Management Report and Financial Statements 2023

Shaping transformation

KFW IPEX-Bank

Key figures

Volume of lending of the Export and Project Finance business sector

Volume of lending of the business sector[1] by sector department	2023
	EUR in billions
Power and Environment	18.9
Maritime Industries	14.7
Aviation, Mobility & Transport	11.6
Industries and Services	11.2
Infrastructure	9.5
Resources and Recycling	8.9
Financial Institutions, Trade and Commodity Finance	3.0
Equity Portfolio	0.2
Total	**78.0**

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

KfW IPEX-Bank GmbH key figures

	2023	2022
	EUR in billions	EUR in billions
Balance sheet key figures		
Total assets	31.6	25.9
Volume of lending	46.2	39.7
Contingent liabilities	2.4	2.6
Irrevocable loan commitments	13.5	12.2
Assets held in trust	0.4	0.4
Volume of business (total assets, contingent liabilities and irrevocable loan commitments)	47.6	40.7
Equity	3.2	3.2
Equity ratio (%)	10.2	12.4
Results	**EUR in millions**	**EUR in millions**
Operating income before risk provisions/valuations	404	251
Risk provisions and valuations	8	–132
Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement	–421	–96
Result of the Export and Project Finance business sector (segment report, consolidated financial statements of KfW Group)	540	578
Number of employees (including Management Board)	**915**	**901**

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

How do we look back on the past year?

In 2023 the world was again shaken and challenged by multiple crises in politics, business and society: the ongoing war in Ukraine, Middle Eastern conflict reaching a new intensity and high inflation for much of the year with its consequences for global economic development.

At the same time, 2023 was a year of growth for KfW IPEX-Bank and also a year of organisational self-optimisation. A very positive annual result shows that the regrouping of seven sector departments into four and our focus on financing technologies of the future has proven sustainable. Despite the challenges mentioned above, KfW IPEX-Bank was able to increase its new commitments significantly to EUR 24.2 billion in 2023 compared with EUR 18.1 billion the previous year. KfW IPEX-Bank's participation in major projects and syndicate financing in which it was able to contribute its structuring expertise, as well as demand for financing of large investments in sustainable technologies, a strong push to improve Germany and Europe's security

of supply and digital infrastructure, and the production of battery cells – in which massive initial investments were made in 2023 – lifted our new commitments to record highs.

In the coming years, KfW IPEX-Bank will continue to focus on its mission of helping to shape the transition to a sustainable, digital and resilient economy and society, working responsibly with its business partners and customers. We are convinced that together we will make optimal use of the tailwind resulting from the economic and social transformation process, in order to tap market potential for our customers worldwide. Many projects, large and small, are already under way that show we have the strength and energy to see this through.

We have great confidence and are optimistic about the future.

Management Board of KfW IPEX-Bank
Belgin Rudack,
CEO KfW IPEX-Bank

Belgin Rudack (CEO)

“2023 was an outstanding year for KfW IPEX-Bank, with new commitments totalling EUR 24.2 billion. With our expertise and our team, we are transformation enablers. We support customers and partners in financing their future-oriented projects in order to create a sustainable society.”

“With our focus on financing projects related to the energy transition, climate protection and securing raw materials supply, in 2023 we made a significant contribution to creating a sustainable future and reducing Germany’s and Europe’s dependence on critical raw materials.”

Dr Velibor Marjanovic (Member of the Management Board)

Claudia Schneider (Member of the Management Board)

“In the past year, we enabled our long-standing customers as well as new customers to make key investments in the future. To give them security, we actively assumed responsibility and sought the involvement of other banks and institutional investors.”

“Our customers are investing in future technologies worldwide – be it low-emission drives in the maritime sector, on the railways and on the roads, or digital and charging infrastructure for e-mobility. We play a leading and active role in assisting our customers, in order to jointly develop and implement suitable financing structures – bilaterally, as lead arranger or as part of a syndicate with partner banks.”

Andreas Ufer (Member of the Management Board)

Management Report

Economic report

Review of 2023

General economic conditions

According to International Monetary Fund (IMF) estimates, global real gross domestic product (GDP) increased by 3.1% in 2023 compared with 2022. The growth rate of global real GDP in 2023 was therefore lower than that recorded in 2022, as it was for the group of industrialised countries, while the growth rate for the group of developing and emerging countries was the same in both years. According to IMF calculations, global consumer price inflation fell from an annual average of 8.7% in the previous year to 6.8% in 2023, while annual average core inflation declined to a lesser extent, from 6.4% to 6.3%. The IMF reports that global real gross domestic product grew by 3.4% in the second quarter of 2023 compared with the same quarter of the previous year. However, adverse factors came into play as the year progressed. One such factor is that the service sector's recovery following the COVID-19 pandemic is well advanced, meaning that its development is less supportive of economic growth. Another is that the manufacturing industry and international trade in goods are exposed to a number of negative factors, including the shift in consumption patterns back from goods to services and more restrictive credit conditions.

Gross domestic product at constant prices, global economy

	Estimate 2023	2022	Average 2013–2022
	in %	in %	in %
Global economy[1)]	3.1	3.5	3.1
Industrialised countries[1)]	1.6	2.6	1.8
Developing and emerging countries[1)]	4.1	4.1	4.0

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 for the group of industrialised countries and the group of developing and emerging countries. Average calculated as the geometric mean of annual growth rates.

In the **euro area**, economic growth lost momentum following the upturn of the post-pandemic years. Real GDP rose by just 0.5% year-on-year in 2023, having risen by 3.4% in 2022 and 5.9% in 2021, the strongest increase recorded since 1999 (see Table: Gross domestic product at constant prices, euro area and Germany). The euro area was affected by the restrictive monetary policy stance since July 2022. Harmonised consumer price inflation fell from 8.4% in 2022 to 5.4% in 2023. There was no pick-up in private demand. Foreign demand was also weak owing to the decline in global trade. In addition to high energy prices, lack of demand also adversely affected industry. Higher financing costs hampered economic activity, with construction industry production in the euro area declining in particular. The property market also experienced a slowdown due to higher interest rates. Tourism, on the other hand, developed positively. Tourists visiting from outside the euro area supported weak domestic consumer spending. Despite low growth, the European labour market proved robust with a relatively low unemployment rate. Investments in some member states increased moderately compared with the previous year. The fiscal support packages introduced during the pandemic and the energy crisis had an increasingly limited effect on growth. In the year under review, the economy was overshadowed by geopolitical uncertainty surrounding the conflicts in Ukraine and the Middle East.

Gross domestic product at constant prices, euro area and Germany

	2023	2022	Average 2013–2022	Maximum 1999–2022
	in %	in %	in %	in %
Euro area	0.5	3.4	1.4	5.9 (2021)
Germany	–0.3	1.8	1.2	4.2 (2010)

Against the backdrop of the global economic trends described above, higher interest rates and a continuing loss of purchasing power on the part of private households as a result of consumer price inflation, which at 5.9% in 2023 almost matched that recorded in 2022 (+6.9%), Germany's GDP shrank by 0.3% year-on-year in 2023, having previously grown by 1.8% in 2022 and by an average of 1.2% annually over the previous ten years from 2013 to 2022 inclusive (see Table: Gross domestic product at constant prices, euro area and Germany). Negative impetus for the rate of change in GDP in 2023 came from private consumption (–0.8%), government consumption (–1.7%), construction investment (–2.1%) and investment in other facilities (–0.6%), whereas investment in equipment grew (+3.0%). Domestic use declined by 0.9% overall during 2023. Net exports had a positive impact of 0.6 percentage points on the rate of change in GDP in 2023, with the decrease in exports (–1.8%) lower than the decrease in imports (–3.0%). On the output side, the rate of change in GDP was given both positive and negative momentum in 2023 by gross value added in the economic sectors. The sector of manufacturing excluding construction saw the largest decline in gross value added (–2.0%), whereas the sector of agriculture, forestry and fishery recorded the highest increase (+4.9%). Gross value added in the sector of trade, transport, hotels and restaurants declined by 1.0%. The number of people in employment in Germany in 2023 was 45.9 million people, representing an increase over the previous year (+0.7%).

Persistently high inflation rates continued to determine monetary policy in the euro and dollar areas in 2023. Falling energy prices together with the monetary tightening that began in 2022 mitigated the rise in consumer prices. However, towards the end of 2023, inflation rates in both the euro area at 2.9% (rate of change in the Harmonised Index of Consumer Prices) and in the USA at 2.6% (rate of change in the price index for personal consumption expenditures) were still above the central banks' "two percent target".

Against this backdrop, key interest rates continued to rise in both currency areas over the course of the year. Between January and July 2023, the US Federal Reserve (Fed) raised the target range for the federal funds rate by a total of 100 basis points to 5.25% – 5.5% and maintained this level until the end of the year. The European Central Bank (ECB) increased the deposit rate in stages, most recently in September 2023, by 200 basis points to 4.0%.

Business model of KfW IPEX-Bank

KfW IPEX-Bank is a legally independent group company within KfW Group. It is indirectly a wholly-owned subsidiary of KfW and thus an integral part of KfW Group. Within KfW Group, KfW IPEX-Bank independently pursues its business model of commercial project and export financing.

KfW IPEX-Bank is also responsible for the business sector of international export and project finance (E&P), which also includes the so-called "trust business" that KfW IPEX-Bank conducts in its own name and for the account of KfW. The legal basis for the trust business is an agency agreement between KfW and KfW IPEX-Bank. This defines, with reference to the KfW Law, those financing activities that KfW IPEX-Bank carries out for KfW as trust business, as well as the tasks and financing activities from the E&P business sector that KfW has been commissioned by the Federal Government to fulfil and that KfW IPEX-Bank carries out in this context.

In the course of its business activities, as a specialist bank KfW IPEX-Bank supports German and European companies in key industrial sectors on global markets with tailored financing. KfW IPEX-Bank thus helps to safeguard Germany's economic strength, growth and employment.

As a credit bank, KfW IPEX-Bank generates interest and commission income by assuming, placing and managing credit and guarantee risks. It also receives commission from KfW in connection with the E&P trust business for the conclusion of transactions and their ongoing processing during the tenor of the loan.

KfW IPEX-Bank's core product is the structuring of medium and long-term financing for German and European exports, infrastructure investments and securing raw materials supply, as well as environmental and climate change mitigation projects worldwide. As a bank that stands for transformation, it finances technologies of the future in order to support the transition to a sustainable society across the three dimensions of economy, environment and society. In most cases, it acts as a partner in club or syndicate financing arrangements with other national and international banks.

Business development in 2023

Despite the global challenges outlined above, KfW IPEX-Bank was able to issue new commitments of EUR 24.2 billion, a significant increase compared to the previous year (EUR 18.1 billion). The past financial year saw especially strong demand for financing of projects related to the energy transition, such as offshore and onshore wind farms. There was also a strong focus on financing of digital infrastructure projects. Of total new commitments, EUR 23.3 billion (2022: EUR 17.5 billion) related to original lending business and EUR 0.9 billion (2022: EUR 0.6 billion) to funds for bank refinancing under the CIRR programmes.

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 its 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

Notwithstanding the global challenges referred to above and while focusing on its core business of structuring medium and long-term financing for German and European export companies, KfW IPEX-Bank achieved operating income before risk provisions and valuations of EUR 404 million, an increase of EUR 153 million (61%) over the previous year. After additionally taking into account the valuation effect reported under the item 'Withdrawals from/additions to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (*Handelsgesetzbuch, HGB*)', which from an economic perspective is part of the foreign currency result due to the allocation in US dollars, the adjusted operating income before risk provisions and valuations amounted to EUR 417 million, an increase of EUR 187 million (82%) on the previous year's result.

The key income components of the operating result are net interest income and net commission income (totalling EUR 685 million). Their contribution to earnings was up by EUR 201 million (42%) compared to the previous year. At EUR 197 million (57%), net interest income accounted for by far the largest share of the increase. In addition to the growth in lending volume, net interest income also benefited in particular from the interest rate trend during 2023. Persistently high inflation rates in the euro and dollar areas prompted the respective central banks to raise their key interest rates significantly over the course of the year. At KfW IPEX-Bank, this is directly reflected in an increase in the return on equity. Equity on the balance sheet is available to the bank without interest and is invested in the lending business. The imputed return on equity is calculated on the basis of the non-interest-bearing equity in conjunction with the variable market interest rate and the bank's liquidity spread and totalled EUR 156 million in the 2023 financial year. Net commission income improved by EUR 5 million (3%). General administrative expense (EUR 289 million) increased by EUR 17 million (6%) in the reporting year. This was primarily driven by services purchased from group companies under existing outsourcing agreements, which were EUR 10 million (10%) higher. The largest item included under other operating income and expenses (EUR 8 million) is the foreign exchange result (EUR –15 million). From an economic perspective, the valuation effect (EUR 13 million) attributable to the fund for general banking risks pursuant to Section 340g HGB must be added to the foreign exchange result. 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 20 million (previous year: EUR 17 million).

The result from risk provisions and valuations (EUR 8 million) comprised the risk provision result in lending business (EUR 13 million) as well as valuations from securities and investments (EUR –6 million), representing an overall improvement of EUR 140 million compared to the previous year. While from 2020 onwards the risk situation was dominated primarily by the COVID-19 pandemic and from 2022 by the Russia-Ukraine war, the year 2023 saw significant stabilisation of the macroeconomic environment (improved economic outlook for countries and sectors based on the bank's segment monitor). This also had a positive effect on development of the risk provision result in lending business. These developments made it possible to reduce the portfolio loan loss provisions recognised by the bank for latent risks in relation to loans for which no specific loan loss provisions have been recognised.

This resulted in operating income before taxes of EUR 412 million. After taking into account exchange rate-related withdrawals from the fund for general banking risks in accordance with Section 340g HGB (EUR 13 million), profit from operating activities before taxes was EUR 425 million (previous year: EUR 98 million).

After deducting the tax expense (EUR 3 million), KfW IPEX-Bank generated net income of EUR 421 million in the 2023 financial year (previous year: EUR 96 million). Due to the corporate income tax fiscal unity between the bank and KfW Beteiligungsholding GmbH (wholly-owned subsidiary of KfW and sole shareholder of KfW IPEX-Bank) and the profit transfer agreement concluded in connection with this, taxes on income are primarily incurred at the level of KfW Beteiligungsholding GmbH. The bank reports the annual profit to be transferred to KfW Beteiligungsholding GmbH as the controlling company in the item 'Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement'.

As of 31 December 2023, KfW IPEX-Bank had total assets of EUR 31.6 billion. This means that total assets grew by EUR 5.7 billion (22%) in the 2023 financial year thanks to the positive development in new business.

Loans and advances to banks and customers accounted for by far the largest share of assets on the balance sheet (EUR 30.3 billion or 96%). This item is almost entirely attributable to the bank's on-balance sheet lending business (EUR 30.2 billion). Of the loan portfolio, EUR 15.4 billion (51%) is denominated in euros; a further EUR 9.3 billion (31%) is denominated in US dollars. Overall, the loan portfolio was up by EUR 5.3 billion (21%) year-on-year.

The most significant item on the liabilities side was liabilities to banks and customers, which amounted to EUR 25.7 billion or 81% of total assets. This represented a year-on-year increase of EUR 5.3 billion (26%).

Equity on the bank's balance sheet was EUR 3.2 billion. Subscribed capital consisted solely of the bank's share capital. In comparison with 31 December 2022, the capital reserve also included the partial reinvestment, to the extent permitted for tax purposes, of the 2022 profit transferred to KfW Beteiligungsholding GmbH. Retained earnings consist solely of earnings retained from the period before the corporate income tax fiscal unity.

Under the item 'Additional tier 1 regulatory capital instruments' the bank reports a subordinated bearer bond (total nominal amount EUR 0.6 billion), which was acquired by KfW in full. The bond meets the requirements of Article 52 (1) of the Capital Requirements Regulation (CRR). It is recognised as an additional tier 1 regulatory capital instrument (AT1 bond). In addition, KfW granted KfW IPEX-Bank a subordinated loan in the amount of EUR 0.4 billion (liability item 'Subordinated liabilities'). The loan meets the requirements of Articles 62 and 63 CRR and is part of the regulatory tier 2 capital (tier 2 loan). Both instruments serve to strengthen the bank's regulatory own funds in accordance with Basel III.

In addition to total assets, the volume of business (EUR 47.6 billion) also includes irrevocable loan commitments (EUR 13.5 billion) and financial guarantees (EUR 2.4 billion). Overall, the volume is EUR 6.9 billion (17%) above the previous year's level. Besides total assets, irrevocable loan commitments also grew by EUR 1.3 billion (11%) as a result of the development in new business. During the past financial year, the bank issued new commitments with a volume of EUR 23.3 billion in its original lending business (previous year: EUR 17.5 billion). At EUR 17.5 billion, the largest share of this (75%) 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 2023. On this basis, the capital ratios were as follows: total capital ratio = 23.8% (previous year: 27.6%), tier 1 capital ratio = 21.2% (previous year: 24.6%) and CET1 capital ratio = 18.1% (previous year: 21.1%). The CET1 capital ratio was therefore above the forecast of 16.1%.

In the 2023 financial year, the bank continued 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. 2023	1 Jan.–31 Dec. 2022	Change	
	EUR in millions	EUR in millions	EUR in millions	%
Net interest income	542	346	197	57
Net commission income	143	139	5	3
General administrative expense	–289	–272	17	6
Other operating income and expenses	8	38	–31	–80
Operating income before risk provisions/valuations	**404**	**251**	**153**	**61**
Valuations from securities and investments	–6	–4	2	40
Risk provision result in lending business	13	–128	–141	<–100
Risk provisions and valuations, total	**8**	**–132**	**–140**	**<–100**
Operating income before taxes	**412**	**119**	**293**	**>100**
Withdrawals from/additions to the fund for general banking risks as per Section 340g HGB	13	–21	34	>100
Profit/loss from operating activities before taxes	**425**	**98**	**327**	**>100**
Taxes on income	–3	–1	2	>100
Other taxes not stated under Other operating income and expenses	–1	–1	0	17
Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement	–421	–96	325	>100
Net income for the year	**0**	**0**	**0**	**–**

Net interest income and net commission income
Net interest income and net commission income contributed a total of EUR 685 million to the bank's profit. Hence, they represent the key income components of KfW IPEX-Bank. Their contribution to earnings increased by EUR 201 million (42%) compared to the previous year (EUR 484 million). Net interest income (EUR 542 million) was EUR 197 million (57%) up on the previous year's level. The main driver of this growth was the imputed interest on equity, which totalled EUR 156 million in the 2023 financial year (previous year: approx. EUR 48 million). The item benefited from the interest rate trend in 2023. Persistently high inflation rates in the euro and dollar areas prompted the relevant central banks to raise their key interest rates significantly over the course of the year. At KfW IPEX-Bank, this is directly reflected in an increase in the imputed return on equity. Equity on the balance sheet is available to the bank without interest and is invested in the lending business. The increase in lending volume combined with the positive development in new business also contributed to the increase in net interest income. At EUR 143 million, net commission income was up by EUR 5 million (3%) year-on-year, driven mainly by fee income from the lending business (EUR 28 million), which was EUR 9 million higher than in the previous year.

Net interest income of EUR 542 million comprised interest income of EUR 1,914 million and interest expense of EUR 1,372 million. At EUR 1,835 million, the majority of the interest income related to income in connection with lending business and money market transactions including swaps. This item included income from fees amortised through net interest income (EUR 22 million). The bank initially recognises fees in the lending business that are incurred in direct connection with the origination of a loan and have predominantly interest-like characteristics under deferred income. They are subsequently spread over the tenor of the loan and reported under interest income. Interest income also includes interest-like income in the form of commitment fees for loans not yet disbursed (EUR 57 million) as well as the earnings contribution from fixed-income securities (EUR 22 million). Interest expense related primarily to ongoing funding including swaps (EUR 1,325 million). Other interest expense is attributable to the regulatory capital instruments – the AT1 bond and tier 2 loan – (EUR 20 million), as well as cash collateral received in connection with the lending business (EUR 14 million).

Net commission income (EUR 143 million) included commission income of EUR 150 million. This mostly included remuneration paid by KfW to KfW IPEX-Bank for administering the E&P trust business (EUR 103 million). It also contained income from processing fees in the market business (EUR 28 million) and income from guarantee commissions (EUR 20 million). Commission expense amounted to EUR 7 million and was primarily attributable to fees for guarantees received in connection with the lending business (EUR 7 million).

Administrative expense

Administrative expense (EUR 289 million) comprised personnel expense (EUR 125 million) and non-personnel expense (EUR 164 million), being the total of other administrative expenses, amortisation of intangible assets and depreciation on property, plant and equipment. This item increased by a total of EUR 17 million (6%) year-on-year.

The majority of personnel expense related to expenditure for wages and salaries for the bank's employees (EUR 104 million or 83%). Expenses for social insurance contributions, pensions and other employee benefits amounted to a further EUR 22 million, of which EUR 12 million related to the employer's share of social insurance contributions and EUR 9 million to expenses for additions to provisions for staff pension commitments.

Total expenses for staff pension commitments amounted to EUR 12 million in the 2023 financial year (previous year: EUR 20 million). This amount also includes the effect of regular compound interest on the present value of the provision (EUR 5 million; reported under net interest income) and income due to the effects of interest rate changes (EUR 3 million; reported under other operating income and expenses). This valuation effect results from the year-on-year rise of 4 basis points in the discount rate (in the previous year the discount rate declined by 9 basis points). In the 2023 financial year, the general trend of interest rates led to an overall increase in the 10-year average interest rate published by the Deutsche Bundesbank, which forms the basis for discounting pension commitments. This effect was the main reason for the EUR 9 million reduction in expenses for staff pension commitments compared to the previous year.

Non-personnel expense (EUR 164 million) was primarily determined by expenses for general services and project services provided by KfW (EUR 100 million or 61%). The bank purchased further services amounting to EUR 37 million from entities outside the Group. Total non-personnel expense primarily comprised expenses for services used (EUR 84 million), office operating costs (EUR 33 million) and occupancy costs (EUR 14 million). It also included the EU bank levy for 2023 of EUR 15 million.

	2023	2022	Change
	EUR in millions	EUR in millions	EUR in millions
Wages and salaries	104	97	6
Social insurance contributions	12	12	1
Expense for pension provisions and other employee benefits	9	10	0
Personnel expense	**125**	**119**	**7**
Other administrative expenses	160	150	11
Amortisation of intangible assets and depreciation on property, plant and equipment	3	3	0
Non-personnel expense	**164**	**153**	**11**
Administrative expense	**289**	**272**	**17**

Other operating income and expenses

Other operating income and expenses amounted to a total of EUR 8 million.

Other operating income (EUR 22 million) chiefly related to income from services provided to group companies (EUR 9 million). Furthermore, the item included income from the release of provisions (EUR 6 million) as well as realised income from early termination of stand-alone derivatives (EUR 5 million; close-outs). It also included the above-mentioned effect of changes in interest rates (EUR 3 million) in relation to staff pension commitments.

Other operating expenses (EUR 15 million) are mainly attributable to the result from foreign currency translation (EUR 15 million). Taking into account withdrawals from the fund for general banking risks in accordance with Section 340g HGB (EUR 13 million), net expenses from foreign currency translation totalled EUR 2 million. KfW IPEX-Bank contributes to a fund for general banking risks in order to strengthen its regulatory own funds and partially stabilise its solvency ratios against exchange rate fluctuations resulting from the portion of the loan portfolio denominated in US dollars. The fund is part of special cover pursuant to Section 340h HGB; from an economic perspective, valuation effects resulting from this are a component of the bank's foreign currency result, which is generally reported under the item 'Other operating income and expenses'. The valuation effect attributable to the fund for general banking risks (EUR 13 million due to the depreciation of the US dollar compared with the year-end rate as of 31 December 2022) is shown in a separate item 'Withdrawals from/additions to the fund for general banking risks pursuant to Section 340g HGB' 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*). KfW IPEX-Bank made no other adjustments to the fund during the reporting year.

This resulted in operating income before risk provisions and valuations of EUR 404 million. After taking into account the above-mentioned valuation effect attributable to the fund for general banking risks, adjusted operating income before risk provisions and valuations amounted to EUR 417 million, down EUR 187 million (82%) year-on-year.

Risk provisions and valuations

The result from risk provisions and valuations of EUR 8 million comprised the risk provision result in lending business (EUR 13 million) as well as valuations from securities and investments (EUR–6 million), thus representing an overall improvement of EUR 140 million compared to the previous year.

The driver of this positive development was the risk provision result in lending business, which was positive in the 2023 financial year at EUR 13 million (previous year: EUR –128 million). From 2020 the risk situation was dominated first by the COVID-19 pandemic and, from 2022, by the Russia-Ukraine war. In the 2022 financial year, this was accompanied by increasing expectations of recession and an impact on credit quality. In contrast, the macroeconomic environment stabilised markedly in the past financial year, with positive effects on the development of the bank's loan loss provisions.

In terms of risk provisions for its lending business, KfW IPEX-Bank makes a distinction between specific loan loss provisions for acute risks and general loan loss provisions (portfolio loan loss provisions) for latent risks arising from loans for which no specific loan loss provisions have been recognised.

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 HGB, which requires that all foreseeable risks and losses be considered. 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 twelve 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).

The bank has methodically implemented macroeconomic factors in its model in order to take sufficient account of general economic developments. In this regard, during periods of crisis the bank also adjusts for a 'downturn' of the loss given default (LGD). The basis for taking the macroeconomic environment into account is the segment monitor (expert assessment of the economic outlook for countries and sectors). Based on the segment monitor, stabilisation of the macroeconomic environment in 2023 enabled the bank to scale back the downturn components and reduce the portfolio loan loss provisions.

Further information on risk provisions can be found in the risk report.

The item 'Valuations from securities and investments' (EUR –6 million) is primarily the result of write-downs on unutilised interest claims for impaired bonds and other fixed-interest securities.

Taxes

Taxes on income (EUR 3 million) in the 2023 financial year primarily comprised the current income tax expense for the branch office in London (EUR 2 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 (EUR 1 million) mainly included the expense from creating provisions for the bank's VAT and insurance tax obligations.

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 421 million (previous year: EUR 96 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. Subsequently, KfW IPEX-Bank reported net income of EUR 0 million for the year. The cash transfer of the profit to the controlling company took place once the annual financial statements had been approved by the general shareholders' meeting in March 2024.

Net assets

Volume of lending for own account

As of 31 December 2023, KfW IPEX-Bank's volume of lending for own account amounted to EUR 46.2 billion. At EUR 30.3 billion (65%), 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 16.0 billion), comprising irrevocable loan commitments (EUR 13.5 billion) and financial guarantees (EUR 2.4 billion), both reported off-balance sheet. Overall, the volume of lending was thus EUR 6.6 billion (17%) up on the previous year's level (EUR 39.7 billion). In line with the positive development of new business, both loans and advances to banks and customers (EUR 5.4 billion or 21%) and irrevocable loan commitments (EUR 1.3 billion or 11%) increased.

The Power and Environment (EUR 6.6 billion), Industries and Services (EUR 5.8 billion) and Maritime Industries (EUR 5.1 billion) sector departments accounted for the largest share of on-balance sheet lending (EUR 17.5 billion in total). The lending volume in the Industries and Services sector department grew by EUR 1.1 billion (22%) year-on-year.

Despite global challenges, KfW IPEX-Bank issued new commitments of EUR 23.3 billion in the Export and Project Finance business sector as part of its original lending business. At EUR 17.5 billion, the largest share of this (75%) related to market business recognised on the bank's balance sheet. Additional commitments amounting to EUR 5.8 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 0.9 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 24.2 billion, up EUR 6.0 billion (33%) year-on-year.

Loans for own account by sector department

Sector department	31 Dec. 2023	31 Dec. 2022	Change
	EUR in millions	EUR in millions	EUR in millions
Power and Environment	6,605	5,622	982
Industries and Services	5,827	4,764	1,063
Maritime Industries	5,084	4,399	685
Aviation, Mobility & Transport	4,414	3,413	1,001
Resources and Recycling	3,679	3,089	590
Infrastructure	3,209	2,830	379
Financial Institutions, Trade and Commodity Finance	1,538	1,001	537
	30,356	**25,118**	**5,237**
Other positions[1)]	–75	–190	116
Loans and advances to banks and customers	**30,281**	**24,928**	**5,353**
Financial guarantees[2)]	**2,450**	**2,557**	**–107**
Irrevocable loan commitments	**13,504**	**12,177**	**1,326**
Total	**46,234**	**39,662**	**6,572**

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 0.8 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.

Other assets as of the reporting date totalled EUR 36 million (previous year: EUR 109 million). This item mainly includes positions in derivative hedging instruments totalling EUR 21 million (previous year: EUR 86 million).

The item ‘Shares in affiliated companies’ consists solely of the shares in KfW IPEX-Bank Asia Ltd (Singapore). This is a wholly-owned subsidiary of KfW IPEX-Bank that was founded in 2021 with the aim of achieving a stronger presence on international markets important for the German and European export industries.

Investments (EUR 6 million) mainly included the bank’s fund investments that are denominated in US dollars (previous year: EUR 19 million). The EUR –13 million reduction was primarily due to write-downs and capital repayments during the 2023 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 24.5 billion) increased by EUR 4.5 billion (22.5%) compared to 31 December 2022. The higher funding requirement was consistent with the growth in the bank’s on-balance sheet lending volume during the past financial year. This item is almost entirely attributable to funding with KfW (EUR 24.3 billion). The bank covered its medium and long-term funding requirements (EUR 23.2 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 1.0 billion) were also used as part of short and medium-term borrowing.

Liabilities to customers (EUR 1,189 million) primarily included deposit business in the form of term borrowings and cash collateral that the bank received in connection with the lending business.

Structure and development of funding

	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions	Change EUR in millions
Liabilities to banks			
Current account (KfW)	0	56	–56
Call money and term borrowings (KfW)	964	608	356
Promissory note loans and other long-term borrowings (KfW)	23,205	19,062	4,144
Interest payable (KfW)	128	83	45
KfW total	**24,297**	**19,808**	**4,490**
Other	165	157	8
	24,462	**19,965**	**4,498**
Liabilities to customers			
Other creditors[1)]	1,189	423	766
Total	**25,651**	**20,388**	**5,263**

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

The refinancing agreement with KfW is supplemented by a credit line of EUR 4.2 billion. To cover its liquidity requirements, KfW IPEX-Bank also holds a portfolio of liquid bonds comprising KfW securities (EUR 0.8 billion).

Further details on the liquidity situation are contained in the risk report.

Equity, fund for general banking risks in accordance with Section 340g HGB, additional tier 1 regulatory capital instruments and subordinated liabilities

	31 Dec. 2023		31 Dec. 2022	Change
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Equity		3,230	3,206	24
Subscribed capital	*1,100*		*1,100*	*0*
Capital reserve	*1,706*		*1,682*	*24*
Retained earnings	*424*		*424*	*0*
Fund for general bank risks as per Section 340g HGB		351	364	–13
Additional tier 1 regulatory capital instruments		600	600	0
Subordinated liabilities		400	400	0
Total		**4,581**	**4,570**	**11**

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 2022 annual profit transferred to KfW Beteiligungsholding GmbH. On the basis of the capital planning process, which extends over a multi-year observation horizon, a decision is made annually as to whether the bank's capital basis should be strengthened through partial reinvestment of transferred profits (more details on the internal capital adequacy assessment process are contained in the risk report). Retained earnings 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 HGB in order to strengthen its regulatory tier 1 capital and stabilise its solvency ratios against fluctuations in the USD exchange rate. The decline in the value of the US dollar (–3%) compared with the year-end rate as of 31 December 2022 led to withdrawals totalling EUR 13 million during the past financial year. These are reported as a separate item on the income statement with the effect classified from an economic perspective as part of the bank's foreign exchange results.

Under the item ‘Additional tier 1 regulatory capital instruments’ the bank reports a subordinated bearer bond with a total nominal value of EUR 0.6 billion, which was acquired by KfW in full. The bond meets the requirements of Article 52 (1) CRR. It is recognised as an additional tier 1 regulatory capital instrument (AT1 bond). 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, 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

Other liabilities totalling EUR 453 million mainly consist of the liability to KfW Beteiligungsholding GmbH resulting from the profit transfer agreement (EUR 421 million). They also include pro rata interest obligations relating to the regulatory capital instruments (AT1 bond and tier 2 subordinated loan) totalling EUR 13 million.

Of the provisions (EUR 363 million), the largest portion (EUR 305 million) comprised provisions for the bank’s staff pension commitments (pensions and deferred compensation). Other provisions (EUR 57 million) included, in particular, further liabilities to staff (EUR 34 million) and provisions for credit risks (EUR 12 million).

Overall, provisions were up by EUR 1 million (< 1%) year-on-year. Provisions for pension commitments grew by EUR 10 million (3%). This includes the positive effect of changes in interest rates described above (EUR 3 million; recognised as other operating income and expense); this has the effect of reducing the portfolio. In contrast, other provisions were EUR 8 million (–12%) lower than in the previous year, due in particular to a decline in loan loss provisions.

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 2023 totalled EUR 38.9 billion, of which EUR 33.4 billion (86%) related to contracts to hedge interest rate risk. A further EUR 3.6 billion (9%) related to foreign exchange (FX) swaps and EUR 2.0 billion (5%) to cross-currency swaps. The derivatives volume increased by a total of EUR 2.5 billion (7%) year-on-year.

Comparison with previous year’s forecast

	2023 Actual	2022 Forecast for 2023
Profit/loss from operating activities before taxes (EUR in millions)	**425**	**181**
Net interest income	542	419
Net commission income	143	139
General administrative expense	–289	–293
Risk provisions and valuations	8	–88
Cost-income-ratio (CIR)[1]	**42.2%**	**52.5%**
New commitments incl. CIRR (EUR in billions)	**24.2**	**19.6**

[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 425 million in the 2023 financial year. It therefore exceeded the result forecast in group business sector planning by EUR 244 million (>100%). In particular, net interest income and the result from risk provisions and valuations were significantly better than expected.

Net interest income (EUR 542 million) exceeded the forecast by EUR 124 million (29%), having benefited from the positive development of new business and resulting increase in lending volume. The general interest rate trend in 2023 also had a positive effect. At KfW IPEX-Bank, the rise in interest rates is directly reflected in an increase in the return on equity. Equity on the balance sheet is available to the bank without interest and is invested in the lending business. The imputed interest on equity is calculated on the basis of the non-interest-bearing equity in conjunction with the variable market interest rate and the bank's liquidity spread. It totalled EUR 156 million in the 2023 financial year, EUR 44 million higher than forecast. Income from fees with interest-like characteristics amortised through net interest income and from commitment fees also benefited from the growth of new commitments and exceeded the budgeted figures.

Net commission income (EUR 143 million) was EUR 4 million (3%) higher than forecast, driven in particular by income from processing fees in the market business (EUR 28 million), which were EUR 12 million (77%) higher than projected. The largest share (EUR 103 million) of net commission income was attributable to remuneration paid by KfW to KfW IPEX-Bank for administering the E&P trust business. This is a commission-based fee calculated on the volume of lending handled and subject to minimum and maximum remuneration to cover costs. Due to lower than budgeted costs in the E&P trust business, remuneration for the 2023 financial year was EUR 3 million (–3%) lower than forecast.

Administrative expense (EUR –289 million) was EUR 4 million (–1%) below the figure forecast in group business sector planning. While personnel expense reached the forecast level overall, non-personnel expense was EUR 4 million (–2%) lower than projected, owing to the EU bank levy for 2023 (which was EUR 6 million lower than expected).

This resulted in a cost/income ratio (CIR) of 42.2%, which was better than the bank's forecast of 52.5%.

After additionally taking into account withdrawals from 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 20 million, a considerably better result (by EUR 16 million) than the forecast of EUR 4 million. A key driver of this above-target figure was the effect of changes in interest rates (EUR 3 million) on staff pension commitments, which were EUR 7 million lower than expected due to the rising interest rate level in 2023. Unbudgeted income from the release of provisions (EUR 6 million) as well as realised income from early termination of stand-alone derivatives (EUR 5 million) also contributed to the positive development.

At EUR 8 million, the risk provisions and valuations result was significantly better than forecast (EUR –88 million). The forecast result primarily takes into account the bank's standard risk costs. From 2020 the risk situation was dominated first by the COVID-19 pandemic and, from 2022, by the Russia-Ukraine war. In the 2022 financial year, this was accompanied by increasing expectations of recession and an impact on credit quality. In contrast, the macroeconomic environment stabilised markedly in the past financial year, with positive effects on the development of the bank's loan loss provisions.

KfW IPEX-Bank's goals for 2023 were to consolidate its position as a specialist bank for structured export and project finance and as a partner to the German and European economies, and resume its planned growth trajectory following the COVID-19 pandemic and consequences of the Russia-Ukraine war. With this in mind, it had forecast the volume of new commitments as EUR 19.6 billion (including CIRR business) for the 2023 financial year. In fact, the bank issued commitments with a total volume of EUR 24.2 billion in the past financial year, thus exceeding its target by EUR 4.5 billion (23%). The Power and Environment and Industries and Services sector departments accounted for the largest share of new business, with commitments totalling EUR 10.3 billion (42% of new business).

Summary

The 2023 financial year was dominated by global challenges, accompanied by a restrictive monetary policy and weakening economic growth in the euro area. In this challenging market environment, KfW IPEX-Bank focused on its core product – the structuring of medium and long-term financing for German and European exports.

On this basis, after taking into account withdrawals from the fund for general banking risks, the bank generated adjusted operating income before risk provisions and valuations of EUR 417 million. It thus exceeded the previous year's figure by EUR 187 million (82%). The result was EUR 148 million (55%) higher than the amount forecast in group business sector planning.

The risk provisions and valuation result (EUR 8 million) represented an improvement of EUR 140 million on the previous year thanks to significant stabilisation of the macroeconomic environment compared to the years of crisis since 2020 (improved economic outlook for countries and sectors based on the bank's segment monitor). The risk provision requirement was EUR 96 million lower than expected.

After deducting the tax expense, KfW IPEX-Bank generated net income of EUR 421 million in the 2023 financial year. This represented an increase of EUR 325 million (>100%) on the previous year's result. The result forecast in group business sector planning was also exceeded by EUR 240 million (> 100%). Under the profit transfer agreement, the bank transfers its annual profit in full to KfW Beteiligungsholding GmbH as the controlling company.

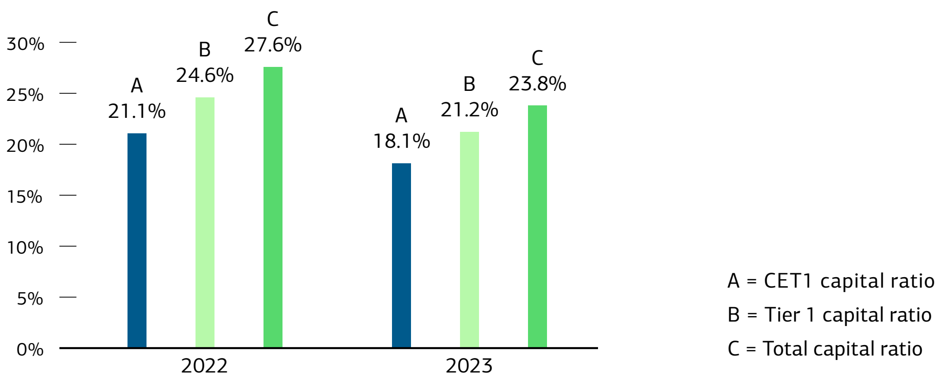
By focussing on its core product – the structuring of medium and long-term financing for German and European exports – KfW IPEX-Bank was able to issue new commitments with a volume of EUR 24.2 billion (including CIRR business) in the 2023 financial year, despite the global challenges. The volume of new business thus increased by EUR 6.0 billion (33%) year-on-year. The target based on group business sector planning was exceeded by EUR 4.5 billion (23%). At EUR 17.5 billion, the largest share of new business (72%) related to market business recognised on the bank's balance sheet.

Risk report

Overview of key indicators

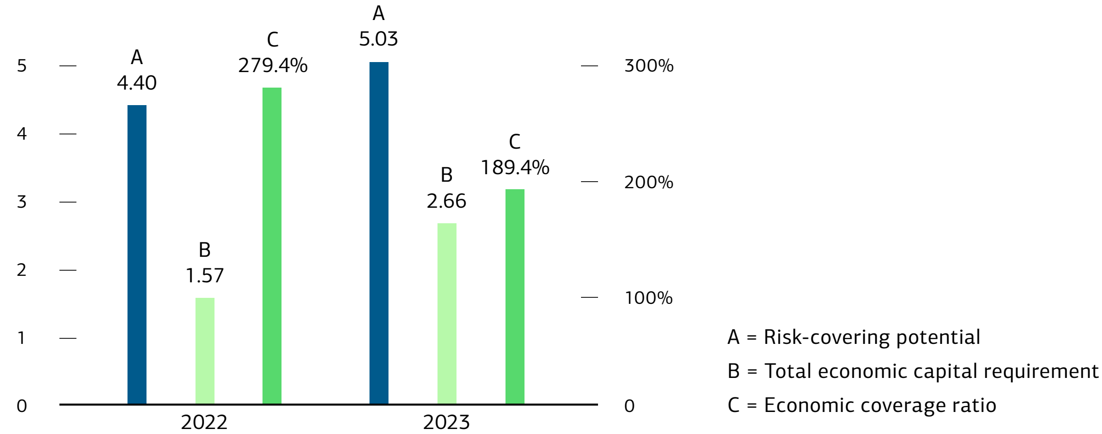
Risk reporting is performed in accordance with KfW IPEX-Bank's internal risk management system. Selected risk indicators are presented below:

Regulatory capital requirements



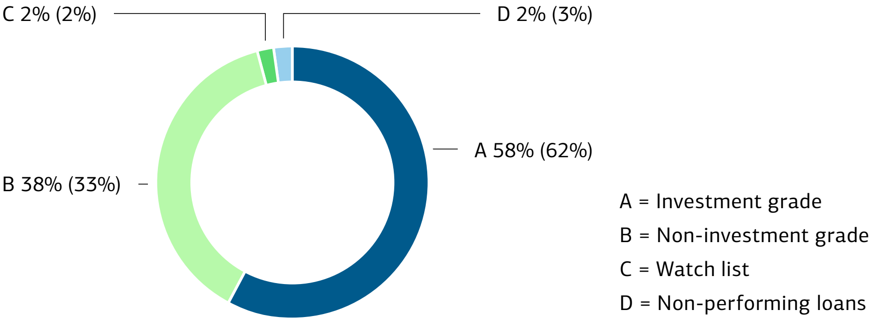
The capital ratios declined by between 2.9 and 3.8 percentage points year-on-year. This was primarily due to the increase in the total risk exposure amount of credit risk as a result of new business concluded in 2023. In addition, regulatory own funds increased slightly due to the partial reinvestment of the 2022 annual profit.

Economic risk-bearing capacity in EUR billions or in %



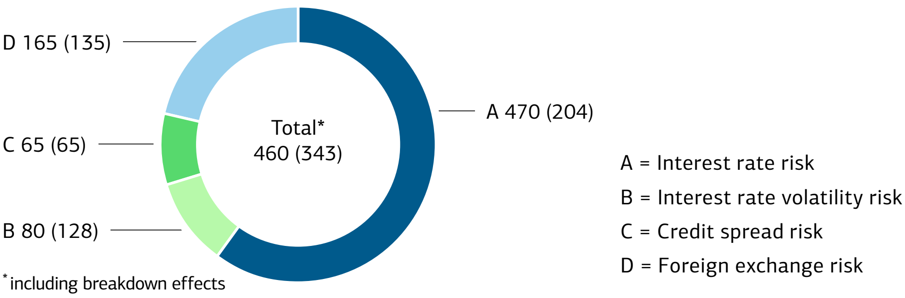
Economic risk-bearing capacity met the 99.90% solvency target. Excess cover in risk-bearing capacity decreased year-on-year, primarily due to the higher economic capital requirement for credit risk, which increased in particular due to new business and changes in methodology. Furthermore, the economic capital requirement for market price risk increased due to further development of the value at risk (VaR) model and model risk buffer. At the same time, the risk-covering potential increased due to further development of the risk-bearing capacity calculation.

Credit risk
2023 (2022), Breakdown of net exposure



The credit rating structure of the performing portfolio changed slightly compared with the previous year. The proportion of investment grade exposures decreased slightly from 62% to 58%. At the same time, the share of non-investment grade exposures increased slightly from 33% to 38%. The average probability of default of the performing portfolio rose slightly from 0.70% to 0.72% in the 2023 financial year.

Market price risk
2023 (2022), ECAP EUR in millions



* including breakdown effects

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 further development of the VaR model to better reflect stress periods. ECAP is calculated from the total risk value for the subtypes of market price risk, less the breakdown effect between these which amounted to EUR –320 million as of 31 December 2023.

Current developments
KfW IPEX-Bank continued to develop its processes and instruments for risk management and control in the 2023 financial year, giving due consideration to current banking supervisory requirements.

The further development of economic risk-bearing capacity has increased consistency between credit risk measurement and the derivation of risk-covering potential. Credit risk measurement is now based on present value.

The VaR model used to measure market price risk was also further developed, primarily to take account of changed conditions in the interest rate environment. The model now takes into account stress periods over a longer historical period.

A priority was to enhance the management of environmental, social and governance (ESG) risks. To this end, KfW IPEX-Bank was involved in a KfW Group-wide transformation project to strengthen its ESG risk management. The project was based on the development and launch of an application for the structured identification and assessment of ESG risk drivers in credit risk (“ESG risk profile”) in early 2023. Other focal points of the project included deeper integration of ESG risks into the credit process, further development of ESG stress test capabilities and reporting as well as consideration of ESG risks in relevant risk and general management processes at the bank. Furthermore, initial detailed analyses were prepared on the subject of biodiversity, based among other things on the results of the ESG risk profile to date, and a "BioDiv Roadmap" was developed in collaboration with KfW Group. ESG risks are already an established feature of parts of KfW IPEX-Bank's risk management cycle, for example in the context of borrower ratings, credit assessments, portfolio management and sector limits.

The organisational structure in the area of credit risk management was updated in 2023. The newly introduced operational sector teams integrate the functions of analysis and approval on a sector-specific basis, while a central team is focused on and responsible for special topics and projects.

KfW IPEX-Bank's Russia-Ukraine task force, which was established in 2022, and KfW Group's crisis committee, which was set up to manage and monitor the effects of the Russian war of aggression against Ukraine, were disbanded in 2023, as the bank only has a small amount of direct exposure which is hedged in full. KfW IPEX-Bank's customers who are indirectly affected have now reduced this exposure significantly or completely (for example, suppliers or personnel have been replaced), so that elevated risks are no longer expected in relation to such financing. Exposure to the Middle East was reviewed in light of the crisis there. As a result, there is only a small direct exposure in the region, which is largely collateralised by security in rem outside the region or backed by state export credit insurance.

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. 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 risks 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 as the superordinated undertaking, is essentially dominated by KfW IPEX-Bank. As a result, risks primarily arise at the level of KfW IPEX-Bank.

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 accountability', '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.

Organisation of risk management and monitoring

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.

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

Organisation of risk functions and responsibility for risk types

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. The departments currently consist of four operational sector teams and one central team. The operational sector teams reflect the new organisation in the front-office areas and integrate the functions of analysis and approval on a sector-specific basis. The aim is to reduce the number of interfaces with the front-office areas and within credit risk management and to make one team responsible for all types of financing and process steps within a sector. The new central team is focused on and responsible for special topics and projects, such as written rules of procedure, regulation and governance in credit risk management, IT-related topics, ongoing digitalisation and support functions.

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 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 (CRO) is ensured through regular reporting to the entire Management Board and to the Non-Financial Risk Committee.

The Internal Auditing department analyses the adequacy and effectiveness of the risk management system independently of processes (see further details in the section “Internal control procedures”).

Committees

The Management Board has set up various committees to carry out specific tasks and deal with issues of a specialist nature relating to KfW IPEX-Bank. They serve as a decision-making and discussion platform. The committees report directly to the Management Board.

PORTFOLIO RISK COMMITTEE

The Portfolio Risk Committee (PRC) meets every quarter and on an ad hoc basis and is chaired by the CRO. Within the PRC, decisions are made concerning the risk mitigation framework. 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.

COUNTERPARTY RISK COMMITTEE

The Counterparty Risk Committee (CRC), which convenes every month and is chaired by the CRO, discusses risk-related developments in the credit portfolio, provides an overall perspective on alternatives for action with regard to watch list and non-performing loan cases as well as other exposures subject to particular observation, and monitors their implementation. When required, meetings can take place more frequently in the form of ad hoc CRC meetings.

MARKET PRICE AND LIQUIDITY RISK COMMITTEE

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 CRO, 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.

NON-FINANCIAL RISK COMMITTEE

The bank has established a Non-Financial Risk Committee (NFRC) to discuss operational and reputational risks, among other matters. The committee is chaired by the CRO 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. Reputational risk events are also reported as standard practice. In addition, the results of the reputational risk assessment are presented annually and other relevant aspects of reputational risk are discussed as required.

SUSTAINABILITY COMMITTEE

The Sustainability Committee (SC), which meets every two months and is chaired by the Chief Executive Officer (CEO) of KfW IPEX-Bank, is the central decision-making body of KfW IPEX-Bank for issues related to sustainability. It thus contributes to the realisation of KfW IPEX-Bank's sustainability mission statement. The Sustainability Committee provides the framework for addressing issues related to sustainability and decides on specific measures, such as the ongoing development of sustainability goals, strategies and guidelines.

Business and risk strategy

KfW IPEX-Bank's strategic business objectives are to provide reliable support for the transformation towards sustainability and digitalisation of the German and European economies and to make a stable and significant contribution to the Group's consolidated earnings. To achieve these strategic aims, KfW IPEX-Bank pursues a growth strategy to help address the challenges to transforming the economy in relation to climate change, the environment and globalisation. The bank's business activities focus on providing medium and long-term financing to support key industrial sectors in the export economy, improving economic and social infrastructure, financing environmental and climate protection projects and securing Europe's supply of raw materials.

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.

Risk inventory

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 the fourth quarter of 2023:

– Credit risk (counterparty default risk including migration risk, counterparty risk including CVA risk)
– Market price risk (interest rate risk, interest rate volatility risk, credit spread risk, foreign exchange risk)
– Operational risk (compliance risk, service provider risk, information security risk, operational risk from change processes, personnel risk, business continuity risk and legal risk)
– Liquidity risk in the narrow sense (synonym: solvency risk)
– Concentration risk
– Regulatory risk
– 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, personnel risk has been specified as a new material risk subtype of operational risk. In addition, reputational risk has been reclassified as "not material" in terms of its potential negative impact on the net assets, results of operations or liquidity position. Nevertheless, great importance continues to be attached to the bank's reputation. Existing risk management measures remain in place and will, if necessary, be further expanded in a risk-oriented manner.

Due to its business model, credit risk is the most significant risk type, followed by market price risk and operational risk. Liquidity risk in the narrow sense, concentration risk, regulatory risk and model risk play a smaller role in the bank's overall risk position.

[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 results of the risk inventory are implemented in KfW IPEX-Bank's risk management concepts under the risk strategy for 2024.

Risk reporting

The Management Board is informed about the current risk situation on a monthly basis. 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. Risk reporting forms the regular information and decision-making basis regarding the material risks and overall risk situation at KfW IPEX-Bank. Ad hoc reports are also compiled as required, in addition to regular risk reporting.

Internal capital adequacy assessment process

The aim of KfW IPEX-Bank's internal capital adequacy assessment process (ICAAP) is to maintain sufficient capital to cover the risks assumed at all times. Capital adequacy is assessed from both the normative and the economic perspective. The two perspectives are closely interwoven and are ultimately channelled into a holistic and consistent risk management system that ensures the common objective of continued business operation through the mutual flow of information. Furthermore, the overall ICAAP architecture includes the performance of stress tests to assess risk-bearing capacity under adverse conditions. The aforementioned components of the ICAAP are presented below.

The ICAAP's normative perspective aims in particular to ensure fulfilment of Pillar I regulatory capital requirements under CRR and KWG 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, see "Stress and scenario calculations") are also analysed. In these adverse scenarios, deviations from the baseline scenario are calculated and projected for the planning period. This takes into account the simultaneous materialisation of losses from the material risk types identified as part of the risk inventory which can cause a reduction in regulatory own funds, in particular risks that do not explicitly have to be backed by capital under Pillar I. Furthermore, an increase in the total risk exposure amount (RWA) is anticipated based on the assumption of a significant mild or severe recession scenario.

Multi-year capital planning is based on the strategic objectives defined as part of group business sector planning and is updated quarterly with regard to assumptions and market parameters. 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, thereby implementing Pillar II of the capital adequacy process. 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) and monitored using the key performance indicator of the economic coverage ratio, defined as the ratio of risk-covering potential to economic capital requirement. Both the risk-covering potential side and the risk side are essentially geared towards present values and are static (point-in-time approach; in other words, new business is not considered and there is no periodisation). The risk side covers all material risks to capital according to the risk inventory (overall risk profile). The amount of the economic capital requirement, and thus the level of security in the risk-bearing capacity, depends to a large extent on the chosen 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 scenario). 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. In the assessment of appropriateness conducted in 2023, the ICAAP was rated as "generally appropriate".

As of 31 December 2023, the risk-bearing capacity is adequate in both the normative and the economic perspective.

Normative risk-bearing capacity

Key regulatory figures

	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions
Total risk exposure in accordance with Art. 92 CRR	19,657	16,876
of which: – Credit risk	*18,798*	*15,981*
–Market price risk[1)]	*0*	*121*
– Operational risk	*859*	*773*
Regulatory own funds	4,681	4,656
of which: – CET1 capital	*3,567*	*3,558*
– Additional tier 1 capital	*600*	*600*
– Tier 2 capital	*514*	*498*
CET1 capital ratio	18.1%	21.1%
Tier 1 capital ratio	21.2%	24.6%
Total capital ratio	23.8%	27.6%

1) No regulatory capital requirement for the open foreign currency position as of 31 December 2023, as the risk-weighted assets amounted to less than 2% of own funds.

Within credit risk, the capital requirements for counterparty default risks are mainly calculated using the advanced internal ratings-based approach (IRBA). Partial use is thus only applied because the Credit Risk Standardised Approach (CRSA) is also used to calculate the capital requirement for some portfolios. Capital requirements for the risk of a credit valuation adjustment (CVA risk) are also recognised under credit risk and calculated using the standardised approach.

The capital requirements for market price risk relate exclusively to foreign exchange risk, which is also calculated using the standardised approach. KfW IPEX-Bank does not enter into any trading book risks or commodity risks. The capital requirement for operational risk is also calculated using the standardised approach.

The capital ratios declined by between 2.9 and 3.8 percentage points compared to the previous year. This is primarily due to the increase in the total risk exposure amount of credit risk (+16%) as a result of new business concluded in 2023. The slight increase in regulatory own funds (+1%) is due to the partial reinvestment, to the extent permitted for tax purposes, of the 2022 annual profit transferred to KfW Beteiligungsholding GmbH.

Economic risk-bearing capacity

To assess the economic risk-bearing capacity, the economic capital requirement for potential losses from material quantifiable risks to capital is compared with the risk-covering potential determined on a present value basis. The starting point for the risk-covering potential is KfW IPEX-Bank's balance sheet equity, which is then adjusted by present value differences, previously unrecognised cumulative gains, the balance sheet loan loss provision for non-impaired business, future cash flows from margins and costs of administration or expected defaults on existing business, certain capital deduction items for prudent economic valuation, and contingency reserves pursuant to Sections 340f and 340g HGB. KfW IPEX-Bank bases its calculation of the economic capital requirement on a time horizon of one year.

The economic capital requirement for credit risks is quantified by Risk Controlling primarily using statistical models. Value-based measurement of counterparty default risks, including migration risks[2], is carried out using a credit portfolio model and the risk measure of credit value at risk. The economic capital requirement for CVA risks is based on the CVA charge of Pillar I, which is adjusted for economically relevant aspects (including consideration of other risk-relevant positions, use of internal ratings). The CVA risk is reported as part of the summarised risk subtype of counterparty risk (including CVA risk).

The economic capital requirement for market price risk is calculated based on the VaR 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, credit spread risk for securities and foreign exchange risk. The possible loss of present value or price is determined for each subtype of market price risk by VaR calculation based on historical simulation. The economic capital requirement is ultimately calculated from total VaR, which takes into account breakdown effects between the various subtypes of market price risk.

The economic capital requirement for operational risks is calculated using an internal statistical model derived from the regulatory requirements for so-called advanced measurement approaches. Measurement of the quality of operational risk management within KfW IPEX-Bank can also generate premiums that are then applied to the capital requirement.

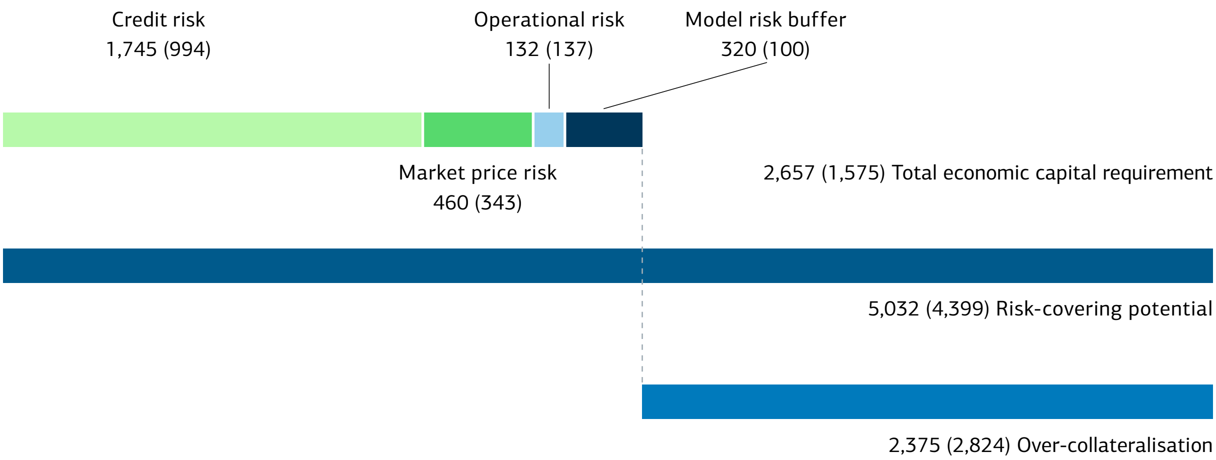
In addition, a model risk buffer is applied to cover model weaknesses and foreseeable methodological changes in the economic risk-bearing capacity, which is reviewed on a quarterly basis and adjusted if necessary.

As of 31 December 2023, excess risk-covering potential above total economic capital requirements decreased compared to the previous year (EUR 2,824 million) to EUR 2,375 million. This was due in particular to the increase in the economic capital requirement for credit risk, which increased primarily due to new business and changes in methodology.

The increase in the capital requirement for market price risk is mainly due to further development of the VaR model. The model risk buffer – which allows for model weaknesses and foreseeable methodology changes in the economic risk-bearing capacity calculation – increased, mainly as a result of regular updating of the model risk buffer for model weaknesses. As a result of these effects, total economic capital requirements were significantly higher than in the previous year.

At the same time, the risk-covering potential increased significantly due to the further development of the risk-bearing capacity calculation.

Economic risk-bearing capacity as of 31 December 2023
EUR in millions



In brackets: Figures as of 31 December 2022.

[2] Also includes counterparty risks.

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[3)]. 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.

To ensure the early indicator function and proactive focus in the ICAAP, KfW IPEX-Bank monitors, on a quarterly basis, different scenarios and their effects on the economic and normative risk-bearing capacity: a baseline scenario (only in the normative risk-bearing capacity, which represents the capital ratios for future reporting dates, taking into account economic expectations), a downturn scenario (economic conditions that are slightly worse than expected) and a stress scenario (deep recession). The results of these scenarios demonstrate the extent of KfW IPEX-Bank’s resilience and ability to act if these scenarios materialise.

The baseline scenario of the normative risk-bearing capacity includes projected business performance, expected annual profit and other effects influencing risk-bearing capacity, such as foreseeable changes in the capital structure and methodological developments in risk measurement. Negative effects on the earnings and risk situation as a result of expected economic trends are also taken into account.

The downturn and stress scenarios of the normative and economic risk-bearing capacity simulate adverse effects of varying severity on earnings and changes in capital requirements extending beyond the negative effects already expected as of the reporting date or in the baseline scenario. The stress scenario assumes a prolonged and severe global recession. In both scenarios, KfW IPEX-Bank assumes increased credit risks and credit losses. In these scenarios, EUR and USD interest rates and the EUR-USD exchange rate are forecast to develop in line with the economic situation. At the same time, it is assumed that growing market uncertainties will lead to greater volatility in interest rates, currencies and credit spreads, leading to increased economic capital requirements for the corresponding risk types in the economic risk-bearing capacity. Furthermore, losses from operational risks will reduce the available capital.

These scenarios are based on standardised global economic forecasts that are updated on a quarterly basis, taking into account the current economic environment. In 2023, the long-term effects of globally relevant events such as Russia’s war of aggression against Ukraine and the war in the Middle East on the global economy were thus taken into account in KfW IPEX-Bank’s regular stress calculations. In this context, higher energy, commodity and food prices in particular have had a significant impact on the economic environment. In the scenarios, negative economic assumptions lead in particular to rating downgrades and thus to higher risk provisioning and higher capital requirements for the portfolio segments affected.

In addition to regular stress calculations, selected potential risks for KfW IPEX-Bank were analysed in scenario stress tests in 2023, taking into account the current environmental, geopolitical and macroeconomic situation. Focal points included a scenario simulating the impact of acute drought events and social unrest in several regions of the world, a scenario based on the results of the adverse scenario of the 2023 EBA/ECB stress test, a scenario addressing a confrontation between China and Taiwan with negative economic consequences for the warring parties and the world’s main economic areas, and a scenario on (further) escalation of the conflict in the Middle East.

Further progress was also made on the expansion of stress testing methods for ESG (environmental, social and governance) risks in 2023. In this context, a scenario dealing with the long-term effects of two carbon pricing scenarios on KfW IPEX-Bank’s credit risk situation was also analysed. This scenario will undergo further methodological development in future and be updated as required.

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

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

The results of the various stress and scenario calculations were presented to decision-makers at KfW IPEX-Bank in a separate stress test report.

On all quarterly calculation dates in 2023, the economic risk-bearing capacity, based on a confidence level of 99.90%, was complied with in the scenarios analysed; the regulatory capital ratios and the leverage ratio were always above the thresholds defined for the risk appetite.

The annual assessment of appropriateness of the stress testing programme was conducted during 2023 to ensure that the stress and scenario calculations of KfW IPEX-Bank are suitable. As a result, the programme was assessed as "generally appropriate" overall.

Risk types

Credit risk

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. Credit risk consists of counterparty default risk (including migration risk) and counterparty risk (including CVA risk), which results from unsecured customer derivatives in connection with global corporate, project and asset financing and is therefore associated with the original lending business. 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.[4)] They are also taken into account in risk management through the aforementioned stress and scenario calculations. Business activities in operational investments represent a phase-out portfolio and are treated in the same way as credit risk.

MEASUREMENT OF CREDIT RISK

Counterparty default risk[5)] 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)[6)]. For economic management purposes, estimation of the PD, 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[7)]:

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

[4)] For measurement of the economic capital requirement for credit risk, see section "Economic risk-bearing capacity".
[5)] Also includes counterparty risk.
[6)] Exceptions are made for sections of the portfolio with low materiality, for which the standardised approach is used.
[7)] 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.

With the exception of project, ship and aircraft financing transactions, these processes are based on scorecards developed internally. In the case of project, ship and aircraft financing, various simulation-based rating modules, licensed from an external provider, are used to measure counterparty default risk. In such cases, risk assessment is mainly determined by the cash flows generated by the financed asset or project.

The rating procedures are calibrated to a one-year probability of default. Both ratings for new customers and follow-on ratings for existing customers are determined observing the principle of dual control in the back-office departments.

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

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

In addition to the exposure at default, the valuation of the collateral has a significant influence on the expected loss in the event of default. As part of the collateral valuation for eligible security in rem[8)], 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.

Interaction between risk properties of individual exposures in the loan portfolio is assessed using an internal portfolio model.[9)]

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

In addition to regular reporting and the addressing of credit risk issues by the established committees, 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 main business partner, per group of connected clients, per industry and per country, and also per individual counterparty in the case of shadow banks. Limits are applied based on the variable of net exposure; 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 leveraged transactions and underwriting.

[8)] 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.

[9)] For measurement of the economic capital requirement for credit risk, see section “Economic risk-bearing capacity”.

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.

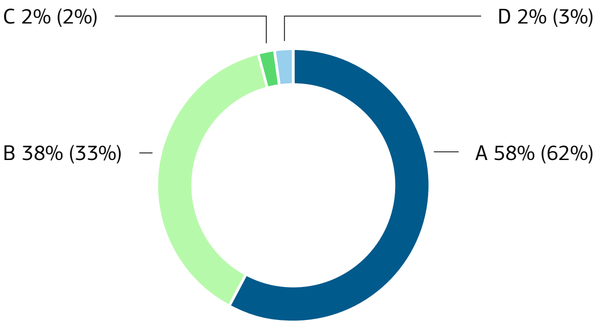
Intensified loan management and problem loan processing

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 exposures subject to intensified loan management. Specialists are involved at an early stage, to ensure professional problem loan management throughout the process.

STRUCTURE OF CREDIT RISK

Net exposure by rating class

2023 (2022), Total net exposure[10]: EUR 11.1 billion

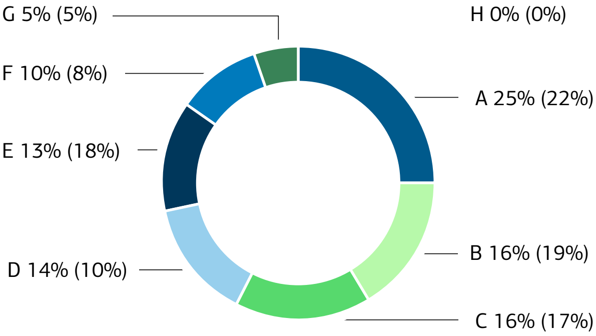


A = Investment grade
B = Non-investment grade
C = Watch list
D = Non-performing loans

Net exposure was EUR 11.1 billion. The credit rating structure of the performing portfolio changed marginally compared to the previous year. The proportion of investment grade exposures declined slightly from 62% to 58%. At the same time, the share of non-investment grade exposures increased slightly from 33% to 38%. The average probability of default of the performing portfolio rose slightly from 0.70% to 0.72% in the 2023 financial year.

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

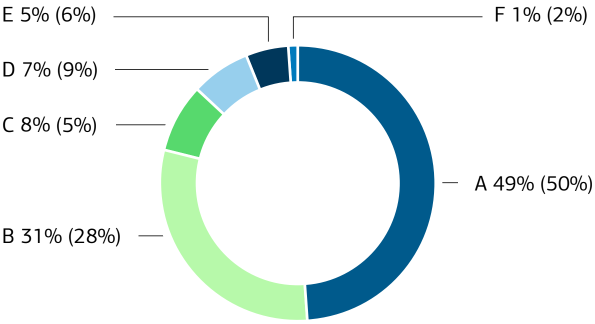
Economic capital requirements by sector department
2023 (2022), Total ECAP: EUR 1.7 billion[11)]



A = Industries and Services
B = Power and Environment
C = Infrastructure
D = Aviation, Mobility & Transport
E = Resources and Recycling
F = Maritime Industries
G = Financial Institutions, Trade and Commodity Finance
H = Equity Portfolio

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 Infrastructure with 25% and 16% respectively.

Economic capital requirements by region
2023 (2022), Total ECAP: EUR 1.7 billion[12)]



A = Europe excl. Germany
B = Germany
C = North America
D = Asia/Australia/New Zealand
E = Latin America
F = Africa

In regional terms, business is focused on Europe including Germany, which accounts for a total of 79% of economic capital for credit risk.

RISK PROVISIONS FOR CREDIT RISK

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 2023:

Sector department	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions	Change EUR in millions
Resources and Recycling	212	168	44
Power and Environment	48	42	6
Maritime Industries	28	37	–9
Aviation, Mobility & Transport	22	22	0
Financial Institutions, Trade and Commodity Finance	2	63	–61
Infrastructure	3	3	0
Other	10	4	6
Total	**324**	**340**	**–16**

[11)] Excluding CVA risk included under credit risk.
[12)] Excluding CVA risk included under credit risk.

As of 31 December 2023, portfolio loan loss provisions by sector department were as follows:

Sector department	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions	Change EUR in millions
Power and Environment	35	45	–10
Industries and Services	18	29	–12
Resources and Recycling	15	35	–20
Infrastructure	10	10	–1
Aviation, Mobility & Transport	4	4	0
Maritime Industries	4	9	–5
Financial Institutions, Trade and Commodity Finance	3	5	–2
Other	12	3	9
Total	**100**	**140**	**–40**

Market price risk

In addition to regular reporting, market price risk issues are dealt with by the MLRC. KfW IPEX-Bank measures and manages market price risks primarily on a net present value basis.

In total, EUR 460 million of economic capital was allocated to market price risks at KfW IPEX-Bank as of 31 December 2023. This represents an increase of EUR 117 million compared with 31 December 2022. The increase is mainly due to further development of the VaR model. Market price risk breaks down as follows:

Economic capital requirement for market price risks

	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions
Interest rate risk[1)]	**470**	**204**
Interest rate change risk	238	82
Tenor basis spread risk	368	102
Cross-currency basis spread risk	341	136
Interest rate volatility risk	**80**	**128**
Credit spread risk	**65**	**65**
Foreign exchange risk	**165**	**135**
Breakdown effect	**–320**	**–190**
Market price risk	**460**	**343**

[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 determined by means of a VaR calculation, 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. The model consists of two components: a reactive short-term component and a conservative long-term component. The reactive model component is based on a historical simulation over a one-year market data history (250 scenarios) and thus reflects current market events in particular. The conservative component is founded on a historical simulation over a five-year period selected from a long-term history, which includes stress periods and thus incorporates a long-term perspective.

The uniform holding period is twelve months, with time scaling based on the shorter holding period of the respective component (one day or five days). In addition, scaling to the target quantile (99.90%) is carried out on the basis of a 97.5% quantile determined using the respective historical simulation. Capital adequacy (ECAP) for market price risk as well as the risk subtypes and sub-risk types is calculated in each case from the maximum of the two components.

INTEREST RATE RISK

The economic capital requirement for interest rate risk is calculated based on historical simulation (see section "Value at risk approach"). Risks from relevant yield curves 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 rose by EUR 266 million year-on-year to EUR 470 million as of 31 December 2023, mainly due to the further development of the VaR model.

Based on the requirements laid down by Article 448 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 2023. It also shows the reduction in present value for the regulatory interest rate shock scenario as specified in Circular 06/2019 issued by 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	4,307	489	59	–11	21	11	4,877
Economic capital requirement Interest rate risk (99.90%/12-month holding period)	–	–	–	–	–	–	470
Interest rate sensitivity (change in present value given an increase in the interest rate by one basis point)	–0.24	–0.26	–0.08	0.00	–0.06	–0.03	–0.65
Reduction in present value given regulatory interest rate shock (+/–200 bp)	–	–	–	–	–	–	119
As a proportion of regulatory own funds	–	–	–	–	–	–	2.5%

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 238 million as of 31 December 2023 and was thus higher year-on-year by EUR 156 million, due to the further development of the VaR model.

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 709 million as of 31 December 2023. This was EUR 471 million higher year-on-year due to the further development of the VaR model.

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 "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. Regular stress tests are also carried out in order to estimate potential losses in the event of extreme market conditions. The economic capital requirement for interest rate volatility risks cannot be higher than the present value of the corresponding interest rate options held by KfW IPEX-Bank. As of 31 December 2023, the economic capital requirement was EUR 80 million, a decrease of EUR 48 million compared to the previous year. The reduction is mainly due to the implemented limit on the present value of the interest position.

CREDIT SPREAD RISK
For credit spread risk, risk measurement is carried out for the securities portfolio and loans to be recognised at fair value, as well as for asset-side promissory note loans including registered bonds. The economic capital requirement for this risk is calculated as for other risk subtypes based on historical simulation (see section "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 2023. Credit spread risk was unchanged year-on-year.

FOREIGN EXCHANGE RISK
The economic capital requirement for currency positions (foreign exchange risk) is calculated as for other risk subtypes based on historical simulation (see section "Value at risk approach"). Regular stress tests are also carried out in order to estimate potential losses in the event of extreme market conditions. As of 31 December 2023, the economic capital requirement was EUR 165 million, an increase of EUR 30 million compared to the previous year. The increase was mainly due to further development of the VaR model.

Operational risk
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.

Operational risks are managed by a centralised operational risk controlling unit within Risk Controlling, which reports to the CRO. For the main risk subtypes of operational risk, there are also specialised 2nd line of defence (LoD) units under the direction of the CEO or the CRO.

Core functions in the process of managing and controlling operational risks within KfW IPEX-Bank are therefore:

- 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 as well as other specialised units (2nd LoD)
- The Internal Auditing department, which is involved as an independent control unit (3rd LoD).

Relevant information on operational risk management is provided on a monthly and quarterly basis as part of the risk report. Operational risks are also discussed by the NFRC. In the calculation of risk-bearing capacity, operational risk is measured on the reporting date and is included in total normative and economic capital requirements accordingly. Depending on the objective, the calculation is supplemented by regular stress tests, both for specific risk types and across all risk types. The economic capital requirement for operational risks is calculated on the basis of a VaR model at a confidence level of 99.90%.[13)]

In total, EUR 132 million of economic capital was allocated to operational risks at KfW IPEX-Bank as of 31 December 2023. This represents a decrease of EUR 5 million compared with 31 December 2022, as a result of adjustments made to risk scenarios following completion of the 2023 risk assessments.

The most important instruments in operational risk management include risk assessment, monitoring based on risk indicators, recording operational risk events, carrying out risk and control self-assessments, deriving measures and performing stress tests on a regular basis.

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 the different risk subtypes and various operational risk areas and are included in the quarterly risk reporting of the Non-Financial Risk Committee.

The operational risk database is used for centralised recording and processing of operational risk events that have occurred. 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.

As part of risk and control self-assessments, process-inherent operational risks are identified and evaluated with regard to their probability of occurrence and potential level of loss. The aim here is to identify risks that fall outside of the bank's risk appetite without (appropriate and effective) controls and to review the associated controls to ensure that they are appropriate and effective.

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.

[13)] For measurement of the economic capital requirement for operational risk, see section 'Economic risk-bearing capacity'

Compliance risk, service provider risk, information security risk, operational risk from change processes, personnel risk, business continuity risk and legal risk are classified as material subtypes of operational risk.

COMPLIANCE RISK

Compliance risk refers to the risk of legal or regulatory sanctions or an adverse impact on the bank's net assets, results of operations or liquidity position arising from non-compliance with external/internal guidelines, voluntary commitments or legal regulations that contribute to the sub-aspects of operational compliance or fall under the overall MaRisk compliance process (in accordance with MaRisk AT 4.4.2).

As part of its annual risk analysis, the compliance function (Regulatory Compliance department), which is established on the basis of MaRisk, 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. On the basis of its findings, it advises the Management Board, proposes measures where necessary, works towards their implementation, monitors them and fulfils its reporting obligations. As part of ongoing monitoring, Regulatory Compliance works towards the early identification, assessment and implementation of key legal and regulatory requirements.

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

The Operational Compliance department consists of the teams

– Securities compliance, prevention of criminal acts
– 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.

The various Operational Compliance teams (money laundering prevention, securities compliance, prevention of criminal acts and financial sanctions) are responsible for process-related monitoring of compliance risks and are rule-setting functions in which definitions and guidelines for managing compliance risks are drawn up for the 1st line units. Compliance is also responsible for monitoring and reporting compliance risks. The aim of a compliance system is to protect the bank and its employees by preventing or mitigating compliance risks that may arise in these areas. Compliance is an independent department that reports directly to the CRO.

If compliance risks can be appropriately monitored by means of metrics, this is done with the help of risk indicators that are included in risk reporting to KfW Group Compliance and KfW IPEX-Bank's Non-Financial Risk Committee.

SERVICE PROVIDER 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 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).

INFORMATION SECURITY RISK

Information security risks at KfW IPEX-Bank arise mainly in connection with the use of IT systems. 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. The approach to dealing with information security risks at KfW that are also relevant to KfW IPEX-Bank is agreed jointly.

OPERATIONAL RISK FROM CHANGE PROCESSES

Operational risk from change processes primarily comprises risks arising from the new products process (NPP) as well as due to organisational changes. This is classified 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 via KfW IPEX-Bank's portfolio management control processes. These include, in particular, the materiality assessment in accordance with MaRisk AT 8.2 and regular status and risk reporting as well as quarterly reporting to the Management Board.

PERSONNEL RISK

As part of the 2023 risk inventory, personnel risk was also defined as a new material risk subtype of operational risk, whereby the risk of insufficient staff levels or unqualified staff, for example as a result of pandemic situations, is countered by various preventive and risk-mitigating measures.

BUSINESS CONTINUITY RISK

Business continuity risk is the risk of an adverse impact on the net assets, results of operations or liquidity position due to the discontinuation of time-critical business processes in the event of a business interruption resulting from previous non-fulfilment of business continuity requirements. KfW IPEX-Bank manages business continuity 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 resilience of time-critical business processes and the availability of related internal processes and resources in compliance with applicable laws and contractual obligations. Emergency preparedness is managed in a risk-oriented fashion. As part of the business impact analysis (BIA), business processes are examined to determine the potential level of loss. Further security measures are taken for critical business processes that exceed the risk tolerance limit. As experts in the risk subtype of business continuity risk, the BCM department provides support in the risk analysis for outsourcing arrangements. The Business Continuity Response Manager (BCR Manager) 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.

LEGAL RISK

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. Legal risks are monitored overall with the help of a key risk indicator (KRI) based on the group-wide risk indicator agreement for legal risks.

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 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 risk
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 USD loan book. The bank seeks to avoid the resulting foreign exchange risks as far as possible by means of funding in the same currency and hedging.

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

As part of its regular risk reporting process, the bank describes and monitors concentration risks. Concentration risks are also included in stress tests.

Regulatory risk
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.

Model risk
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 in turn can have an impact on other types of risk such as credit or market price risks. A distinction is made between model risks arising from weaknesses and deficiencies in existing models (model risks) and model risks resulting from inappropriate use of these models (operational risk).

Model risk is identified as a material overarching risk at KfW IPEX-Bank, since weaknesses and deficiencies of the models used, either in the models themselves or arising from the interplay between models, can have direct and significant implications for the results of operations, net assets or liquidity position. Examples of such model risks are an incomplete or inadequate model design, statistical estimation uncertainty or incorrect model parameters.

The purpose of identifying and managing model risks is to ensure sufficient control of model risks and the prompt and risk-oriented elimination or compensation of (systematic) model weaknesses that have been identified, for example through independent validation, and to promote an appropriate risk culture when dealing with models.

For this purpose, a unit was established within KfW Group's risk controlling function which is responsible for managing KfW Group's model risks, including those of KfW IPEX-Bank. At the same time, KfW IPEX-Bank has its own model risk manager, who acts as the primary point of contact for questions relating to model risk management. Model risks are identified and monitored on an ongoing basis as part of group-wide model risk management. Important information on current model risks is presented in particular in the annual model risk report.

In principle, risk mitigation and risk identification for model risk are currently carried out in particular through the following: a model inventory, the model risk buffer in economic risk-bearing capacity, a valuation reserve, manual adjustments, consideration of margin of conservatism (MoC) premiums in the model parametrisation, and timely identification of model weaknesses (model users and validation), for example in the form of recommendations for action.

Reputational risk

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).

In the course of the 2023 risk inventory, reputational risk was classified as not material.

Reputational risks are closely linked to operational risks and other risk types in terms of both cause and effect, that is to say, they can in principle be the cause of consequential risks of other risk types (primary risk) or be the consequence of other risks (secondary risk) such as operational risks or credit risks.

There is a centralised reputational risk controlling department within Risk Controlling which reports to the CRO.

Core functions in the process of managing and controlling reputational risks within KfW IPEX-Bank are:

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

Reputational risk events that have occurred are also reported to the Management Board on an ongoing basis as part of KfW IPEX-Bank's monthly risk report. Reputational risk events classified as material are reported to the Management Board on an ad hoc basis. Reputational risks are also reported to the NFRC. The framework for managing reputational risks is essentially defined by the group-wide sustainability mission statement. Within this framework, the risk management process for reputational risks is largely 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. When making financing decisions, it is therefore necessary to obtain a comprehensive view of the associated opportunities and risks of a transaction in order to arrive at a transparent and comprehensible decision. Reputational risks associated with the transaction are an important aspect of the risks to be considered. A common methodology for KfW Group was therefore developed and implemented in 2023 to enable structured identification and assessment of these transaction-related reputational risks and thus also to enhance comparability. 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.

Other reputational risk management tools include recording reputational risk events, deriving measures, monitoring potential reputational risks by means of a watch list and qualitative reputational risk assessment, which is coordinated by the central reputational risk controlling department.

Reputational risks are assessed and managed on a qualitative basis. There is no capital requirement for reputational risk in the calculation of risk-bearing capacity, or only as part of the operational (primary) risks from which reputational risk is (also) derived as a secondary risk.

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 for mitigating 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 for managing risks within the 1st and the 2nd lines.
Monitoring units			
2nd line of defence	**RISK CONTROL** Process-related monitoring of risks and rule-setting function. Definition of requirements for managing 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 material risk types/subtypes (as set out in the section ‘Organisation of risk functions and responsibility for risk types’).

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 the control environment, risk assessment, control and monitoring requirements, control procedures, and an element to ensure notification and communication of findings.

Internal control system
The internal control system consists of

– regulations on organisational and operational structures,
– 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[14)] 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
Accounting-related controls are part of KfW Group’s ICS. KfW IPEX-Bank does not itself report to its supervisory bodies on the accounting-related controls for which it is responsible.

The operational implementation and integration of accounting-related controls in the bank-wide ICS are operationalised and set out in concrete terms in corresponding written procedural rules at KfW and its subsidiaries. Performance of the controls is monitored in a centralised and risk-oriented manner, either directly by KfW or by KfW IPEX-Bank with confirmation given to KfW.

Internal Auditing
The Internal Auditing department provides independent and objective 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 governance 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.

[14)] 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.

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 the credit back office and risk controlling processes within KfW IPEX-Bank, including outsourced activities. This included examining the processes for measuring and managing credit, market price and liquidity risks. In the case of credit risks, the focus was on reviewing the rating system for corporates and problem loan processing.

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 2023 financial year by attending meetings of decision-making bodies (as a guest).

Other disclosures

Corporate governance statement in accordance with Section 289f (4) HGB
Increasing the number of women in management positions reflects not only the requirements of 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*), but also the bank's own objectives. KfW IPEX-Bank set itself a target for the proportion of female staff at head of department level of 40.0% by 30 June 2027, and a target for the proportion at team head level of 40.5%. Its targets for the proportion of women on the Management Board and Board of Supervisory Directors – also to be achieved by 30 June 2027 – are 50.0% (two out of four) for the Management Board and 44.4% (four out of nine) for the Board of Supervisory Directors.

As of 31 December 2023, the final proportion of women on the Management Board at KfW IPEX-Bank was 50.0%, the proportion in head of department positions was 25.0%, and the proportion at team head level was 32.5%. The proportion of women on the Board of Supervisory Directors was 33.3%. As such, the targeted quotas are currently only being achieved at Management Board level.

Non-financial statement
In accordance with Section 289b (2) HGB, KfW IPEX-Bank is exempt from the obligation to supplement the management report with a non-financial statement. However, pursuant to Section 340a (1a) HGB, 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) HGB 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 2023 Sustainability Report of KfW Group, as part of the notes on the 'Combined non-financial statement of KfW as parent company and of the Group'. The sustainability report follows the Global Reporting Initiative (GRI) guidelines and can be downloaded from the internet.[15)]

In accordance with Article 8 (1) of the Taxonomy Regulation[16)], 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 2023 financial year, are made in the 'Reporting on EU Taxonomy' section of KfW Group's 2023 Sustainability Report.

15) https://www.kfw.de/PDF/Download-Center/Konzernthemen/Nachhaltigkeit/englisch/Sustainability-Report-2023.pdf
16) 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 2.9% year-on-year in 2024, after increasing, according to International Monetary Fund (IMF) estimates, by 3.1% year-on-year in 2023. The expected growth rate of real GDP in 2024 for the group of industrialised countries is below the previous year's growth rate, whereas it is forecast to be almost at the previous year's level for the group of developing and emerging countries (see Table: Gross domestic product at constant prices, global economy, industrialised countries, developing and emerging countries). According to IMF forecasts, global consumer price inflation is expected to fall from an annual average of 6.8% in 2023 to an annual average of 5.8% in 2024. KfW IPEX-Bank concurs with the IMF's assessment that the economic outlook will be determined by the longer-term consequences of the COVID-19 pandemic and the war in Ukraine on the one hand, and the effects of global monetary policy tightening to combat inflation and withdrawal of fiscal policy support against the backdrop of high levels of debt on the other.

Gross domestic product at constant prices

	Estimate for 2023	Forecast for 2024	Average 2013 – 2022
Year-on-year change	**in %**	**in %**	**in %**
Global economy[1)]	3.1	2.9	3.1
Industrialised countries[1)]	1.6	1.1	1.8
Developing and emerging countries[1)]	4.1	4.0	4.0

[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.

Further developments remain subject to major uncertainties, as the IMF points out. There is a risk that growth in China will weaken more than expected due to the crisis in the property sector. Furthermore, inflation – which remains largely above the central banks' targets – could prove persistent despite the decline in inflation rates. Higher inflation expectations and labour shortages could contribute to this. Commodity prices in particular could be more volatile than previously due to weather events in the wake of El Niño as well as climate-related and geopolitical shocks. Increasing geoeconomic fragmentation and export restrictions could also contribute to higher volatility. If the conflict between Israel and Hamas escalates and spreads to other countries and actors, this could result in rising crude oil and gas prices, increasing risk aversion on financial markets and disruptions to supply chains. Higher energy and food prices could also stir up social unrest.

If the financial markets reassess the monetary policy outlook, financing conditions could tighten and interest rate risks could increase. This could also lead to an escalation in debt distress in developing and emerging countries. Furthermore, there is a risk that fiscal buffers cannot be built up again in time for the next shock, or that necessary fiscal consolidations are too strongly growth-inhibiting.

It is also possible that the global economy will grow at a faster pace than forecast if inflation falls faster than expected, thereby strengthening the purchasing power of private households and allowing monetary policy to ease more rapidly.

KfW IPEX-Bank expects GDP in the **euro area** to grow by 0.8% in real terms in 2024. The expected growth rate is therefore up slightly by 0.3 percentage points year-on-year, but remains below the 2013–2022 average. If this forecast proves correct, aggregate economic production in 2024 will be 4.2 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, euro area, Germany, USA). In line with the European Commission, KfW IPEX-Bank sees consumer demand from private households as the driver of economic growth compared to the previous year. The increase in households' real disposable income due to falling inflation and income growth is boosting their consumption. Like the European Commission, KfW IPEX-Bank expects imports and exports to recover simultaneously in 2024. Therefore, net exports are not expected to contribute to GDP growth. Tight financing conditions as a result of restrictive monetary policy will also hamper investment growth in the euro area. Despite positive effects from the NextGenerationEU programme, KfW IPEX-Bank anticipates, in line with the ECB's projection, that fiscal policy will dampen economic growth overall due to the expiry of support measures in the wake of the energy crisis.

Among the four largest countries in the euro area, KfW IPEX-Bank estimates that Germany and Italy will achieve comparatively low growth below the euro area average due to their relatively important industrial sectors, while France and Spain are likely to achieve slightly above-average growth compared to the euro area as a whole.

KfW IPEX-Bank expects real GDP in **Germany** to grow by 0.6% year-on-year in 2024. Thus, the level of real GDP in 2024 will likely be higher than in 2019, the year before the outbreak of the COVID-19 pandemic (see Table: Gross domestic product at constant prices, euro area, Germany, USA). Of the expenditure components of GDP, KfW IPEX-Bank expects private consumption expenditure to grow in 2024, against the backdrop of the global economic forecasts outlined above and based on the assumption that private households' purchasing power will increase as a result of declining consumer price inflation and a simultaneous increase in nominal wages. Corporate investment is also expected to grow, whereas housing will decline in real terms. KfW IPEX-Bank anticipates that, among the output components of GDP, the real gross value added of the construction sector will fall in 2024. The annual average number of people in employment in Germany will grow in 2024, while an increase in the shortage of skilled workers is expected.

Gross domestic product at constant prices

	Estimate for 2023	Forecast for 2024	Average 2013–2022	Forecast for 2024
Year-on-year change	**in %**	**in %**	**in %**	**Index 2019 = 100**
Euro area	0.5	0.8	1.4	104.2
Germany	–0.3	0.6	1.2	101.3
USA	2.5	1.0	2.3	109.2

In addition to geopolitical and geoeconomic risks in the context of Russia's invasion of Ukraine, the conflict in the Middle East and tensions between China and Taiwan, bottlenecks and sudden price increases on energy markets, an economic slump in China caused by the property crisis there and environmental and natural disasters could lead to lower growth in German real GDP than that forecast by KfW IPEX-Bank for 2024, or even to a contraction.

There is a chance of higher growth in real GDP than that forecast by KfW IPEX-Bank for 2024 in the event of an unexpectedly swift, supply-side-driven decline in inflation and thus rapidly falling interest rates, which could provide fresh impetus for the economy, particularly through the investment channel. In this case, demand for credit would probably also increase.

In response to the ruling of the Federal Constitutional Court of 15 November 2023 on the Second Supplementary Budget Act (*Zweites Nachtragshaushaltsgesetz*) 2021, on 13 December 2023 the Federal Chancellor, the Federal Minister for Economic Affairs and the Federal Minister of Finance reached a political agreement on additional consolidation measures relating, among other things, to the federal government's core budget and the Climate and Transformation Fund, which were incorporated into the draft of the Second Budget Financing Act (*Zweites Haushalts-finanzierungsgesetz*) 2024. Like the Deutsche Bundesbank, KfW IPEX-Bank does not expect these fiscal policy measures to lead to any material revision of the growth forecast of real GDP in 2024.

Since July 2022 the European Central Bank has raised the deposit rate by a total of 450 basis points to 4.0%. KfW IPEX-Bank does not expect key interest rates to rise further, but rather to remain at this level until mid-2024. The continuing decline in the inflation rate towards the ECB's 2% target over the course of the year should create the necessary conditions for the first cuts in key interest rates in the second half of 2024.

As inflation is also gradually easing in the USA and the US economy is likely to cool, KfW IPEX-Bank expects the Federal Reserve to cut key interest rates during the course of the year.

In 2024, KfW IPEX-Bank would like to further consolidate its position as a partner to the German and European economies and as a specialist bank for structured export and project finance. 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 subdued global economic outlook. Stimulus packages, especially in the area of investments in digital or transport infrastructure and transformation projects aimed at creating a climate-neutral economy, may also stimulate demand for financing. KfW IPEX-Bank will therefore continue in its role of supporting German and European companies in 2024, 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.

KfW IPEX-Bank is continuing on its planned growth trajectory with its sectoral approach focused on areas of transformation. In 2024 it expects the volume of new commitments to amount to EUR 24.1 billion, of which EUR 22.4 billion will relate to original E&P business and EUR 1.7 billion to CIRR business. The sector guidelines for CO_2-intensive sectors – which were developed in 2021 as part of the KfW Group-wide 'tranSForm' project and implemented in 2023 – are designed to ensure that new business concluded by KfW IPEX-Bank in the aforementioned sectors will support the goals of the Paris Agreement (with its target 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.

Net interest income and net commission income are budgeted at EUR 614 million and EUR 134 million respectively and administrative expense at EUR 297 million. The result from risk provisions and valuations is slightly positive so that, overall, the bank is aiming for earnings before tax of EUR 490 million and a cost/income ratio of 39.8%. The planned CET1 capital ratio of 15.7% exceeds the capital requirements and is met even in the stress case scenario, at 12.3%. 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-afflicted global environment – including the ongoing war against Ukraine, conflict in the Middle East and higher interest rates – 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 2024, 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 2023

Balance Sheet of KfW IPEX-Bank as of 31 December 2023

Assets

	31 Dec. 2023				31 Dec. 2022			
	EUR in thousands				EUR in thousands			
1. Cash reserves								
a) cash on hand			9				6	
b) funds with central banks			0				0	
of which: with the Deutsche Bundesbank	*0*				*0*			
c) funds held with postal giro offices			0	**9**			0	**6**
2. Loans and advances to banks								
a) mortgage loans			0				0	
b) municipal loans			112,744				82,472	
c) other loans and advances			553,923	**666,668**			416,972	**499,443**
of which: due on demand	*1,415*				*1,987*			
of which: collateralised by securities	*0*				*0*			
3. Loans and advances to customersn								
a) mortgage loans			591,245				653,726	
b) municipal loans			1,473,385				1,187,248	
c) other loans and advances			27,549,774	**29,614,405**			22,587,555	**24,428,529**
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		829,969	829,969			410,616	410,616	
of which: eligible as collateral with the Deutsche Bundesbank	*829,969*				*410,616*			
c) own bonds			0	**829,969**			0	**410,616**
Nominal value	0				0			
5. Investments				**6,075**				**18,600**
of which: in banks	*360*				*360*			
of which: in financial services institutions	*0*				*0*			
of which: in investment firms	*0*				*0*			
6. Shares in affiliated companies				**11,308**				**11,538**
of which: in banks	*11,308*				*11,538*			
of which: in financial services institutions	*0*				*0*			
of which: in investment firms	*0*				*0*			
7. Assets held in trust				**389,332**				**403,594**
of which: loans held in trust	*389,332*				*403,594*			
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, as well as licences to such rights and assets			7,854				11,198	
c) goodwill			0				0	
d) payments on account			0	**7,854**			0	**11,198**
9. Property, plant and equipment				**312**				**427**
10. Other assets				**36,484**				**108,698**
11. Prepaid expenses and deferred charges								
a) from issuing and lending			16,759				17,771	
b) other			35,473	**52,231**			37,645	**55,416**
Total assets				**31,614,647**				**25,948,066**

Equity and liabilities

	31 Dec. 2023				31 Dec. 2022			
	EUR in thousands				EUR in thousands			
1. Liabilities to banks								
a) registered Mortgage Pfandbriefe in issue			0				0	
b) registered Public Pfandbriefe in issue			1,287,773				1,037,198	
c) other liabilities			23,174,319	**24,462,092**			18,928,005	**19,965,203**
of which: due on demand	*858,177*				*599,836*			
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			1,189,160	**1,189,160**			423,473	**423,473**
of which: due on demand	*68,615*				*53,184*			
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				**389,332**				**403,594**
of which: loans held in trust	*389,332*				*403,594*			
4. Other liabilities				**453,429**				**127,732**
5. Deferred income								
a) from issuing and lending			144,181				61,396	
b) other			31,796	**175,977**			34,515	**95,911**
6. Provisions								
a) provisions for pensions and similar obligations			305,405				295,556	
b) tax provisions			772				1,724	
c) other provisions			56,991	**363,168**			64,628	**361,907**
7. Subordinated liabilities				**400,000**				**400,000**
8. Additional tier 1 regulatory capital instruments				**600,000**				**600,000**
9. Fund for general banking risks				**351,285**				**363,932**
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 reserve			1,705,755				1,681,864	
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	**3,230,204**			0	**3,206,313**
Total liabilities and equity				**31,614,647**				**25,948,066**
1. Contingent liabilities								
a) from the endorsement of rediscounted bills		0				0		
b) from guarantees and guarantee agreements		2,449,632				2,557,008		
c) assets pledged as collateral on behalf of third parties		0	2,449,632			0	2,557,008	
2. Other obligations								
a) commitments deriving from reverse repurchase agreements		0				0		
b) placing and underwriting commitments		0				0		
c) irrevocable loan commitments		13,503,711	13,503,711			12,177,384	12,177,384	

Income Statement of KfW IPEX-Bank from 1 January 2022 to 31 December 2023

Expenses

	1 Jan. – 31 Dec. 2023 EUR in thousands				1 Jan. – 31 Dec. 2022 EUR in thousands			
1. Interest expense			1,371,576				588,044	
less positive interest from banking business			0	**1,371,576**			–4,736	**583,307**
2. Commission expense				**7,163**				**6,681**
3. Administrative expense								
a) personnel expense								
aa) wages and salaries		103,519				97,126		
ab) social security contributions, expense for pension provision and other employee benefits		21,845	125,364			21,604	118,730	
of which: for pension provisions	*9,112*				*9,505*			
b) other administrative expense			160,311	**285,675**			149,627	**268,356**
4. Amortisation, depreciation and impairment on intangible assets and property, plant and equipment				**3,459**				**3,446**
5. Other operating expenses				**14,656**				**5,958**
6. Write-downs of and value adjustments on loans and specific securities and additions to loan loss provisions				**0**				**127,236**
7. Additions to the fund for general banking risks				**0**				**21,207**
8. Write-downs of and value adjustments on investments, shares in affiliated companies and securities treated as fixed assets				**4,543**				**4,501**
9. Taxes on income				**2,567**				**769**
10. Other taxes not reported under other operating expenses				**899**				**767**
11. Profit transferred due to a profit pooling, profit transfer or partial profit transfer agreement				**421,100**				**96,232**
12. Net income for the year				**0**				**0**
Total expenses				**2,111,640**				**1,118,461**

Income

	1 Jan. – 31 Dec. 2023				1 Jan. – 31 Dec. 2022			
	EUR in thousands				EUR in thousands			
1. Interest income from								
a) lending and money market transactions		1,892,006				924,921		
less negative interest from lending and money market transactions		0	1,892,006			0	924,921	
b) fixed-income securities and debt register claims		21,993				4,168		
less negative interest from fixed-income securities and debt register claims		0	21,993	**1,913,999**		0	4,168	**929,089**
2. Commission income				**150,231**				**145,221**
3. Withdrawals from the fund for general banking risks				**12,647**				**0**
4. Income from write-ups on loans and specific securities and from reversal of loan loss provisions				**12,439**				**0**
5. Other operating income				**22,324**				**44,151**
Total income				**2,111,640**				**1,118,461**

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 HGB, 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 HGB. 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) HGB; in the event of a permanent impairment in value, securities are written down.

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 HGB, 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 HGB, reduced by ordinary depreciation/amortisation over their expected useful life, which is also based on the Federal Ministry of Finance's tax depreciation tables. 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) HGB.

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

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

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 RechKredV).

Foreign currency conversion is performed in accordance with the provisions of Section 256a in conjunction with Section 340h HGB. 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. KfW IPEX-Bank applies the principle of special cover in accordance with Section 340h HGB. The fund for general banking risks pursuant to Section 340g HGB is denominated in US dollars and is included in the special cover. For each currency, the conclusion of foreign exchange transactions ensures that no uncovered currency positions are established or held.

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. 2023
	in % p.a.
Interest rate for accounting purposes	1.82
Projected unit credit dynamics	2.20
Index-linking of pensions[1)]	1.00 to 2.50
Staff turnover rate	5.00

[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 HGB). Provisions with a remaining term of more than one year are discounted using average market interest rates published monthly by the Deutsche Bundesbank, on the basis of their remaining 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) HGB). 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 HGB 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 HGB, whereby if the overall net position of the deferred tax assets and liabilities is a deferred tax asset, this is not recognised.

KfW IPEX-Bank falls within the scope of the OECD's Pillar Two model rules. The Pillar Two rules were transposed into national law in Germany in 2023 with the adoption of the Act to ensure a Global Minimum Level of Taxation for Corporate Groups (*Gesetz zur Gewährleistung einer globalen Mindestbesteuerung für Unternehmensgruppen, MinStG*). Application of the Act is mandatory for financial years beginning on or after 31 December 2023. Consequently, KfW IPEX-Bank is not subject to any tax burden in the 2023 financial year.

The global scope of application of the Pillar Two rules is currently being reviewed. It is assumed that, besides Germany, the transposition of the Pillar Two rules into national law will need to be taken into account for the branch in the UK (as of 2023) and the subsidiary KfW IPEX-Bank Asia Ltd. in Singapore (planned for 2025). As the data for calculating the country-specific effective tax rates in accordance with Global Anti-Base Erosion (GloBE) rules cannot yet be determined, the average effective tax rates according to IAS 12.86 have been used as an indicator for estimating the potential impact of the GloBE regulations in the form of additional taxes.

The average effective tax rate in these countries calculated in accordance with IAS 12.86 is 24% (Singapore) and 31% (United Kingdom). With this in mind, no additional tax is expected to result from the minimum taxation rules.

KfW IPEX-Bank makes use of the option it has under IDW AcP BFA 7, note 26, one of the Accounting Principles issued by the Banking Panel of Experts of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland, IDW*), to calculate the general loan loss provision in accordance with the method specified in the IFRS 9 stage model, including under HGB. Under this method, the portfolio loan loss provisions for all loans and advances are determined as a function of the changes in credit quality since the date of initial recognition, either in the amount of the expected 12-month credit loss (1-year expected loss) or, if there has been a significant deterioration in the default risk compared to the date of initial recognition, in the amount of the credit loss expected over the remaining term of the loan (lifetime expected credit loss).

In addition, risk provisions are recognised for contingent liabilities and irrevocable loan commitments, both for individually identified risks (specific loan loss provisions) and for impairments that have not yet been identified individually (portfolio loan loss provisions).

Additions and reversals are reported net under the item 'Write-downs of and value adjustments on loans and specific securities and additions to 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) HGB. Interest income on non-performing loans is recognised 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 HGB is taken into account by establishing a provision in accordance with Section 340a (1) in conjunction with Section 249 (1) sentence 1, 2nd alternative HGB for any excess obligations resulting from the valuation of the interest-related banking book. The requirements set forth by the IDW on individual issues in connection with the loss-free valuation of interest-related transactions in the banking book (interest book) under 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 expense and risk costs in the amount of expected losses. No such provision for contingent losses was required in the reporting year.

The low-interest phase of previous years did not continue in the reporting year. The general level of interest rates on the money and capital markets rose significantly in the 2023 financial year. Against this backdrop, KfW IPEX-Bank did not incur any material negative interest income or interest expense. Corresponding disclosure requirements for the income statement under HGB in the event of negative interest rates were only applicable to prior-year figures (amounts with a material impact in connection with liabilities-side promissory note loans and money market transactions).

Expenditure for the EU bank levy is reported under the item 'Administrative expense', as specified by the IDW. Contributions to the bank levy are paid annually; no cash collateral was provided.

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 HGB.

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, which prepares consolidated financial statements for the largest and smallest group of companies. The consolidated financial statements prepared in accordance with IFRS are submitted 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]	53,216	44,463	258,020	196,593	46,605	67,771	666,668
(as of 31 Dec. 2022)	*10,183*	*13,951*	*149,603*	*251,970*	*27,220*	*46,517*	*499,443*
Loans and advances to customers	0	1,247,963	3,010,191	13,979,634	11,085,370	291,247	29,614,405
(as of 31 Dec. 2022)	*0*	*925,865*	*2,684,485*	*11,907,171*	*8,676,019*	*234,989*	*24,428,529*
Total	**53,216**	**1,292,426**	**3,268,211**	**14,176,227**	**11,131,975**	**359,018**	**30,281,072**
(as of 31 Dec. 2022)	*10,183*	*939,816*	*2,834,088*	*12,159,141*	*8,703,239*	*281,505*	*24,927,973*
in %	**0**	**4**	**11**	**47**	**37**	**1**	**100**

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

	Loans and advances to		Total
	Banks	Customers	
of which to:	EUR in thousands	EUR in thousands	EUR in thousands
Shareholder	0	0	0
(as of 31 Dec. 2022)	*0*	*0*	*0*
Affiliated companies	112,744	0	112,744
(as of 31 Dec. 2022)	*82,472*	*0*	*82,472*
Companies in which KfW IPEX-Bank holds a stake	98,120	0	98,120
(as of 31 Dec. 2022)	*33,762*	*0*	*33,762*
Subordinated assets	0	435	435
(as of 31 Dec. 2022)	*0*	*8,551*	*8,551*

Bonds and other fixed-income securities

Listed/marketable securities

	31 Dec. 2023 EUR in thousands	31 Dec. 2023 EUR in thousands
Listed securities	829,969	410,616
Unlisted securities	0	0
Marketable securities	**829,969**	**410,616**

The item 'Bonds and other fixed-income securities' totalled EUR 830 million (previous year: EUR 411 million). Four new bonds were acquired in the financial year (with a total nominal value of EUR 625 million) and two bonds matured (nominal value: EUR 210 million). As in the previous year, as of the reporting date this item essentially comprises a portfolio of high-quality and highly liquid securities (HQLA portfolio) issued by KfW as an affiliated company, 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 prices of the bonds and the 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.

The portfolio includes securities amounting to EUR 200 million (previous year: EUR 210 million) that mature in the year following the balance sheet date. As in the previous year, no write-downs were avoided.

Fixed assets

	Changes[1]	Residual book value	Residual book value
	2023	31 Dec. 2023	31 Dec. 2022
	EUR in thousands	EUR in thousands	EUR in thousands
Investments	–12,525	6,075	18,600
Shares in affiliated companies	–230	11,308	11,538
Bonds and other fixed-income securities	0	0	0
of which: included in valuation units within the meaning of Section 254 HGB	*0*	*0*	*0*
Total	**–12,755**	**17,383**	**30,138**

	Acquisition/ production costs	Additions	Disposals	Transfers	Acquisition/ production costs as of 31 Dec. 2023	Cumulative amortisation, depreciation and impairment as of 1 Jan. 2023
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Intangible assets	16,840	0	0	0	16,840	5,642
Property, plant and equipment[2]	776	10	121	0	665	349
Sum	**17,616**	**10**	**121**	**0**	**17,505**	**5,991**
Total						

	Amortisation, depreciation and impairment 2023	Write-ups	Cumulative amortisation, depreciation and impairment in the financial year			Cumulative amortisation, depreciation and impairment as of 31 Dec. 2023	Residual book value 31 Dec. 2023	Residual book value 31 Dec. 2022
			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	3,344	0	0	0	0	8,986	7,854	11,198
Property, plant and equipment[2]	115	0	–1	111	0	353	312	427
Sum	**3,459**	**0**	**–1**	**111**	**0**	**9,339**	**8,166**	**11,625**
Total							**25,549**	**41,764**

[1] Including exchange rate changes.
[2] Of which: as of 31 Dec. 2023: – total value of plant and equipment: EUR 312 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 11.3 million. A wholly-owned subsidiary of KfW IPEX-Bank, this company was formally founded on 8 July 2021 and its shares are not marketable.

Disclosures on shareholdings

Figures in accordance with Section 285 (11) HGB in thousands and %

	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	18,648	1,046

[1)] Provisional data as of 31 Dec. 2023 is available.

Assets held in trust

	31 Dec. 2023	31 Dec. 2022	Change
	EUR in thousands	EUR in thousands	EUR in thousands
Loans and advances to banks	0	0	0
Loans and advances to customers	389,332	403,594	–14,262
Shares	0	0	0
Total	**389,332**	**403,594**	**–14,262**

In addition to assets held in trust of EUR 389 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 22.4 billion (previous year: EUR 22.7 billion) on behalf of KfW as an indirect agent.

Other assets

Other assets totalling EUR 36 million (previous year: EUR 109 million) mainly include positions in derivative hedging instruments amounting to EUR 21 million (previous year: EUR 86 million) and 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 13 million (previous year: EUR 20 million).

Prepaid expenses and deferred charges

Prepaid expenses and deferred charges of EUR 52 million (previous year: EUR 55 million) include, in particular, pro rata deferred upfront payments for derivative financial instruments amounting to EUR 35 million (previous year: EUR 37 million) and capitalised premium amounts from purchases of receivables of EUR 17 million (previous year: EUR 18 million).

Notes on liabilities and equity

Liabilities to banks and customers

Maturities structure of liabilities

	Due on demand	Maturity with agreed term or period of notice				Pro rata interest	Total
		Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years		
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Liabilities to banks	858,177	2,387,918	2,843,807	11,521,304	6,721,999	128,888	24,462,092
(as of 31 Dec. 2022)	*599,836*	*992,921*	*2,534,509*	*12,541,640*	*3,213,171*	*83,127*	*19,965,203*
Liabilities to customers	68,615	1,088,979	0	0	0	31,566	1,189,160
(as of 31 Dec. 2022)	*53,184*	*356,055*	*0*	*0*	*0*	*14,234*	*423,473*
Total	**926,792**	**3,476,897**	**2,843,807**	**11,521,304**	**6,721,999**	**160,454**	**25,651,252**
(as of 31 Dec. 2022)	*653,021*	*1,348,975*	*2,534,509*	*12,541,640*	*3,213,171*	*97,361*	*20,388,676*
in %	**4**	**14**	**11**	**45**	**26**	**1**	**100**

	Liabilities to		Total
	Banks	Customers	
of which to:	EUR in thousands	EUR in thousands	EUR in thousands
Shareholder	0	0	0
(as of 31 Dec. 2022)	*0*	*0*	*0*
Affiliated companies	24,297,870	0	24,297,870
(as of 31 Dec. 2022)	*19,837,760*	*0*	*19,837,760*
Companies in which KfW IPEX-Bank holds a stake	0	0	0
(as of 31 Dec. 2022)	*0*	*0*	*0*

Special information for Pfandbrief banks

Cover as per Section 35 (1) nº 7 RechKredV

		31 Dec. 2023	31 Dec. 2022
		EUR in millions	EUR in millions
Public Pfandbriefe in issue		**1,276**	**1,033**
Cover assets			
Loans and advances to customers		1,525	1,511
a) mortgage loans		*0*	*0*
b) municipal loans		*911*	*829*
c) other loans and advances		*614*	*682*
Bonds and other fixed-income securities		100	75
Cover assets total		**1,625**	**1,586**
Over-collateralisation	**absolute value**	**349**	**553**
	in %	**27**	**54**

Information in accordance with Section 28 PfandBG

Information on total liabilities and maturity structure

Section 28 (1) nos 1, 3 and 7 PfandBG Relation between Pfandbriefe in issue and cover pool	Nominal value		Net present value		Risk-adjusted net present value including forex stress[1]	
	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions
Total value of Pfandbriefe in issue including derivatives	1,276	1,033	1,257	952	1,349	985
of which: derivatives	*0*	*0*	*0*	*0*	*0*	*0*
Total value of cover pools including derivatives	1,625	1,586	1,628	1,549	1,690	1,522
of which: derivatives	*0*	*0*	*0*	*0*	*0*	*0*
Over-collateralisation in %	**27**	**54**	**30**	**63**	**25**	**54**
absolute value	**349**	**553**	**371**	**597**	**341**	**537**
legal[2]	*51*	*41*	*25*	*40*	–	–
contractual	*0*	*0*	*0*	*0*	–	–
voluntary	*298*	*512*	*346*	*557*	–	–

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

[2] The legal over-collateralisation requirement is made up of the present value of statutory over-collateralisation pursuant to Section 4 (1) PfandBG and the nominal value of statutory over-collateralisation pursuant to Section 4 (2) PfandBG.

Section 28 (1) nos 4 and 5 PfandBG Maturity structure and fixed-interest period	Pfandbriefe in circulation		Cover pool		Extensions of maturity[1]	
	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions
up to 6 months	0	0	233	262	0	0
more than 6 to 12 months	0	0	53	59	0	0
more than 12 to 18 months	0	169	52	132	0	0
more than 18 months to 2 years	95	0	50	48	0	0
more than 2 to 3 years	36	97	88	95	95	169
more than 3 to 4 years	100	38	201	80	36	97
more than 4 to 5 years	141	100	85	91	100	38
more than 5 to 10 years	904	630	548	531	919	730
more than 10 years	0	0	315	288	125	0

[1] 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 PfandBG Information on extensions of maturity of the Pfandbriefe	31 Dec. 2023 / 31 Dec. 2022
Prerequisites for the extension of maturity of Pfandbriefe pursuant to Section 30 (2a) PfandBG	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) PfandBG.
Powers of the cover pool administrator with regard to the extension of maturity of Pfandbriefe pursuant to Section 30 (2a) PfandBG	The cover pool administrator may extend the maturity dates of the principal payments if the relevant prerequisites pursuant to Section 30 (2b) PfandBG have been met. The cover pool administrator determines the period of extension, which may not exceed twelve 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 meeting of the prerequisites pursuant to Section 30 (2b) PfandBG shall be irrefutably presumed. Such an extension must take into account the maximum extension period of twelve 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) PfandBG.

Section 28 (1) nº 6 PfandBG	31 Dec. 2023	31 Dec. 2022
Key liquidity indicators	**EUR in millions**	**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)	2	0
On which of the next 180 days this largest negative sum will result	14	
Total amount of the cover assets that meet the requirements of Section 4 (1a) sentence 3 PfandBG (liquidity cover)	106	75
Liquidity surplus	105	75

Section 28 (1) nº 2 PfandBG	31 Dec. 2023	31 Dec. 2022
List of International Securities Identification Numbers of the International Organization for Standardization (ISIN)	**EUR in millions**	**EUR in millions**
ISIN	–	–

Section 28 (1) nº 13 PfandBG	31 Dec. 2023	31 Dec. 2022
	in %	**in %**
Proportion of fixed-rate		
– Cover pool	*60*	*59*
– Pfandbriefe	*85*	*64*

Section 28 (1) nº 14 PfandBG (as per Section 6 of the Pfandbrief Net Present Value Regulation)	Net present value	
Foreign currency	31 Dec. 2023	31 Dec. 2022
	EUR in millions	EUR in millions
CAD	76	99
USD	–74	–89

Structure of cover assets

	Section 28 (1) nºs 8, 9 and 10 PfandBG Total value of claims registered					
	Claims within the meaning of Section 20 (2) sentence 1 nº 2 PfandBG (Section 28 (1) sentence 1 nº 8 PfandBG)		Claims within the meaning of Section 20 (2) sentence 1 nºs 3a) to c) PfandBG (Section 28 (1) sentence 1 nº 9 PfandBG)		Claims within the meaning of Section 20 (2) sentence 1 nº 4 PfandBG (Section 28 (1) sentence 1 nº 9 PfandBG)	
	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
Sovereign	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
none	0	0	0	0	0	0
of which covered bonds[1)]	0	0	0	0	0	0
Total amount across all countries	**0**	**0**	**0**	**0**	**0**	**0**

1) within the meaning of Article 129 of Regulation (EU) nº 575/2013

Section 20 (1) and (2) PfandBG Distribution of the cover assets, share of total amount of Pfandbriefe in issue (nominal)	31 Dec. 2023		31 Dec. 2022	
	EUR in millions	in %	EUR in millions	in %
of which ordinary cover in accordance with Section 20 (1) PfandBG	1,625	127	1,586	154
of which statutory over-collateralisation in accordance with Section 4 (1) PfandBG	*100*	*8*	*75*	*7*
of which further cover in accordance with Section 20 (2) PfandBG	0	0	0	0
of which statutory overcollateralisation in accordance with Section 20 (2) nºs 2, 3 and 4 PfandBG	*0*	*0*	*0*	*0*
Total cover pool	**1,625**	**127**	**1,586**	**154**

Section 28 (3) nº 1 PfandBG Total value of claims used by size class	31 Dec. 2023	31 Dec. 2022
	EUR in millions	EUR in millions
up to EUR 10 million	32	33
more than EUR 10 million to EUR 100 million	424	347
more than EUR 100 million	1,169	1,206
Total	**1,625**	**1,586**

Section 28 (1) nº 11 PfandBG **Total value of claims according to Section 20 (1) and (2) that exceed the threshold according to Section 20 (3)**	**31 Dec. 2023**	**31 Dec. 2022**
	EUR in millions	**EUR in millions**
Total	**0**	**0**

Section 28 (1) nº 12 PfandBG **Total value of claims exceeding the threshold**	**Claims within the meaning of Section 20 (2) nº 2 PfandBG**		**Claims within the meaning of Section 20 (2) nº 3 PfandBG**	
	31 Dec. 2023	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
	EUR in millions	**EUR in millions**	**EUR in millions**	**EUR in millions**
Total	**0**	**0**	**0**	**0**

Section 28 (3) nº 2 PfandBG
Total value of claims used by country and debtor class

	Sovereign				**Regional authorities**				**Local authorities**			
	31 Dec. 2023		**31 Dec. 2022**		**31 Dec. 2023**		**31 Dec. 2022**		**31 Dec. 2023**		**31 Dec. 2022**	
	EUR in millions		**EUR in millions**		**EUR in millions**		**EUR in millions**		**EUR in millions**		**EUR in millions**	
	a[1)]	**b**[2)]	**a**[1)]	**b**[2)]	**a**[1)]	**b**[2)]	**a**[1)]	**b**[2)]	**a**[1)]	**b**[2)]	**a**[1)]	**b**[2)]
Federal Republic of Germany	0	473	0	472	0	163	0	159	0	91	0	75
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	334	0	348	0	0	0	0	0	0	0	0	0
Austria	0	15	0	17	0	0	0	0	70	0	0	0
Total	**334**	**488**	**348**	**489**	**0**	**163**	**0**	**159**	**70**	**91**	**0**	**75**

[1)] Owed
[2)] Guaranteed

Section 28 (3) nº 2 PfandBG
Total value of claims used by country and debtor class

	Other debtors				**Total**		**thereof: guarantees provided to promote export finance**	
	31 Dec. 2023		**31 Dec. 2022**		**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
	EUR in millions		**EUR in millions**		**EUR in millions**	**EUR in millions**	**EUR in millions**	**EUR in millions**
	a[1)]	**b**[2)]	**a**[1)]	**b**[2)]				
Federal Republic of Germany	145	104	147	107	977	960	473	472
Denmark	0	208	0	231	208	231	208	231
Finland	0	22	0	30	22	30	22	30
France	0	0	0	0	334	348	0	0
Austria	0	0	0	0	85	17	15	17
Total	**145**	**334**	**147**	**368**	**1,625**	**1,586**	**717**	**750**

[1)] Owed
[2)] Guaranteed

Claims in arrears

	Section 28 (3) nº 3 PfandBG Total value of payments in arrears for at least 90 days		Section 28 (3) nº 3 PfandBG Total value of claims where the arrear is at least 5% of the claim	
	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Sovereign	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 PfandBG Share of cover assets in arrears in accordance with Article 178 (1) of Regulation (EU) nº 575/2013	31 Dec. 2023	31 Dec. 2022
	in %	in %
Total	**0**	**0**

Liabilities held in trust

	31 Dec. 2023	31 Dec. 2022	Change
	EUR in thousands	EUR in thousands	EUR in thousands
Liabilities to banks	0	0	0
Liabilities to customers	389,332	403,594	–14,262
Shares	0	0	0
Total	**389,332**	**403,594**	**–14,262**

Other liabilities

Other liabilities totalling EUR 453 million (previous year: EUR 128 million) mainly consist of the liability to KfW Beteiligungsholding GmbH resulting from the existing profit transfer agreement of EUR 421 million (previous year: EUR 96 million), positions in derivative hedging instruments amounting to EUR 10 million (previous year: EUR 12 million) and the pro-rata interest for the subordinated bearer bond (EUR 11 million) and for the subordinated loan (EUR 2 million).

Deferred income

Deferred income totalling EUR 176 million (previous year: EUR 96 million) mainly includes deferred fees in the lending business amounting to EUR 140 million (previous year: EUR 57 million), deferred upfront payments for derivative financial instruments amounting to EUR 32 million (previous year: EUR 35 million) and deferred payments for receivables purchases totalling EUR 4 million (previous year: EUR 5 million).

Provisions

In addition to provisions for pensions and similar commitments totalling EUR 305 million (previous year: EUR 296 million) and tax provisions amounting to EUR 1 million (previous year: EUR 2 million), other provisions amounting to EUR 57 million (previous year: EUR 65 million) were recognised as of 31 December 2023. Tax provisions comprise liabilities in connection with the bank's US lending business (EUR 1 million). The other provisions relate in particular to liabilities to staff (EUR 34 million), provisions for credit risks (EUR 12 million) and archiving costs (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 HGB, came to EUR 5 million as of 31 December 2023 (previous year: EUR 24 million). This amount is not available for distribution.

Subordinated liabilities

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.	31 Dec. 2031 with an optional repayment on 30 April 2027

In the event of liquidation or insolvency, liabilities in relation to the loan rank below the bank's senior debt. Until such time, KfW IPEX-Bank is not obliged to make a repayment ahead of schedule. The subordinated liabilities meet the requirements of tier 2 capital laid down in the 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 2023.

Additional tier 1 regulatory capital instruments

In addition, 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 provision has been made for the creditor to have any additional participation in the issuer's profit or loss under commercial law. Under HGB, 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; 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.	No final maturity date Optional repayment on 30 April 2027 or on any subsequent fifth anniversary

Interest expense incurred amounted to EUR 16 million in 2023.

Other required disclosures on liabilities and equity

Contingent liabilities

Sector department	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions	Change EUR in millions
Power and Environment	952	929	23
Aviation, Mobility & Transport	408	556	–149
Financial Institutions, Trade and Commodity Finance	361	487	–126
Industries and Services	225	182	43
Infrastructure	194	175	19
Resources and Recycling	180	94	86
Maritime Industries	130	132	–2
Total	**2,450**	**2,557**	**–107**

Irrevocable loan commitments

Sector department	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions	Change EUR in millions
Power and Environment	2,643	1,628	1,015
Maritime Industries	2,604	1,848	756
Resources and Recycling	2,364	2,291	73
Aviation, Mobility & Transport	1,927	1,536	392
Infrastructure	1,861	1,621	240
Industries and Services	1,440	2,302	–862
Financial Institutions, Trade and Commodity Finance	664	951	–287
Total	**13,504**	**12,177**	**1,326**

Total irrevocable loan commitments as of 31 December 2023 stood at EUR 13,504 million. Risks from these transactions are taken into account by creating portfolio loan loss provisions and specific loan loss provisions. Irrevocable loan commitments are subject to regular monitoring with regard to credit risks. If there are concrete findings indicating a loss due to expected utilisation, a specific provision is recognised; latent risks are taken into account through the recognition of portfolio provisions.

Required disclosures on the income statement

Geographical markets in accordance with Section 34 (2) nº 1 RechKredV

	31 Dec. 2023			31 Dec. 2022		
	Frankfurt am Main	London	Total	Frankfurt am Main	London	Total
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Interest income	1,906,263	7,736	1,913,999	924,710	4,379	929,089
Commission income	150,223	8	150,231	145,221	0	145,221
Other operating income	19,773	2,551	22,324	44,030	121	44,151
Total	**2,076,259**	**10,295**	**2,086,554**	**1,113,961**	**4,500**	**1,118,461**

Interest expense and interest income
The valuation of provisions led to interest expense of EUR 5 million (previous year: EUR 5 million).

In 2023 there were no material negative interest amounts. In the previous year, material negative interest amounts arose from liabilities-side promissory note loans in the amount of EUR 4 million and in connection with call money and term borrowings in the amount of EUR 1 million.

Other operating expense
Other operating expense amounted to EUR 15 million (previous year: EUR 6 million). This primarily included realised and unrealised exchange losses from foreign currency valuation totalling EUR 15 million (previous year: income of EUR 19 million).

Other operating income
Other operating income of EUR 22 million (previous year: EUR 44 million) chiefly related to income from services provided to group companies totalling EUR 9 million (previous year: EUR 7 million) and income from the reversal of provisions no longer required of EUR 6 million (previous year: EUR 9 million). This item also included realised income from derivatives amounting to EUR 5 million (previous year: EUR 8 million) and the effect of changes in interest rates from the valuation of provisions in connection with staff pension commitments amounting to EUR 3 million (previous year: expense of EUR –6 million).

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

	31 Dec. 2023	31 Dec. 2022
	EUR in millions	EUR in millions
Annual profit to be transferred due to the profit transfer agreement concluded with KfW Beteiligungsholding GmbH	421	96
Total	**421**	**96**

Appropriation of profit
As part of the implementation of the existing profit transfer agreement, the annual profit (EUR 421 million) will be transferred to KfW Beteiligungsholding GmbH, subject to approval of the annual 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 2023.

Expenses and income resulting from currency conversion have been included in other operating income.

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 2023, total assets denominated in foreign currency converted in accordance with Section 340h in conjunction with Section 256a HGB amounted to EUR 15.0 billion (previous year: EUR 13.8 billion), of which 14.6 billion related to loans and advances to customers.

Total liabilities denominated in foreign currency amounted to EUR 14.7 billion (previous year: EUR 13.6 billion), of which the majority (EUR 9.2 billion) related to liabilities to banks.

Other financial liabilities

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 made use of the option under Section 285 nº 17 HGB 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. 2023 EUR in millions	31 Dec. 2022 EUR in millions	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions	31 Dec. 2023 EUR in millions	31 Dec. 2022 EUR in millions
Liquidity reserve						
Bonds and other fixed-income securities	825	410	830	411	840	401
Total	**825**	**410**	**830**	**411**	**840**	**401**

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 HGB. KfW IPEX-Bank manages the market value of all interest-bearing transactions in the banking book as one unit. As of 31 December 2023, 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

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 2023.

Derivative transactions – volumes

	Nominal value		Fair value positive	Fair value negative
	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2023
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Contracts with interest rate risks				
Interest rate swaps	32,628	30,852	1,332	1,157
Caps/floors	781	659	19	19
Total	**33,409**	**31,511**	**1,351**	**1,176**
Contracts with foreign exchange risks				
Cross-currency swaps	1,982	1,823	55	10
FX swaps	3,553	3,064	4	29
Total	**5,535**	**4,887**	**59**	**39**
Total amount	**38,944**	**36,398**	**1,410**	**1,215**

Derivative transactions – maturities by nominal volume

	Interest rate risks		Foreign exchange risks	
	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Maturity				
– up to 3 months	737	757	2,852	2,365
– more than 3 months to 1 year	2,202	2,127	867	858
– more than 1 year to 5 years	15,160	13,023	1,146	976
– more than 5 years	15,310	15,604	670	689
Total	**33,409**	**31,511**	**5,535**	**4,887**

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 28,224 million as of 31 December 2023 (previous year: EUR 26,635 million). In addition, financial guarantees amounting to EUR 205 million (previous year: EUR 199 million) were administered.

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:

	2023	2022	Change
Female employees	440	438	2
Male employees	471	459	12
Total	**911**	**897**	**14**
Staff not covered by collective agreements	*675*	*650*	*25*
Staff covered by collective agreements	*209*	*218*	*–9*
Staff working in offices abroad	*27*	*29*	*–2*

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 the 2023 financial year was EUR 2 million. 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
Belgin Rudack (CEO from 1 April 2023)[4)]	410	0	95	505
Klaus R. Michalak (CEO up to 31 March 2023)	102	30	6	138
Velibor Marjanovic	410	12	18	440
Claudia Schneider	410	59	3	471
Andreas Ufer	410	61	24	495
Total	**1,741**	**161**	**147**	**2,049**

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. It also includes the payment to the member of the Management Board who left the Board during the financial year.
3) Other remuneration relates to use of company cars, insurance premiums and taxes incurred on such remuneration. It also includes a one-off contractual payment.
4) Member of the Management Board from 1 January 2023.

Retirement pension payments totalling EUR 702 thousand were paid to former members of the Management Board in the 2023 financial year.

As of 31 December 2023, provisions for pensions for former members of the Management Board and their surviving dependants stood at a total of EUR 22,127 thousand.

Total remuneration paid to the members of the Board of Supervisory Directors was EUR 110 thousand (net). Attendance fees amounting to EUR 77 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 office of chair. In addition, attendance fees of EUR 1 thousand are paid for meetings of the Board of Supervisory Directors and its committees, 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 agreements with or 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 Giegold and Thoms also waived their remuneration and attendance fees. State Secretary Pillath charged attendance fees of EUR 4 thousand.

As of 31 December 2023, 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) HGB) held by members of the Management Board or other employees
Thomas Brehler, Department Head, Member of the Advisory Board of STEAG 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)

Sven Giegold
(State Secretary, Federal Ministry for Economic Affairs and Climate Action)
from 16 January 2023

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

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

Udo Philipp
(State Secretary, Federal Ministry for Economic Affairs and Climate Action)
up to 15 January 2023

Dr Carsten Pillath
(State Secretary, Federal Ministry of Finance)
up to 28 March 2023

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

Sabine Schneider
(KfW IPEX-Bank employee representative, Senior Project Manager)

Heiko Thoms
(State Secretary, Federal Ministry of Finance)
from 13 June 2023

Management Board

Belgin Rudack
(CEO from 1 April 2023)
(Member of the Management Board from 1 January 2023)

Klaus R. Michalak
(CEO up to 31 March 2023)

Dr Velibor Marjanovic

Claudia Schneider

Andreas Ufer

Frankfurt am Main, 26 February 2024

Belgin Rudack **Dr Velibor Marjanovic**

Claudia Schneider **Andreas Ufer**

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 2023, and the income statement for the financial year from 1 January to 31 December 2023, 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 2023. 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 340a (1a) in conjunction 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 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 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 340a (1a) in conjunction 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 accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation,

[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.

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 2023. 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, which we have determined as the key audit matter in the course of our audit.

Our presentation of this key audit matter 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
a) In its annual financial statements as at 31 December 2023, KfW IPEX-Bank GmbH reports loans and advances to customers and banks totalling EUR 30.3 billion, which accounts for 95.8% of total assets. In addition, there are contingent liabilities and other obligations in the amount of EUR 16.0 billion. For these items, risk provisions of EUR 424 million were recognised, which are composed of both individually determined specific loan loss provisions (EUR 324 million) and general loan loss provisions (EUR 100 million). The risk provisions include provisions of EUR 12 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 occasionally in the event 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, the Bank has increased its general risk provisions as at the reporting date 31 December 2023 by calculating a second, more conservative scenario, which is based on worse outlooks for regions and sectors as well as a more conservatively aligned default rate and recovery rate on the unsecured portion of the loan.

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" 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 also focused on defaulted loans and advances to clients and banks with modified specific loan loss provisions.

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 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 second, more conservative scenario, 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 340a (1a) in conjunction 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 (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

- 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 2022. We were engaged by the board of supervisory directors on 13/31 July 2023 and by supplemental agreement. We have been the auditor of KfW IPEX-Bank GmbH, Frankfurt am Main/Germany, without interruption 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 in accordance with V No. 11 (1) General Terms and Conditions of the Deutsche Bundesbank (AGB/BBk) at KfW IPEX-Bank GmbH for the period from 1 January to 31 December 2022,

- Audit of the list of deductible items for purposes of submitting an application pursuant to Section 16j (2) sentence 2 German Act Establishing the Federal Financial Supervisory Authority (FinDAG) to Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) of KfW IPEX-Bank GmbH for the cost allocation year 2023 in accordance with IDW AuS 490,
- 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 2023,

- Audit of the IFRS reporting package of KfW IPEX-Bank GmbH as at 31 December 2023 for the purpose of the group audit of Kreditanstalt für Wiederaufbau Anstalt des öffentlichen Rechts, Frankfurt am Main/Germany,

- Audit of the reporting obligations and rules of conduct in accordance with Section 89 (1) German Securities Trading Act (WpHG) for the reporting period from 1 January to 31 December 2023.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Frankfurt am Main/Germany, 6 March 2024

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 KWG. This, in conjunction with Section 64r (15) KWG, requires country-by-country reporting. The following report discloses the required information:

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

Turnover has been defined as operating income 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 HGB as of 31 December 2023.

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
Germany	KfW IPEX-Bank	Export and project finance	Frankfurt am Main	690	781	416	1	0
UK	KfW IPEX-Bank	Export and project finance	London	13	21	9	2	0

[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 in the period before 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 KWG.

As of 31 December 2023, the return on assets within the meaning of Section 26a (1) sentence 4 KWG is 0.0133 or 1.33%.

Report of the Board of Supervisory Directors 2023

KfW IPEX-Bank is responsible for international export and project finance within KfW Group. As of the end of December 2023, 943 employees worked at the bank's headquarters in Frankfurt and ten locations outside Germany.

Despite international political and economic turmoil, the bank achieved pleasing and robust growth in 2023 which led, as planned, to the ECB's relevance threshold (total assets of over EUR 30 billion) being exceeded for the first time.

During 2023, the Board of Supervisory Directors continued to perform its duties, as required by law and the bank's by-laws, in full, including monitoring, advising and closely cooperating with the Management Board. The Board of Supervisory Directors paid close attention to issues that need to be addressed on an ongoing basis, such as current business performance, the financial and liquidity position, risk management, compliance and the project pipeline. The strategic deliberations of the Board of Supervisory Directors focused on the prospect of ECB supervision, development of the SHAPE growth and efficiency case, alignment of business activities with the Paris Climate Agreement and environmental social governance (ESG) issues. The Board of Supervisory Directors 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 2023. 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. In addition to regular quarterly meetings, an extraordinary meeting was convened in January due to a planning update and a strategy meeting took place in November.

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 regular and 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. It 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 the Board of Supervisory Directors, as well as of key personnel, the Executive Committee analysed the positive 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 twice during the reporting year.

The **Remuneration Control Committee** dealt in particular with the remuneration strategy and the process for identifying risk takers. It supported the Board of Supervisory Directors with monitoring duties to ensure that systems of remuneration for the various groups (Management Board, employees, head of the risk controlling function, head of the compliance function and risk takers) were designed appropriately. It also examined the suitability of the remuneration systems for members of the Management Board and for employees and the compatibility of these systems with the corporate strategy, which is geared towards the company's sustainable development. The committee made a recommendation in this regard to the Board of Supervisory Directors, which will be put to the shareholder. In addition, it assessed the impact of these remuneration systems on the company's risk, capital and liquidity situation, as required by the German Remuneration Ordinance for Institutions (*Institutsvergütungsverordnung, InstitutsVergV*). The committee was able to consult with KfW IPEX-Bank's Remuneration Officer at all times when performing its supervisory duties. Five committee meetings took place during 2023.

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 once again closely analysed the implications of the war in Ukraine as well as the Middle East conflict, 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 2022 and the 2022 management report. The committee also received detailed reports during the financial year 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 2023, it took decisions on a total of eight loan applications at the appropriate authorisation level and passed two anticipatory resolutions (on employee loans and on transactions pursuant to Section 15 (6) KWG). During the reporting period the committee met six times and passed one resolution by means of the circulation method.

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

Training courses
In 2023, 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 ‘New Regulatory Requirements’ 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 2023: Mr Philipp resigned from the Board of Supervisory Directors as representative of the Federal Ministry for Economic Affairs and Climate Action on 15 January 2023. Mr Giegold was appointed to succeed him as of 16 January 2023. Dr Pillath resigned as representative of the Federal Ministry of Finance as of 28 March 2023 and Mr Thoms was appointed to succeed him as of 13 June 2023.

Audit of the 2023 annual financial statements
Following completion of the audit and after conducting a final review of the annual financial statements as of 31 December 2023 and of the 2023 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 15 March 2024, 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 2023 that were prepared by the Management Board as of 26 February 2024, and the management report for the 2023 financial year. Deloitte issued an unqualified audit opinion on 6 March 2024.

I would like to take this opportunity, on behalf of the Board of Supervisory Directors, to thank Mr Klaus R. Michalak for his long-standing commitment to KfW IPEX-Bank over the past years. He structured and launched the transformation of KfW IPEX-Bank with great prudence and strategic sense. Together with the other members of the Management Board, Ms Rudack has taken on the change process begun by her predecessor and is continuing this work. This year, too, special thanks go to the other members of the Management Board and, in particular, to all our employees for their commitment and hard work during the 2023 financial year in what continues to be an exceptionally challenging environment.

In 2023, KfW IPEX-Bank once again provided convincing proof that it is capable of comprehensively fulfilling its mission of supporting European export companies on the world’s markets.

Frankfurt am Main, March 2024

On behalf of the Board of Supervisory Directors

Christiane Laibach
Chair of the Board of Supervisory Directors

Corporate Governance Report

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

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

Declaration of compliance

The Management Board and the Board of Supervisory Directors of KfW IPEX-Bank hereby declare: "Since the last Declaration of Compliance submitted in March 2023, the recommendations of the Public Corporate Governance Code in their latest version (last amended on 13 December 2023) 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 applied.

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 (Chair and CEO) up to and including 31 March 2023
- Ms Belgin Rudack: Finance, IT and Corporate Affairs (since 1 April 2023 Chair and CEO)
- Mr Andreas Ufer: Markets II, Syndication and Treasury
- Dr Velibor Marjanovic: Markets I and Products
- Ms Claudia Schneider: Risk Management, Risk Controlling including Compliance

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 2023, the proportion of women on the Management Board was 50%.

As of 31 December 2023, the proportion of women at the upper management level (i.e. at the two management levels below the Management Board) was 25% for department heads[1)] and 32.5% for team heads.

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 DrittelbG, the three employee representatives serve to safeguard the interests of employees at Supervisory Board level.

1) Including dormant employment relationships such as leave of absence, suspension, sabbatical, etc.

In accordance with the Rules of Procedure for the Board of Supervisory Directors and its committees, the Board of Supervisory Directors is to be chaired by a representative of KfW. This requirement is fulfilled by Ms Christiane Laibach. During the reporting year and as of 31 December 2023, 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) 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 mandate and the establishment of audit priorities as part of the annual audit of the bank's financial statements. It discusses the quarterly reports and annual financial statements in preparation for meetings of the full Board of Supervisory Directors.

The 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 annual 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. KfW Beteiligungsholding GmbH is in turn a wholly-owned subsidiary of KfW. 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 KWG. By approval notices dated 18 December 2007 and 18 May 2015, BaFin recognised the suitability of the IRBA rating systems for corporates, banks and sovereigns and approved the use by KfW IPEX-Bank of the IRBA rating systems for project, ship and aircraft financing in the special financing sub-segment. 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 KWG, KfW is not considered a credit institution), there is a financial holding group within the meaning of Section 10a KWG in conjunction with Article 11 ff. CRR, for which KfW Beteiligungsholding GmbH is the superordinated undertaking pursuant to Section 2f (1) in conjunction with Section 2f (3) KWG. As the subordinated undertakings, KfW Beteiligungsholding GmbH has incorporated KfW IPEX-Bank and KfW IPEX-Bank Asia Ltd. into the consolidated group for regulatory reporting purposes.

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. Regular awareness-raising activities (for example training courses) are organised for KfW IPEX-Bank employees.

Accounting and annual audit

On 21 July 2022, the general shareholders' meeting of KfW IPEX-Bank appointed Deloitte GmbH Wirtschaftsprüfungsgesellschaft as auditor of the financial statements for the 2023 financial year. The Board of Supervisory Directors had previously issued the audit engagement to Deloitte on 22 March 2023, 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) KWG 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 2023 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 2023 and will be completed in the first quarter of 2024.

Sustainability

As a member of KfW Group, KfW IPEX-Bank pursues sustainable corporate governance in accordance with the German sustainability strategy and thus contributes to achieving the UN Sustainable Development Goals (SDGs) as well as the objectives of the Paris Climate Agreement and the Kunming-Montreal Global Biodiversity Framework. KfW Group's strategic efforts in the area of sustainable financing – with the support of KfW IPEX-Bank – are primarily focused on the "tranSForm" project and a project to develop a group-wide biodiversity strategy. Key elements of tranSForm are the expansion of impact management, ensuring that KfW financing is aligned with the 1.5°C climate target, the development of a greenhouse gas accounting system and even greater consideration of ESG risk factors in KfW's risk management. In this context KfW IPEX-Bank, as part of KfW Group, is setting the course for a core business that measurably contributes to the UN Sustainable Development Goals and is compatible with the Paris Agreement climate targets. In consultation with KfW Group, KfW IPEX-Bank is further expanding the application of the EU Taxonomy Regulation and the new EU Corporate Sustainability Reporting Directive. KfW IPEX-Bank's sustainability commitment is an integral part of KfW Group's annual sustainability report in accordance with the GRI (Global Reporting Initiative) standard.

Fair taxation

KfW IPEX-Bank has 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 Act Introducing a Reporting Obligation for Cross-Border Tax Arrangements (*Gesetz zur Einführung einer Pflicht zur Mitteilung grenzüberschreitender Steuergestaltungen*).

Diversity and equal opportunities / inclusion

Diversity and equal opportunities are a matter of course for KfW IPEX-Bank. Discrimination based on nationality, ethnic origin, gender, religion, fundamental beliefs, disability, age or sexual orientation is prohibited. This is set out, among other things, in KfW IPEX-Bank's Code of Conduct and in binding target quotas for a balanced ratio of men and women at all management levels. To underpin its commitment to a diverse workforce, KfW signed the Diversity Charter in 2020, implementing it through a variety of internal and external measures. With regard to the inclusion of individuals with disabilities, KfW IPEX-Bank is guided by the UN Convention on the Rights of Persons with Disabilities.

Remote working / work-life balance

Striking a balance between work and private life is an important prerequisite for employees' health and participation in working life. This approach forms the basis of KfW IPEX-Bank'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 lifestyles. To do so, it offers them a wide range of part-time models and has significantly expanded remote working since 2020.

Remuneration / equal pay

The collective bargaining agreements for the public and private banking sector concluded by the Association of German Public Banks (*Bundesverband Öffentlicher Banken, VÖB*) apply to the employment relationships of KfW IPEX-Bank employees covered by collective bargaining agreements (classification in tariff groups). The employment contracts of non-tariff employees contain provisions that reflect the main working conditions of the VÖB collective bargaining agreement (in particular working hours, holidays), thus ensuring a consistent level of remuneration. The regulations at KfW IPEX-Bank are accompanied by a works agreement. KfW IPEX-Bank is expressly committed to fair, transparent and non-discriminatory remuneration principles and to the same standards for the evaluation process. 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 in Wage Structures Act (*Entgelttransparenzgesetz, EntgTranspG*). When awarding contracts for services, KfW IPEX-Bank also ensures that applicable collective bargaining and statutory provisions on the remuneration of service providers are observed.

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 (*Institutsvergütungsverordnung, InstitutsVergV*). 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) KWG in conjunction with InstitutsVergV. 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

	2023 EUR in thousands	2022 EUR in thousands	Change EUR in thousands
Members of the Management Board	2,049	1,656[1)]	393
Members of the Board of Supervisory Directors	187	192	–5
Total	**2,236**	**1,970**	**266**

[1)] The remuneration refers to the previous year's remuneration of members of the Management Board active in the financial year.

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 InstitutsVergV. According to these rules, 60% of the performance-based bonus is deferred and paid out over the payment period required by InstitutsVergV. 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 members of the Management Board active in the financial year and additions to pension provisions during 2023 and 2022 in EUR thousands[1)]

	Salary		Variable remuneration[2)]		Other remuneration[3)]		Total		Bonus account[4)]		Additions to pension provisions	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands		EUR in thousands	
Belgin Rudack (since 1 January 2023) (CEO since 1 April 2023)	410	–	–	–	95	–	505	–	146	–	382	–
Klaus R. Michalak (until 31 March 2023)(CEO)	102	410	30	28	6	17	138	455	118	100	8	46
Velibor Marjanovic	410	273	12	-	18	13	440	286	159	49	293	279
Claudia Schneider	410	410	59	26	3	8	471	445	143	84	138	253
Andreas Ufer	410	410	61	29	24	32	495	470	144	84	98	212
Total	**1,741**	**1,502**	**161**	**84**	**147**	**70**	**2,049**	**1,656**	**710**	**317**	**919**	**791**

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. It also includes the payment to the member of the Management Board who resigned during the financial year.

3) This remuneration is presented in analogy with the figures given in the Notes in accordance with Section 285 (9) HGB excluding employer benefits according to the German Social Security Act (*Sozialversicherungsgesetz, SVG*). These totalled EUR 62 thousand in 2023 (previous year: EUR 56 thousand). Other remuneration refers to use of company cars, insurance premiums and taxes incurred on such remuneration. It also includes a one-off contractual payment.

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 2023. 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.

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 2023, 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 2023 financial year.

Contractual fringe benefits also comprise employer benefits as per the German Social Security Code (*Sozialgesetzbuch, SGB*); in analogy to the figures in the Notes (Section 285 Clause 9 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 2023.

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. Board members 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 amounted 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 BGB, 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 702 thousand (previous year: EUR 584 thousand) were made in the 2023 financial year.

Deferred performance-based bonuses totalling EUR 24 thousand (previous year: EUR 0 thousand) were paid to former members of the Management Board who were not active in the financial year. The bonus account stood at EUR 31 thousand as of 31 December 2023.

Provisions for pension obligations for former members of the Management Board and their dependants totalled EUR 22,127 thousand as of the end of the 2023 financial year (previous year: EUR 14,691 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	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Former members of the Management Board	5	3	702	584	1	0	24	0	5	3	22,127	14,691
Surviving dependants	0	0	0	0	0	0	0	0	0	0	0	0
Total	**5**	**3**	**702**	**584**	**1**	**0**	**24**	**0**	**5**	**3**	**22,127**	**14,691**

[1] In this financial year payments were made with a deduction due to the insufficient sustainable performance of KfW IPEX-Bank. Only bonus payments to members of the Management Board who were not active in the current financial year are included here.

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 2023 and 2022 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 paid to members of the Board of Supervisory Directors for 2023 in EUR

Member	Dates of service	Annual remuneration (net)	Attendance fees (net)[1]	Total (net)
Ms Laibach[2]	1 Jan. – 31 Dec. 2023	0.00	0.00	0.00
Dr Peiß[2]	1 Jan. – 31 Dec. 2023	0.00	0.00	0.00
Mr Giegold[2]	16 Jan. – 31 Dec. 2023	0.00	0.00	0.00
Mr Thoms[2]	13 Jun. – 31 Dec. 2023	0.00	0.00	0.00
Dr Pillath[3]	1 Jan. – 28 Mar. 2023	0.00	4,000.00	4,000.00
Dr Rupp	1 Jan. – 31 Dec. 2023	22,000.00	17,000.00	39,000.00
Ms Freitag	1 Jan. – 31 Dec. 2023	22,000.00	16,000.00	38,000.00
Mr Knittel	1 Jan. – 31 Dec. 2023	22,000.00	11,000.00	33,000.00
Mr Koch	1 Jan. – 31 Dec. 2023	22,000.00	15,000.00	37,000.00
Ms Schneider	1 Jan. – 31 Dec. 2023	22,000.00	14,000.00	36,000.00
Total		**110,000.00**	**77,000.00**	**187,000.00**

[1] EUR 1,000.00 per meeting
[2] These members waived their remuneration
[3] This member partially waived his remuneration

Remuneration paid to members of the Board of Supervisory Directors for 2022

Member	Dates of service	Annual remuneration (net)	Attendance fees (net)[1]	Total (net)
Ms Laibach[2]	1 Jan. – 31 Dec. 2022	0.00	0.00	0.00
Dr Peiß[2]	1 Jan. – 31 Dec. 2022	0.00	0.00	0.00
Dr Kukies[2]	1 Jan. – 14 Feb. 2022	0.00	0.00	0.00
Dr Pillath[3]	16 Mar. – 31 Dec. 2022	0.00	6,100.00	6,100.00
Mr Philipp[2]	16 Mar. – 31 Dec. 2022	0.00	0.00	0.00
Dr Rupp	1 Jan. – 31 Dec. 2022	22,000.00	20,000.00	42,000.00
Ms Freitag	25 Mar. – 31 Dec. 2022	18,334.00	13,000.00	31,334.00
Mr Rometzki	1 Jan. – 25 Mar. 2022	5,500.00	3,000.00	8,500.00
Mr Knittel	1 Jan. – 31 Dec. 2022	22,000.00	14,000.00	36,000.00
Mr Koch	1 Jan. – 31 Dec. 2022	22,000.00	16,000.00	38,000.00
Ms Schneider	25 Mar. – 31 Dec. 2022	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
[3] This member partially waived his remuneration

The indicated amounts are net values and were paid in 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.

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Management Board **Board of Supervisory Directors**

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