AKA Ausfuhrkredit-Gesellschaft mbH

Annual Report 2021

EUROPEAN EXPORT + TRADE BANK

The preparation of the annual financial statements and this report in its entirety has come at a time when the events surrounding the war in Ukraine could not be comprehensively reflected and considered throughout the text.

However, detailed passages on the prognosis of further developments and their effects on the AKA portfolio can be found in the chapter opportunities and outlook within the management report.


2021
WHAT
A YEAR!

Contents

Networker, initiator and enabler:

Specialised financier AKA continues on a dynamic growth path

The world is constantly changing. This is leading to a permanent change in global requirements of goods and services. Financing is a top priority, especially for international exports. We have been enabler in international Trade Finance for 70 years and are still very much cutting edge. Founded in 1952 as a highly specialised centre of competence for German banks, AKA is now networked throughout Europe and supports its partners with its many years of experience in the loan business and special expertise in emerging markets. We are continuously developing our range of services as a modern platform with a growing network of partners. 2022, the topic of "ESG1[1] and Sustainable Finance" will become an even stronger focus for us.

The business year 2021 was still dominated by the on-going pandemic across all sectors. After the sharp dips in German foreign trade 2020 exports recovered significantly over the course of the year 2021. Nevertheless, the outlook for the global economy remains uncertain and liquidity needs are still high for many companies. Despite the difficult market situation, AKA continued to show resilience. We even achieved a record value in the new business volume, and thus the best result in years. One of the reasons: The need for government protected financing had increased considerably in the last months of the past business year. During the Corona crisis, AKA experienced a strengthening of its core business. Demand for small-volume Export Financing also continued to rise. We are very well positioned here with the SmaTiX range. We have bundled our expertise with the connection of the digital platform to the sales channels of the shareholder banks and are thus even closer to our customers. In a nutshell, the benefit of these cooperation agreements with the shareholders is as follows: The range of solutions offered by AKA is embedded in the broad product range of the individual shareholder. This means that the trusted advisors' costumer and export expertise was supplemented by AKA's innovative digital solution.

We were also able to increase AKA's market reach in the reporting year 2021. By opening the circle of shareholders to non-banks and non-German institutions, two strategically important shareholders were gained in the course of the two previous years: the ING-DiBa AG and Deutsche Sparkassen Leasing AG & Co. KG. In addition, business with partners on both the new business and refinancing side was further expanded beyond the group of shareholders. On this basis, there is also room in the future to intensify existing business connections and to further expand the network of partners.

2021 was also the year in which AKA set out its perspective on the topic of ESG in an initial position paper. Sustainability and its risks have become an increasingly important topic in recent years. When it comes to sustainability, business and the financial industry go hand in hand. AKA is committed to sustainable action in its economic activities. The focus is on supporting the shareholder banks in their initiatives to transform global economic structures into a climate-neutral world. In cooperation with the Frankfurt School of Finance & Management, we are already working on the further development of a scoring model to assess ESG risks in the credit portfolio. Easy-to-use, digital processes – in customer dialogue and for reporting – will be a success factor in providing important impulses to promote the export of sustainable technologies. As part of AKA's targeted digital transformation, we will 2022 also develop the topic of ESG into an opportunity for our business model.

We at AKA are convinced: Those who adapt to the developments and actively go with the transformation process not only make an important contribution to achieving the European climate protection goals, but can also successfully open up new business areas and generate positive effects for their own business model in the long term.

The illustrations in this year's annual report are based on the popular art movement Pop Art. One of the essential features of this tendency is: Banal everyday objects and consumer objects appear as pictorial motifs or sculptures. In this way, the artists underline the idea that everything can serve as a source of inspiration for art.[2] The deliberate focus on real subjects made Pop Art unique in the 1960s. The colours were mostly bright and resembled the typical colour palette of comic strips. With primary colours of red, yellow and blue, the works were intended to reflect the dynamic popular culture around them.[3]

Our AKA world of images is most reminiscent of one of the most famous representatives of Pop Art, Roy Lichtenstein. In his paintings he appropriated the visual language of advertising, with the stylistic means of comic strips. Pop art combines art and life. With the AKA comic strip motifs, we combine our corporate design colour world with the core messages on the strategic focus topics of our bank. Our approach to Pop Art is not purely nostalgic, but cutting-edge. Contemporary artists are still developing their own neo-pop art style today, and particularly comic strip elements seem young, fresh, funny, cool and fit wonderfully into the new millennium.

Richard Hamilton, who is often referred to as the founder of British Pop Art, was convinced that art should not be the preserve of galleries and museums, but should be a way of life.[4] Photographs and illustrations have always had a place in our annual report. The world of numbers can use a pinch of art!

1 ESG stands for Environment, Social, Governance.
2 Cf. Rise Art: Fundamentals of Art. What is Pop Art? Everything you need to know about the Pop Art movement. URL: https://www.riseart.com / guide/2352/guide-to-pop-art. Published: 15.2.2022.
3 Cf. ibid.
4 Cf. ibid.


Whaaat?! Nope! DIGITISATION is key here.

We continue to develop and we continue to grow:

Insight into market situation and business development by Marck Wengrzik, Executive Director Markets

Dear readers,
Even into 2021 we have felt the economic consequences of the pandemic response, and they will certainly be with us for many years to come. Our key financial figures show that our bank has come through the aftermath of the economic crisis extremely well. The German economy recovered its growth after the Corona slump, but grew much less than expected.[1] The keyword here is bottlenecks on the supply side and disruptions in global supply chains.[2] The latter continue to be among the greatest macroeconomic challenges, which of course also affects German industry due to its high degree of global networking.[3] Here at AKA we have analysed, structured and assessed the Corona impact on our loan portfolio very well since 2020. Thus, in 2021 our decision-making in the area of new business was never characterised by particular concerns or uncertainties. On the contrary, we can show significant growth in our new business. Strategically, we remain in balance between a proven business model on the one hand and dynamic further development towards a platform with an increasingly digital and open ecosystem on the other. We continue to grow and develop. We see the on-going digitisation push as an opportunity to further strengthen the market position we have achieved and to expand our market reach even further.

What challenges were crucial for AKA in 2021 and how did the bank deal with them?
A particular challenge – also for me personally – was certainly the regrettably long absence of my colleague Beate Bischoff due to illness. However, with the strong team and, of course, with the Deputy Executive Director Frank Zimmermann, our organisation has shown itself to be very resilient in this respect as well.

Of course, the regulations around the topic of Corona should also be mentioned here, which changed very frequently keeping us on our toes with repeated organisational challenges due to this dynamic. But I think that since the beginning of the pandemic, we at AKA have created a strong basis with appropriate regulations and offers, for example through the testing concept, which has always served us well and in a goal-oriented manner. We have used the resulting scope to continue holding hybrid events in our premises, all of which I would like to describe as really successful.

What other special features did the financial year 2021 bring – apart from the on-going COVID-19 pandemic?
I think it is noticeable at the moment how much the cover instrument is becoming more politicised and thus less assessable. Both reliability and planning security suffer as a result. Overall, the management of non-financial risks is gaining importance in the risk landscape of banks. The pandemic has further strengthened this development. Not only does Covid-19 itself qualify as an operational risk event (i. e. a non-financial risk event), the pandemic has also highlighted the direct knock-on effects on other non-financial risks, such as business or reputational risks.[4]

The increase in trade barriers, for example due to new or tightened sanctions, is another development that had a noticeable impact on our new business during the year. Both increased non-financial risk management and the increase in trade barriers and blocks have a significant cost-increasing effect.

When I think of the background of global political developments, then with regard to the business development of AKA 2021, the situation in Eastern Europe, starting with Belarus, and also the smouldering conflict between Russia and Ukraine should be mentioned in particular. These developments are a cause for concern and naturally also have a negative impact on future business opportunities.

What positive developments would you like to highlight?
Our Financial Institutions business, the so-called FI desk, has really developed very strongly with almost 50 % growth compared to the previous year and was thus certainly an important driver for expanding our total new business 2021 by almost 23 %. A – in my opinion – really great result in this demanding environment.

With this development in new business, the shareholder banks, exporters, investors and other partners 2021 have also shown their confidence in the expertise and quality of the partnership cooperation with AKA. It is therefore an indicator of high satisfaction. This is exactly what was expressed in the strategy dialogue with our Supervisory Board.

Thanks to our investments in the past years, we benefit from considerable earning power despite the crisis, from high portfolio quality and the market position we have achieved. We were able to increase our market reach. With the SmaTiX portal, we reached some milestones in terms of sales development: higher unit numbers and requested volumes as well as new customers and partners in terms of connecting further shareholders who entered into a cooperation agreement with us.

What steps and developmental leaps has AKA made with regard to digitisation and further development of the business model 2021?
The speed of development and also its range was pronounced again in 2021. Considering our own activities, but also potentially for third-party users as a service, AKA has developed an e-KYC solution, i. e. a digital “know- your-customer” process for customer verification. The solution will massively change our processes and at the same time grant us additional efficiencies through automated transfer of the data into our core banking system.


After X months of working from home...
Sure it's right
#backtotheoffice

the way?

Together with our Supervisory Board, we have decided on a new innovation budget for the on-going digitisation of the next three years. This gives us important planning security for the future, and so we can further expand the topic of digitisation.

By the way, we are one of the first parties in the market to enable the first steps into digital distribution and recording of trade assets with the Tradeteq platform. Of course, in addition to the constant further development of our modern core banking system and the digital portal solution SmaTiX, we have also pushed ahead with other developments, such as the creation of our own payment transaction solution. With the introduction of a new process management tool, as part of the realignment of our bank-wide process management, we have created an important foundation for further digitisation.

How will AKA address the range of topics ESG? What course has 2021 already been set?
For us, the topic is clearly one of the most important strategic challenges for the bank. Here we have 2021 driven forward important developments. As of December 31 our entire portfolio of 2021 has already been analysed once using our proprietary scoring model to assess ESG risks. At the same time, in cooperation with the UNEP Centre of the Frankfurt School, we have made a first further development of the scoring model, which already takes up a scientific perspective in the mapping.

Within the framework of our digital development, we already see ourselves in a position to offer a digital solution at short notice.

We have set out our attitude in a first position paper. We will continue to promote all these topics 2022. In addition, this year we will also devote ourselves to broad-based training of our staff on ESG, and we will also work intensively on set-up issues in our new business in order to develop the topic ESG into an opportunity for AKA.

Let's look at the challenges 2022: What kind of market position do you expect for the European and global export industry?
Supply chains will continue to be very important, and only those who can regulate this issue well will be able to be successful. Here, China's economy seems better positioned. For Germany and also Europe, one must certainly additionally worry about fundamental issues, such as electricity supply, for example, while at the same time keeping an eye on competitiveness.

And how will AKA adapt to new challenges in the future?
We do this in an increasingly agile process that serves to question the existing more frequently and regularly so that we can develop accordingly.

Broadening our networks, partnerships and building and expanding an ecosystem – all this will also be crucial in making our organisation fit for the future. As already mentioned, in 2021, the AKA has begun to work closely with the UNEP Centre at the Frankfurt School. We are very happy with the results and I am looking forward to the further path together. In addition, we have also strengthened our partnership with country associations, for example through joint events. Overall, however, I am convinced that we still need to develop the issue of partnership further. Especially for a smaller institution like AKA this seems to be an important key.

Could you give us a brief outlook on the growth path of the bank for 2022, on activity plans and the role of AKA as a platform for export finance topics?
We want to grow in 2022 especially in the ECA-covered segment in order to secure long-term earnings potential for the bank.

After having so successfully held a significantly larger number of events last year, we will of course maintain this in 2022 and try to facilitate even more meetings with our community. We do not always have to make active contributions coming from the AKA. I think it is important here that we cover interesting topics and then offer our customers and guests the right people on the podium. We have been doing this very successfully for many years with the Investors' Meeting, for example.

A closing word, please: What three aspects do you focus on to ensure the organisation's performance beyond the immediate future?
We see three main strategic challenges: Digitisation, ESG and personnel development!

1 Cf. News: The economy is picking up. Economy grew by 2.7 per cent in 2021, 14.1.2022. URL: https://www.tagesschau.de/wirtschaft/konjunktur/bip-deutschland-wachstum-konjunktur-101.html (Published: 14.2.2022).
2 Cf. Meyer, Tim: Bottlenecks as risk factors for recovery and value creation. In: www.bdi.eu as of 13.1.2022. URL: https://bdi.eu/artikel/news/engpaesse-als-risikofaktoren-fuer-aufschwung-und-wertschoepfung/ (Published: 14.2.2022).
3 Cf. ibid.
4 Cf. the bank. Journal of Banking Policy and Practice: Book Tip. Non-Financial Risk Management: Emerging stronger after Covid-19. In: die-bank.de from 27.1.2022. URL: https://www.die-bank.de/buecher/buecher/non-financial-risk-management-emerging-stronger-after-covid-19 – 20537/ (Published: 15.2.2022).

Karsten Löffler, Head of Frankfurt School UNEP Collaborating Centre for Climate & Sustainable Energy Finance[1]

Export Financing is important for a sustainable German economy

The German export industry plays a very important role in the success of the German economy. In 2020 exports still accounted for 38 % of the gross domestic product.[2] Accordingly, it is important for a proven export financier like AKA to accompany the German export industry in the structural change towards a sustainable economic system within the *planetary boundaries.*

The global economy is already affected by the consequences of the climate crisis and the decline in biodiversity, for example through weather extremes such as floods and declining natural system services. Companies' business models must adapt to this as well as to the implementation of political objectives, such as limiting CO2 emissions across almost all economic activities, but also to changes in demand and technological innovations that promise new, more nature- compatible solutions.

One thing is clear: Structural change must take place on a global level, just as it does here in Germany. Many countries have started to adjust their investment strategies. The financing requirements for the global transformation, just to achieve the climate goals in the energy sector, are estimated at approx. USD 5 trillion p. a.[3]; a huge business potential to be exploited, also by financial market players.

For those with strategic vision, this means analysing the consequences for one's own business model and taking both the impact and risk side into account. This principle of *double materiality* will become the standard in corporate reporting: on one hand, the effect of their own (financing) actions and, on the other hand, the effects of the financial risks affecting, among others, the loan book, which can be traced back to the causes mentioned above.

By *planetary boundaries* is meant first and foremost the permanent absorption capacity of the earth's ecosystem, e. g., in terms of greenhouse gas emissions and pollution, and secondly its impact, e. g. on biodiversity and global average temperatures.

It is now important to specifically promote technologies that make a substantial contribution, also in the export sector, because a tonne of avoided greenhouse gases provides benefits regardless of location. Emerging countries in particular have a high demand for this, as their economies are often geared towards emissions-intensive sectors.


ESG
#CAMETOSTAY

Structural change does not work with a big bang, of course. That is why the stringing together of individual transactions, each of which is associated with measurable, positive effects, is so important. The yardstick for this is, for example, in relation to the climate targets, consistency with the respective national transformation path to achieve a maximum warming of well below two degrees.

The energy industry and particularly renewable energies play a significant role in structural change. Even if renewables are the focus of public attention and also of German export promotion, our view should basically be broadened to all environmentally friendly products and processes. Where these are not yet competitive, government incentives can help overcome hurdles. However, in view of tight public funds after the Covid-19 crisis, a corresponding focus of state support services is to be expected.

Incentives in the context of export financing include, for example, lower national value-added requirements, a higher risk appetite, access to attractive direct lending facilities and individual support, such as feasibility studies. For example, in its Sustainable Finance Strategy of May 2021, the German government states that in the export credit guarantee business "special climate-friendly projects should benefit from additional, favourable cover conditions". The Sustainable Finance Advisory Board recommends further support by the German government with the aim of improving the demand for products with special sustainability benefits in the buyer countries and a sustainable orientation also of other export credit agencies.

Export financiers like AKA can provide important impulses to promote the export of sustainable technologies: They play an important role in the dialogue with clients and partner banks. Easy-to-use digitalised processes that support both client dialogue and a better understanding of sustainability-related risks, as well as reporting, are an important success factor; not least because regulators expect sustainability risks to be adequately considered.

The German export industry has great potential to play an important role in supporting structural change at the global level in combination with appropriately designed export financing. Here lies an immense opportunity to further strengthen the international competitiveness of Germany and the companies based here.

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1 Karsten Löffler is also Managing Director of the Green and Sustainable Finance Cluster Germany and a member of the EU Commission's Platform on Sustainable Finance. He was Chairman of the Sustainable Finance Advisory Board of the Federal Government from June 2019 to October 2021.

2 Cf. Bundesministerium für Wirtschaft und Energie: Facts on Foreign Trade, Berlin, July 2021.

3 Cf. International Energy Agency: Net Zero by 2050, Paris, May 2021.

Michael Schmid
Chairman of the Supervisory Board

Success record and optimistic future planning

Continued stability through the crisis period: AKA impresses with strategic growth orientation

Dear readers,

Let's start the report of the Supervisory Board on the past business year with questions concerning the special challenges 2021:

1. Did AKA have to withdraw its targets because of the on-going Covid-19 pandemic?
2. Was AKA able to develop structurally, strategically and qualitatively as planned with the innovation budget?

On behalf of my colleagues from the Supervisory Board, I report in detail about the on-going support of the Management, concerning the meetings and one special meeting of all members of the Supervisory Board within the framework of a strategy dialogue. The formats of the meetings and the contacts were accompanied by strict Covid protection measures. Nevertheless, an intensive discussion of all the topics with the Supervisory Board was always possible. Resolutions and decisions were taken by circulation after discussion.

Regarding the initial questions, I can report that AKA came through the aftermath of the global economic crisis remarkably well, even in the second year of the pandemic. There was a good growth dynamic in the course of the year.

The positive development 2021 with results above plan was possible because AKA had maintained its fundamental, strategic growth orientation with justified optimism. The balance sheet, earning power and quality of the portfolio benefit from a high level of know-how, from the market position already achieved and the investments made in recent years. Both the bank's development work and the speed of development were positively highlighted and appreciated during the strategy dialogue.

Also in the second Covid year, observation, analysis and classification of the effects of the pandemic were regularly on the agenda. As in the previous year, AKA had regular exchanges with the banking supervisory authority, about which the Supervisory Board was also informed.

In the Supervisory Board meetings, the adjusted stress tests , were extensively discussed among other things. Situationally, additional focus topics were dealt with in detail.

In all our meetings of the year 2021 the potential impact from the Covid-watch-list portfolio were discussed. Thus, in the course of the year, risk profiles were initially reported to be unremarkable, so that AKA, with the approval of the Supervisory Board, followed the recommendation of the European Banking Authority (EBA) in spring and distributed a reduced dividend to its shareholders. At the same time, the major part of the previous year's profit was allocated to the reserves and, on the recommendation of the Supervisory Board, the equity structure was changed in a tax-neutral manner by transferring the § 340f HGB reserve to a § 340 g reserve. The Supervisory Board thus continues to support the business policy of a high and fully eligible equity capitalisation.

Further developments in reporting:

In its meetings, the Supervisory Board regularly relies on a mature, tried-and-tested controlling tool that assesses risk quality, earning power, liquidity management and the credit portfolio during the year and thus allows for a reliable forecast of developments. The internal reporting system in liquidity management, and here in particular for the derivatives book, was expanded at the request of the Supervisory Board. The calculation of capital ratios was changed in accordance with CRR I to the CRR II valid from 30 June 2021.

The pleasing growth dynamics shown in the course of the year were qualitatively questioned several times by the Supervisory Board. In particular, information and assessments on risk and product qualities, risk coverage, risk taking capacity and refinancing, but also on earnings quality were intensively discussed with the Management. Increasing cost burdens from regulation, an increased bank levy and the obligatory NSFR management were the subject of individual, requested submissions. Situational and timely responses to political or economic crises, such as in Belarus, were discussed and adopted.

AKA governance structure:

In view of the size of AKA, in addition to a gradual readjustment of the risk policy in individual cases, the staffing, quality and scalability of the structures were also discussed and evaluated as possible risk factors in the face of increasing complexity. In the first quarter, the Supervisory Board supported the necessary personnel changes in the Compliance Department, at the expense of the Cost Income Ratio (CIR). The investment budget was always available for extensions to the IT landscape, including special software solutions.

The manager-to-staff ratio of the Management was critically examined in the Nomination Committee and the topic was then addressed to the full Supervisory Board in the fourth quarter with the title "Expansion of the Management".

Mhm... Growth despite the crisis?

The sick leave of the Executive Director Risk Management placed an additional burden on the management structure starting in summer 2021.

For the Management of AKA with two people in overall responsibility, but separated according to front and back office, meaning Risk Management and Markets, the Supervisory Board had already predefined a vertical representation arrangement in principle. Due to the long-standing practice of the Supervisory Board to call in department heads to its meetings on a subject-related basis, the board was able to immediately approve the interim representation arrangement by the Head of the Credit Risk Management department (KRM). The power of attorney granted in particular for large loans was coordinated with BaFin and reported to the Supervisory Board as approved.

Despite the concentration of all issues on one of the two Executive Directors in the second half of the year, a scaling back of the growth targets was not discussed with the Supervisory Board. It was reported to the board that the plan requirements for portfolio quality and rating drift can still be implemented by Risk Management and Markets. AKA has resilient structures for its growth orientation.

Rating 2021:

The good rating of AKA, reviewed annually by GBB-Ratinggesellschaft für Bonitätsbeurteilung GmbH, was also confirmed for 2021.

Results from the strategy dialogue:

In autumn 2021 we continued the meeting format strategy dialogue, building on the agreements and findings of last year's meeting. The format basically aims to discuss relevant, forward-looking topics at AKA and, if necessary, to make recommendations for action for the Management of AKA. The strategy dialogue serves as a resonance and dialogue space on strategic issues for the Management and for navigating the bank.

A new feature 2021 was the expansion of the circle of participants to include the entire Supervisory Board. The latter acknowledged the strategic work done so far and confirmed AKA's strategic position as a product specialist and enabler in Europe for Export and international Trade Finance with an open, increasingly digital ecosystem.

The question was discussed as to what in particular constituted the value of AKA. The participants highlighted the following: neutrality, speed of implementation and decision-making, reliability, customer protection, expertise, efficiency and the network of AKA, which spans all pillars of the German banking system.

A new, entrepreneurial investment budget was proposed and later approved – again for a period of three years. New digital product developments on the platform and inorganic growth are the focus of the discussion. Liquidity management is to be expanded with the involvement of the shareholder banks. In one of the next strategy dialogues, it will be discussed whether the AKA will be used as a nucleus to develop a platform for its shareholders in the field of international Export and Trade Finance.

In 2021, AKA has also offered training to the members of the Supervisory Board, this time on the topic of "Asset Liability Management, Managing Market and Liquidity Risks".

A look into the future:

In the last meeting of the year, the Supervisory Board adopted a realistic but ambitious medium-term plan. AKA can and should continue to grow significantly. Good profitability and cost discipline are the basis for AKA 4.0. In addition, the Supervisory Board has agreed with the Management on a consistent ESG orientation as a further reportable element of business policy.

Duties of the Supervisory Board:

In the business year 2021, five Supervisory Board meetings and additionally a strategy dialogue with all members of the Supervisory Board took place. Thus, the Supervisory Board carried out its duties correctly as set forth by law, the company's articles of association and rules of procedure, and supervised the Management of AKA Ausfuhrkredit-Gesellschaft mbH in a timely and regular manner, providing advice regarding the bank's further strategic development.

The work of the Supervisory Board included the following reports:

- periodic risk and controlling reports plus topic- and event-based reports from the Management,
- reports from the internal audit team, money laundering officer, compliance officer and central office,
- the report from the Management on the result of the credit rating assessment by GBB-Rating Gesellschaft für Bonitätsbeurteilung mbH, Cologne,
- documents from the auditors (KPMG) in connection with their audit of the annual financial statements.

All members of the Supervisory Board were given sufficient opportunity to scrutinize these reports in all cases. Attendance at the Supervisory Board meetings was 100 %. The Chairperson of the Supervisory Board and the Management also engaged in the regular exchange of information outside the meetings. The Supervisory Board was informed of important developments no later than the respective next meeting.

Personnel changes:

The three-year term of office of the Supervisory Board ended on 21 April 2021. Members of AKA's Supervisory Board are appointed based on provisions of the consortium agreement and articles of association of AKA as well as the nomination procedures. With regard to the regular reorganisation of the Supervisory Board 2021, the following Supervisory Board staff changes were made, effective 21 April 2021:

- Ms Jeannette Vogelreiter, Commerzbank AG, resigned as deputy member. Mr Roman Schmidt, Commerzbank AG, was appointed as her successor.
- Mr Alexander von Dobschütz, Deutsche Kreditbank AG, resigned from the Supervisory Board as full member. Dr Christoph Fischer, Bayerische Landesbank, was appointed as his successor.
- Mr Florian Seitz, Bayerische Landesbank, stepped down as deputy member. Mr Matthias Öffner, Bayerische Landesbank, was appointed as deputy member.
- Mr Thomas Jakob, Hamburg Commercial Bank AG, left the Supervisory Board as full member. Mr Jens Thiele was appointed as his successor by Hamburg Commercial Bank AG.
- Mr Knut Richter, Landesbank Berlin, stepped down as full member of the Supervisory Board as Landesbank Berlin AG is no longer represented on the Supervisory Board. Likewise, Ms Béatrice du Hamèl, Landesbank Berlin AG, resigned as deputy member of the Supervisory Board.
- New member of the Supervisory Board is Deutsche Sparkassen Leasing AG & Co. KG. It nominated Georg Hansjürgens as a full member and Michael Sobl as deputy member.

With effect from 4 November 2021 Dr Christoph Fischer, Bayerische Landesbank AG, resigned from the Supervisory Board. His duties in the committee were taken over by deputy member Mr Matthias Öffner. The mandate of the ordinary member remained vacant for the time being.

At its constituent meeting on 21 April 2021, the Supervisory Board elected Mr Michael Schmid as Chairman, Mr Werner Schmidt, Deutsche Bank AG, as first Deputy Chairman, Mr Thomas Dusch, UniCredit Bank AG, as second Vice-Chairman and Dr Christoph Fischer, Bayerische Landesbank AG, as third Vice-Chairman elected. The following committees were also formed: Compensation Control Committee, Nomination Committee, Risk Committee (RC).

New is the separation in the chairmanship of the RC, which according to paragraph 25d section 8 KWG may no longer be held by the Chairman of the Supervisory Board in personal union. The AKA has implemented the new regulation with entry in the commercial register since September 2021. The RC is now managed by Werner Schmidt. The new RC chairperson appointed the other participants as new members. The Supervisory Board approved the appointment of the RC.

Themes:

Due to AKA's role as a specialist credit institution for trade and export finance focusing on emerging markets, credit and country risks are particularly important for the Supervisory Board. Both the RC and the Supervisory Board received standardised reports on developments in the loan portfolio during the year.

The Supervisory Board regularly discussed the development of the net assets, financial position and results of operations of AKA. In its meetings, among other things, the quarterly business development shown in the individual product groups was discussed. In this context, the Supervisory Board also dealt with short-term business opportunities and the optimisation of earnings from a risk-return perspective. It has addressed the material financial risks and risk, liquidity and capital management. In addition, it dealt with the management of so-called non-financial risks.

2021 the board has also used the reports of the Internal Audit as well as the Compliance and Money Laundering Officer and the Central Office (responsible for the prevention of other, criminal acts) for its supervisory work.

The Supervisory Board was informed in detail about the use of the investment and innovation budget (IIB) and the measures that have already been financed from it.

The Management's multi-year business plan (MGP) for the years 2022 to 2024 was presented to the Supervisory Board in December and approved without amendments. AKA can continue on its growth path in all its business units. The MGP is backed by capital and refinancing planning. The capital planning shows that the risk taking capacity is given over the planning horizon, and even under adverse developments, the minimum capital ratios required by regulation have been easily met.

Parallel refinancing planning shows the short-term and long-term refinancing needs and its alternatives for coverage.

As part of the MGP a case analysis was also carried out with the assumption of rising interest rates in the EUR range. The results show that although there is a loss of income, the business model of AKA is still viable.

In the December meeting, the Supervisory Board discussed the bank's risk strategy, which covers all aspects of risk management, and which was supplemented at four points. A new risk scoring methodology on ESG (Environmental, Social, Governance) was introduced in the assessment of borrowers, a new strategy for non-performing risk positions was added, quarterly non-financial risk reporting was established and recovery planning in accordance with the Recovery and Resolution Act was included.

With regard to the regulatory governance of AKA, the Supervisory Board received reports on the internal control system and compliance with regulatory target ratios.

Committees:

The Supervisory Board's work is supported by committees that develop decision-making presentations or recommendations in preparatory meetings and report on their work to the overall body. The committees thus make an active contribution to the Supervisory Board's work. Attendance at committee meetings was 92 %.

Risk Commission (RC)
The RC met five times during the financial year, in preparation for the meetings of the Supervisory Board, and once in a special meeting. In the meetings immediately following each meeting, the Supervisory Board was informed of the issues and results by the Chairman of the Supervisory Board. RC fully informed and followed the recommendations of the RC for resolutions.

The RC received regular extensive reports about the loan portfolio, the risk / return profile and the development of individual country portfolios. It received reports on market price and liquidity risks as well as operational risks and dealt with AKA's stress test scenarios, which cover all material risks.

The RC has extensively discussed the bank's business strategy and risk strategy.

Compensation Control Committee (CCC)
The Remuneration Control Committee met four times in the year 2021 in preparation for the meetings of the Supervisory Board and once in the form of a special meeting. The Chairperson of the committees reported to the Supervisory Board about the content of the meetings.

In its meetings, the CCC dealt, among other things, with the target agreements for the Management and decided on quantitative targets based on the annual planning as well as two qualitative targets each for the front office and back office. It discussed and set the budget for bonus payments taking into account the achievement of targets in the financial year 2021. The CCC also received reports about the implementation of requirements arising from the German Remuneration Ordinance for Institutions.

Nomination Committee (NC)
The Nomination Committee met six times and once in a special session. The Chairperson of the committees reported to the Supervisory Board about the content of the meetings. NC has carried out an assessment of the management in accordance with the requirements of section 25 c KWG and an assessment of the Supervisory Board in accordance with the provisions of section 25d KWG. The committee also dealt with the requirements of the new BaFin bulletin on requirements for Supervisory Boards and control committees, which is currently being consulted, at an early stage. Two members of the Supervisory Board were entrusted with the task of supporting the Supervisory Board in the topics of accounting and auditing.

Auditing and approving the annual financial statements for the fiscal year 2021:

KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt / Main, audited the annual financial statements for fiscal year 2021, the accounts and the management report and issued a clean audit certificate. KPMG AG was appointed as auditor after a shareholders' resolution, passed by way of a written resolution procedure.

The Supervisory Board acknowledged the audit result with approval. Following the conclusive result of its own audit, the Supervisory Board approved the annual financial statements giving rise to this result. It agrees with the proposal of the Management concerning the use of the balance sheet profit.

Thanks from the Supervisory Board:

On behalf of all members of the Supervisory Board, I would like to thank you for the professional management and reporting. 2021 we went through all the covid-related influences on AKA together again. We owe this excellent business result 2021 to the cooperation of all our employees. The Supervisory Board was therefore happy to support the payment of a further Covid bonus in December 2021.

Frankfurt / Main, April 2022

The Supervisory Board
of AKA Ausfuhrkredit-Gesellschaft mbH

Michael Schmid

A specialist credit institution for international Trade and Export Finance

AKA is a credit institution for international Export and Trade Finance. It has been working in partnership with various market players for 70 years: banks, exporters, importers, investors and European export credit agencies. The focus of business activities is on financing and risk assumption in emerging markets.

AKA' vision is to be the leading enabler in Europe for Export and Trade Finance with an open, digital ecosystem.

In doing so, AKA offers its partner network a strong position in the trade and export finance market. It does this with individual and standardized solutions as well as risk capacity based on a powerful digital platform and in-depth experience.

AKA sees itself as a product bank and acts as a complementary institution, i. e., in harmony with its business partners and not in competition. The bank primarily trades jointly with its 17 shareholder banks. These come from all three pillars of the German banking landscape as well as from the European environment. AKA also participates in financing for non-shareholder banks active in the international Export and Trade Finance market.

The business activities of AKA include short-, medium- and long-term trade and export finance products, which are grouped into the following divisions:

- ECA-covered financing: financing for foreign buyers with cover from state export credit insurers, for example Hermes cover for German exports
- Structured Finance (SF) with commodity or trade exposure
- Syndicated Trade Loans (STL): trade-related financing for banks and corporates
- FI desk business: essentially participations in letter of credit risks

In addition, AKA offers services in connection with Export Financing, for example the assumption of agency functions. With its digital strategy, AKA is laying the foundation for the further development of its business model into a modern, digital platform. For example, AKA develops solutions in the environment of ECA-covered Export Financing. For the so-called small ticket segment, i. e., small-volume, Hermes-covered buyer credits, AKA provides the German export industry with an additional sales financing instrument via its online portal SmaTiX.

AKA is a non-trading book institution. The bank's treasury activities are limited to the extent required to refinance its loan business and ensure liquidity or to meet regulatory requirements. It refinances itself through its own funds and refinancing lines of the shareholder banks as well as through third parties and can also raise liquidity directly on the capital market. As a member institution of the Association of German Banks, it belongs to the voluntary Deposit Protection Fund of private banks.

The equity base has been continuously strengthened by the policy of profit appropriation in recent years. The equity base, which exceeds the regulatory targets, provides the basis for stability, sustainability and growth and thus supports the bank's solid business model.

AKA sees itself as a platform for discussion and development of relevant fundamental issues in the context of international Trade Finance and government instruments for foreign trade promotion. Through its own event formats as well as its involvement in committees such as Hermes-IMA and associations with national and foreign trade relations, AKA also plays its active part in the discussions.

2.1 Influencing framework conditions

World economy and world trade:
For the business model of AKA, the developments of the global economy are among the influencing economic framework data. In addition to country-specific factors, they have an impact on the equally important eurozone and Germany and also influence the relevant emerging markets. Equally important is the development of global trade.

The global economy has 2021 returned to a path of economic recovery. The World Bank puts global real gross domestic product growth (GDP) for 2021 at 5.5 % after a pandemic-related decline of 3.5 % the year before.[1] The upswing was supported by an expansive monetary and fiscal policy. Nevertheless, the economy was caught between pandemic-related restrictions and openings, shifts in the demand structure, supply bottlenecks and higher raw material prices. As a result, internationally interlinked industrial production in particular was unable to fully exploit its order potential. The service segment, especially in the contact-related areas, on the other hand, was increasingly influenced by the local pandemic. Thus, the economic recovery also differed from region to region, depending on the pandemic situation, economic structures and fiscal and monetary support options.[2] In the industrialised countries, the economy expanded by 5.0 %, while the emerging markets grew more strongly at 6.3 %, especially thanks to China.[3]

The World Trade Organisation (WTO) forecasts a strong increase in global trade volumes of 10.8 % for the year 2021, which is a clear countermovement after the pandemic-related slump of 5.3 % in the previous year.[4] The rapid catch-up process in global demand for goods, combined with shifts in demand, led to supply bottlenecks that caused sharp increases in the prices of raw materials, intermediate products and finished goods. In addition, spatial imbalances formed in global shipping, which widened the gap between the supply and demand of goods. High transport costs and logistical availability were among the burdening factors, along with port closures, such as in China.[5] The revival of goods trade flattened out in the course of the year and differed from region to region at the same time. While Asia (+ 14.4 %) and Europe (+ 9.7 %) were leading when it comes to the export growth, the largest import growth came from South America.[6]

Industrialised countries: US – Eurozone – Germany

The economic development in the US is of great importance for the global economy. There, the economy was hardly affected by the pandemic at the beginning of the year and had already returned to pre-crisis levels by mid-year. The comprehensive fiscal programme, which is being phased out in terms of increased unemployment benefits, only generated moderate growth momentum in the course of the year. A stagnating vaccination rate and virus variants dampened consumer confidence and consumption. In addition, there were the on-going problems along the supply chains.[7] At 5.7 % in relation to the entire year of 2021, economic output nevertheless grew more strongly than in most other industrialised countries.[8]

According to the projections of the EU Commission, the aggregate GDP of the 19 eurozone countries is expected to have expanded by 5 % in 2021. The economy had recovered from the pandemic-related recession in the summer half-year. Increasing advances in vaccination had allowed openings and a catch-up process. The increase in economic output was supported by the services sector in the middle of the year, including a revival of intra-EU tourism. Again, the industry found itself caught between picking up demand and the supply-side driven disruption of global supply chains and upheavals, especially in the automotive sector. In the eurozone, Ireland and Greece showed the highest growth rates. Germany and Spain showed a weaker, but still solid and positive economic development. With the autumn months, risks of a renewed wave of infections caused noticeable uncertainty among consumers.[9]

In Germany, the lifting of restrictive measures and progress in vaccination also favour a positive economic development. The upswing was driven on a broad front by consumption, government spending, significantly rising investments in equipment and exports. This economic momentum was slowed down again by the renewed flare-up of infections in the further course. Furthermore, a mixed picture could be discerned: The contact-intensive service sectors were affected by the local infection trend, while industry showed a good order situation but suffered from supply shortages of intermediate goods, especially semiconductors, and increased procurement costs. Due to the economy's high dependence on exports and the car industry, Germany is particularly affected by the bottlenecks in world trade.[10] As a result, economic growth for 2021 stood at 2.7 %.[11]

Emerging and developing countries:

The high growth rate of 6.3 % for 2021 – in relation to the entirety of emerging and developing countries – is mainly due to the rapid recovery of the Chinese economy.[12] Specific influencing factors included the varying degrees of infection outbreaks and vaccination progress, peculiarities in the economic structure, supplier position, raw material endowment and fiscal support opportunities.

Asia
China's economy once again recorded one of the highest growth rates in the world 2021, 8.1 %, due in particular to the consumption-driven recovery in the first half of the year. Subsequent weaker economic data is mainly due to the downturn in the real estate sector and in construction investments, which are related to the tightening of financing regulations. In addition, there were partly far-reaching official measures in response to individual Covid cases.[13] Other fast growing countries included India, which was expected to show high growth of 8.3 % after the sharp slump in the previous year thanks to extensive fiscal measures. In several other Asian countries, however, the economic recovery was below its previous growth path, often due to restrictive pandemic-related limitations, such as in Vietnam, or restraint in international tourism.[14]

Latin America
In global terms, Latin America 2021 experienced strong growth of 6.7 %. Nevertheless, the recovery was not yet sufficient to return to pre-pandemic levels after the pronounced recession of the previous year. The progress of vaccination varied greatly from region to region. In the first half of the year, mobility restrictions limited economic activities, which mainly affected the pronounced service sector, such as tourism. Workers' remittances from the US or commodity export revenues had a stabilising effect. Mexico's industry was supported by strong demand from the USA, but here too, the automotive industry suffered from global shortages of intermediate products. Overall, Mexican economic growth should nevertheless be 5.7 %. Brazil is expected to achieve growth of 4.9 %, thanks to renewed substantial governmental transfers to households and buoyant investment activity.[15]

Eastern Europe
The World Bank quoted GDP growth for Eastern Europe of 5.8 % for 2021. Economic development was influenced by Western Europe in view of geographical proximity and interdependencies. In addition to pandemic-related strains, individual countries experienced geopolitical tensions. Turkey achieved the strongest regional growth with a plus of 9.5 %, due to a revival in tourism and exports as well as very loose fiscal and monetary policies, which were, however, accompanied by a volatile currency and uncertainties in consumer confidence at the end of the year. The Russian economy received a tailwind from higher oil and gas prices and should grow by 4.3 %. Uzbekistan's economy continued to receive positive impulses from the on-going economic opening of the country and should thus expand by 6.2 %.[16]

Africa and Middle East
The World Bank put the growth of GDP, based on sub-Saharan Africa, for 2021 at 3.5 %. The economic recovery was driven by a pick-up in international demand, mainly from their main trading partners China and the US. Nevertheless, it was one of the weaker growing regions in a global comparison. On the one hand, this is due to lower vaccine availability. On the other hand, many African countries have little fiscal room for manoeuvre. Some countries were able to benefit from a positive development in the agricultural and commodity sectors. In the North African region and the Middle East (3.1 % GDP growth), oil-exporting countries received tailwinds from higher energy prices, while tourism-dependent areas were affected by the impact of the pandemic.[17]

International financing conditions:
Central banks around the world initially continued their expansionary monetary policy with low key interest rates and extensive bond-buying programmes to stabilise the global financial system. Later in the year, the beginning of a cautious tightening of monetary policy became apparent in varying degrees. As economic stabilisation progressed, rising inflation rates, partly driven by higher commodity prices, moved onto the agenda.

The US Federal Reserve (Fed) pursued a strategy of loose monetary policy and temporary tolerance of rising inflation figures until autumn 2021. In November, the Fed finally initiated a monetary policy turnaround with a gradual reduction of its monthly bond purchases from the original USD 120 billion, according to which the balance sheet expansion is to expire in March 2022. The key interest rate remained 2021 in the range of 0 and 0.25 %.[18] The European Central Bank (ECB) continued its monetary policy with the Pandemic Emergency Purchase Programme (PEPP) reaching a new total of EUR 1,850 billion until the end of the year. It will discontinue net asset purchases under the PEPP at the end of March 2022, but the existing asset purchase programme (APP) will be increased in parts to avoid an abrupt tightening of the monetary policy reins and to be able to continue stabilising asset purchases from euro countries. Looking at policy rates, the deposit facility has remained unchanged in negative territory since 2019 at -0.5 %.[19]

Long-term interest rates, on the other hand, already rose slightly at the beginning of the year 2021. The reason for this was an increasingly positive economic outlook for the USA, supported by expectations of a comprehensive fiscal impulse by the new US government. The yield on ten-year US government bonds increased by around 0.5 basis points, but still remained in the low range at 1.5 %. Inflation expectations were countered by their function as an international haven for capital investments. Against this background, the GDP-weighted yield on ten-year government bonds from the eurozone also initially rose by around 30 basis points and reached the 0 % threshold, but remained well below the level recorded before the outbreak of the corona pandemic. Lending rates therefore also hovered near their historic lows. Against this backdrop, companies in many emerging markets were able to benefit from favourable financing conditions, even though monetary policy was more restrictive in countries such as Russia or Brazil.[20] On the foreign exchange markets, the euro largely gave up last year's rebound compared to the US dollar. The currencies of the emerging markets developed differently against the euro. The Chinese renminbi gained, largely in line with the US dollar, as did the Russian rouble in the face of energy price increases. The European single currency gained significantly against the Turkish lira. The Brazilian currency was again volatile.[21]

Raw materials:
Both the demand overhang in global merchandise trade and in supply-side problems had a price-driving effect. Commodity prices, as measured by the Hamburg Institute of International Economics index (HWWI), were around 70 % higher than the previous year's level at the end of 2021. Crude oil itself recorded 2021 with an increase of 40 %. However, strong fluctuations were noticeable in the price development. The corona pandemic and the production policy of the OPEC+ repeatedly caused uncertainty on the markets. The strongest price increases were seen in natural gas, due to a sequence of events, essentially strong demand from China and lower storage inventories in Europe. The upward trend in energy commodities was interrupted at the end of the year with the emergence of a new virus variant. In the industrial commodities sector, the bull market was already reached in early summer. After this period, prices gradually declined.[22]

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14 Cf. World Bank 2022. (The cut-off date for the data used was 20 December 2021).
15 Cf. World Bank 2022. (The cut-off date for the data used was 20 December 2021).
16 Cf. World Bank 2022.
17 Cf. World Bank 2022.
18 Cf. Federal Reserve. Monetary Policy. FOMC Statements, December 16, 2020 und December 15, 2021. URL: https://www.federalreserve.gov / monetarypolicy.htm. (Published: 16.2.2022).
19 Cf. European Central Bank. Combined monetary policy decisions and statement. 16.12.2021. URL: https://www.ecb.europa.eu / press / pr / date/ 2021 / html / ecb.mp211216~1b6d3a1fd8.en.html (Published: 16.2.2022) and cf. Monetary policy decisions, 10 December 2020. URL: https://www.ecb.europa.eu / press / pr / date/2020/html / ecb.mp201210~8c2778b843.en.html. (Published: 16.2.2022).
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22 Cf. Wellenreuther, Claudia: Strong price increases on the commodity markets. Hamburg Institute of International Economics HWWI and cf. Wellenreuther, Claudia: Development of crude oil prices in 2021 – Strong influence of the Corona pandemic. Hamburgisches WeltWirtschaftsinstitut HWWI of 9/1/2019. URL of both articles: https://www.hwwi.org / publikationen / publikationen-einzelansicht / starke-preisanstiege-auf-den-rohstoffmaerkten.html?no_cache=1. As of 16.2.2022.

2.2 New business developments 2021

In fiscal year 2021, AKA recorded new business transactions of EUR 2,088 million. Compared to 2020, this is an increase of 22.8 %. The earnings generated from new business reached EUR 9.5 million.

The largest share of the business volume by individual product accounted for the biggest proportion of the business volume with long-term ECA-covered buyer credits at 34 %. This was followed by risk sub-participations in letter of credit confirmations and related products, at 32.4 %. Investments in Syndicated Trade Loans (STL) reached a share of 15.1 %. The share of Structured Finance (SF) was 9.6 %, the participations in non-recourse forfeiting were 6.8 %. Other product groups such as guarantees, advance payment financing and other financing accounted for 2.2 % of the total.

In total, 57 % of the AKA-trade volume was generated in the Structured Finance & Syndication segment, in short SFS (consisting of FI Desk, SF, STL).

The focus of AKA's business activity is on cooperation with its shareholder banks. In addition, AKA is also working with selected banks with a good international reputation in all product units. The share of these non-shareholders increased across all product segments in the reporting period.

2.2.1 New business developments in detail

ECA-covered buyer credits – decline in large projects

AKA's business with ECA-covered buyer credits saw a slight increase in commitments over the previous year's turnover to EUR 709 million.

Most of the commitments were again made in cooperation with the German ECA Euler Hermes. Additionally, financing was also conducted with other European ECAs.

The small buyer credit product "SmaTiX" developed in cooperation with exporters, shareholders and ECAs is now also available to shareholder banks. In addition to exporters from Germany, deliveries from Austria and Switzerland are also supported.

SFS – Increase in acquisition volume

FI Desk

Transactions in this segment, which essentially revolve around participations in banking risks in connection with LC-transactions, exceeded the planned result for last year with a business volume of EUR 677 million .

Syndicated Trade Loans (STL)

In STL financings , AKA joined financing syndicates for banks and corporates with a trading background. Once again, the risk profile of individual transactions was improved through the integration of private insurance companies (PRI). A volume of EUR 315 million was achieved. With this result, AKA met the planned target.

Structured Finance (SF)
Syndicated participations of AKA in Structured Financing always have a commodity or trade connection. This year, with a closing volume of EUR 200 million the planning target will be exceeded.

2.2.2 Business volume
As of the reporting date 31 December 2021, the business volume has increased to around EUR 5.5 billion, meaning a positive development compared to the previous year (EUR 5.2 billion). In addition to the balance sheet total, this total also includes off-balance sheet items (contingent liabilities and irrevocable loan commitments). The reservation portfolio (loan agreements already committed but not yet concluded) amounted to EUR 1,362 million (2020: EUR 790 million).

2.3 Earnings position
Various factors affected the results of fiscal year 2021.

Net interest income during the past financial year amounts to EUR 48.7 million, which is 6.5 % above the previous year's level (2020: EUR 45.8 million). The continued positive development in the segment of net interest earnings is due to a positively developed volume of loans. Due to the continued decline of the LIBOR reference interest rates, on which the USD transactions are based, the interest income from the loan business decreased analogously to the previous year. This effect was overcompensated by a stronger decline in interest expenses, especially in the USD segment.

Net fee and commission income increased with EUR 8.1 million by 17.9 % compared to the previous year. In particular, this is the result of the positive development in the LC sector which overcompensated for the decline in net fee and commission income from the management of loan receivables held in trust. Commission income in the letter of credit business also increased compared to the previous year.

The overall result from the loan business, comprising the sum of net interest income and net commission income, was EUR 56.8 million compared to EUR 52.6 million in the previous year. With the net income from the loan business – as a relevant performance indicator – AKA achieved an increase of 11.1 % to EUR 56 million compared to the previous year. Due to the positive development, the planning expectation for 2021, which was EUR 52.5 million, was also exceeded. The net income achieved from the loan business is thus 6.6 % above planning assumptions.

In 2021, general administrative expenses (including depreciation) increased by EUR 3.9 million, mainly due to higher personnel and other administrative expenses. Other administrative expenses include items affecting expenses in the amount of EUR 3.4 million, which were spent on topics related to the digitisation strategy as part of the innovation and investment budget approved by the Supervisory Board. Personnel expenses increased by 11 % compared to the previous year.

The operating result increased by EUR 0.3 million to EUR 28.2 million compared to the previous year.

The Cost Income Ratio (CIR) constitutes a key performance indicator for AKA. The ratio of administrative expenses to net interest and net fee and commission income was 50.3 % and thus 3.3 percentage points higher compared to the previous year. The plan value for 2021 was 52.9 %.

The other operating expenses item mainly includes interest-induced expenses from additions to the accrual for pensions, while other income is mainly derived from the reimbursement of costs of affiliated companies, the foreign currency valuation in accordance with BFA4 and the reversal of accruals.

The risks arising from the loan business were also fully covered in the annual accounts in 2021. Overall, allocations to loan loss provisions of EUR 21.3 million were offset by reversals of provisions of EUR 16.0 million. In the securities portfolio, write-downs amounting to EUR 1.1 million were recognised as a net position.

After deducting profit-related taxes, an annual net profit of EUR 14.9 million was posted. This is above the business plan target of EUR 9.6 million.

Return on Investment capital as a ratio of the annual net profit and the balance sheet total increased from 0.23 % 2020 to 0.37 % in the last fiscal year.

The Return on Equity (RoE) before taxes, the company's third financial performance indicator, increased from 7.4 % to 8.5 % and is thus above the annual target of 6.3 %. It is determined as the ratio of net profit before taxes to the Equity available at the beginning of the year less the distributable profit.

The earnings situation in detail is as follows:

Earnings situation at a glance	**2021**	**2020**	**Delta (without rounding)**	
	in EUR million	in EUR million	**absolute**	**in %**
Net interest income	48.7	45.8	3.0	6.5
Net fee and commission income	8.1	6.9	1.2	17.9
Administrative expenses (incl. depreciation)	-28.6	-24.7	-3.9	15.7
Operating result	28.2	27.9	0.3	1.1
Other earnings / expenses	0.5	-0.9	1.4	>100
Risk provision	-6.8	7.7	-14.5	>100
Income taxes	-7.0	-10.3	3.2	-31.4
Net profit	14.9	8.4	6.6	78.4
Financial performance indicators	**2021**	**2020**	**Delta**	
Net earnings from the loan business	56.0	50.4	5.6	11.1
Cost Income Ratio	50.3 %	47.0 %	3.4	7.2
Return on Equity (before tax)	8.5 %	7.4 %	1.1	15.4

2.4 Asset and financial position

AKA's balance sheet total increased with EUR 4.002 billion by 7.6 % as at 31 December 2021 compared to EUR 3.721 billion as at 31 December 2020. Including contingent liabilities and other liabilities, the business volume rose to EUR 5.491 billion , meaning an increase by 6.6 %.. The volume of transactions with risk participations in letters of credit, surety obligations and guarantees included in contingent liabilities from guarantees increased by EUR 84.1 million to EUR 619.1 million. The irrevocable loan commitments accounted for under other obligations decreased by EUR 27.0 million to EUR 869.9 million.

Loans and advances to banks and customers constitute the key asset positions and result from the loan business of the bank. They increased in the past financial year by EUR 397.6 million to EUR 3.499 billion.

Debenture Bonds and other fixed-income securities are held in the amount of EUR 133.1 million (31 December 2020: EUR 104.5 million). Insofar as they are part of the liquidity reserve of AKA, these are securities with a short to medium-term maturity of very good credit quality. As of the balance sheet date, this share, measured against the book value, amounted to EUR 83.4 million (31 December 2020: EUR 65.1 million). In addition, as part of a debt rescheduling, the Company acquired long-term government bonds with a book value of EUR 4.5 million. Furthermore, it has securities with a book value of EUR 45.2 million in the portfolio, which were deposited as collateral with the German Central Bank within the framework of TLTRO transactions (targeted longer-term refinancing operations).

The balance from the settlement of pension provisions with assets from the cover fund is stated under the "Active difference resulting from asset offsetting" item. The fund assets transferred to a trustee in form of a Contractual Trust Agreement CTA amount to EUR 30.0 million as per the balance sheet date. The acquisition costs of the offset shares also amounted to EUR 30,0 million. The settlement amount of pension provisions amounts to EUR 29.1 million.

To refinance the business, AKA has available liabilities to banks in the amount of EUR 2.639 billion and to customers in the amount of EUR 0.756 billion. As a result, the loan volume financed by banks increased by EUR 141.2 million. The proportion of transactions financed by customer deposits also increased, in fact by EUR 178.3 million.

Balance sheet provisions increased in the past business year by EUR 1.8 million to EUR 20.2 million. They mainly consist of provisions for impending losses from the loan business, tax provisions and provisions for year-end bonuses.

AKA's Equity consists of the subscribed and fully paid-in capital of EUR 20.5 million and the revenue reserves. After the revenue reserves raised to EUR 238.2 million on 1 January 2021, the balance sheet profit of EUR 14.9 million to be handled as the basis for the dividend payment shall be used to further strengthen revenue reserves by EUR 14.9 million to EUR 253.1 million.

With regard to special events after the balance sheet date that have an impact on the assets, liabilities, financial positions and profits or losses please refer to the relevant passages in the forecast report or the notes to the annual financial statements.

3.1 Aims, principles and structure of risk management

AKA corporate aims: AKA's primary goal is to participate in the loan business predominantly brought by its business partners on the basis of appropriate analysis. Within the scope of the expansion of the loan business planned in terms of business policy, inappropriate risk concentrations are to be avoided in the long term. AKA controls and monitors its risks with the aim of structuring its risk and income profile in the optimum manner and thus at the same time guaranteeing the necessary risk taking capacity at all times. As far as possible, AKA tries to minimise market price risks from lending or refinancing transactions with economic hedging transactions.

AKA

- is a non-trading book institution and, in accordance with its authorisation, does not conduct any "deposit and savings deposit business";
- refinances itself using its own funds, refinancing lines from shareholder banks and through third parties and can, in the interest of diversifying its refinancing sources, also borrow funds directly on the capital market depending on the effort and costs required;
- is only active in treasury insofar as it is necessary for refinancing its loan business and ensuring liquidity or complying with regulatory conditions;
- strives to minimise interest rate changes and currency risks through appropriate refinancing and / or corresponding security transactions
- and makes investments in securities as part of the management of regulatory requirements and liquidity management.

Risk policy: The risk policy relating to overall bank management includes all measures for scheduled and targeted analysis, control and monitoring of all of the risks incurred. It is AKA's business policy first and foremost to limit credit default risks associated with the key business field of Trade and Export Finance.

Risk strategy principles: The Management determines the risk policy guidelines for all identifiable risks, taking into account the risk taking capacity. The basis is the analysis of the initial business situation and the assessment of the opportunities and risks associated with the loan business. These guidelines are documented in the risk strategy, which covers all risk types that are material for AKA. The risk strategy is reviewed annually by the Management and subsequently discussed with the Supervisory Board. It is the overall responsibility of the Management to ensure that the risk concept is integrated throughout the organisation and that the risk culture is firmly anchored in the corporate culture.

This is ensured by the an structural and procedural organisation. Responsibility for implementing the risk policy defined by the Management lies primarily with the Credit Risk Management (CRM), Export & Agency Finance (EAF), Structured Finance & Syndication (SFS), Portfolio Management (PM), and Treasury (TSY) departments, which are responsible for loan business.

Risk strategy: The risk strategy, which is structured in accordance with the principles of MaRisk and the requirements of the Supervisory Review and Evaluation Process (SREP), includes detailed rules on all key aspects of risk management, such as risk taking capacity, risk management, stress testing, early risk warning indicators, the principles for determining risk provisions, and the risk inventory covering all risks.

Risk organisation: Risk organisation forms the structural and organisational framework for the implementation of the risk strategy. It has an impact on the internal control procedure. The structure of this procedure is laid down in the "written regulations" of the AKA, called the "Organisational Handbook" (in German Organisationshandbuch = OHB), and includes the following:
- the structural and procedural organisation (including separation of functions market / back office),
- risk management and risk control processes (= risk management in the proper sense of the phrase),
- Internal Audit

The definition of tasks and areas of responsibility within the risk management system are described in the OHB.

Important components of the risk organisation in AKA are:
- Executive board
- Credit Risk
- Management Liquidity
- ManagementRisk
- ControllingCompliance
- Information Security Management
- Business Continuity Management
- the Risk Committee
- the Credit Committee
- the Asset Liability Committee
- Internal Audit

Executive Board: The Management is responsible for the risk strategy of AKA, which is based on the targeted risk / return ratio. It also ensures that an appropriate risk infrastructure is in place.

The Management has delegated responsibility for coordinating an adequate risk management and controlling system that meets internal and external standards to the department heads. The responsibility for an independent assessment of the adequacy of the risk management and controlling system and compliance with the procedures in place has been delegated to Internal Audit.

Credit Risk Management: CRM as the operative specialist department is responsible for the individual risk management of all credit default risks. CRM makes credit decisions after in-depth analysis from a portfolio perspective and on an individual basis within the scope of the own competences delegated by the Management. Credit decisions that affect the level of authority for credit approval of the Management are voted by CRM for the Management. Credit decisions are made with the aim of optimising the risk / return ratio (taking into account the implemented RAROC system). When assessing transactions and the associated risks, ESG factors (Environment, Social and Governance) and sustainability aspects are also taken into account. Based on an ESG criteria catalogue and a sector- based heat map for E&S factors, CRM analyses each (corporate) borrower for its potential exposure to ESG risks.

The credit risk management process as an integral part of the overall bank management is regularly subjected to quality assurance. It includes the analysis of the credit worthiness of countries, banks, corporates, insurance companies and commodities and trade finance risks as well as the benchmarking of the results with available rating information from external agencies. The responsibility of CRM also includes case-by-case decisions on a portfolio-oriented reduction of risk, for example through the sale of receivables, as well as recommendations when making decisions on appropriate risk provisioning.

Furthermore, the department CRM is involved in the further development of the bank's internal risk management systems for countries, banks, corporates, sectors, limits and so on, in coordination with Risk Controlling.

Liquidity management: The TSY department is responsible for liquidity management and the associated potential market, liquidity and refinancing risks. Treasury is required to adhere to and monitor the liquidity risk limits established in the liquidity risk strategy. The determination and monitoring of liquidity risk and market price risk positions as well as their forecasting and reporting is the responsibility of the Finance Department (FI), Financial Reporting & Controlling Team (FR & CO). Both departments (TSY and FI) are responsible for compliance with regulatory requirements within the framework of the Internal Liquidity Adequacy Assessment Process (ILAAP).

Risk Controlling: As the second line in the three-line model, Risk Controlling supports the Management and the leading units responsible for planning, steering and monitoring the planned entrepreneurial activities. Risk Controlling is part of the Finance department.

An important subtask of Risk Controlling at AKA involves risk identification, classification, measurement, assessment and control as a contribution to the planning and achievement of company objectives. Risk Controlling discharges these tasks independently, that is, objectively and neutrally. This includes the coordination of an adequate risk management and control system that meets internal and external standards.

Risk Controlling supports the Management in all risk-related issues, especially in the development and implementation of the risk strategy and the creation of a system for limiting risks. The Head of Finance, as the bearer of the risk controlling function, is to be involved in important risk policy decisions of the Management.

Risk Controlling is responsible for developing risk methods, standards and the associated processes for loan, market, liquidity, business and operational risks, and for coordinating between the pertinent units. In addition, Risk Controlling measures and monitors risk positions and analyses possible losses related to the risk positions. Its tasks include the planning, development and implementation of risk management systems and methods.

The setup and further development of early risk detection methods also fall under the responsibility of Risk Controlling. The methods used are subjected to regular validation and back-testing to ensure that they comply with regulatory requirements.

Risk Controlling coordinates management and control processes related to the risk capital such as the limit allocation process and the management or monitoring of the risk / profit profile.

Risk Controlling ensures ongoing monitoring of the risk situation, particularly in relation to risk taking capacity and adherence to the established risk limits. The Finance / Team Controlling department, working together with the departments responsible for the risks, ensures that risk limits for all significant risks are established and reviewed. Risk situation monitoring also involves the regular development of risk inventories to determine significant risks and to create a complete risk profile.

Risk Controlling monitors and measures the NPE-related (NPE = non-performing exposures) risks and the progress towards achieving NPE target values in accordance with the requirements of MaRisk and the strategy for non-performing risk positions. After checking the plausibility, it uses information from other departments (essentially CRM and PM).

The results of risk identification, assessment, quantification, and management are communicated to the Management , other responsible parties, and Internal Audit as part of the reporting process.

For the fulfilment of the controlling tasks, the employees of Risk Controlling must be granted all necessary powers as well as unrestricted access to all information. If the Head of the Risk Controlling function changes, the supervising body and all affected employees of AKA must be informed.

Compliance: The Management has appointed a Compliance Officer in accordance with MaRisk. The Compliance Officer is the Head of the Compliance and Money Laundering Department.

The Compliance Officer shall work towards the implementation of effective procedures for compliance with the legal regulations and requirements essential for the institution and corresponding controls. Furthermore, the Compliance Officer shall support and advise the Management with regard to compliance with these legal regulations and requirements.

In addition, the Compliance Officer is responsible for the further development of the Compliance Policy. He coordinates the decentralised responsibilities within the framework of the decentralised compliance organisation of AKA by having them defined by the Risk Committee.

The Compliance Officer monitors the implementation of the legal provisions applicable to AKA on the basis of a monitoring plan that corresponds to the materiality analysis. It regularly informs the Risk Committee of AKA about the results of its activities.

The Compliance Officer shall report to the the Management on his or her activities at least once a year and on an ad hoc basis. This shall address the adequacy and effectiveness of the arrangements for compliance with the material legal rules and requirements. Furthermore, the report shall also contain information on possible deficits as well as on measures to remedy them. The reports shall also be forwarded to the supervising body and the Internal Audit.

In order to perform his duties, the Compliance Officer shall have an unrestricted right of access and inspection to the relevant books and records of the Bank, the relevant personnel data and the corresponding DV systems, as well as a right of information vis-à-vis all employees to the extent necessary for the performance of his duties.

If the Compliance Officer changes, the Supervisory Board and all affected employees of AKA must be informed.

Information Security Management (ISM):
The Management has adopted an information security guideline and communicated it within the bank. This guideline is in line with the bank's strategies. AKA has established the position Information Security Officer. This position includes the responsibility for dealing with all data security matters within the institution and towards third parties. It ensures that the information security objectives and measures set out in the IT strategy, the information security guideline and the information security policies of AKA are presented transparently both internally and to third parties, and that its compliance can be verified and monitored. Information security management includes specifications for information security, defines processes and controls their implementation. Information security management follows an on-going process including the following phases: planning, implementation, success control as well as optimisation and improvement. The content-related reporting duties of the information security officer to the Management as well as the reporting cycle are based on BT 3.2 paragraph 1 MaRisk. The procedure model within the framework of ISM is based on the BSI standards for information security and serves the goal of establishing a security level that is in line with the risk strategy of AKA. The task of information risk management and risk analysis is monitored by the FI department.

The aim of this organisational set-up is both to comply with regulatory requirements (BAIT) and to be able to centrally manage all of the company's risks.

Business Continuity Management (BCM): BCM is the establishment of an emergency and crisis management system with the following objectives: When loss events occur, important business processes are not interrupted or only temporarily interrupted, occurring losses are reduced to an acceptable minimum, and thus the economic existence of the bank remains secured.

The basic principles of emergency management at AKA are presented in the "Emergency Management Guideline", which also takes into account the special emergency situation of a pandemic. The guideline and other emergency management documents form the emergency management framework of AKA. The documents are based on the implementation framework of the BSI-Standards 200 – 4. They are prepared by the BCM team and updated on a regular basis and as required.

AKA has established an emergency management / BCM team. Its permanent members are the Management (Risk Management side), the Head of the departments IT and the Information Security Officer (ISMB). The BCM team is responsible for the creation, implementation, maintenance and support of the institution-wide emergency management system. If the need arises, the BCM team can be expanded by additional members. In the event of a pandemic, such as the current one, the head of the Human Resources department is involved, among others.

As part of a business impact analysis (BIA), AKA determines which of its IT applications are essential based on the requirements of its business operations. A Protection Requirement Analysis (PRA) is also used to check which protection needs applications and other resources in terms of confidentiality, integrity and availability.

In an emergency precaution concept based on the BSI standard, AKA has made provisions for the availability of electronically stored data and IT systems that are essential for business operations in the event of an emergency.

As part of emergency management, the individual functional divisions of AKA can also resort to recovery plans to address emergency situations, in addition to the Business Impact Analyses (BIA). These plans are obtained directly from department managers.

During the course of emergency arrangements, appropriate exercises are regularly performed based on an appropriate emergency test plan. Emergency exercises, BIAs and SBAs are carried out at least once a year. MaRisk AT 7.3 is taken into consideration in the measures named above.

The BCM team forms the core team of a crisis organisation. In the event of a specific emergency, crisis, disaster or pandemic, as well as depending on the cause and extent of the event, additional internal and, if necessary, external units are integrated into the crisis organisation. The chairmain of the Supervisory Board is informed by the Head of the crisis unit (the Management).

Risk Committee: The Risk Committee (RC) is the overall committee that handles all issues relating to risk, in particular the profile encompassing all risk types.

The RC meets regularly, at least four times a year. Permanent agenda items are the latest available controlling and risk report, innovations in the area of compliance and regulatory controlling as well as the status of audit findings. The primary objectives of the RCs are: monitoring AKA's risk situation from an economic and regulatory perspective, defining risk- reducing measures and the parameters and methods required for risk management.

As part of the monitoring of the AKA-risk situation, the RC discusses risk-relevant topics as well as the results of the risk inventory to be conducted at least once a year and decides on any risk-reducing measures to strengthen internal control structures and reduce operational risks, for example. The RC is also responsible for adopting methods, models and parameters relating to risks. Resolutions to be taken by the Management in accordance with MaRisk are to be confirmed by the Management following a RCs.

The RC is chaired by the Management Back Office. The Head of FI is intended as the deputy. Participants of the RCs are also the Management market, all Department Heads, as well as the ISM Officer. If necessary, other people can be asked to join.

The RC has a quorum if one the Management and the Department Head of FI are present. Decisions are adopted by a simple majority. The following are entitled to vote: The Management Market and Back Office (Markt und Markfolge), the Department Heads of TSY, CRM and FI.

Credit Committee: The Credit Committee (CC) has an operational focus and handles all issues relating to credit risks. The primary aim is to discuss issues relating to business policy and methodical credit such as facilities, limits, products, countries and sectors. In addition, individual loan exposures with a special structure and / or high risk ratio are discussed. Regular portfolio analysis and monitoring are also carried out. Among other things, the topics of large exposures, (pre-) watchlists, special country risks and risk concentrations are discussed in the CC.

The Credit Committee is chaired by the Management, Risk Management. The Head of CRM is designated as deputy. Other participants include the Management, Market, the Department Heads of EAF, SFS, PM and TSY. If required, other departments may be invited to take part when special topics are discussed.

The Credit Committee as an organisational unit does not constitute a separate authority level. Individual transaction, facility and limit permits may be granted if key personnel meet within the framework of a Credit Committee meeting. Existing authority levels shall apply and every decision taken in the CC regarding third parties shall be documented in a traceable manner.

Internal Audit: Internal Audit (IA) performs an independent and objective function as the third line in the three-line model, is an integral part of the Bank's internal control process and reviews the adequacy and effectiveness of the ICS and Risk Management. Areas of focus during audits are systematically selected based on risk and are aligned with regulatory requirements.

The tasks include, among other things, the independent review and assessment of OHB on the basis of a target / actual comparison with the business processes and controls actually implemented the identification of weaknesses in the ICS as well as the assessment of the effectiveness of the risk management instruments and risk early warning indicators. In addition, as part of its audits it checks the correctness and completeness of risk reports submitted to the Management .

For projects, the IA provides support and participates in the Steering Committee meetings.

There is a duty to inform IA if, according to the assessment of the specialist departments, relevant deficiencies can be identified from a risk point of view or significant cases of damage have occurred. The IA must also be informed in the event of a concrete suspicion of irregularities.

If the Management of IA changes, the Supervisory Board as well as all affected employees must be informed.

3.2 Credit default risks

Because of its business purpose, credit default risks represent the most significant risks at AKA.

In AKA, credit default risks related to individual transactions is understood as the risk of possible losses or lost profits due to the default of a business partner as a result of

- an unexpected full, partial or temporary insolvency or unwillingness to pay;
- an unexpected reduction in a debtor's credit rating,associated with a reduction in the value of a receivable
- an unexpected reduction in the value of collateral or guarantees.

A "non-financial" but significant performance indicator for AKA is the share of net risk with rating class greater than 70. The target value for fiscal year 2021 of less than 10 % was not achieved with around 10.5 %. The previous year's figure was 9.2 %.

In addition to the credit default risk associated with individual transactions, AKA also considers country risks to be particularly key to default risks due to the focus of its business structure on emerging markets.

Country risks: The country risk defines the ability of a country to pay interest and repayments on foreign debts or those denominated in foreign currencies in a timely and correct manner. A significant aspect in this regard, in addition to the political risk, is the transfer risk, meaning the situation when an individual debtor is willing and able to pay but a country might limit or prevent payments abroad due to a lack of currency, for example. Despite this, national governments and economies may still be solvent.

The rating tool of AKA used to assess the probability of default comprises a scale of 10–100. The rating results are comparable with the results of international rating agencies through corresponding mapping tables. Rating classes 10–50 are classified as investment grade, and 60–100 as non-investment grade.

Country ratings are calculated, and regularly updated in the case of countries in which AKA has a notable commitment, by CRM on the basis of reports from rating agencies (predominantly Fitch), international organisations, central banks and other known reliable sources.

For the main markets of AKA, CRM prepares additional reports or ad hoc information where necessary in addition to the annual country risk analyses. Special crisis regions or countries with special problems are under increased observation by the credit analysts and the Management and are dealt with, if necessary, in the Credit Committee.

The country reporting system is reviewed and further developed periodically. The focus lies on the analysis of political stability, an economy's vulnerability to shocks, the development of inflation and foreign trade, state budget and financing as well as the banking system and its stability and regulation. In the financing of emerging markets which remains AKA's focus, the solvency of borrowers is primarily dependent on the political and economic situation of the country in question. This massively influences the borrower's creditworthiness.

Corporate risks: Based on a rating system, the last two annual financial statements are analysed to assess a borrower. Important key figures for assessing the creditworthiness of corporates include the profitability of the last two years, the leverage ratio, the total capital profitability and liquidity. In addition, the cash flow, the debt service capacity, is analysed as another important parameter for the successful continuation of a company. In the first step, the assessment is based on a pure key figure rating. To calculate the key figures, AKA uses a benchmarking system based on a breakdown into several industries and different geographical regions. These benchmarks are reviewed and updated on a regular basis to ensure comparisons with AKA's international and national corporate business.

Additional qualitative factors are taken into account for the conclusive assessment which can lead to a change in the rating result. Essentially, the size of the company and current information about the borrower are processed here. In addition, if necessary, the characteristics of local accounting and any restrictions in the auditors' opinion are taken into account in the basic rating. The group affiliation is assessed according to the type of integration and ultimately the country rating – if weaker than the borrower rating – is taken into account as an "overriding" factor.

The rating tool is further developed and adapted to the needs of AKA's portfolio. As part of an internal validation process, the forecasting power of individual key indicators is examined and if necessary adjusted both in regard to their accuracy and overall rating result.

Bank risks: The annual reports are also analysed on the basis of a rating system. Each rating is based on an analysis of the last two annual financial statements plus, where applicable, a quarterly report. The quantitative data input includes, among other things, the segments of capitalisation, profitability, deposit cover and liquidity. The individual key figures are allocated to the respective AKA rating classes using a benchmarking system. Qualitative rating aspects analyse foreign currency risks, interest sensitivity or the level to which assets and liabilities meet their maturities plus, in particular, asset quality. Other information relating to ratings is included in the rating assessment using bonus or penalty points.

In addition and analog to the corporate business, the country rating acts as an "overriding factor". The assessment of a possible state support is another significant component. The background here: the experience with banks, according to which institutions with a system-building effect can count on support from the state in an emergency.

As part of a quality assurance process, AKA works closely with external experts to ensure the further development of the rating tool in terms of its compliance with regulatory requirements and current market practice. The review serves to optimise and, if necessary, reweight individual rating parameters.

Risks from structured and project financing: For the assessment of project risks from the above-mentioned financing, AKA uses a separate rating tool. Key rating elements used to assess the expected success of the project are sponsorship risk, completion risk, operational risk and market risk. In addition, AKA assesses the financing and planning risk. These creditworthiness factors are assessed quantitatively as well as qualitatively in accordance with the other rating modules of AKA and result in the overall rating.

Insurance risks: Another rating tool is used by AKA for the insurance customer group, after credit default risks are also minimised by private insurance companies., As part of its risk management / control the bank only accepts insurance providers with an internal investment grade rating to release its limits. In this regard, the rating mainly focuses on the segments of contribution and result development plus the reserve and contribution ratio.

Sector risks: In the further structuring of corporate risks, concentration risks are assigned to individual sectors in order to be able to limit them. There are industry limits here. As a result, the country limit can have a corrective impact, depending on the country rating.

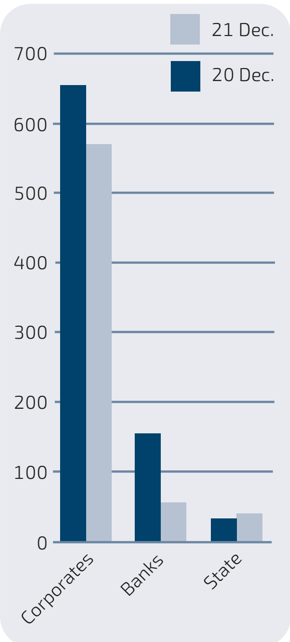
Risk concentration: For risk limitation, monitoring and management of the portfolio and concentration risks, AKA uses a limit management system in which individual limits are installed for the risks at country, sector and counterparty level. In addition, the following criteria are observed within the framework of refinancing: Large exposures within the meaning of §13 KWG or large exposures pursuant to §387ff. CRR Part IV and counterparty limits.

The aforementioned regulations and criteria serving to limit and monitor risk concentrations are set out in the bank's work instructions and process descriptions and published in the Organisational Handbook (OHB). They are regularly applied as part of controlling activities; amended requirements and conditions are continuously adapted on this basis and at least once a year as part of a review of the risk strategy and its suitability.

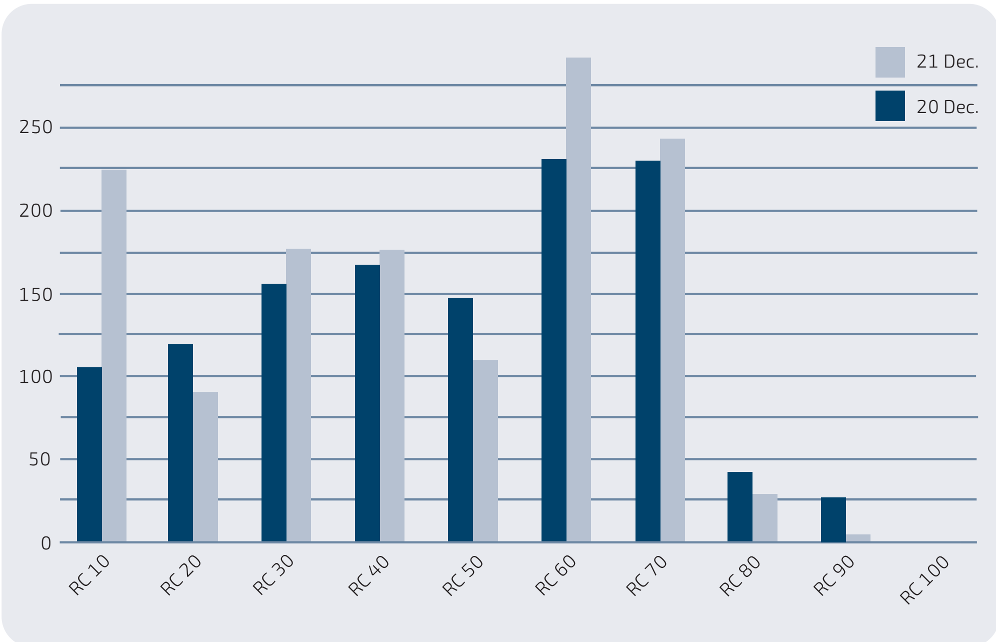
Limit framework for credit default risks and portfolio management: The limit framework used by AKA in its portfolio management takes account of eligible collateral as per CRR and limits gross exposure. These are unevaluated financial securities from state export credit insurance providers. As part of its risk management process and to ensure limit headroom, the bank also accepts insurers as long as they have an investment grade rating. The limit framework is based on the maximum own funds available for credit default risks in accordance with Pillar 1 , the utilization of which is calculated as part of regular determinations of risk taking capacity. For all credit default risks, the bank has defined an equity limit as the upper loss limit, which is regularly adjusted in view of the regulatory capital requirements.

The net liability framework, the amount of which is determined by the bank's allocated own funds for credit default risks (EUR 2 billion as of December 2021), is structured according to internal rating classes with descending nominal limits. The use of these respective limits is reported to the Supervisory Board at least once a quarter at the relevant meetings.

Structure of the medium- and long-term loan portfolio (net) by credit risk category in EUR million



Structure of the loan portfolio (net) by country risk class in EUR million



The limits provided for concentration, credit default risk, market price and operational risks are suitable and were consistently met throughout 2021.

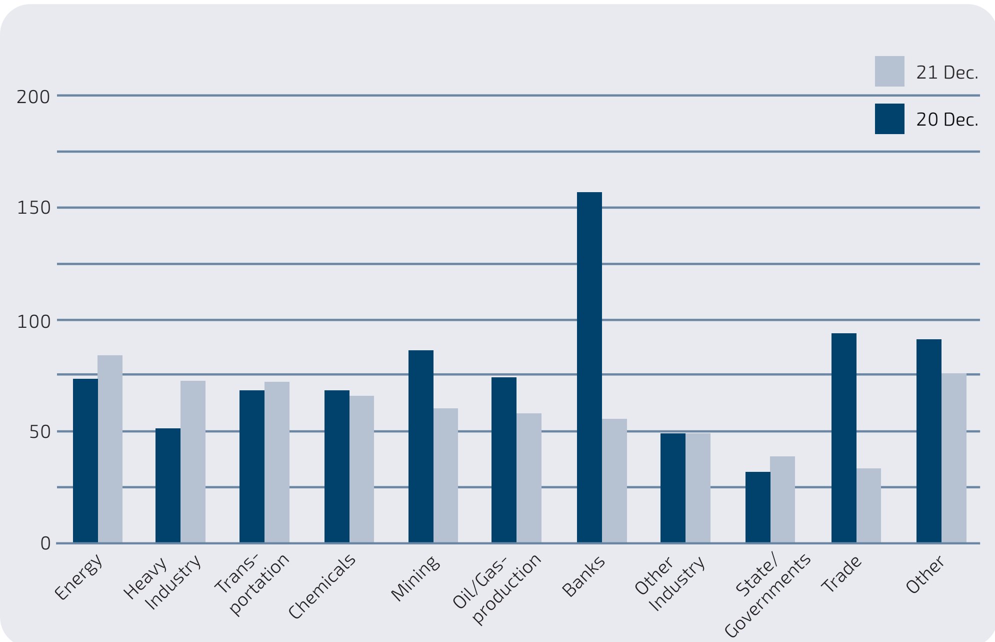
Compliance with all risk-relevant control parameters is continuously monitored by the department CRM itself and by FI in addition. The suitability of control parameters is checked as part of the risk strategy review taking place at least once a year. In doing so, AKA annually compares the limit framework in terms of its amount and structure with the business policy objective and submits this to the Supervisory Board for information. The risk strategy with the included limit framework was discussed by consensus with the Supervisory Board at 2 December 2021.

An economic, internal monitoring and control component supplements the said nominal limit framework and its equity utilisation according to the Standard Credit Approach (SCA).

Internal credit model for risk management: Internal risk assessment at portfolio level is based on the credit risk model CreditMetrics (registered trademark). Important decision variables are taken into account by AKA on the following basis: Credit volumes, recovery factors according to the Foundation Internal Rating-based Approach (F-IRB: internal, rating-based approach on the basis of self-determined probabilities of default [PD's]) and correlations. These include the "expected loss" and the "unexpected loss".

The confidence level set is 99.9 % and corresponds to a target rating of A-. The bank uses the system as part of its simulation calculations to assess the economic risk capital consumption and to calculate the stress tests on credit default risks. The data continues to be used to validate AKA's own rating systems as part of an accuracy analysis.

Structure of medium- and long-term credit risk (net) by sector in EUR million



The data obtained with the help of the internal model are also regularly reconciled with the regulatory CSA parameters applied to AKA. The capital adequacy value calculated according to the CSA continues to be the basis for risk management.

Credit decision process and allocation of authority within the framework of limit control: In terms of the separation of functions according to MaRisk, every credit decision requires two affirmative votes from the departments EAF, SFS (together called New Business) and CRM. AKA does not distinguish between risk-relevant and non-risk-relevant loan business in accordance with MaRisk BTO 1.1 point 4. The New Business and CRM departments together have a net authority (i. e. after taking into account equity-relieving collateral) of EUR 1 million per borrower unit / group of connected clients. Separate authorities exist for the FI desk. If a credit transaction is voted negative by Credit Risk Management within the scope of its own authority, the credit application can be submitted to the Management for a final decision within the scope of escalation at the request of the New Business. For loans with a certain net risk, the Department Heads EAF or SFS and the member of the Management responsible for the market side prepare the initial votes. CRM and the Management (Risk Management side) form the independent second vote. If the vote is tied (2:2), then the loan is rejected. Regardingrisk issues, Risk Management cannot be overruled.

Exceedances of the approved counterparty, sector or country limits can be approved by the authorised persons for certain periods of time for the purpose of limit control.

If necessary in the context of business development, the Management can request that the Supervisory Board approves the establishment of appropriate special limits based on demand and according to the overall credit profile.

Risk limit / monitoring: The main objective of credit risk management at AKA is to maintain a risk-adequate NPL ratio (non-performing loans) for AKA, to protect the bank's Equity and to continue ensuring the risk taking capacity of AKA. Measures to achieve these goals are essentially:

- early identification of negative developments,
- effective and efficient management of intensive and problem exposures,
- support and grant appropriate forbearance measures
- and appropriate sales or recovery measures.

The early recognition of increased risks is carried out using defined, primarily qualitative and quantitative early warning indicators. Exposures which might become conspicuous due to negative qualitative developments and changes in the borrower's economic circumstances or in the country of residence or the borrower's environment, are recorded by the bank in a pre-watch list.

If there is a concrete need for action (given possibilities for action) resulting from (imminent) financial difficulties, the respective exposure is transferred to Intensive Care. This means that the loan is classified as an intensive loan.

After a detailed analysis of the framework conditions and in particular the debt service capacity of the intensive loans and the problem loan exposures (i. e. non-performing loans), one of the following strategic options (or a combination of different options) is selected in close consultation with the accompanying bank or the respective bank syndicate:

- Holding the unchanged risk position
- Active reduction (sale, value adjustment)
- Liquidation (realisation of collateral, insolvency or other legal proceedings, out-of-court settlement, write-off)
- Restructuring / Initiation of forbearance measures

If forbearance measures are taken, then it is mandatory to classify the loan as an intensive loan or, if applicable, as a problem loan.

During the corona pandemic, on-going since 2020, temporary financial bottlenecks or difficulties arise in various credit exposures, which AKA counters with suitable measures (including deferrals, suspension of the testing of financial covenants) after a thorough risk analysis. Credit exposures impacted by the corona crisis are monitored and reported using the Covid-19 watchlist. In contrast to credit exposures on the regular watchlist, the exposures on the Covid- 19 watchlist were not in payment difficulties before the outbreak of the corona crisis and are not expected to experience payment difficulties in the long term. Should temporary liquidity bottlenecks turn into sustained financial difficulties in individual cases, these will be transferred to the regular watch list.

3.3 Market price risks

The market price risks to be taken into account at AKA result solely from the fact that the refinancing of the loan business does not match the maturities of the loan business or from the fact that too few instruments are held in the liquidity reserve. As so called sub-risks of market price risks, AKA considers interest rate risks in the banking book (IRRBB), foreign exchange risks (FX-risks) from loans and refinancing issued in foreign currencies as well as credit spread risks for securities. However, they are not material, as AKA only acquires securities as part of holding the liquidity reserve and liquidity management and only holds securities with a first-class credit rating (in particular HQLA as defined by CRR).

3.3.1 Foreign currency risks:

Foreign currency risks (FX-risks) arise from a discrepancy in the amounts of receivables and liabilities in a currency that differs from the balance sheet currency (EUR). A change in the exchange rate thus has an effect on the result.

AKA strives to avoid currency risks. For this purpose, receivables from the loan business that are not denominated in EUR are generally refinanced through conforming refinancing in the respective currency. If refinancing in the currency is not possible, a hedging transaction (cross-currency swap, forward exchange transaction) must be carried out.

Within the framework of the CRR, the foreign currency risks are calculated monthly by comparing the valued receivables with the liabilities converted into EUR for each currency. The sum of all foreign currencies (in absolute amounts) is to be backed by own funds in the amount of the currently valid own funds requirements and is used as a measure for the foreign currency risk of AKA in the normative perspective of risk taking capacity.

The economic determination of the foreign currency risk is carried out by means of a VaR model. The result from the model is determined by means of historical simulation as an empirical 99.9 % quantile with a holding period of one year.

3.3.2 Interest rate risks

Interest rate risk in the banking book (IRRBB) is defined as the existing or future risk to an institution's earnings and economic value arising from adverse movements in interest rates affecting interest rate sensitive instruments.

The interest rate risk is determined by means of an economic calculation using a value-at-risk model. The result of the model is an empirical 99.9 % quantile with a holding period of one day, which is scaled up to one year using the root formula.

Changes in the present value of the interest rate risk in the banking book are to be determined on the basis of the procedure specified by BaFin in accordance with the currently valid circular.

In order to meet the requirements of MaRisk, the effect of an interest rate shock on interest income / interest expenses is examined and the effect is determined for the next twelve months.

Risk type	**Risk indicator**	31.12.2021 in EUR million	31.12.2020 in EUR million
Foreign exchange risk	Capital adequacy according to CRR	0.9	1.1
	VaR-Model	4.9	6.0
Interest rate risk in the banking book (IRRBB)	VaR-Model	14.6	12.1
	Parallel shift +200bps	-7.1	-3.7
	Parallel shift -200bps	3.8	1.1
	Parallel shift upwards	-7.1	-3.7
	Parallel shift downwards	3.8	1.1
	Steepening	-5.8	-2.8
	Flattening	3.2	1.1
	Short-term shock upwards	0.7	-0.2
	Short-term shock k downwards	-0.1	0.4

3.4 Liquidity risks

Liquidity risk at AKA includes insolvency risk and liquidity maturity transformation risk.

The insolvency risk represents the risk that the borrower will not be able to meet its current or future payment obligations at all, in full or on time. It comprises the risk that refinancing funds are not raised or are raised only at increased market rates (refinancing risk) or that assets can only be liquidated at a discount (market liquidity risk).

Liquidity maturity transformation risk represents the risk that a loss may be incurred due to a change in the AKA's own refinancing curve (spread risk) resulting from the liquidity maturity transformation within a specified period at a given confidence level.

Strategic liquidity management deals with the determination, planning and management of the refinancing needs of AKA (structural liquidity) and maturity transformations entered into. The observation horizon is in the range of more than one year.

Forward liquidity exposures based on reporting dates and forecasts are prepared for analysis.

Liquidity risk measurement in terms of insolvency risk is carried out on the basis of forward liquidity exposures. These show, broken down by maturity bands, the cash flows from the loan business and the borrowings required to finance them. Scenario analyses include different assumptions regarding the development of cash flows.

Borrowings to refinance loans granted by AKA should be made with different counterparties if possible, taking into account economic efficiency.

While operational liquidity risks can be minimised through precautionary measures (maintaining a liquidity reserve), the liquidity risk arising from maturity transformation must be quantified, monitored and taken into account as part of the risk taking capacity.

The quantifiable expression of the liquidity maturity transformation risk is the spread risk. There is a risk that, in the case of loans that are not fully funded, an additional refinancing expense may be incurred due to the fact that, at the time follow up financing is required, the refinancing curve of AKA has shifted (upwards) and thus higher premiums have to be priced in.

A VaR model is used to quantify the liquidity risk. The AKA-own spreads are determined on the basis of the historical money market transactions. The spreads are multiplied by the identified funding gaps for the coming twelve months from the liquidity maturity statement. The results represent a value-at-risk with a confidence level of 99.9 %.

As liquidity ratios, the LCR (Liquidity Coverage Ratio) and the NSFR (Net Stable Funding Ratio) are also calculated.

Risk type	Risk indicator	2021 in EUR million or %	2020 in EUR million or %
Liquidity risks	VaR-Model	5.8	5.1
	Liquidity reserve	170	236
	LCR	251	208
	NSFR	109	99

Due to its particular shareholder structure (AKA's shareholders comprise 17 banks), AKA is in a position to ensure the successful refinancing of its loan business through its shareholder banks even in difficult market phases. An important source of financing is loans granted by shareholders and non-shareholders. In addition, the shareholder banks also provide funds for short-term refinancing in the form of money market lines. To diversify its refinancing portfolio, AKA also uses refinancing funds from customers from the public and private segment. These come in the form of time deposits and promissory note loans. With individual customers, there are unconfirmed lines for the regular trading of time deposits.

AKA's refinancing structure is thus based on several pillars, which were utilized to the following extent:

Refinancing	Source	2021 in EUR million or %	2020 in EUR million or %
Refinancing	Shareholders	510	555
	Non-shareholders	1,331	965
	Publicly accessible funds	1,504	1,470
	Complete refinancing	3,345	2,990

3.5 Operational risks

AKA generally defines operational risk as the risk of loss resulting from the inadequacy or failure of internal processes, people and systems, or from external events or disasters. This definition includes legal risks, technology risks and reputational risks, but does not include strategic risks or business risks. The following risks in particular are also managed, controlled and monitored as part of the management of operational risks:

- Compliance risks
- Model risks
- Reputation risks
- IT risks
- Legal risks
- Behavioural risks
- Risks from outsourcing

AKA examines all operational risks in detail within the framework of an annually conducted RCSAs (Risk and Control Self- Assessments) for operational risks.

Compliance risks as a sub-risk of operational risk

Compliance risks are risks that result from non-compliance with statutory regulations. AKA factors in and monitors compliance with pertinent statutory, regulatory and internal regulations as well as customary market codes of conduct (compliance) as part of its global business activity.

Model risks as a sub-risk of operational risk

Model risks can lead to the risk models used in the bank delivering incorrect or inaccurate results, which are then used for business policy decisions. Here, asset losses can occur for the bank. In order to minimise model risks, these are regularly considered within the framework of model validation.

Reputational risk as a sub-risk of operational risk

Reputation risks can lead to the bank suffering a loss of the trust placed in it, not only in regard to the bank's shareholder but the general public as well. Reputational risks mostly result from existing or already known risks and can intensify these by making them public. Against this background, all measures and activities by the bank in regard to its external appearance, but also in regard to the business partners and shareholder banks involved, are carefully assessed and adopted.

IT risks as a sub-risk of operational risk

IT risks are part of operational risk. They are examined in terms of the need for operational adjustment and their materiality for business operations based on the business strategy and current developments of AKA's business operations in the form of regular and, if necessary, event-related risk assessments.

Legal risks as a sub-risk of operational risk

The legal risk is also subsumed under operational risks. It comprises the following elements: consultancy risks, risks from court proceedings or from unlawful, invalid or unenforceable loan and / or security agreements, liability risks arising from non-compliance with foreign or international legal provisions and risks relating to supervisory law. In the narrower sense, the legal department also examines, as far as possible, the extent to which the bank would expose itself to contractual obligations that could not in fact be fulfilled within the framework of lawful contracts.

Behavioural risk as a sub-risk of operational risk

Behavioural risks can be divided into error risks, negligence risks and criminal risks. An error occurs when damage is caused to AKA – in compliance with internal guidelines and external laws. The risk of error is therefore due to human error and includes, above all, input errors, spelling mistakes and mix-ups. Negligence occurs when an employee does not gain a personal advantage from a harmful act, but has violated internal guidelines and external laws. Criminal risks mainly include fraud, embezzlement or sabotage.

Risks from outsourcing as a sub-risk of operational risk

At AKA, outsourcing risks are examined by means of a risk analysis before the decision to outsource is made.

The methodology used to calculate the capital requirements in the normative perspective for operational risks is the **Basic Indicator Approach (BIA) in accordance with CRR.** In the BIA, an amount of own funds is to be held for operational risks, the amount of which corresponds to the three-year average of the gross earnings achieved, multiplied by a specified percentage. Years with negative gross income are not taken into account.

From an economic perspective, AKA quantifies operational risks using scenario analyses (key risk drivers + low frequency / high impact scenarios from the RCSA), the results of which are aggregated into a value-at-risk. So-called Bayesian networks are used as a model.

Risik type	Risk indicator	2021 in EUR million	2020 in EUR million
Operational Risk	Capital adequacy according to CRR	7.8	7.1
	VaR-Model	7.3	5.7

3.6 Risk reporting

To a large extent, the on-going business success of AKA depends on its ability to consciously take and manage risks. This requires transparency in all activities that lead to the assumption of risks and thus an effective risk reporting system.

Internal reporting includes risk-specific communication to meet the information needs within AKA. External reporting focuses on the fulfilment of regulatory requirements and activities to protect the interests of the shareholder banks.

In addition to the general information on the risk profile of AKA, further analyses are carried out, covering aspects such as corrective measures taken or planned, interrelationships of different types of risks and the risks of the various departments, trends in risk activities, risk concentration, violations of corporate principles and ineffectiveness of operational control.

Corresponding precautions have been implemented at AKA.

External risk reporting is carried out vis-à-vis the Supervisory Board, the supervisory authorities and, as part of the membership in the Deposit Protection Fund of the private banking industry, vis-à-vis the Auditing Association of German Banks and GBB-Rating.

All risks relevant to business operations are reported in the regularly prepared risk report. The aim of the reporting is to comprehensively present the developments requiring consideration in risk or business controlling in the interest of achieving the bank's targets.

In accordance with MaRisk, the report serves as a continuous control and monitoring instrument at portfolio level, with a special focus on the significant risks relevant to AKA, in particular credit default risks, market price risks, refinancing and liquidity risks as well as operational risks as a basis for identifying and avoiding risk concentrations. The aim is to maintain an acceptable risk quality and risk diversification at all times, taking into account the risk taking capacity of AKA.

The report itself is divided into the thematic areas:

1. New business development
2. Earnings
3. Loan portfolio
   - Portfolio structure
   - Concentrations
   - Watchlist
   - Risk provisioning
4. Liquidity Management
   - Current liquidity situation
   - Centre shots
   - Concentrations
   - Liquidity reserve and key figures
5. Risk Management
   - Risk taking capacity (normative and economic)
   - Definition and evaluation of stress tests
   - Details on the main types of risk
6. Non-financial risk
7. Appendices
   - Country limits
   - ECA limits
   - Key Figures
   - Findings of external auditors
   - Risk provisioning development
   - Recovery plan indicators

The risk report begins with a summary of the key findings and recommendations in the form of a cockpit. These statements are supported by a traffic light system.

Ad hoc, the Management is informed promptly about significant changes in risk that occur at short notice, for example payment disruptions, violations of large loan limits, limit overruns or impending liquidity bottlenecks.

In the cases mentioned above, the Management first informs the chairman of the Supervisory Board ad hoc in electronic form (for example by telephone or e-mail) in accordance with the procedure agreed with the Supervisory Board. Together with the chairman, the following is put to a vote afterwards: the further procedure, informing the Risk Committee and the Supervisory Board.

3.7 Internal Capital Adequacy Assessment Process (ICAAP)

Ensuring adequate capitalisation

In the normative perspective, the data from the regulatory reporting system is taken from the COREP reporting forms. The regulatory own funds including supplementary capital serve as risk coverage potential. According to CRR, AKA considers the following risk types in the normative perspective:

- Credit default risks (KSA-approach)
- Foreign exchange risk (approach to overall currency position)
- Operational risk (BIA approach)

The risk positions determined in the reporting system in the form of risk-weighted assets are multiplied by the regulatory capital requirements.

The values determined for the normative perspective of risk taking capacity are presented in the monthly report or in the risk report. The calculated capital ratios are also presented and compliance with the regulatory minimum ratios is checked.

The AKA uses a pillar-1-plus approach in its economic perspective. This means that the bank determines the risk coverage potential on the basis of the Equity shown in the balance sheet. This item is adjusted for hidden reserves or encumbrances, if any exist. The following positions are taken into account as additional risk coverage potential:

- Operating result achieved as at the reporting date
- Changes in risk provisioning in the current financial year
- Planned dividend distribution in the next twelve months

The book value of shares in affiliated companies is additionally used as a deduction item.

In determining the risks, the following significant risks are taken into account, based on the risk inventory:

Risk type	Procedure
Credit default risks	Credit Risk Standard Approach (CRSA) from Pillar 1
Foreign currency risk	VaR model based on a historical simulation according to on balance sheet FX overhangs
Operational risk	VaR model according to scenarios using of Bayesian networks
Risk of changes in interest rates	VaR model based on a historical simulation in accordance according to overhangs from interest maturity balances
Liquidity risks in terms of refinancing spread risks	VaR model based on historical spreads and funding gaps from the liquidity maturity statement

For all VaR models, the AKA uses an empirical quantile of 0.1 %. This corresponds to a confidence level of 99.9 %. Furthermore, an observation horizon of twelve months is assumed.

The results of the economic perspective are presented in the monthly report or risk report.

Capital planning is carried out as part of the annually updated multi-year business planning of AKA, taking into account the requirements of the business and risk strategy. The Finance department, Team Financial Reporting & Controlling (FR & CO), is responsible for this, in cooperation with the Management and the departments involved in the planning process.

In the baseline scenario, the risk positions and capital requirements are updated on the basis of the multi-year business planning and the corresponding compliance with the minimum capital ratios and other regulatory ratios are checked. In the adverse scenario, an economic downturn is assumed and examines the effects on risk positions and own funds analogous to MaRisk AT 4.3.3. Tz. 2. Effects from the economic perspective are taken into account and integrated when determining the risk positions and own funds.

The final capital planning is submitted to the Management for approval and is discussed and approved within the framework of the Risk Committee and the Supervisory Board.

Perspective	Risk indicator	31.12.2021 in EUR million or in %	31.12.2020 in EUR million or in %
Normative perspective*	Risk-weighted assets	1,741.3	1,572.8
	Core capital	272.1	251.2
	Supplementary capital	0.0	16.1
	Own funds	272.1	267.3
	Common equity tier 1 ratio	15.6	16.0
	Core capital ratio	15.6	16.0
	Total capital ratio	15.6	17.0
Economic perspective	Risk coverage amount	281.1	283.9
	Risk positions	162.3	145.5
	Utilization of risk coverage fund	57.7	51.3

* Values before determination of the annual financial statement

3.8 Internal Liquidity Adequacy Assessment Process (ILAAP)

Ensuring adequate liquidity resources
In the ILAAP, the AKA takes into account all regulatory and supervisory requirements in the normative perspective as well as the internal requirements based on them. These are, in particular, compliance with the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). The calculation of both ratios is based on the regulatory requirements.

Furthermore, AKA maintains a permanent liquidity reserve in the form of central bank balances and highly liquid assets. The

AKA identifies and quantifies liquidity risks analogous to the descriptions of liquidity risk.

AKA manages, monitors and reports on compliance with the requirements for operational liquidity using the instruments listed for liquidity risks. These include the structuring of risk management, liquidity stress tests / scenarios, stipulated limits as well as regulations for a possible liquidity emergency. In addition, refinancing planning is carried out as part of the multi-year business and capital planning, which covers aspects of operational and strategic liquidity management. Compliance with regulatory liquidity requirements is also verified.

Basically, AKA distinguishes between operational and strategic liquidity. As the bank does not engage in deposit-taking business, AKA always refinances its lending activities via the term money and capital markets as well as various other AKA-specific refinancing sources. The specific refinancing structure of AKA is part of the refinancing strategy.

With regard to the potential impact of the military conflict in Ukraine on the net assets, financial position and results of operations as well as on capital and liquidity, please refer to the corresponding passage in the forecast report.

Operational liquidity serves to ensure solvency at all times and covers a period of up to one year at AKA. This operational, short-term or tactical liquidity is ensured in particular by money trading lines and the maintenance of a liquidity reserve. In addition, the LCR is adhered to and monitored at all times.

The long-term or strategic or structural liquidity serves to ensure the sustainable refinancing of AKA and compliance with regulatory requirements. Due to the specific structure of AKA activities, which are highly collateralised by state institutions, AKA has access to various refinancing channels, including public ones. AKA strives for long-term refinancing in line with maturities and monitors this through various key figures.

Based on the refinancing strategy and the multi-year business planning, AKA determines the expected refinancing requirements annually for a multi-year period, similar to the business planning.

In the process, AKA forecasts a liquidity profile to be covered on the basis of existing business and planned activities and compares possible refinancing channels. In its planning, AKA takes into account both the perspective compliance with normative parameters and scenarios that may have an impact on its liquidity position.

The assessment of the feasibility of refinancing must be taken into account in the business planning. This also includes any adjustment of the business planning that may be required.

Influencing parameters

The economic impact of the war between Russia and Ukraine since February 2022 cannot yet be estimated. However, the impact is likely to vary depending on the region and the financial and economic interdependence with Russia. AKA is monitoring further developments very closely. Against this backdrop, the ECB assured that it would first conduct a comprehensive analysis of the economic outlook, taking into account recent developments. A smooth liquidity supply is ensured. The ECB stands ready to take all necessary measures in order to fulfil its obligation to ensure price and financial stability in the eurozone.[1]

Particular attention is paid to the sanctions adopted. The two main channels through which the eurozone economy is influenced are energy prices and confidence or uncertainty.[2]

The comments on the economic outlook for 2022 therefore still largely refer to the initial situation before the military escalation of the Russia-Ukraine conflict. According to the World Bank forecasts of January 2022, the global economy 2022 is expected to grow at a more moderate pace than in the previous year, at 4.1 %. The corona pandemic and disruptions in global supply chains will remain important influencing factors for the time being. Strategy adjustments in favour of improved supply chains and production processes should be expected in the course of the year. In addition, topics such as digitisation, electro mobility, energy supply and general climate and sustainability aspects are likely to be relevant. Growth will be flanked by accommodative monetary policy, even if the impulse weakens and the first interest rate steps move onto the agenda, which are expected for the US and have already taken place in larger emerging markets. The same applies to fiscal policy: Although emergency support measures are being scaled back in many cases, overall fiscal policy remains expansive within the framework of the respective possibilities and necessities. In the US, the implementation of parts of the planned "American Jobs Plans" has become likely. In Europe, disbursements from the Next Generation EU fund are expected. Accordingly, economic growth of 3.8 % is expected for the industrialised countries, and somewhat higher 4.6 % for the emerging and developing countries.[3]

After strong world trade growth in the previous year, influenced by pandemic-related catch-up effects, the World Trade Organisation (WTO) expects 2022 to shift to a more moderate expansion rate of 4.7 %. Supply-side issues such as semiconductor shortages and port backlogs may affect supply chains in certain segments, but should not have an excessive impact on overall global trade volumes.[4] The Asia-Pacific Free Trade Agreement RECP (Regional Comprehensive Economic Partnership), which entered into force at the beginning of 2022, creating the largest free trade bloc in the world, is expected to provide impulses for the future.[5]

According to the European Commission's assessment in its autumn report 2021, the eurozone economy is expected to grow by 4.3 % in 2022. If the pandemic situation allows for increased activity in the service sector again in the course of the year and disruptions in the supply chains increasingly dissolve, a continuation of the economic recovery can be expected. New orders and accumulated order backlogs are high in the industry. Financing conditions for investments remain favourable. In the times of the pandemic, high surplus savings were inevitably generated, and normalisation should promote consumption in this respect. In addition, the payments from the Next Generation EU fund help the southern European countries in particular to stimulate their own economies to a greater extent than it would have been possible from their own financial resources.[6] According to initial statements from the ECB on the consequences of the Ukraine war, the gross domestic product in the Eurozone may be between 0–1 % lower, depending on the scenario.[7]

Due to the great importance of the automotive industry, the economic situation in Germany is initially still comparatively strongly affected by supply chain bottlenecks. When the backlog is cleared, a strong growth impulse can be expected in view of high order backlogs. The upswing is being driven by consumption and rising investment in equipment. The challenges include structural change in the automotive industry, digitisation and climate protection measures. According to the forecast of the German Council of Economic Experts, the real gross domestic product 2022 should grow by 4.6 %.[8] The outlook for German foreign trade remains positive due to the high order backlog, so that export growth of 7 %, which is above the long-term average of 4.5 %, is possible.[9] With a share of 2.3 % of Germany's total foreign trade, Russia was one of Germany's 15 most important trading partners 2021. Exports were mainly machinery, vehicles and chemical products, so the direct consequences of the sanctions are likely to be felt sector-specifically at first.[10]

For emerging and developing countries, moderate growth is also expected for 2022, influenced by pandemic management and vaccination progress. In most regions, economic performance will not yet reach pre-pandemic levels. In China, growth momentum is likely to be below the 6 % mark in the future, given tighter credit measures, with the country increasingly focusing on "common prosperity" and the promotion of technological innovation capacity and self-reliance, such as artificial intelligence or aerospace technology.[11] In Asia, India is expected to post the highest growth rate for the second consecutive year at 8.7 % for 2022. Southeast Asian countries are forecasted to continue on their previous growth path. High inflation is likely to have a negative impact in many countries in Latin America and Eastern Europe. In the larger emerging markets, central banks have already raised their key interest rates. More moderate economic expansion is expected for Brazil, Mexico and Turkey after above-average growth rates in the previous year. In contrast, Africa, the Middle East and Central Asia should expand at a similarly moderate level as in the previous year, with the highest growth forecast for Uzbekistan and Egypt.[12] The Russian economy is expected to experience a significant recession as a result of the Western sanctions.[13] The economic losses for Ukraine will be enormous. The impact on neighbouring Eastern European countries depends on the degree of their economic and financial interdependence.

In addition to looking at the economic situation, it is important for the business focus of AKA to assess the risks arising from various international influencing factors. The extent of the economic impact of the current military conflict on Russia, neighbouring countries, Germany and the world as a whole cannot yet be estimated. Besides the different economic losses in the current year, the geopolitical shifts are also likely to mean medium-term changes. In addition, there is the possibility of a longer-than-expected pandemic due to new virus variants, such as the omicron variant. Production and supply bottlenecks could also last longer and create price pressure for raw materials. This, in turn, would present central banks with difficult trade-offs, as tighter monetary policy would dampen economic growth. A stronger withdrawal of loose monetary policy, especially in the US, also poses the risk of global portfolio shifts and rising capital flows out of emerging markets. This can lead to currency devaluation and inflationary pressures, interest rate hikes and foreign currency loan payment problems in the affected countries. Uncertainty remains about how the solvency of crisis-ridden economic entities will develop when support measures or debt moratoria end.[14] Additional risks may arise from international political developments. Political uncertainty resulting from various issues, climate change, natural disasters, further geopolitical tensions and social upheavals, can also hamper growth expectations.[15]

In return, a quick solution to the military Russia-Ukraine conflict would create positive impulses. Growth would be favoured by efficient, reliable containment of the Covid-19 pandemic and faster vaccine production available to lower-income countries.[16] A larger expansion of commodity production volumes can dampen the current high prices in the long term. This could effectively weaken inflation, allow central banks to continue loose monetary policy and thus lead to stronger economic growth than forecast.[17] Productivity gains from transformation progress, partly accelerated by pandemic measures or reconstruction funds, can have a positive impact in the medium term. Further positive impulses would come from the strengthening of the international community, trade policy relaxation, stronger growth in China and the defusing of further geopolitical conflicts.[18]

Opportunities
The term "opportunities" is defined as the prospect of a possible future development or the occurrence of events that may lead to a positive deviation from the forecast or target for the company. In this respect, opportunities are to be understood as the opposite of risks. AKA sees opportunities in the following areas.

AKA was able to increase its market reach in the reporting year 2021, as the opening of the potential group of shareholders to non-banks and non-German institutions enabled AKA to gain both ING-DiBa AG and Deutsche Sparkassen Leasing AG & Co. KG in previous years as two strategically important shareholders. In addition, business with partners on the business and refinancing side was further expanded beyond the circle of shareholders. On this basis, there is also room in the future to intensify existing business connections and to further expand the network of partners.

As early as 2019, the digitisation of the credit application route via the bank's own online portal SmaTiX (Small Ticket Express) for small ticket ECA-covered buyer credits began and was further expanded 2021. In addition to connecting the digital platform to the sales channels of shareholder banks, direct access for exporters is offered, which provides additional growth opportunities.

Further opportunities arise for AKA from the transition of industries and companies towards a sustainable economy and CO2 neutrality. Financing climate-friendly exports and investments for a sustainable transformation will become increasingly important.

Development forecast
In summary, the volume of new business for 2022 is expected to amount to around EUR 1.9 billion, across all product groups.

AKA measures a key performance indicator (KPI) that relates to the quality of AKA's loan business. Thus, the share of the counterparty rating in the rating grades "greater than 74", in relation to the total loan portfolio of AKA, should be a maximum of 6.3 %. The calculation of the KPI was adjusted compared to the previous year and determined by the Remuneration Control Committee of the Supervisory Board. The total loan portfolio (net view) is defined as all performing loans (previously all loan exposures including NPL). The limit for the rating grades was increased from 70 to 74 and now corresponds to the 10 rating scale (equivalent to RK 70), which ranges from 10 to 100, in line with other presentations of the credit portfolio in risk management. The adjusted KPI serves to improve the internal management of asset quality and harmonises the presentation of the credit portfolio. The target value for 2022 was derived from the existing loan portfolio and the expected developments during 2022.

For the financial KPIs, the development is forecasted as follows: Net income from loan business of around EUR 58.1 million. Compared to the previous year, this means a planned increase of 4 %. On the cost side, an investment and innovation budget is included in the planning for 2022 as already done for 2021 before. Taking into account this separate expense, AKA expects a Cost Income Ratio of approximately 52.2 %, an increase of 1.9 percentage points compared to 2021, and a Return on Equity before tax of 9.6 % compared to 8.5 % in the previous financial year.

The impact of the on-going corona pandemic, also 2022 on the forecast KPIs, as well as at the macroeconomic level, cannot yet be estimated for the AKA. A negative deviation of the planned figures can therefore not be ruled out.

The military conflict in Ukraine, which began in February 2022, will have a noticeable impact on the financial, earnings, asset, risk and liquidity situation of AKA, according to the forecasts made at the time the annual financial statements were prepared. The basis of the analyses regarding the effects is the existing loan portfolio vis-à-vis borrowers in the involved countries Russia, Belarus and Ukraine. At the time of the annual financial statements' preparation, there is a gross exposure of approximately EUR 548 million, most of which is owed to Russian borrowers. After deducting the existing ECA collateral, which has a risk-reducing effect, a net exposure of around EUR 117 million remains. Borrowers are spread across diverse industries, with a focus on energy supply and mining. If the loan portfolio is broken down by currency, the focus is on the EUR range, with a smaller share in USD. The majority of the existing loan portfolio has a remaining term in the medium to long-term range (>1 year).

Based on this loan portfolio and the sanctions imposed to date, AKA has developed several scenarios that have varying degrees of severity. The scenarios range from a partial SWIFT exclusion of involved banks to a complete default of the loan portfolio with Russian borrowers. Corresponding effects on liquidity, the earnings situation, capitalisation and the KPIs are considered.

Possible foreseeable consequences for AKA are a burden on the NSFR, increased risk provisions in the form of PWB and EWB as well as possible losses that reduce the own funds of AKA.

With regard to the effects on AKA's liquidity, a distinction must be made according to the severity of the scenarios. These range from a stable liquidity situation and an unimpaired NSFR to a lowering of the NSFR by approx. 4 % and a liquidity burden 2022 of around EUR 52 million in the worst case. Even in this worst case, AKA does not consider the fulfilment of liquidity requirements to be at risk.

The results of the individual scenarios show negative effects on the bank's KPIs. For example, the scenarios show that the net income from the loan business will be reduced due to an assumed restriction of new business. Contrary to the approved plan for 2022, which has a value of EUR 58.1 million, the values in the scenarios range from around EUR 51.4 million to EUR 56.8 million. The scenarios considered show an impact on the Cost Income Ratio of AKA. This was planned at 52.2 % and shows up in the scenarios at a level between 53.4 % and 60.8 %, due to reduced net income and increased administrative costs. After deducting an increased risk provision in the form of PWB and / or EWB, the planned annual surpluses are reduced and lower the planned RoE of 9.6 % to a level between 2.1 % and the planned value. With regard to the KPI "Share of net risk < RK 74", negative effects are forecasted due to expected rating downgrades of involved borrowers. If one also looks at the capital dimension in the scenarios, it can be seen that due to increased risk weighted assets and a reduction in own funds, the total capital ratio falls to a level of 13.6 % to 15.3 %, with a planned value of 15.2 %. The results show that AKA meets the supervisory requirements even in the worst case and remains risk-bearing.

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2 Cf. Siedenbiedel, Christian. Doubts about the pace of the interest rate turnaround. Frankfurter Allgemeine Zeitung, 25.2.2022. Short reference: Siedenbiedel 2022. URL: https://www.faz.net / aktuell / finanzen / ukraine-konflikt-zweifel-am-tempo-der-zinswende-durch-eskalation-17834593.html (Published: 1.3.2022).
3 Cf. The World Bank: Global Economic Prospects, January 2022. Washington, DC. URL: https://www.worldbank.org / en / publication / global-economic-prospects. Short reference: World Bank 2022. (Published: 16.2.2022).
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5 Cf. United Nations Conference on Trade and Development (UNCTAD). Asia-Pacific partnership creates new 'centre of gravity' for global trade. 15.12.2021.
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7 Cf. Siedenbiedel 2022.
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9 Cf. DIHK. German companies abroad defy flattening global economy. https://www.dihk.de / de / aktuelles-und-presse / aktuelle-informationen / deutsche-unternehmen-im-ausland-trotzen-abflachender-weltkonjunktur--60730. (Published: 16.2.2022).
10 Cf. Federal Statistical Office. Facts about foreign trade with Russia. Press release: N 010, dated 24.2.2022.
11 Cf. FERI Forecast Update – December 2021: Situation and prospects of the world economy.
12 Cf. World Bank 2022.
13 Cf. Frankfurter Allgemeine Zeitung: Kremlin admits new "economic reality", 28.2.2022.
14 Cf. ifo Institute. Ifo Economic Forecast Winter 2021. Munich. URL: https://www.ifo.de / en / node/67010. Short reference: ifo 2021. (Published: 16.2.2022).
15 Cf. International Monetary Fund (IMF). World Economic Outlook: Recovery during a Pandemic – Health Concerns, Supply Disruptions, Price Pressures. Washington, DC, October 2021. URL: https://www.imf.org / en / Publications / WEO / Issues/ 2021/10/12/world-economic-outlook-october-2021. Short reference: IMF 2021. (Published: 16.2.2022).
16 Cf. IMF 2021 and World Bank 2022.
17 Cf. ifo 2021.
18 Cf. IMF 2021 and World Bank 2022.

Balance sheet as at 31 December 2021

Assets	EUR	31.12.21 EUR	31.12.20 EUR thousand
1. Cash reserve			
a) Cash on hand	1,891.23		4
b) Cash held at central banks	70,547,516.04	70,549,407.27	154,655
including: at Deutsche Bundesbank EUR 70,547,516.04 (2020: EUR 154,655 thousand)			
2. Loans and advances to banks			
a) On demand	60,176,327.39		20,371
b) Other receivables	499,581,019.94	559,757,347.33	500,378
3. Loan and advances to customers		2,939,413,267.01	2,580,862
4. Debenture bonds and other fixed income securities			
a) Money market instruments			
aa) from public issuers	10,014,197.41		0
including: eligible as collateral at Deutsche Bundesbank EUR 10,014,197.41			
ab) from other issuers	30,008,567.06		
including: eligible as collateral at Deutsche Bundesbank EUR 0.00			
b) Loans and debentures bonds			
ba) from public issuers	17,661,789.52		
including: eligible as collateral at Deutsche Bundesbank EUR 0.00 (2020: EUR 0 thousand)			
bb) from other issuers	75,387,861.49	133,072,415.48	104,547
including: eligible as collateral at Deutsche Bundesbank EUR 35,178,475.34 (2020: EUR 12,298 thousand)			
5. Shares in affiliated companies		8,335,978.11	8,387
6. Trust funds		283,957,748.11	342,505
including: Trust asset loans EUR 283,957,748.11 (2020: EUR 342,505 thousand)			
7. Intangible assets		953,267.69	849
8. Fixed assets		1,047,143.08	1,052
9. Other assets		1,885,971.08	4,914
10. Accrued and deferred items		1,823,301.61	438
11. Asset difference from asset offsetting		932,759.23	1,548
Total assets		**4,001,728,606.00**	**3,720,510**

Liabilities			31.12.21	31.12.20
		EUR	EUR	EUR thousand
1. Amounts due to banks				
a) On demand		2,069,359.10		31,690
b) with an agreed term or period of notice		2,637,085,870.47	2,639,155,229.57	2,466,252
2. Amounts due to customers other liabilities				
a) On demand		38,197,984.64		34,212
b) with an agreed term or period of notice		717,813,242.17	756,011,226.81	543,465
3. Trust liabilities including: Trust asset loans EUR 283,957,748.11 (2020: EUR 342,505 thousand)			283,957,748.11	342,505
4. Other liabilities			7,436,631.28	717
5. Accrued and deferred items			5,292,424.79	5,633
6. Provisions				
a) Provisions for pensions and similar obligations		0.00		
a) Tax provisions		626,916.35		1,899
b) Other provisions		19,547,325.94	20,174,242.29	16,472
7. Fund for general banking risks			16,100,000.00	16,100
8. Equity				
a) Subscribed capital		20,500,000.00		20,500
b) Retained earnings other retained earnings				
As at 1.1.2021	232,693,103.15			222,072
Adjustments from the net profit 2020	5,472,000.00	238,165,103.15		10,621
c) Retained earnings brought forward		0.00		0
d) Balance sheet profit		14,936,000.00	273,601,103.15	8,372
Total liabilities			**4,001,728,606.00**	**3,720,510**
Contingent liabilities				
1. Contingent liabilities from guarantees			619,082,469.74	535,017
2. Other commitments Irrevocable loan commitments			869,949,846.51	896,902

Profit and loss account for the period from 1.1.–31.12.2021

Expenses	EUR	EUR	01.01.-31.12.21 EUR	01.01.-31.12.20 EUR thousand
1. Interest expenses			23,597,652.17	31,438
2. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	12,563,639.90			11,762
ab) Social charges and expenses for pensions and for support	4,681,110.70	17,244,750.60		3,771
including: for pensions EUR 2,724,451.59 (2020: EUR 2,027 thousand)				
b) Other administrative expenses		10,839,111.55	28,083,862.15	8,660
3. Depreciation and value adjustments on intangible and tangible assets			524,793.80	524
4. Depreciation and value adjustments on receivables and certain securities plus allocations to provisions in the loan business			6,767,526.23	0
5. Other operating expenses			716,543.45	1,332
6. Taxes on income and revenue			7,031,156.89	10,256
7. Other taxes			14,820.25	20
8. Allocation to the sepcial item for general banking risks			0.00	16,100
9. Net profit			14,936,000.00	8,372
Total expenses			**81,672,354.94**	**92,240**

1. Net profit / loss	14,936,000.00	8,372
2. Adjustments toother revenue reserves	0.00	0
3. Balance sheet profit	**14,936,000.00**	**8,372**

Earnings	EUR	01.01.-31.12.21 EUR	01.01.-31.12.20 EUR thousand
1. Interest income from			
a) Loan and money market transactions	71,374,836.26		75,721
b) Fixed-interest securities	972,180.36	72,347,016.62	1,484
2. Net fee and commission income		8,075,890.25	6,850
3. Earnings from appreciation on receivables and certain securities as well as from the reversal of provisions in the loan business		0	7,731
4. Other operating earnings		1,249,448.07	451
Total earnings		**81,672,354.94**	**92,240**

General explanations

AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung (AKA) has its registered office in Frankfurt / Main. The Company is registered at Frankfurt / Main Local Court under commercial register number HRB 7955.

The annual financial statements of AKA for the financial year from 1 January to 31 December 2021 has been prepared in accordance with the provisions of the German Commercial Code (HGB), the Limited Liability Companies Act and the Ordinance on Accounting for Banks (RechKredV).

Accounting policies and valuation methods

Cash reserves, loans and advances to banks and customers, and other assets are stated at their nominal amount or at acquisition cost. Offset assets according to section 246 paragraph 2 HGB are to be valued at their fair value according to section 253 paragraph 1 sentence 4 HGB. Credit risks were taken into account through the creation of individual value adjustments, country risk provisions and provisions for inherent default risks. To cover general banking risks, there is a reserve in accordance with section 340 g HGB amounting to EUR 16.1 million. The general credit risk was additionally accounted for by a general loan loss provision, including a forward-looking surcharge to account for expected losses from increased latent credit risks. Reversals of impairment losses required under section 253 paragraph 5 HGB were made.

According to the rules for current assets, with the strict lower-of-cost-or-market principle, liquidity reserve securities are shown at the lower of acquisition cost and fair value.

Shares in affiliated companies are to be valued at their acquisition cost, reduced by depreciation, if necessary, in accordance with section 253 paragraph 3 HGB. Intangible assets and property, plant and equipment are capitalised at cost and measured taking into account scheduled depreciation.

Liabilities are recorded at their settlement amount.

The accrued and deferred items include accrued net interest and commission income which were already received at the balance sheet date pursuant to section 250 paragraph 2 HGB but only constitute earnings for a specific time after this day.

The pension obligations are formed according to actuarial principles. The calculation is based on the projected unit credit methodusing biometric data based on the 2018 G mortality tables of Dr Klaus Heubeck. The calculation is based on expected wage and salary increases of 2.0 % per annum and pension growth of 1.8 % per annum. In accordance with section 253 paragraph 2 and 6 HGB, pension obligations with a remaining term of more than one year are discounted at the average market interest rate of the past ten financial years corresponding to their remaining term. The calculated interest rate for the 10-year average amounts to 1.87 %. In comparison, the calculation interest rate for the seven-year average amounts to 1.35 %.

Pursuant to section 253 paragraph 1 sentence 2 HGB, provisions for taxes and other provisions are recognised at the settlement amount according to reasonable commercial assessment. Provisions with a term of more than one year are discounted at the average market interest rate from the past seven fiscal years corresponding to their remaining term.

Currency is converted in accordance with the provisions of section 256a HGB in conjunction with section 340h HGB. Earnings and expenses from currency conversion, taking into account the special coverage, are shown in other comprehensive income. Foreign currency receivables and payables are converted at the reference rate of the European Central Bank as of 31 December 2021. For forward transactions that are included in the special cover, a split of the forward rate was waived for the reporting date valuation for reasons of materiality due to the short remaining term of the transactions.

The cash value method is used for a loss-free evaluation of the banking book. The banking book includes all on and off-balance sheet financial instruments. For hidden charges resulting from the netting of the banking book cash value, taking into account administrative and risk costs, with the banking book value, provisions are to be formed in accordance with section 340a HGB in conjunction with section 249 paragraph 1 sentence 1 alternative 2 HGB.

Valuation units are formed in accordance with § 254 HGB. Underlying transactions to be hedged (loan receivables and / or time deposits on the liabilities side) are transferred to a valuation unit with corresponding hedging transactions (interest rate swaps, interest rate / currency swaps). According to the risk strategy, market price risks are to be hedged. Valuation units can be formed on the basis of micro, macro or portfolio hedges.

Deferred tax assets will not be recognised in exercise of the option set under section 274 paragraph 1 sentence 2 HGB.

Notes to the balance sheet
Assets

Loans and advances to banks: Loans and advances to banks result primarily from the loan business. Other loans and advances are broken down by their residual maturity as follows:

	31.12.2021 EUR thousand	31.12.2020 EUR thousand
Up to three months	66,431	35,626
Between three months and a year	124,400	178,438
Between one and five years	230,856	227,180
More than five years	77,894	59,135
	499,581	**500,379**

Loans and advances to banks contain loans to shareholders in a total amount of EUR 21,813 thousand (2020: EUR 12,901 thousand). There are no receivables with an indefinite maturity.

Loans and advances to customers: Loans and advances to customers have the following residual terms:

	31.12.2021 EUR thousand	31.12.2020 EUR thousand
Up to three months	244,023	187,594
Between three months and a year	347,316	319,263
Between one and five years	1,472,473	1,300,238
More than five years	875,601	773,768
	2,939,413	**2,580,863**

Debenture bonds and other fixed-interest securities: Securities of the liquidity reserve are predominantly comprised of debenture bonds and other fixed-interest securities. There was one credit-related security in the portfolio as at the balance sheet date.

	marketable		listed		not listed	
in EUR thousand	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Debenture bonds and other fixed-interest securities	103,042	104,547	103,042	104,547	30,030	0

This position includes securities amounting to EUR 70,062 thousand (2020: EUR 65,106 thousand), which fall due in the year following the balance sheet date. An amount included in this item in the amount of EUR 9,999 thousand (2020: EUR 9,944 thousand) was issued by a shareholder.

Shares in affiliated companies: AKA holds a 100 % participation in the share capital of Grundstücksverwaltung Kaiserstraße 10 GmbH, Frankfur / Main (GVK GmbH), amounting to EUR 31 thousand. For the fiscal year 2020, the Company generated a net profit of EUR 7 thousand (2019: EUR 132 thousand).
Until 31 December 2020, AKA held 100 percent share (share capital: EUR 51 thousand) of Privatdiskont-Aktiengesellschaft, Frankfurt / Main (PDA). This company, which no longer had any active business, was merged with AKA Ausfuhrkredit-Gesellschaft mbH with retroactive effect to 1 January 2021 in accordance with the merger agreement of 4 April 2021. For fiscal year 2020, PDA posted a net loss of EUR 0.5 thousand (2019: net profit EUR 0.3 thousand).

In accordance with section 290 paragraph 5 HGB, the preparation of consolidated financial statements is waived due to the minor importance of the subsidiary – individually and as a whole – within the meaning of section 296 HGB.

Trust assets Trust assets include trust loans, which were granted by AKA for third parties (banks) as well as receivables from indemnified or rescheduled loans managed on behalf of third parties. These assets are divided up as follows:

	31.12.2021 EUR thousand	31.12.2020 EUR thousand
Loans and advances to credit institutions		
a) Other loans and advances	2,436	2,480
Loans and advances to customers		
a) Payable on demand	325	3
b) Other loans and advances	281,197	340,022
	283,958	**342,505**

Fixed asset schedule: The statement of changes in non-current assets has been prepared in accordance with Article 31(3) of the Introductory Act to the German Commercial Code (EGHGB).

	Shares in affiliated companies	Intangible assets	Tangible assets
Historical acquisition costs			
Status 1.1.2021	8,387	2,706	3,052
Additions	0	447	343
Disposals	51	171	200
Status 31.12.2021	8,336	2,982	3,195
Accumulated depreciation			
Status 1.1.2021	0	1,857	2,000
Additions	0	177	348
Disposals	0	5	200
Status 31.12.2021	0	2,029	2,148
Book value as of 31.12.2021	**8,336**	**953**	**1,047**
Historical acquisition costs			
Status 1.1.2020	8,387	2,276	3,335
Additions	0	431	331
Disposals	0	1	614
Status 31.12.2020	8,387	2,706	3,052
Accumulated depreciation			
Status 1.1.2020	0	1,708	2,234
Additions	0	150	374
Disposals	0	1	608
Status 31.12.2020	0	1,857	2,000
Carrying amounts as of 31.12.2020	**8,387**	**849**	**1,052**

Property, plant and equipment include office furniture and equipment with a book value as of 31 December 2021 of EUR 918 thousand are included.

Other intangible assets: Other assets include receivables against affiliated companies of EUR 223 thousand (2020: EUR 251 thousand), collateral provided for irrevocable payment obligations in the amount of EUR 1,120 thousand (2020: EUR 748 thousand) and receivables from the valuation of currency swaps amounting to EUR 172 thousand (2020: EUR 3,881 thousand).

Active difference resulting from asset offsetting: The item of the active difference resulting from asset offsetting in the amount of EUR 933 thousand (2020: EUR 1,548 thousand) represents the carrying amount of fund assets in excess of the settlement value of pension provisions.

Liabilities

Liabilities to banks: Amounts due to banks with an agreed term or period of notice have the following residual terms:

	31.12.2021 EUR thousand	31.12.2020 EUR thousand
Up to three months	227,066	247,608
Between three months and a year	444,447	389,169
Between one and five years	1,177,198	1,099,046
More than five years	788,375	730,429
	2,637,086	**2,466,252**

Amounts due to banks with an agreed term or period of notice contain amounts due to shareholders in the amount of EUR 468,519 thousand (2020: EUR 509,692 thousand).

Assets in a total amount of TEUR 2,329,522 (2020: TEUR 2,218,657) were transferred as collateral.

Liabilities to customers: Other amounts due to customers with an agreed term or period of notice have the following residual terms:

	31.12.2021 EUR thousand	31.12.2020 EUR thousand
Up to three months	72,545	15,597
Between three months and a year	189,256	128,000
Between one and five years	337,993	320,451
More than five years	118,019	79,417
	717,813	**543,465**

Liabilities to customers include unsecuritized liabilities to shareholders in the amount of EUR 36 thousand (2020: EUR 0 thousand) and liabilities to affiliated companies amounting to EUR 5,153 thousand (2020: EUR 4,365 thousand).

No assets have been transferred as collateral for liabilities to customers.

Trust liabilities: Trust liabilities are broke down as follows:

	31.12.2021 EUR thousand	31.12.2020 EUR thousand
Liabilities to banks		
a) payable on demand	325	3
b) with agreed maturity or period of notice	253,017	312,867
Liabilities to customers		
a) with agreed term or period of notice	30,616	29,635
	283,958	**342,505**

Other liabilities: Other liabilities mainly include liabilities from the valuation of currency swaps amounting to EUR 6,748 thousand (2020: EUR 0 thousand) and from deliveries and services in the amount of EUR 654 thousand (2020: EUR 619 thousand).

Acrrued and deferred items: The accrued and deferred items are composed as follows:

	31.12.2021 EUR thousand	31.12.2020 EUR thousand
Risk premium	4,223	4,245
Processing fee	970	1,273
Others	99	115
	5,292	**5,633**

Pension provisions and similar obligations: The pension provision is offset with fund assets as follows:

	31.12.2021 EUR thousand	31.12.2020 EUR thousand
The settlement amount of pension provisions	29,103	27,304
Cover assets	30,036	28,852
Active difference resulting from asset offsetting	**933**	**1,548**

The settlement amount of the pension provisions was offset within the fromawork of a contractual trust arrangement (CTA) with the cover assets tranferred to AKA Treuhand e. V., Frankfurt / Main. The cover assets consist of cash balances at AKA Ausfuhrkredit- Gesellschaft mit beschränkter Haftung and another credit institution. Allocations to cover assets amounted to EUR 1,181 thousand (2020: EUR 1,604 thousand).
The settlement amount of cover assets in excess of the settlement amount of pension provisions is classified as an active difference resulting from asset offsetting. The fair values of the cover assets correspond to the nominal value and therefore do not exceed it. To this extent, there is no prohibition on distribution.

Due to the change in section 253 paragrapgh 2 and 6 HGB, the difference between the valuation of the pension provision and the ten-year average interest rate and the seven-year average interest rate is indicated on every balance sheet date. This is presented as follows:

	31.12.2021 EUR thousand	31.12.2020 EUR thousand
Pension provision valued at		
Ten-year average interest rate	29,103	27,304
Seven-year average interest rate	31,213	30,006
	-2,110	**-2,702**

Tax provisions: Tax provisions include provisions for current taxes amounting to EUR 627 thousand (2020: EUR 1,899 thousand).

Other provisions: Other provisions comprise provisions for imminent credit risks arising from the loan business in an amount of EUR 14,687 thousand (2020: EUR 12,120 thousand). The change in the portfolio took place, on the one hand, taking into account the discounting of provisions for imminent credit risks from the loan business amounting to EUR 69 thousand (2020: EUR 56 thousand) with the allocation and, on the other hand, in the discounting of these provisions and in the amount of EUR 108 thousand (2020: EUR 50 thousand) on write-back.
Furthermore, personnel provisions in the amount of EUR 3,157 thousand (2020: EUR 2,902 thousand) were formed.

Explanations on the profit and loss statement

Interest expenses: Interest expenses include interest income from negative interest on time deposits from credit institutions, public authorities, investment funds and companies as well as nostro accounts amounting to EUR 1,322 thousand (2020: EUR 686 thousand).

Other operating expenses: Other operating expenses primarily include interest expenses from the discounting of provisions amounting to EUR 649 thousand (2020: EUR 702 thousand).

Taxes on income and revenue: Taxes on income and revenue are only applicable to the normal business activity.

Interest earnings from loan and money market transactions: Interest earnings from loan and money market transactions according to their geographical origin can be broken down as follows:

	2021 EUR thousand	2020 EUR thousand
Africa	10,168	10,024
Asia and Oceania	4,005	5,191
EU	3,849	10,289
Europe outside EU	6,745	1,664
CIS und Russia	11,283	12,746
Southwest Asia	3,167	2,354
Middle East	19,278	19,383
North and Central America	12,115	13,038
South America	765	1,032
	71,375	**75,721**

Earnings from credit and money market transactions in the amount of EUR 595 thousand (2020: EUR 533 thousand) contains interest expenses from negative interest resulting from balances at the Deutsche Bundesbank exceeding the minimum reserve requirement, from balances at other credit institutions and from money market securities of other issuers.

Interest earnings from fixed-interest securities: Interest income from fixed-interest securities is attributable to the following geographic regions:

	2021 EUR thousand	2020 EUR thousand
Asia and Oceania	182	149
EU	662	1,321
North and Central America	128	15
	972	**1,485**

Net fee and commission income: Net fee and commission income results primarily from AKA's trust business as well as risk sub- participations, letter of credit confirmations and purchase agreements with domestic banks. Net fee and commission income can be broken down according to geographic origin as follows:

	2021 TEUR	2020 TEUR
Africa	613	422
Asia and Oceania	570	390
EU	1,378	812
Europe outside EU	128	119
CIS und Russia	1,500	1,399
Southwest Asia	1,840	1,141
Middle East	1,495	1,750
North and Central America	237	374
South America	315	443
	8,076	**6,850**

Other operating earnings: Other operating earnings was generated in 2021 mainly from earnings from currency convertion, amounting to EUR 837 thousand (2020: Expenses EUR 406 thousand), in addition from expense allowances of the subsidiary GVK GmbH in an amount of EUR 250 thousand (2020: EUR 250 thousand) as well as from the release of provisions (relating to other periods) in the amount of EUR 95 thousand (2020: EUR 147 thousand). During the last fiscal year, interest-related earnings accrued from the discounting of provisions amounting to EUR 3 thousand (2020: EUR 14 thousand).

Other information

Foreign currency business: The total amount of assets denominated in foreign currencies, following the deduction of adjustments, is made up as follows:

	31.12.2021 EUR thousand	31.12.2020 EUR thousand
Cash held at central banks	79	73
Loans and advances to banks	219,107	137,514
Loans and advances to customers	823,383	744,829
Debenture bonds	57,871	69,192
Trust assets	5,304	5,073
Prepaid expenses	0	0
	1,105,744	**956,681**

The total amount of liabilities in foreign currencies comprises as follows:

	31.12.2021 EUR thousand	31.12.2020 EUR thousand
Liabilities to banks	801,246	774,805
Amounts due to customers	1,299	192
Trust liabilities	5,304	5,073
Reserves	94	85
Deferred income	85	78
	808,028	**780,233**

Irrevocable loan commitments in the amount of EUR 208,511 thousand (2020: EUR 205,457 thousand) and contingent liabilities from guarantees amounting to EUR 379,102 thousand (2020: EUR 315,454 thousand) are posted in foreign currency as of the balance sheet date. There are off-balance sheet foreign currency positions from derivatives amounting to EUR 333,431 thousand (2020: EUR 194,361 thousand).

In principle, the receivables and liabilities in foreign currency are set out in currency, amount and due date.

Deferred taxes: The deferred tax assets are not formed in exercising the option pursuant to section 274 paragraph 1 sentence 2 HGB, which are essentially based on provisions for impending losses for credit risks and temporary differences in the segment of pension provisions that are not reconstructed for tax purposes. There are no tax loss carry-forwards. Deferred taxes have been valued on the basis of tax rates specific to individual companies. For corporate income tax plus the solidarity surcharge, 15,825 % and for trade tax 16.10 % were used as the basis for calculation.

Loss-free valuation of the banking book: Within the framework of the loss-free valuation of interest-related transactions in the banking book, there was no provision for impending losses to be formed as at the balance sheet date.

Contingent Liabilities: Contingent liabilities from guarantees are broken down as follows:

	31.12.2021 EUR thousand	31.12.2020 EUR thousand
Loan guarantees	302,793	305,248
Letter of credit	282,260	195,239
Credit by way of bank guarantee	34,029	34,529
	619,082	**535,016**

The risk of contingent liabilities occurring is assessed as low as they relate to letters of credit and credit by way of bank guarantee in connection with the financing of foreign trade. No assets were transferred as collateral.

Other obligations: Irrevocable loan commitments comprise as follows:

	31.12.2021 EUR thousand	31.12.2020 EUR thousand
Irrevocable loan commitments for the loan business	869,950	896,902
	869,950	**896,902**

Irrevocable loan commitments for the loan business are expected because essentially there are still outstanding disbursements of ECA- covered export financing which will reduce the irrevocable loan commitments accordingly as soon as the disbursement conditions are met.

Other financial obligations: In order to secure refinancing loans, security guarantees have been concluded with the Federal Republic of Germany. Within the context of supplementary guarantee provision agreements, AKA undertakes to make use of security guarantees to pay the amount guaranteed. Possible payment claims from guarantee provisioning in connection with securitisation guarantees existed at the end of the year in the amount of EUR 1,199,034 thousand (2020: EUR 1,081,516 thousand).

On 20 December 2021 AKA concluded an agreement with the shareholder Hamburg Commercial Bank on the acquisition of an export credit portfolio previously held in trust for a nominal volume of EUR 73,330 thousand, which was executed in March 2022 after receipt of a binding VAT ruling.

During the course of the 2021 annual subscription levy for the single resolution fund, AKA made use of the opportunity to provide 15 % of the contribution as hedged payment claims. The obligation arising from this amount to EUR 1,120 thousand (2020: EUR 748 thousand).

Forward transactions / valuation units: As at the balance sheet date, there are forward transactions with interest rate risks in the form of interest rate swaps, with currency risks in the form of currency swaps and with interest rate and foreign currency risks in the form of interest rate / currency swaps. The transaction serves exclusively as a hedge against the risk of a change in future cash flows from the refinancing business. For the majority of the transactions, valuation units were formed with the corresponding underlying transactions on the basis of micro hedges.
The book values of the receivables included in the valuation units correspond to the nominal volume of the forward transactions. Volumes at nominal values, fair values and maturities of these transactions are as follows:

	Volume 31.12.2021 USD thousand	Volume 31.12.2021 EUR thousand	Fair value 31.12.2021 EUR thousand	Volume 31.12.2020 EUR thousand	Volume 31.12.2020 USD thousand
Interest rate risks					
Up to one-year residual term	0	10,000	1	0	0
Up to five years residual term	31,644	208,400	686	78,900	10,000
Over five years residual term	0	67,417	-1,564	49,417	0
Interest rate / currency risks					
Up to one-year residual term	20,000	16,909	-787	9,051	10,000
Up to five years residual term	13,000	10,927	-636	34,288	40,500
Over five years residual term	0	0	0	18,371	20,000
	64,644	**313,653**	**-2,300**	**190,027**	**80,500**

The hedging relationships are documented from the time they are established, and the effectiveness of the hedging measures is reviewed. The measurement of future effectiveness (prospective effectiveness) is carried out using the critical terms match method or the fair value method in the simulation procedure. Effectiveness in past periods (retrospective effectiveness) is demonstrated using the critical terms match method or the dollar offset method. Effectiveness is given if the significant, value-determining factors of the transactions are exactly opposite or the ratio of changes in the fair values of the cash flows is between 0.5 and 2.0. The freezing method is used to map the effective parts of the valuation unit.

The swaps not included in valuation units or swaps from ineffective valuation units break down as follows:

	Volume 31.12.2021 USD thousand	Volume 31.12.2021 EUR thousand	Fair value 31.12.2021 EUR thousand	Volume 31.12.2020 EUR thousand	Volume 31.12.2020 USD thousand
Interest rate risks					
Up to one-year residual term	0	0	0	16,000	0
Up to five years residual term	0	0	0	104,500	0
Over five years residual term	0	225	97	13,000	0
Interest rate / currency risks					
Up to one-year residual term	313,000	269,112	-6,576	132,361	158,000
Up to five years residual term	0	0	0	0	0
über fünf Jahre Restlaufzeit	0	0	0	0	0
Zins-/Währungsrisiken					
Up to one-year residual term	0	0	0	0	0
Up to five years residual term	0	0	0	0	0
Over five years residual term	0	0	0	0	0
	313,000	**269,337**	**-6,479**	**265,861**	**158,000**

Counterparties to the swaps are shareholders of AKA and a non-shareholder.

Remuneration: The members of the Supervisory Board receive a remuneration of EUR 292 thousand (2020: EUR 290 thousand) plus VAT, where applicable.

As at 31 December 2021, provisions for pension obligations to former Executive Directors and their surviving dependents were were build in the amount of EUR 7,778 thousand (2020: EUR 7,733 thousand). In 2021, remunerations amounted to EUR 679 thousand (2020: EUR 660 thousand).

In regard to the remuneration of the Management, AKA uses the exemption in section 286 paragraph 4 HGB in conjunction with section 285 no. 9a HGB.

Auditor fees: Fees for the auditors of the annual financial statements for fiscal year 2021 are broken down as follows:

	2021 EUR thousand
Auditing of financial accounts	333
Other opinions and or assessment services	28
Tax consultancy	0
Other services	22
	383

Other opinion or assessment services relate to the following: Confirmatory services in the context of the verification of duly registered assignment notes for claims indemnified in the event of liability and the verification of the reporting of eligible credits for third series of targeted longer term refinancing operations of the Eurosystem. Other services relate to consulting services in the context of the implementation of IDW RS BFA 7. The fees recorded as expenses for the audit of the financial statements include EUR 31 thousand for services from 2020.

Employees: AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung is managed in personal union with its subsidiary, Grundstücksverwaltung Kaiserstraße 10 GmbH, all based in Frankfurt / Main. In the past financial year, AKA employed an average of:

	Male	Female	2021 total	2020 total
Full-time	73	42	115	105
Part-time	3	17	20	26
Parental leave	0	1	1	2
	76	**60**	**136**	**133**

Executive Bodies:

The Supervisory Board of AKA is composed as follows:

Ordinary members

Michael Schmid*/**
Economist (Diplom-Volkswirt)
Koenigstein / Ts.
– Chairman –

Werner Schmidt*/**
Managing Director
Deutsche Bank AG, Frankfurt / Main
– First Vice Chairman –

Thomas Dusch*/**
Senior Vice President
UniCredit Bank AG, Munich
– Second Vice Chairman –

N. N.

Dr Christoph Fischer*/**
Head of Division
Bayerische Landesbank, Munich
– Third Vice Chairman –
from 21.4.2021 until 4.11.2021

Alexander von Dobschütz*/**
Member of the Board
Deutsche Kreditbank AG, Berlin
– Third Vice Chairman –
until 21.4.2021

Michael Maurer*
Managing Director
Landesbank Baden-Württemberg, Stuttgart

Michiel de Vries
Managing Director
ING-DiBa AG, Frankfurt / Main

Winfried Münch*
Director of DZ BANK AG Deutsche
Zentral-Genossenschaftsbank, Frankfurt / Main

Jens Thiele
Managing Director
Hamburg Commercial Bank AG, Hamburg
from 21.4.2021

Thomas Jakob
Managing Director
Hamburg Commercial Bank AG, Hamburg
until 21.4.2021

Florian Witt
Managing Director
ODDO BHF Aktiengesellschaft, Frankfurt / Main

Georg Hansjürgens
Member of the Board
Deutsche Sparkassen Leasing AG & Co. KG,
Bad Homburg v. d.H
from 21.4.2021

Knut Richter
Director
Landesbank Berlin AG, Berlin
until 21.4.2021

Permanent representatives

Roman Schmidt
Divisional Board Member
Commerzbank AG, Frankfurt / Main
from 21.4.2021

Jeannette Vogelreiter
Managing Director
Commerzbank AG, Frankfurt / Main
until 21.4.2021

Frank Schütz
Managing Director
Deutsche Bank AG, Frankfurt / Main

Inés Lüdke
Managing Director
UniCredit Bank AG, Munich

Matthias Öffner
Chapter Lead Trade & Export Finance
Bayerische Landesbank, Munich
from 21.4.2021

Florian Seitz
Director
Bayerische Landesbank, Munich
until 21.4.2021

Deputy members

Nanette Bubik
Managing Director
Landesbank Baden-Württemberg, Stuttgart

Bartholomeus Ponsioen
Managing Director
ING-DiBa AG, Frankfurt / Main

Ralph Lerch
Director of DZ BANK AG Deutsche
Zentral-Genossenschaftsbank, Frankfurt / Main

Jutta Arlt
Director
Hamburg Commercial Bank AG, Hamburg

Birgitta Heinze
Managing Director
ODDO BHF Aktiengesellschaft, Frankfurt / Main

Michael Sobl
Head of Export Finance
Deutsche Sparkassen Leasing AG & Co. KG,
Bad Homburg v. d.H
from 21.4.2021

Béatrice du Hamél
Director
Landesbank Berlin AG, Berlin
until 21.4.2021

* Member of the Risk Committee **Member of the Nomination and Remuneration Control Committee

The Management of AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung is composed as follows:

Beate Bischoff
Executive Director
Frankfurt / Main

Marck Wengrzik
Executive Director
Frankfurt / Main

Events after the balance sheet date: The military conflicts in Ukraine that began on 24 February 2022 and the associated effects will have a noticeable impact on the net assets, financial position and results of operations of AKA in the financial year 2022. Both in the segment of risk provisioning on the existing loan portfolio with borrowers in the countries involved and in the segment of liquidity, namely in the wake of the announced SWIFT sanctions, AKA anticipates negative effects that have been quantified on the basis of various scenarios.
The results of the scenarios are presented in the management report under chapter "4. Opportunities and Forecast Report – Forecast of Developments." The scenarios assume a direct impact on borrowers of around EUR 548 million (gross). After deduction of collateral, a net risk of around EUR 117 million remains.

Executive Director Beate Bischoff asked the Supervisory Board of AKA to terminate her contract in February 2022. The appointment of her successor as Executive Director was decided by the Supervisory Board at its meeting on 24 February 2022. Both issues are currently being contractually implemented. In addition, the Management of AKA will be expanded to three members as of 1 July 2022.

Appropriation of result: We propose to transfer the balance sheet profit of EUR 14,936 thousand to the other revenue reserves.

Frankfurt / Main, 17 March 2022

The Management of AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung

Beate Bischoff   Marck Wengrzik

Specifications according to § 26a KWG

Country-specific reporting: The requirements of Article 89 of EU Directive 2013/36/EU (Capital Requirements Directive, CRD IV) were transposed into German law in accordance with section 26a KWG. This requires a "country-specific reporting" in conjunction with section 64r (15) KWG.

This reporting discloses the following required information:

1. Company name, type of activities and geographic location of the branches
2. Turnover
3. Number of wage and salary earners in full-time equivalents
4. Profit or loss before taxes
5. Taxes on profit or loss
6. Public aid received

Sales were defined as the sum of interest and net fee and commission income plus other operating earnings. The information on the number of employees refers to full-time employees (in accordance with § 285 no. 7 HGB i. V. m. § 267 No. 5 HGB). The information was determined based on the HGB individual financial statements of AKA as of 31 December 2021.[1]

Company	Country	Location	Type of Activity	Turnover (EUR million)	Employees (FTE)	Profit before taxes (EUR million)	Taxes on profit (EUR million)	Public aid received (EUR million)
EU-Countries								
AKA Ausfuhrkredit-Gesellschaft mbH	Germany	Frankfurt / M.	Credit institution	50.0	136	22.0	7.03	0.0

Return on Investment: Article 90 of the EU directive 2013/36/EU (Capital Requirements Directive, CRD IV) was also transposed into German law in accordance with section 26a KWG.

As of 31 December 2021, the Return on Investment within the meaning of section 26a (1) sentence 4 KWG is 0.37 %..

1 No consolidated financial statements are prepared.

The English language text below is an indicative translation of our Audit Report dated 17 March 2022, on the audit of the annual financial statements of AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung, Frankfurt / Main, for the year ended 31 December 2021. The translation is being provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may arise from the translation.

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

Opinions

We have audited the annual financial statements of AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung, Frankfurt / Main, comprising of the balance sheet as of 31 December 2021, and the income statement for the financial year from 1 January to 31 December 2021, and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung for the financial year from 1 January to 31 December 2021.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to financial institutions and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the 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.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with 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 [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the management report" section of our auditor's report. We are independent of the 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, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

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

Appropriateness of individual value adjustment on loans to customers
Please refer to section 3.2 of the management report for more information on the risk provisioning system. Please refer to the notes to the financial statements for information on the accounting policies used by AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung.

The financial statement risk
AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung shows loans to customers in the amount of EUR 2,939.4 million in its annual financial statements as at 31 December 2021.

Individual value adjustment on loans to customers are to be made on the basis of the principle of prudence pursuant to Section 252 (1) No. 4 of the German Commercial Code (HGB) in order to take account of current default risks. As a result of the Corona pandemic, default risks have increased significantly in certain sectors.

The identification and determination of individual value adjustment for loans to customers is discretionary. It requires assumptions about the contractual cash flows to be expected and / or about the expected cash flows from the realisation of the collateral provided. The assumptions are made depending on the selected restructuring or workout strategy.

The risk for the financial statements is in particular that necessary individual value adjustment is not recognised in a timely manner because no appropriate criteria have been defined for identifying exposures requiring individual value adjustment or the identification of these exposures is not ensured by the process. In addition, the risk for the financial statements is that no appropriate assumptions are made when determining the individual value adjustment about the amount of the contractual cash flows still to be expected or about the amount of the cash flows to be expected from the realisation of the collateral provided. Incorrect assumptions about the amount of the expected cash flows and / or the realisation of loan collateral provided result in the loans and advances being valued inappropriately and thus the credit default risks not being adequately taken into account.

Our audit approach
Based on our risk assessment and the evaluation of the risks of error, we have based our audit opinion on both control-based audit procedures and substantive audit procedures.

In a first step, we obtained a comprehensive insight into the development of the loan portfolio, the associated default risks as well as the internal control system with regards to the identification, monitoring and assessment of the credit default risks in the loan portfolio.

Furthermore, within the scope of process-oriented audit procedures, we assessed the design and, on a sample basis, the effectiveness of the controls in the loan evaluation process with regards to the identification of exposures requiring individual value adjustment as well as compliance with the system for determining and recording the Bank's individual value adjustment. This included, among other things, inspection of the relevant organisational guidelines as well as interviews with the employees responsible for the loan evaluation process. For the IT systems used, we audited the policies and procedures that support the effectiveness of application controls with the involvement of our IT specialists.

Based on a selection of specific individual exposures determined by materiality and risk aspects, we performed substantive audit procedures and assessed the recoverability of the loans to customers. In particular, we assessed whether the selected exposures met criteria indicating a need for individual value adjustment and whether this was properly identified. We satisfied ourselves that the loan loss allowance recognised for these exposures were made on an accrual basis and were adequate. In doing so, we assessed assumptions about the contractual cash flows still to be expected and / or the expected cash flows from the realisation of the collateral provided. If collateral has been provided for an exposure and is used in the valuation, we have assessed the legal existence and the recoverability of this collateral. In the case of guarantees, we assessed the creditworthiness of the guarantors. For the selected exposures, we also verified the calculation of the individual value adjustment.

Our observations
Appropriate criteria and precautions were applied to identify exposures requiring individual value adjustment. The assumptions underlying the calculation of individual value adjustment on loans to customers regarding the amount of expected recoveries from the economic viability of the borrowers or from the realisation of collateral were selected appropriately and are in line with the accounting principles to be applied for the measurement of individual value adjustment.

Other information
Management is responsible for the other information.

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

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information
- is materially inconsistent with the annual financial statements, with the substantially audited statements of the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Management and the Supervisory Board for the annual financial statements and the management report
Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to banks, 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, Management is responsible for such internal controls as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, Management is 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, Management is 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, Management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board 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 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by Management and the reasonableness of estimates made by Management and related disclosures.
- Conclude on the appropriateness of Management's 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 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 Management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by Management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

Further information pursuant to article 10 of the EU Audit Regulation

We were elected as auditors by the shareholders' meeting held on 19 April 2021. We were engaged by the Supervisory Board on 13 October 2021. We have been the auditor of AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung without interruption since the financial year 2017.

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

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Benedikt Sturm.

Frankfurt / Main, 17 March 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

signed Sturm	signed Schück
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Shareholders

Bayerische Landesbank, Munich

Commerzbank AG, Frankfurt / Main

DekaBank Deutsche Girozentrale, Frankfurt / Main

Deutsche Bank AG, Frankfurt / Main

Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt / Main

Hamburg Commercial Bank AG, Hamburg

IKB Deutsche Industriebank AG, Duesseldorf

ING-DiBa AG, Frankfurt / Main

KfW IPEX-Bank GmbH, Frankfurt / Main

Landesbank Baden-Württemberg, Stuttgart

Landesbank Hessen-Thüringen Girozentrale, Frankfurt / Main-Erfurt

Norddeutsche Landesbank Girozentrale, Magdeburg-Brunswick-Hanover

Oldenburgische Landesbank AG, Oldenburg

ODDO BHF Aktiengesellschaft, Frankfurt / Main

Skandinaviska Enskilda Bank AB (SEB AB), Stockholm, Sweden

UniCredit Bank AG, Munich

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2022: What‘s next?

AKA
Ausfuhrkredit-
Gesellschaft mbH