KfW in the 2021 financial year 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 a separate item in the income statement in accordance with Section 340g of the German Commercial Code.

Changes in accounting policies

Migration to a new data processing system

During the reporting year KfW IPEX-Bank moved preparation of the annual financial statements to a new data processing system that enables parallel processing of HGB and IFRS data. Migrating to a new system has harmonised the processes and methods used, ensuring a high level of standardisation and stability in the production processes. The accompanying changes in accounting policies lead to a departure from the general principle of consistency in recognition and valuation that constitutes a justified exceptional case pursuant to Section 252 (2) of the German Commercial Code, as the changes will enhance the bank's provision of a true and fair view of its net assets, financial position and results of operations.

The following changes affecting the amount of annual profit were realised in 2022 compared to the previous year:

– Previously, fees incurred in direct connection with the origination of a loan were immediately recognised in full through the income statement and reported under commission income. Since these fees have predominantly interest-like characteristics, they are now spread over the tenor of the loan and reported under interest income. As a result of this change, commission income has decreased by EUR 66 million, while interest income has increased by EUR 11 million. The deferred fees are recognised as a liability on the balance sheet under the item 'Deferred income'.
– Premiums and discounts on securities, promissory note loans to KfW IPEX-Bank from KfW for refinancing purposes and upfront payments for swaps were all previously amortised on a straight-line basis but are now amortised using the constant effective interest rate method. The impact on the current annual profit and balance sheet items is immaterial. Since the IFRS data allocate amortisation using the constant effective interest rate method, in order to harmonise the HGB and IFRS data, in the opening balance sheet as of 1 January 2022 adjustments were posted to the HGB amounts still to be amortised in order to align them to the IFRS values.
– Previously, balance sheet items denominated in foreign currency were converted into euros using the average spot exchange rate applicable at the end of the month and income statement items denominated in foreign currency were converted into euros at the average exchange rate for the month. Currency conversion now follows the SAP standard, whereby non-recurring revenue (such as the creation of a specific loan loss provision) is converted at the average spot exchange rate on the transaction or valuation date, while recurring revenue (such as accrued interest) is converted at the average spot exchange rate on the last day of the respective month. Since KfW IPEX-Bank has a closed currency position, the impact on the annual profit and balance sheet items is immaterial.

The following changes were also made to the presentation of balance sheet items and/or income statement items that had no effect on the amount of annual profit:

– Current and deferred interest payments and reversals resulting from upfront payments from interest rate swaps, which are not allocated to a valuation unit in accordance with Section 254 of the German Commercial Code, are now netted per interest rate swap and reported through either interest income or interest expense, depending on whether the net result for the swap in question is income or an expense. Previously these were always included in interest expense. This change has resulted in an increase to interest income of EUR 198 million and a corresponding increase to interest expense of the same amount.
– In the case of FX swaps, differences between capital, spot and forward transactions were previously booked as interest income from FX swaps. Compound interest was calculated on the differences up to the difference between the exchange and re-exchange amounts at maturity of the transaction. Now, when the transaction is concluded, the repayment amount is booked at the forward rate under other liabilities and the difference between the cash exchange when the contract is agreed and the repayment amount at the forward rate is booked as pro-rata interest receivable or payable against either loans and advances to banks or liabilities to banks (prepaid expenses and deferred charges or deferred income). These pro-rata amounts are amortised through net interest income. The amounts booked in other liabilities are derecognised at the time of the cash re-exchange. As of the reporting date there was no difference in the amount recognised on the balance sheet, but rather a reclassification between loans and advances/liabilities to banks and other liabilities. During the reporting year the difference amounted to EUR 14 million.
– Previously, settlement payments for the early termination of swaps without a follow-on swap were reported in interest income. Going forward, these will be reported under other operating income. This change has resulted in an increase to other operating income of EUR 8 million and a corresponding reduction to interest income of the same amount.

Impact of the first-time application of BFA 7
As of 31 December 2022, the general loan loss provision in the individual financial statements of KfW IPEX-Bank was calculated for the first time in accordance with the requirements set out in IDW AcP BFA 7, an Accounting Principle of the Banking Panel of Experts of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland* – "*IDW*"). KfW IPEX-Bank has made use of the simplification rule contained in IDW AcP BFA 7, and has thus determined the risk provision – as previously – in accordance with the accounting principles of the German Commercial Code for the majority of the loan portfolio based on the IFRS-9-calculation model using the parameters of exposure at default, probability of default and loss ratios (see the 'Accounting and valuation principles' section).

The first-time application of IDW AcP BFA 7 entails two changes in accounting policy. These lead to a departure from the general principle of consistency in recognition and valuation that constitutes a justified exceptional case pursuant to Section 252 (2) of the German Commercial Code, as the changes will enhance the bank's provision of a true and fair view of its net assets, financial position and results of operations.

The first change concerns the general loan loss provision for loans classified and measured at fair value in accordance with IFRS 9. For these loans, in the annual financial statements prepared under the German Commercial Code the general loan loss provision is calculated as the amount of the expected 12-month loss. During the reporting year the former adoption of fair value discounts as general loan loss provisions was replaced by a standardised assessment of credit risks in accordance with the German Commercial Code and IFRS, within the meaning of the simplification rule provided under IDW AcP BFA 7.

The second change relates to the recognition of a modification gain or loss in accordance with IFRS 9. Previously, in the annual financial statements prepared under the German Commercial Code, an IFRS 9 modification loss was booked as a further general loan loss provision with a corresponding impact on the income statement – in addition to the general loan loss provision above. Following the first-time application of IDW AcP BFA 7, this approach no longer applies.

In total, the changes in valuation methods as of 31 December 2022 compared to applying the previous methodology as of the same date led to an increase in the general loan loss provision and a corresponding provision expense in the amount of EUR 0.5 million.

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 consolidated financial statements prepared in accordance with IFRS are forwarded in German to the commercial register.

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]	10,183	13,951	149,603	251,970	27,220	46,517	499,443
(as of 31 Dec. 2021)	*27,624*	*75,261*	*192,867*	*288,428*	*20,145*	*3,914*	*608,238*
Loans and advances to customers	0	925,865	2,684,485	11,907,171	8,676,019	234,989	24,428,529
(as of 31 Dec. 2021)	*0*	*930,252*	*2,583,292*	*13,193,006*	*9,490,882*	*81,793*	*26,279,226*
Total	**10,183**	**939,816**	**2,834,088**	**12,159,141**	**8,703,239**	**281,505**	**24,927,973**
(as of 31 Dec. 2021)	*27,624*	*1,005,513*	*2,776,159*	*13,481,434*	*9,511,027*	*85,707*	*26,887,464*
in %	**0**	**4**	**11**	**49**	**35**	**1**	**100**

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

of which to:	Loans and advances to Banks EUR in thousands	Loans and advances to Customers EUR in thousands	Total EUR in thousands
Shareholder	0	0	**0**
Affiliated companies	82,472	0	**82,472**
Companies in which KfW IPEX-Bank holds a stake	33,762	0	**33,762**
Subordinated assets	0	8,551	**8,551**

Bonds and other fixed-income securities

Listed/marketable securities

	31 Dec. 2022 EUR in thousands	31 Dec. 2021 EUR in thousands
Listed securities	410,616	507,918
Unlisted securities	0	0
Marketable securities	**410,616**	**507,918**

The 'Bonds and other fixed-income securities' item totals EUR 411 million (previous year: EUR 508 million). As of the reporting date this consists solely of a portfolio of high-quality and highly liquid securities (HQLA portfolio) issued by KfW as an affiliated company (previous year: EUR 411 million), which are held in order to satisfy the regulatory liquidity coverage ratio (LCR).

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.

Bonds and other fixed-income securities that are intended to serve business operations on a permanent basis are assigned to 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. As of the balance sheet date, there were no longer any securities assigned to fixed assets (previous year: EUR 97 million), as the securities matured during the 2022 financial year.

The portfolio includes securities amounting to EUR 210 million (previous year: EUR 97 million) which fall due during the year following the balance sheet date. No write-downs were avoided (previous year: EUR 1 million).

Fixed assets

	Changes	Residual book value	Residual book value
	2022[1)]	31 Dec. 2022	31 Dec. 2021
	EUR in thousands	EUR in thousands	EUR in thousands
Shares and other non-fixed-income securities	0	0	0
of which: included in valuation units within the meaning of Section 254 of the German Commercial Code (HGB)	*0*	*0*	*0*
Investments	–22,780	18,600	41,380
Shares in affiliated companies	10,557	11,538	982
Bonds and other fixed-income securities	–97,270	0	97,270
of which: included in valuation units within the meaning of Section 254 of the German Commercial Code (HGB)	*0*	*0*	*0*
Total	**–109,493**	**30,138**	**139,632**

1) Including exchange rate changes

	Acquisition/ production costs	Additions	Disposals	Transfers	Acquisition/ production costs as of 31 Dec. 2022	Cumulative amortisation, depreciation and impairment as of 1 Jan. 2022
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Intangible assets	16,556	285	0	0	16,840	2,313
Property, plant and equipment[2)]	1,014	121	360	0	776	579
Sum	**17,570**	**406**	**360**	**0**	**17,616**	**2,892**
Total						

	Amortisation, depreciation and impairment 2022	Write-ups	Cumulative amortisation, depreciation and impairment in the financial year			Cumulative amortisation, depreciation and impairment as of 31 Dec. 2022	Residual book value 31 Dec. 2022	Residual book value 31 Dec. 2021
			Additions	Disposals	Transfers			
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Intangible assets	3,329	0	–1,237	0	0	5,642	11,198	14,242
Property, plant and equipment[2)]	117	0	–10	347	0	349	427	436
Sum	**3,446**	**0**	**–1,247**	**347**	**0**	**5,991**	**11,625**	**14,678**
Total							**41,764**	**154,310**

2) Of which: as of 31 Dec. 2022: – total value of plant and equipment: EUR 427 thousand
– total value of land and buildings used for the bank's activities EUR 0

KfW IPEX-Bank holds shares in the affiliated company KfW IPEX-Bank Asia Ltd., Singapore, in the amount of EUR 11.5 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	16,818	1,478
2.	Sperber Rail Holdings Inc., Wilmington, USA[2)]	100.0	USD	456	6
3.	Bussard Air Leasing Ltd. i.L., Dublin, Ireland[2)]	100.0	USD	–2,152	165

[1)] Preliminary data as of 31 Dec. 2022 is available.
[2)] No current annual financial statements are available.

Assets held in trust

	31 Dec. 2022	31 Dec. 2021	Change
	EUR in thousands	EUR in thousands	EUR in thousands
Loans and advances to banks	0	0	0
Loans and advances to customers	403,594	404,284	–690
Shares	0	0	0
Total	**403,594**	**404,284**	**–690**

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 22.7 billion (previous year: EUR 22.3 billion) on behalf of KfW as an indirect agent.

Other assets

Other assets totalling EUR 109 million (previous year: EUR 23 million) mainly include other assets from interest rate options amounting to EUR 86 million (previous year: EUR 5 million), receivables from KfW Beteiligungsholding 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 20 million (previous year: EUR 13 million) and receivables from the tax authorities arising from tax advances and tax refund claims totalling EUR 1 million (previous year: EUR 2 million).

Prepaid expenses and deferred charges

Prepaid expenses and deferred charges of EUR 55 million (previous year: EUR 68 million) include, in particular, pro rata deferred upfront payments for derivative financial instruments amounting to EUR 37 million (previous year: EUR 51 million) and capitalised premium amounts from purchases of receivables of EUR 18 million (previous year: EUR 17 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	599,836	992,921	2,534,509	12,541,640	3,213,171	83,127	19,965,203
(as of 31 Dec. 2021)	*609,456*	*1,462,910*	*2,080,540*	*12,372,090*	*5,731,836*	*38,202*	*22,295,034*
Liabilities to customers – other liabilities	53,184	356,055	0	0	0	14,234	423,473
(as of 31 Dec. 2021)	*70,490*	*70,885*	*0*	*0*	*0*	*2,775*	*144,150*
Total	**653,021**	**1,348,975**	**2,534,509**	**12,541,640**	**3,213,171**	**97,361**	**20,388,676**
(as of 31 Dec. 2021)	*679,946*	*1,533,795*	*2,080,540*	*12,372,090*	*5,731,836*	*40,977*	*22,439,184*
in %	**3**	**7**	**12**	**62**	**16**	**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	19,837,760	0	19,837,760
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, Financial Services Institutions and Investment Firms (“RechKredV”)

		31 Dec. 2022	31 Dec. 2021
		EUR in millions	EUR in millions
Public Pfandbriefe in issue		**1,033**	**1,137**
Cover assets			
Loans and advances to customers		1,511	1,604
a) mortgage loans		*0*	*0*
b) municipal loans		*829*	*852*
c) other loans and advances		*682*	*752*
Bonds and other fixed-income securities		75	75
Cover assets total		**1,586**	**1,679**
Over-collateralisation	**absolute value**	**553**	**542**
	in %	**54**	**48**

Information in accordance with Section 28 of the German Pfandbrief Act (PfandBG)
Information on total liabilities and maturity structure

Section 28 (1) nos 1, 3 and 7 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. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Total value of Pfandbriefe in issue including derivatives	1,033	1,137	952	1,150	985	1,229
of which: derivatives	*0*	*0*	*0*	*0*	*0*	*0*
Total value of cover pools including derivatives	1,586	1,679	1,549	1,797	1,522	1,759
of which: derivatives	*0*	*0*	*0*	*0*	*0*	*0*
Over-collateralisation absolute	**553**	**542**	**597**	**647**	**537**	**530**
value in %	**54**	**48**	**63**	**56**	**54**	**43**

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

Section 28 (1) nos 4 and 5 of the Pfandbrief Act Maturity structure and fixed-interest period	Pfandbriefe in circulation		Cover pool		Extensions of maturity[1), 2)]	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
up to 6 months	0	0	262	66	0	–
more than 6 to 12 months	0	0	59	68	0	–
more than 12 to 18 months	169	163	132	84	0	–
more than 18 months to 2 years	0	44	48	69	0	–
more than 2 to 3 years	97	163	95	200	169	–
more than 3 to 4 years	38	94	80	108	97	–
more than 4 to 5 years	100	35	91	85	38	–
more than 5 to 10 years	630	637	531	606	730	–
more than 10 years	0	0	288	394	0	–

[1)] The corresponding values for the previous year will be published in the Notes only from the 2023 annual financial statements onwards, in accordance with Section 55 of the German Pfandbrief Act.

[2)] Effects of a maturity extension on the maturity structure of the Pfandbriefe, extension scenario: 12 months. This involves a highly unlikely scenario that could only arise following insolvency of the Pfandbrief bank.

Section 28 (1) nº 5 of the German Pfandbrief Act[1)] Information on extensions of maturity of the Pfandbriefe	31 Dec. 2022
Prerequisites for the extension of maturity of Pfandbriefe pursuant to Section 30 (2a) of the German Pfandbrief Act	The extension of the maturity is necessary in order to avoid the imminent insolvency of the Pfandbrief bank with limited business activity (prevention of insolvency), the Pfandbrief bank with limited business activity is not over-indebted (no existing over-indebtedness) and there is reason to believe that the Pfandbrief bank with limited business activity will be able to meet its liabilities then due after the expiry of the maximum possible extension date, taking into account further possibilities for extension (positive forecast of meeting liabilities). For further details, see also Section 30 (2b) of the German Pfandbrief Act.
Powers of the cover pool administrator with regard to the extension of maturity of Pfandbriefe pursuant to Section 30 (2a) of the German Pfandbrief Act	The cover pool administrator may extend the maturity dates of the principal payments if the relevant prerequisites pursuant to Section 30 (2b) of the German Pfandbrief Act have been met. The cover pool administrator determines the period of extension, which may not exceed 12 months, in accordance with the requirements. The cover pool administrator may extend the maturity dates of principal and interest payments falling due within one month after the appointment of the cover pool administrator to the end of that monthly period. If the cover pool administrator decides on such an extension, the existence of these prerequisites pursuant to Section 30 (2b) of the German Pfandbrief Act shall be irrefutably presumed. Such an extension must take into account the maximum extension period of 12 months. The cover pool administrator may only exercise their authority uniformly for all Pfandbriefe of an issuance; the maturity dates may be extended in full or pro rata. The cover pool administrator may only extend the maturity for a Pfandbrief issue such that the original order of redemptions of the Pfandbriefe, which could be superseded by the extension, remains unchanged ('ban on overtaking'). This can mean that the maturity dates of issues with a later maturity date also need to be extended, in order to uphold the overtaking ban. For further details, see also Section 30 (2a) and (2b) of the German Pfandbrief Act.

1) The corresponding values for the previous year will be published in the Notes only from the 2023 annual financial statements onwards, in accordance with Section 55 of the German Pfandbrief Act.

Section 28 (1) nº 6 of the German Pfandbrief Act[1)]	31 Dec. 2022
Key liquidity indicators	**EUR in millions**
Absolute value of the largest non-zero negative sum resulting in the next 180 days within the meaning of Section 4 (1a) sentence 3 for the Pfandbriefe (liquidity requirement)	0
On which of the next 180 days this largest negative sum will result	–
Total amount of the cover assets that meet the requirements of Section 4 (1a) sentence 3 of the German Pfandbrief Act (liquidity cover)	75
Liquidity surplus	75

1) The corresponding values for the previous year will be published in the Notes only from the 2023 annual financial statements onwards, in accordance with Section 55 of the German Pfandbrief Act.

Section 28 (1) nº 2 of the German Pfandbrief Act[1)]	31 Dec. 2022
List of International Securities Identification Numbers of the International Organization for Standardization (ISIN)	**EUR in millions**
ISIN	–

1) The corresponding values for the previous year will be published in the Notes only from the 2023 annual financial statements onwards, in accordance with Section 55 of the German Pfandbrief Act.

Section 28 (1) nº 9 of the German Pfandbrief Act	31 Dec. 2022	31 Dec. 2021
	in %	in %
Proportion of fixed-rate		
– *cover pool*	*59*	*47*
– *Pfandbriefe*	*64*	*57*

Section 28 (1) nº 14 of the German Pfandbrief Act (as per Section 6 of the Pfandbrief Net Present Value Regulation)	Net present value	
Foreign currency	**31 Dec. 2022**	**31 Dec. 2021**
	EUR in millions	**EUR in millions**
CAD	99	98
USD	–89	–130

Structure of cover assets

	Section 28 (1) nºs 8, 9 and 10 of the German Pfandbrief Act[1) Total value of claims registered					
	Claims within the meaning of Section 20 (2) sentence 1 nº 2 of the German Pfandbrief Act (Section 28 (1) sentence 1 nº 8 of the German Pfandbrief Act)		Claims within the meaning of Section 20 (2) sentence 1 nºs 3a) to c) of the German Pfandbrief Act (Section 28 (1) sentence 1 nº 9 of the German Pfandbrief Act)		Claims within the meaning of Section 20 (2) sentence 1 nº 4 of the German Pfandbrief Act (Section 28 (1) sentence 1 nº 9 of the German Pfandbrief Act	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Sovereign	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
none	0	–	0	–	0	–
of which: covered bonds[2)]	0	–	0	–	0	–
Total amount across all countries	**0**	**–**	**0**	**–**	**0**	**–**

[1)] The corresponding values for the previous year will be published in the Notes only from the 2023 annual financial statements onwards, in accordance with Section 55 of the German Pfandbrief Act.

[2)] within the meaning of Article 129 of Regulation (EU) nº 575/2013.

Section 20 (1) and (2) of the German Pfandbrief Act[1)] Distribution of the cover assets, Share of total amount of Pfandbriefe in issue (nominal)	31 Dec. 2022	
	EUR in millions	in %
of which ordinary cover in accordance with Section 20 (1) of the German Pfandbrief Act	1,586	154
of which securing excess coverage in accordance with Section 4 (1) of the German Pfandbrief Act	*75*	*7*
of which further cover in accordance with Section 20 (2) of the German Pfandbrief Act	0	0
of which securing excess coverage in accordance with Section 20 (2) nº 3 of the German Pfandbrief Act	*0*	*0*
Total cover pool	**1,586**	**154**

[1)] The corresponding values for the previous year will be published in the Notes only from the 2023 annual financial statements onwards, in accordance with Section 55 of the German Pfandbrief Act.

	Section 28 (3) nº 1 of the German Pfandbrief Act Total value of claims used by size class	
	31 Dec. 2022	**31 Dec. 2021**
	EUR in millions	**EUR in millions**
up to EUR 10 million	33	3
more than EUR 10 million to EUR 100 million	347	356
more than EUR 100 million	1,206	1,321
Total	**1,586**	**1,679**

Section 28 (1) nº 11 of the German Pfandbrief Act[1)] Total value of claims according to Section 20 (1) and (2) that exceed the threshold according to Section 20 (3)	31 Dec. 2022
	EUR in millions
Total	**0**

[1)] The corresponding values for the previous year will be published in the Notes only from the 2023 annual financial statements onwards, in accordance with Section 55 of the German Pfandbrief Act.

	Section 28 (1) nº 12 of the German Pfandbrief Act[1)] Total value of claims exceeding the threshold	
	Claims within the meaning of Section 20 (2) nº 2 of the German Pfandbrief Act	**Claims within the meaning of Section 20 (2) nº 3 of the German Pfandbrief Act**
	31 Dec. 2022	**31 Dec. 2022**
	EUR in millions	**EUR in millions**
Total	**0**	**0**

[1)] The corresponding values for the previous year will be published in the Notes only from the 2023 annual financial statements onwards, in accordance with Section 55 of the German Pfandbrief Act.

Section 28 (3) nº 2 of the German Pfandbrief Act
Total value of claims used by country and debtor class

	Sovereigns				Regional authorities				Local authorities			
	31 Dec. 2022		31 Dec. 2021		31 Dec. 2022		31 Dec. 2021		31 Dec. 2022		31 Dec. 2021	
	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	472	0	555	0	159	0	151	0	75	0	40
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	348	0	359	0	0	0	0	0	0	0	0	0
Austria	0	17	0	20	0	0	0	0	0	0	0	0
Total	**348**	**489**	**359**	**575**	**0**	**159**	**0**	**151**	**0**	**75**	**0**	**40**

[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. 2022		31 Dec. 2021		31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	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	147	107	153	108	960	1,007	472	706
Denmark	0	231	0	251	231	251	231	251
Finland	0	30	0	43	30	43	30	43
France	0	0	0	0	348	359	0	0
Austria	0	0	0	0	17	20	17	20
Total	**147**	**368**	**153**	**401**	**1,586**	**1,679**	**750**	**1,019**

[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. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	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**

Section 28 (1) nº 15 of the German Pfandbrief Act Share of cover assets in arrears in accordance with Section 178 (1) of Regulation (EU) Nr. 575/2013	31 Dec. 2022	31 Dec. 2021
	in %	in %
Total	**0**	**0**

Liabilities held in trust

	31 Dec. 2022	31 Dec. 2021	Change
	EUR in thousands	EUR in thousands	EUR in thousands
Liabilities to banks	0	0	0
Liabilities to customers	403,594	404,284	–690
Shares	0	0	0
Total	**403,594**	**404,284**	**–690**

Other liabilities
Other liabilities totalling EUR 128 million (previous year: EUR 190 million) mainly consist of the liability to KfW Beteiligungsholding GmbH resulting from the existing profit transfer agreement of EUR 96 million (previous year: EUR 119 million), the balancing item for the foreign currency translation of derivative hedges of EUR 12 million (previous year: EUR 43 million) and the pro-rata interest for the subordinated bearer bond issued on 31 December 2021 (EUR 11 million) and for the subordinated loan (EUR 2 million).

Deferred income
Deferred income totalling EUR 96 million (previous year: EUR 54 million) mainly includes deferred fees in the lending business amounting to EUR 57 million (previous year: EUR 1 million), deferred upfront payments for derivative financial instruments amounting to EUR 35 million (previous year: EUR 47 million) and deferred payments for receivables purchases totalling EUR 5 million (previous year: EUR 6 million).

Provisions
In addition to provisions for pensions and similar commitments totalling EUR 296 million (previous year: EUR 278 million) and tax provisions amounting to EUR 2 million (previous year: EUR 2 million), other provisions amounting to EUR 65 million (previous year: EUR 58 million) were recognised as of 31 December 2022. Tax provisions comprise liabilities in connection with the bank's US lending business (EUR 2 million). The other provisions relate in particular to liabilities to staff (EUR 29 million), provisions for credit risks (EUR 24 million), archiving costs (EUR 4 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 24 million as of 31 December 2022 (previous year: EUR 35 million). This amount is not available for distribution.

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 was on 30 April 2022 (short first interest period)	31 December 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 3 million in 2022.

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 was on 30 April 2022 (short first interest period)	No final maturity date Optional repayment on 30 April 2027 or on any following fifth anniversary

Interest expenses incurred amounted to EUR 16 million in 2022.

Other required disclosures on liabilities and equity

Contingent liabilities

Sector department	31 Dec. 2022 EUR in millions	31 Dec. 2021 EUR in millions	Change EUR in millions
Power and Environment	929	824	105
Aviation, Mobility & Transport	556	748	–192
Financial Institutions, Trade and Commodity Finance	487	292	195
Industries and Services	182	200	–18
Infrastructure	175	152	23
Maritime Industries	132	44	88
Resources and Recycling	94	159	–64
Total	**2,557**	**2,420**	**137**

New guarantees given in the 2022 financial year amounted to EUR 301 million. In contrast, a total of EUR 163 million was redeemed.

Irrevocable loan commitments

Sector department	31 Dec. 2022 EUR in millions	31 Dec. 2021 EUR in millions	Change EUR in millions
Industries and Services	2,302	1,813	489
Resources and Recycling	2,291	1,389	902
Maritime Industries	1,848	2,132	–284
Power and Environment	1,628	1,751	–123
Infrastructure	1,621	1,272	349
Aviation, Mobility & Transport	1,536	1,484	52
Financial Institutions, Trade and Commodity Finance	951	435	516
Total	**12,177**	**10,276**	**1,901**

Total irrevocable loan commitments as of 31 December 2022 stood at EUR 12,177 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, Financial Services Institutions and Investment Firms (“RechKredV”)

	31 Dec. 2022			31 Dec. 2021		
	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	924,710	4,379	929,089	516,142	3,002	519,144
Current income from						
a) shares and other non-fixed-income securities	0	0	0	0	0	0
b) investments	0	0	0	6	0	6
c) shares in affiliated companies	0	0	0	0	0	0
Commission income	145,221	0	145,221	177,900	6	177,905
Other operating income	44,030	121	44,151	28,391	12,668	41,059
Total	**1,113,961**	**4,500**	**1,118,461**	**722,440**	**15,675**	**738,114**

Interest expense and interest income

The valuation of provisions led to interest expense of EUR 5,155 thousand (previous year: EUR 6,815 thousand).

In 2022, negative interest amounts arose to a significant extent in connection with liabilities-side promissory note loans in the amount of EUR 3,616 thousand (previous year: EUR 22,320 thousand). Furthermore, negative interest amounts arose in connection with money market transactions from call money and term borrowings in the amount of EUR 1,121 thousand (previous year: EUR 3,058 thousand).

Other operating expense

Other operating expense amounted to EUR 6 million (previous year: EUR 28 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 6 million (previous year: EUR 24 million).

Other operating income

Other operating income of EUR 44 million (previous year: EUR 41 million) chiefly related to realised and unrealised exchange gains from foreign currency valuation totalling EUR 19 million (previous year: EUR 32 million), income from the reversal of provisions no longer required of EUR 9 million (previous year: EUR 5 million) and income from services provided to group companies totalling EUR 7 million (previous year: EUR 4 million). This item also included realised income from derivatives amounting to EUR 8 million.

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

	31 Dec. 2022 EUR in millions	31 Dec. 2021 EUR in millions
Annual profit to be transferred due to the profit transfer agreement concluded with KfW Beteiligungsholding GmbH	96	119
Profit sharing for the KfW silent partner contribution[1]	0	15
Total	**96**	**134**

[1] The profit share for the silent partner contribution of KfW (EUR 1.0 billion) included in the previous year was replaced as of 31 Dec. 2021 by new capital instruments recognised by the supervisory authorities.

Appropriation of profit

As part of the implementation of the existing profit transfer agreement, the annual profit (EUR 96 million) will be 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 2022.

Expenses and income resulting from currency conversion 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 2022, 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 13.8 billion (previous year: EUR 15.0 billion), of which EUR 13.4 billion related to loans and advances to customers.

Total liabilities denominated in foreign currency amounted to EUR 13.6 billion (previous year: EUR 14.9 billion), of which the majority (EUR 8.7 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
KfW IPEX-Bank has exercised the option under Section 285 nº 17 of the German Commercial Code and refers to the breakdown of the auditor's fee in 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 rate change risks as of the balance sheet date.

	Nominal value		Carrying amount		Fair value	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	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	411	401	421
Total	**410**	**410**	**411**	**411**	**401**	**421**

KfW IPEX-Bank uses derivatives only to hedge open positions. The option to account for economic hedges in the form of valuation units on 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 the identification of 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 the economic hedging of interest rate change 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 2022, 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 2022.

Derivative transactions – volumes

	Nominal value		Fair values positive	Fair values negative
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2022
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Contracts with interest rate risks				
Interest rate swaps	30,852	29,842	1,764	1,483
Swaptions	0	0	0	0
Caps/floors	659	517	30	31
Total	**31,511**	**30,359**	**1,794**	**1,514**
Contracts with foreign exchange risks				
Cross-currency swaps	1,823	746	77	4
FX swaps	3,064	3,702	29	5
FX forward transactions	0	77	0	0
Total	**4,887**	**4,526**	**105**	**9**
Equity and other price risks	**0**	**0**	**0**	**0**
Credit derivatives	**0**	**0**	**0**	**0**
Total	**36,398**	**34,884**	**1,899**	**1,523**

Derivative transactions – maturities by nominal volume

	Interest rate risks		Foreign exchange risks		Credit derivatives	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Maturity						
– up to 3 months	757	454	2,365	2,961	0	0
– more than 3 months to 1 year	2,127	1,718	858	956	0	0
– more than 1 year to 5 years	13,023	12,037	976	517	0	0
– more than 5 years	15,604	16,150	689	92	0	0
Total	**31,511**	**30,359**	**4,887**	**4,526**	**0**	**0**

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 26,635 million as of 31 December 2022 (previous year: EUR 27,491 million). In addition, financial guarantees amounting to EUR 199 million (previous year: EUR 221 million) were administered.

	31 Dec. 2022	31 Dec. 2021	Change
	EUR in millions	EUR in millions	EUR in millions
Market business	8,077	9,235	–1,158
Trust business	12,248	11,737	511
Other[1)]	6,310	6,519	–209
Total	**26,635**	**27,491**	**–856**

[1)] Including refinancing for CIRR ship financings by third-party banks totalling EUR 5,962 million (previous year: EUR 6,147 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:

	2022	2021	Change
Female employees	438	428	10
Male employees	459	448	11
Total	**897**	**876**	**21**
Staff not covered by collective agreements	*650*	*626*	*24*
Staff covered by collective agreements	*218*	*217*	*1*
Staff working offices abroad	*29*	*33*	*–4*

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 2022 was EUR 1,778 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	28	17	455
Velibor Marjanovic[4)]	273	–	13	286
Markus Scheer[5)]	86	29	6	122
Claudia Schneider	410	26	8	445
Andreas Ufer	410	29	32	470
Total	**1,588**	**112**	**77**	**1,778**

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.
4) Member of the Management Board since 1 May 2022.
5) Member of the Management Board until 16 March 2022.

Belgin Rudack joined the KfW IPEX-Bank Management Board, which now consists of five members, with effect from 1 January 2023.

Retirement pension payments totalling EUR 584 thousand were paid to former members of the Management Board in the 2022 financial year.

As of 31 December 2022, provisions for pensions for former members of the Management Board and their surviving dependants stood at a total of EUR 14,691 thousand.

Total remuneration paid to the members of the Board of Supervisory Directors was EUR 108 thousand (net). Attendance fees amounting to EUR 84 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 Mr Philipp also waived their remuneration and attendance fees. State Secretary Pillath charged attendance fees of EUR 6,100.

As of 31 December 2022, 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

No significant events have occurred since the end of the financial year.

Board of Supervisory Directors

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

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

Evelyne Freitag
(Member of the Board of Supervisory Directors)
from 25 March 2022

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

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

Dr Jörg Kukies
(State Secretary, Federal Ministry of Finance)
up to 14 February 2022

Dr Carsten Pillath
(State Secretary, Federal Ministry of Finance)
from 16 March 2022

Udo Philipp
(State Secretary, Federal Ministry for Economic Affairs and Climate Action)
from 16 March 2022

Sabine Schneider
(KfW IPEX-Bank employee representative, Project Manager)
from 25 March 2022

Timm Rometzki
(KfW IPEX-Bank employee representative, Team Head)
up to 25 March 2022

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

Management Board

Klaus R. Michalak
(CEO)

Dr Velibor Marjanovic
(from 1 May 2022)

Belgin Rudack
(from 1 January 2023)

Markus Scheer
(up to 16 March 2022)

Claudia Schneider

Andreas Ufer

Frankfurt am Main, 28 February 2023

Klaus R. Michalak

Dr Velibor Marjanovic

Belgin Rudack

Claudia Schneider

Andreas Ufer

Independent auditor's report

Independent auditor's report[1)]

To KfW IPEX-Bank GmbH, Frankfurt am Main/Germany

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of KfW IPEX-Bank GmbH, Frankfurt am Main/Germany, which comprise the balance sheet as at 31 December 2022, and the income statement for the financial year from 1 January to 31 December 2022, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of KfW IPEX-Bank GmbH, Frankfurt am Main/Germany, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the separate combined non-financial report of KfW Group in accordance with Section 289b (3), Sections 315c in conjunction with 289b (3) German Commercial Code (HGB), which is in turn part of the sustainability report of KfW Group and which is referred to in the section "Non-financial statement" of the management report, nor the other parts of the sustainability report, nor the corporate governance statement in accordance with Section 340a (1) in conjunction with Section 289f (4) HGB included in the management report (disclosures concerning the quota for women).

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 and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company'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 audit opinion on the management report does not cover the contents of the above-mentioned combined non-financial report in accordance with Section 289b (3), Sections 315c in conjunction with 289b (3) HGB, nor the other parts of the sustainability report of KfW Group, nor the corporate governance statement in accordance with Section 340a (1) in conjunction with Section 289f (4) HGB included in the management report (disclosures concerning the quota for women).

Pursuant to Section 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 Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 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 (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 Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in

[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.

accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 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 audit opinions on the annual financial statements and on the management report.

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 to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following, we present the determination of risk provisions in the lending business taking into account the effects of the Russian war in Ukraine, which we have determined to be a key audit matter in the course of our audit.

Our presentation of these key audit matters has been structured as follows:
a) description (including reference to corresponding information in the annual financial statements and the management report)
b) auditor’s response

Determination of risk provisions in the lending business taking into account the effects of the Russian war in Ukraine
a) In its annual financial statements as at 31 December 2022, KfW IPEX-Bank GmbH reports loans and advances to customers and banks totalling EUR 24.9 billion, which accounts for 96.1% of total assets. In addition, there are contingent liabilities and other obligations in the amount of EUR 3.0 billion. For these items, risk provisions of EUR 480 million were recognised, which are composed of both individually determined specific loan loss provisions (EUR 340 million) and general loan loss provisions (EUR 140 million). The risk provisions include provisions of EUR 23.5 million recognised for existing contingent liabilities and other obligations.

   The Bank assesses the recoverability of loans and advances in the lending business on a regular basis and on the occasion of objective indications for impairment. Taking into account the respective collateral, the need for impairment equals the amount subject to risk of default determined according to the internal guidelines of the Bank. Where applicable, the Bank recognises corresponding provisions for off-balance sheet transactions subject to either an imminent risk of utilisation by doubtful borrowers (guarantees, warranties) or to expected allowances on account of payment obligations (irrevocable loan commitments).

   The Bank has outsourced the determination of general loan loss provisions to Kreditanstalt für Wiederaufbau Anstalt des öffentlichen Rechts, Frankfurt am Main/Germany, (KfW). They are calculated by means of mathematical and statistical procedures based on expected credit loss, using regulatory risk parameters (probability of default, recovery rate from the realisation of collateral and recovery rate on the unsecured portion of the loan) as a basis.

   Due to the existing economic uncertainties also in connection with Russia’s war in Ukraine, the Bank has increased its general risk provisions as at the reporting date 31 December 2022 by adding a post-model adjustment. The calculation of the general risk provisions is based on an overall expected increase of probabilities of default of the borrowers as well as a scenario consideration regarding the recovery rate on the unsecured portion of the loans and advances.

   Given that the lending business is one of the Bank’s core business activities and both the individual and model-based valuation of loans and advances and contingent liabilities as well as other obligations is based on models and estimates of the executive directors and is therefore subject to uncertainties and judgement, the determination of risk provisions was of particular importance in our audit.

The disclosures regarding the determination of risk provisions in the lending business can be found in the sections "Accounting and valuation regulations", "Changes in accounting and valuation policies" of the notes to the financial statements as well as additionally in the section "Credit risks" in the risk report of the management report.

b) In the context of our risk-based audit approach, we audited both the internal controls relevant to the audit and performed substantive audit procedures based on our risk assessment. The test of design and implementation and of operating effectiveness comprised the controls with respect to the processes for identifying indications for an impairment need (risk early recognition process), customer ratings as well as individual loan-based determination of allowance (determination of specific loan loss provisions) taking into account the pledged collateral. Moreover, we conducted a test of design and implementation and of operating effectiveness of the controls with respect to the processes for determining general loan loss provisions. As part of our risk assessment, we evaluated whether and to what extent the valuation was open to influence by subjectivity, complexity or other inherent risk factors.

   In addition, we conducted an evaluation of the appropriate identification of indications for an impairment need based on individual cases selected according to risk aspects, as well as of the measurement of loans and advances for which the Bank considered it necessary to carry out an impairment test, including the acceptability of the estimated values. In conducting this evaluation, we especially looked into the methods, assumptions and data used by the Bank in connection with estimates. For the valuation of loans and advances, we assessed the underlying assumptions, especially the valuation of collateral. In selecting our individual case sample, we focused on loans and advances to customers and banks based in Russia or Ukraine as well as to energy-intensive businesses due to the direct and indirect effects of Russia's war in Ukraine.

   For examining the outsourcing of the general loan loss provisions calculation to KfW, we especially assessed the technical concepts on which the calculation methodology is based and changes of such concepts within the framework of the migration to KfW's "Risikomethodenpool" system by consulting our internal specialists. In addition, we retraced the resulting general loan loss provisions based on a representative selection of samples and evaluated the methodology for deriving the post-model adjustment made as well as the appropriateness of material assumptions underlying the calculation.

   In addition, we audited the completeness and accuracy of the disclosures made in the notes to the financial statements.

Other Information

The executive directors and/or the board of supervisory directors are responsible for the other information. The other information comprises

- the report of the board of supervisory directors, which is expected to be presented to us after the date of this auditor's report,
- the separate combined non-financial report of KfW Group in accordance with Section 289b (3), Sections 315c in conjunction with 289b (3) HGB, which is in turn part of the sustainability report of KfW Group and which is referred to in the section "Non-financial statement" of the management report, and which is expected to be presented to us after the date of this auditor's report,
- the corporate governance statement pursuant to Section 340a (1) in conjunction with Section 289f (4) HGB included in the management report (disclosures concerning the quota for women),
- the corporate governance report, which is expected to be presented to us after the date of this auditor's report, and
- all other parts of the annual report, which are expected to be presented to us after the date of this auditor's report,
- but not the annual financial statements, not the audited content of the management report and not our auditor's report thereon.

The board of supervisory directors is responsible for the annual report of the board of supervisory directors. The executive directors and the board of supervisory directors are responsible for the preparation of the corporate governance report. Otherwise, the executive directors are responsible for the other information.

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

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

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

Responsibilities of the Executive Directors and the Board of Supervisory Directors for the Annual Financial Statements and the Management Report
The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are 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 (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company'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 executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company'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 executive directors are 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 Company'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 Company'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 audit 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 Section 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 audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures 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 audit opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' 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 Company'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 audit 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 Company 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 Company 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 Company's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 audit 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 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 actions taken or safeguards applied to eliminate independence threats.

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 for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the general shareholders' meeting on 21 July 2021. We were engaged by the board of supervisory directors on 22/27 June 2022 and by supplemental agreement. We have been the auditor of KfW IPEX-Bank GmbH, Frankfurt am Main/Germany, since the financial year 2022.

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

In addition to the financial statement audit, we have provided to the audited Company the following services that are not disclosed in the annual financial statements or in the management report:
– Audit of the report pursuant to Section 53 German Law on Budgetary Principles (HGrG) regarding remuneration paid to the members of the management board and the board of supervisory directors as well as to managerial staff of KfW IPEX-Bank GmbH for the financial year 2022,
– Audit of the IFRS reporting package of KfW IPEX-Bank GmbH as at 31 December 2022 for the purpose of the group audit of Kreditanstalt für Wiederaufbau Anstalt des öffentlichen Rechts, Frankfurt am Main/Germany.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christian Schweitzer.

Frankfurt am Main/Germany, 7 March 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:
Christian Schweitzer
Wirtschaftsprüfer
(German Public Auditor)

Signed:
Ehler Bühmann
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 2022.[13)]

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	Export and project finance	Frankfurt am Main	520.78	775	93.30	0.02	0.00
UK	KfW IPEX-Bank	Export and project finance	London	9.70	19	4.47	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 2022, the return on assets within the meaning of Section 26a (1) sentence 4 of the Act is 0.0037 or 0.37%.

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

Report on equality and equal pay as per Section 21 of the German Remuneration Transparency Act (Entgelttransparenzgesetz – EntgTranspG) for the reporting period of 2017 to 2021

KfW IPEX-Bank owes a great deal of its long-term market success as a leading project and export financier to the extraordinary commitment and excellent work of its highly motivated employees. It therefore needs well-trained and motivated employees who impress customers with their expertise, service-minded approach and professionalism.

To ensure that this is the case, the bank offers, among other things, a remuneration system linked to success and performance, the KfW IPEX-Bank Academy advanced development programme for employees, flexible building blocks to enable work-life balance and a variety of professional and healthcare benefits.

Measures to promote equality
KfW IPEX Bank's commitment to gender equality is a key component of its human resources policy, management culture and working relationships. KfW IPEX-Bank has a long history of promoting a good work-life balance, as is evidenced by the broad range of measures, programmes and services offered to support employees in achieving this balance. Together with KfW, in 2019 KfW IPEX-Bank was certified for the fourth time by Beruf und Familie GmbH. A fifth certification is planned in 2023. A works agreement sets out options for taking leave of absence to care for a child or close relative or for continued professional development and other further education. During 2021 a works agreement was concluded on 'Remote working'. This initially allowed employees – on a voluntary basis – to work remotely for 40% of their agreed individual working hours, and today allows remote working for 60% of working hours. A wide range of childcare options are also offered through the employee assistance provider 'pme Familienservice'. This service was expanded extensively during the pandemic. In 2019 KfW IPEX-Bank signed the Diversity Charter, demonstrating its commitment to an open and unbiased working environment. Since 2019 KfW IPEX-Bank has also been a member of the nationwide Conpadres Fathers' Network and provides financial and organisational support to its in-house Fathers' Network. The internal 'Leadership Prospects' programme, which was established in 2017 to foster female leadership potential, entered its third round during 2022. The aim of this programme is to identify female leadership potential in particular at an early stage and to provide these potential future leaders with workshops and mentoring in order to raise awareness of management career options and foster their talent accordingly. Management roles at KfW IPEX-Bank can also be performed on a part-time basis, for example through tandem management, which includes mixed gender management teams. In accordance with the Act on Equal Participation of Women and Men in Management Positions in the Private and Public Sectors (*Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst – "FüPoG I"*), KfW IPEX-Bank had set itself targets for increasing the proportion of women in management positions at head of team and departmental head level to be achieved by 30 June 2022 (five years after the last targets were set as of 30 June 2017). With effect from 1 July 2022, new targets were set for the proportion of women at both of these management levels in accordance with the requirements of the Second Management Positions Act (*Zweites Führungspositionengesetz – "FüPoG II"*), to be achieved by 30 June 2027. The status on reaching these targets will be reported annually in the Management Report and in the KfW Group Sustainability Report.

Measures to establish equal pay
As a company governed by a collective bargaining agreement, KfW IPEX-Bank applies the collective agreements for private and public banks. The remuneration system for positions not covered by collective agreements is subject to a works agreement that is transparent and easy to understand and can be accessed by all employees. This takes account of equal pay through clear assignment of similar activities and responsibilities to a function and to a career grade. A salary band has been defined for each combination of function and career grade, and a standardised, gender-neutral approach was taken to setting the criteria for individual career grades (including qualifications and responsibilities).

In addition, for several years the works council has audited the performance of the annual salary review in order to enhance pay transparency and assess equal pay. Afterwards, employees are informed of the council's findings in a works meeting; to date the works council has not identified any irregularities with regard to potential pay disparity. Furthermore, the Management Board receives a quarterly report on HR issues, which includes reporting on gender-related pay issues.

Employees were informed at a separate works meeting in 2017 that the German Remuneration Transparency Act (*Entgelttransparenzgesetz – "EntgTranspG"*) had come into force. Since then, information on the Act has been available on the company intranet. An email address was set up in order to respond to individual requests for information, which can be used by employees wishing to assert their individual right to information pursuant to Section 10 of the Remuneration Transparency Act. These enquiries are answered by the employer in consultation with the works council. During the 2017 to 2021 reporting period, a total of 10 enquiries were received from employees, of which 6 came from men and 4 from women.

Information pursuant to section 21 (2) Transparency of Remuneration Act
Quantitative information on employees[1] (average figures)

	2021		2016	
Total staff	**876**		**662**	
of which female		*428*		*309*
of which male		*448*		*353*
Full-time employees	**633**		**515**	
of which female		*243*		*178*
of which male		*390*		*337*
Part-time employees	**243**		**147**	
of which female		*185*		*131*
of which male		*58*		*16*

[1] Excluding Management Board

Report of the Board of Supervisory Directors 2022

KfW IPEX-Bank is responsible for export and project finance within KfW Group. As of the end of December 2022, 903 employees worked at the bank's headquarters in Frankfurt and ten locations outside Germany.

The year 2022 was dominated by the COVID pandemic and by the consequences of the war in Ukraine. Employees often continued to work from home.

During 2022, the Board of Supervisory Directors continued to carry out its full range of duties in monitoring, advising and closely cooperating with the Management Board. 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 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 2022. It was provided with regular updates from the Management Board on the bank's current state regarding results, 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 extensive consultation and review.

The Board of Supervisory Directors was supported in its duties by five committees, with four members of the Board of Supervisory Directors belonging to each committee. 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. Accordingly, it made recommendations to the shareholder regarding the successor to the member of the Management Board who left in 2022 and the successor to the Chief Executive Officer who is leaving in 2023. The Executive Committee also 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 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 committee met five 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 corresponding recommendation to the Board of Supervisory Directors for 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 2022.

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. The Committee closely analysed the implications of the war in Ukraine, both in terms of the impact on credit risks and, in particular, with regard to the related issues of compliance and financial sanctions. 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 mainly 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 2021 and the 2021 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. 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 the reporting year.

The **Loan Committee** is responsible for final approval of loans. In 2022, it took decisions on a total of nine 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 2023 calendar year. During the reporting period the committee met five times and passed five resolutions 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 2022, 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 'Regulatory Affairs' and 'Information Technology'.

Changes to the Board of Supervisory Directors
The following changes were made to the composition of the Board of Supervisory Directors in 2022: Dr Kukies resigned from the Board of Supervisory Directors on 14 February 2022 and Dr Pillath was appointed to succeed him as of 16 March 2022. Also with effect from 16 March 2022, Mr Philipp was appointed to succeed Dr Nußbaum, who resigned as of 14 December 2021.

At the beginning of the new term of office of the Board of Supervisory Directors on 25 March 2022, Ms Freitag was appointed to the Board of Supervisory Directors for the first time and Ms Sabine Schneider succeeded Mr Timm Rometzki on the Board of Supervisory Directors as the newly elected employee representative.

Audit of the 2022 annual financial statements

Following completion of the audit and after conducting a final review of the annual financial statements as of 31 December 2022 and of the 2022 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 22 March 2023, with no objections, and recommended that the general shareholders' meeting approve the annual financial statements.

Discussion centred on the audit report of Deloitte GmbH Wirtschaftsprüfungsgesellschaft covering the audit of the annual financial statements as of 31 December 2022 that were prepared by the Management Board as of 28 February 2023, and the management report for the 2022 financial year. Deloitte issued an unqualified audit opinion on 7 March 2023.

The Board of Supervisory Directors would like to expressly thank the Management Board and all employees for their hard work during the 2022 financial year in what continues to be an exceptionally challenging environment. Especially against the backdrop of the overall situation, this year too, the commitment and achievements of our staff are to be particularly appreciated.

In 2022, under extreme operating conditions, KfW IPEX-Bank again proved that it is capable of comprehensively fulfilling its mission of supporting German and European export companies on the world's markets.

Frankfurt am Main, March 2023

On behalf of the Board of Supervisory Directors

Christiane Laibach
Chair of the Board of Supervisory Directors

Corporate Governance Report 2022

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 2022, 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 directors' and officers' liability insurance policies (D&O insurance) which, as group insurance, provide 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. The reason why no deductible is stipulated for members of the Board of Supervisory Directors is that many members of the Board of Supervisory Directors waive their remuneration, therefore no deductible is agreed.

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. 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. 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.

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.

Composition of the Board of Supervisory Directors

In deviation from Clause 6.2.1 of the PCGC, men and women are not equally represented among the two members of the Board of Supervisory Directors to be appointed by the Federal Government.

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 (until 16 March 2022)
– Dr Velibor Marjanovic: Markets I (since 1 May 2022)
– 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 40.5% for the proportion of female staff at team head level, and a target of 40% for the proportion of female staff at head of department level.

The target for the proportion of women on the Management Board is 50% and the target for the Board of Supervisory Directors is 44.4%.

As of 31 December 2022, the proportion of women on the Management Board was 25%.

As of 31 December 2022, the proportion of women at the upper management level (i.e. at the two management levels below the Management Board) was 31%.

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 latter 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 2022, the Board of Supervisory Directors included three women.

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 role for any significant competitors of the company. The members of the Board of Supervisory Directors complied with these recommendations during the reporting period. Conflicts of interest should be disclosed to the Board of Supervisory Directors. There was no case in which members of the Loan Committee abstained from voting on the approval of a loan owing to 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

KfW IPEX-Bank is a member of the Compensation Scheme of German Private Banks (*Entschädigungseinrichtung deutscher Banken – "EdB"*).

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 and 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 21 July 2021, the general shareholders' meeting of KfW IPEX-Bank appointed Deloitte GmbH Wirtschaftsprüfungsgesellschaft as auditor of the financial statements for the 2022 financial year. The Board of Supervisory Directors had previously issued the audit engagement to Deloitte on 8 July 2021, 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 2022 on the basis of structured questionnaires. The overall outcome of the assessment was a score of 1.4. 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 2022 and will be completed in the first quarter of 2023.

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 Agreement climate targets. 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
- Enhance transparency by expanding sustainability reporting, for example in line with the EU Taxonomy

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. In accordance with 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 effectiveness of KfW Group's TCMS in 2022. 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. It offers them a wide range of options and the possibility of performing up to 40% of their work remotely.

Remuneration

With regard to working hours, holiday entitlement and remuneration, KfW IPEX-Bank employees are subject to the regulations of the collective bargaining agreement for public banks. 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 public banks. The remuneration of staff who are not covered by a collective bargaining agreement is regulated at KfW IPEX-Bank by a works agreement. For the individual levels not covered by a collective bargaining 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 its employees' performances. 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 Transparency of Remuneration 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

	2022 EUR in thousands	2021 EUR in thousands	Change EUR in thousands
Members of the Management Board	1,778	2,029	–251
Members of the Board of Supervisory Directors	192	155	38
Total	**1,970**	**2,183**	**–213**

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 2022 and 2021 in EUR thousands[1)]

	Salary		Variable remuneration[2)]		Other remuneration[3)]		Total		Bonus account[4)]		Additions to pension provisions	
	2022	2021 EUR in thousands	2022	2021 EUR in thousands	2022	2021 EUR in thousands	2022	2021 EUR in thousands	2022	2021 EUR in thousands	2022	2021 EUR in thousands
Klaus R. Michalak (CEO)	410	410	28	84	17	15	455	508	100	129	46	229
Velbor Marjanovic (since 1 May 2022)	273	–	–	–	13	–	286	–	49	–	279	–
Markus Scheer (until 16 March 2022)	86	410	29	76	6	28	122	514	54	113	–	629
Claudia Schneider	410	410	26	63	8	11	445	483	84	111	253	493
Andreas Ufer	410	410	29	76	32	38	470	524	84	113	212	492
Total	**1,588**	**1,638**	**112**	**298**	**77**	**92**	**1,778**	**2,029**	**371**	**466**	**791**	**1,843**

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 56 thousand in 2022 (previous year: EUR 56 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 2022. 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 December 2022.

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 2022, 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 2022 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 2022.

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. 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 584 thousand (previous year: EUR 575 thousand) were made in the 2022 financial year.

No deferred performance-based bonuses were paid to former members of the Management Board (previous year: EUR 8 thousand). The bonus account was fully utilised as of 31 December 2021.

Provisions for pension obligations for former members of the Management Board and their dependants totalled EUR 14,691 thousand as of the end of the 2022 financial year (previous year: EUR 14,658 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	
			EUR in thousands				EUR in thousands				EUR in thousands	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Former members of the Management Board	3	3	584	575	0	1	0	8	3	3	14,691	14,658
Surviving dependants	0	0	0	0	0	0	0	0	0	0	0	0
Total	**3**	**3**	**584**	**575**	**0**	**1**	**0**	**8**	**3**	**3**	**14,691**	**14,658**

[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 2022 and 2021 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 2022 in EUR

Member	Dates of service	Annual remuneration (net)	Attendance fees net[1]	Total (net)
Ms Laibach[2]	1 Jan. – 31 Dec.	0.00	0.00	0.00
Dr Peiß[2]	1 Jan. – 31 Dec.	0.00	0.00	0.00
Dr Kukies[2]	1 Jan. – 14 Feb.	0.00	0.00	0.00
Dr Pillath[3]	16 Mar. – 31 Dec.	0.00	6,100.00	6,100.00
Mr Philipp[2]	16 Mar. – 31 Dec.	0.00	0.00	0.00
Dr Rupp	1 Jan. – 31 Dec.	22,000.00	20,000.00	42,000.00
Ms Freitag	25 Mar. – 31 Dec.	18,334.00	13,000.00	31,334.00
Mr Rometzki	1 Jan. – 25 Mar.	5,500.00	3,000.00	8,500.00
Mr Knittel	1 Jan. – 31 Dec.	22,000.00	14,000.00	36,000.00
Mr Koch	1 Jan. – 31 Dec.	22,000.00	16,000.00	38,000.00
Ms Schneider	25 Mar. – 31 Dec.	18,334.00	12,000.00	30,334.00
Total		**108,168.00**	**84,100.00**	**192,268.00**

[1] EUR 1,000.00 per meeting
[2] These members waived their remuneration in advance.
[3] Remuneration partially waived

Remuneration paid to 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 1,000.00 per meeting
[2] These members waived their remuneration in advance.

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 2023

Management Board **Board of Supervisory Directors**

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