6-Month Report 2020/2021

(1 April – 30 September 2020)

IKB Deutsche Industriebank

Contents

Group Interim Management Report

Highlights of the business development

- Consolidated net income after risk provisions of €42 million; return on equity (ROE) improved to around 7%
- Earnings guidance for full year 2020/21 confirmed: net income of around €80 million expected
- Administrative costs further lowered by around 20% to €68 million
- Cost/income ratio improved to 56% from 64% previously
- Robust customer portfolio with NPL ratio (EBA definition) of 2.0% and risk provision expense of €13 million
- Common Equity Tier 1 (CET 1) significantly increased to 13.3% (previous year: 12.0%), pro forma CET 1 ratio in accordance with Basel IV of 14.0%
- Solid liquidity position: loan to deposit ratio of 64% and LCR of 309%

1. Basic information on the Group

Comprehensive information on the IKB Group can be found on page 13 of the 2019/20 annual report. There were no changes compared to this information in the reporting period.

2. Economic report

Macroeconomic and industry-specific conditions

Since early 2020, the coronavirus crisis has affected the entire global economy. Government lockdown measures to mitigate the pandemic had been taken in almost all countries and had significantly impacted economic activities in the second quarter of 2020. These measures had hit the service sector especially hard and in particular the food service industry, trade fairs, event management, air travel and tourism. Industrial production had also been affected but was able to recover a lot quicker in the third quarter than was the case for the service sector. The lockdown caused a historically unprecedented slump in private consumption expenditure in many countries as a result of forced saving behaviour, falling real income and increased risk-aversion among consumers.

The Chinese economy slumped by 10% in the first quarter of 2020 compared to the previous quarter. In the second quarter of the year, however, it already substantially recovered again, growing 11.5%. In most industrialised countries, the economic crash occurred in the second quarter. Compared to the previous quarter, gross domestic product (GDP) fell by 9.1% in the USA, 11.8% in the Euro area and 9.7% in Germany. However, a gradual loosening of restrictions led to a rapid recovery from May 2020 onwards. Monthly retail and industry output has shown a significant upturn since then. Economies recovered strongly in the third quarter. However, resulting high growth rates must be seen in context to the sharp decline and therefore low GDP levels of the second quarter. For example, in the third quarter, GDP increased by 7.4% in the USA and 12.7% in the Euro area. Germany saw an increase of 8.2%.

There have been strong reactions on financial markets during the pandemic. At the start, share prices corrected sharply downwards while credit spreads widened noticeably. As the crisis progressed, capital markets gradually normalised. Share price losses were largely recouped, and credit spreads decreased significantly. However, they remain at an elevated level for corporates with weak credit ratings. A renewed escalation of infection rates during the summer and autumn of 2020 and a new wave of mitigating measures cast a cloud over the outlook. Also, financial markets continue to be driven by increased risk aversion, leading to an excessively high level of volatility.

Financial markets have been supported by the extensive monetary and fiscal policy measures adopted during the coronavirus pandemic. Advanced economies responded with extremely expansionary fiscal policy. Germany reacted by providing credit and government guarantees, increased spending and tax cuts. The members of the Euro area also introduced extensive fiscal aid packages. A joint agreement among EU members states was also reached on a European recovery fund totalling €750 billion (4.6% of gross domestic product). It contains a significant amount of transfer payments within the EU (€390 billion).

Monetary policy has become even more expansionary across the board. For example, the Fed cut interest rates close to zero in March and adopted various measures intended to stabilise the financial system. The European Central Bank (ECB) had announced a series of measures in March and April in response to the coronavirus crisis. It relaxed the conditions for the ongoing refinancing transactions, significantly increased its purchases of assets (Pandemic Emergency Purchase Programme – PEPP) and announced additional longer term refinancing transactions.

In Germany, various guarantees from federal states and the KfW Group provided important impetus to improve companies' liquidity within the framework of the German government's package of measures to cushion the impact of the economic consequences of the coronavirus crisis with the 2020 special programme and the instant loan. Over and above the volume of KfW loans they have passed on to borrowers. Furthermore, private banks have also provided a significant volume of loans to companies. The rise in the volume of lending is particularly due to the need for liquidity. By contrast, credit demand for investments has reduced significantly.

The suspension of the obligation to file for insolvency, which was originally put in place until the end of September 2020 for companies whose business model was directly affected by the coronavirus pandemic, probably contributed to the fact that the number of insolvencies in July 2020 was still below the level of the previous year. The suspension of the obligation to file for insolvency has been extended until the end of 2020 – but limited to over-indebted companies. Illiquid companies have, by contrast, been obliged to file for insolvency again since 1 October 2020.

Due to the increasingly worsening risk situation, German banks have tightened their lending conditions. Despite an extensive provision of liquidity, a number of companies from particularly hard hit sectors had difficulty coping with the significant decrease in revenue. As a result, many European banks are expecting higher levels of defaults and have therefore increased their risk provisioning in their corporate customer business. The continuing low interest rate environment continues to negatively impact financial performance in the banking sector. This is also the case because of the significant increase of the banking system's excess reserves at the European Central Bank.

Important events during the reporting period

Changes in the Group

IKB's investment portfolio was further slimmed down with the following changes:

- IKB AG concluded a sale and assignment agreement with an external third party for the sale of all its limited partner's interests in IKB Projektentwicklung GmbH & Co. KG i.L. on 3 July 2020. Execution of the contract is planned for no later than 30 November 2020 and depends on the occurrence of various completion conditions.
- IKB Projektentwicklung GmbH & Co. KG i.L. sold all its shares in FRANA Grundstücks-Vermietungsgesellschaft mbH to Restruktur 3 GmbH with effect as of 8 September 2020 .
- The liquidation of IKB Leasing SR, s.r.o. v likvidácii completed in May 2020 with the deletion of the company from the commercial register.
- Rhodana GmbH was merged into IKB Invest GmbH with effect as of 25 August 2020.
- Ligera GmbH was merged into IKB Invest GmbH with effect as of 2 September 2020.
- IKB Invest GmbH transferred parts of its assets by means of a spin-off and transfer agreement of 8 September 2020, specifically parts of a bank deposit and pension obligations and the legal position from a trust agreement as a whole, to IKB Deutsche Industriebank AG as the acquiring legal entity.

Legally relevant events

Repayment of Silent Participations

Following the termination of the respective contracts on setting up a silent participation with Capital Raising GmbH and Hybrid Raising GmbH (collectively the "Silent Partners"), with effect as of 31 March 2020, a repayment of €200,000,000 each, i.e. a total of €400,000,000, was paid to the paying agent of the bonds issued by the Silent Partners (ISIN DE0007490724 and ISIN DE000A0AMCG6) (the "Bonds") for the account of the Silent Partners in July 2020. In line with the bonds' terms of issue, the Silent Partners used the repayment to redeem the bonds on 15 July 2020.

Changing the financial year to the calendar year

IKB's Annual General Meeting on 3 September 2020 passed a resolution to change the financial year and revise the Articles of Association accordingly with effect as of 1 January 2021. The financial year shall in future begin on 1 January of each year and end on 31 December of the same year. The period from 1 April 2020 to 31 December 2020 is to be a shortened financial year. The change is intended to achieve in particular a reduction in complexity for accounting, tax and supervisory matters and better comparability with peer-group institutions.

Profit participation rights

IKB considers claims asserted in connection with various profit participation rights to be unjustified and expects such claims to remain unsuccessful. This assessment was confirmed on 24 September 2020 by three second-instance rulings of the Düsseldorf Higher Regional Court significantly in IKB's favour. Some of the lawsuits were inadmissible and all the other lawsuits were completely dismissed. The higher regional court did not permit an appeal in any of the cases. Please refer to the section "3. Risk report" for the details.

Personnel changes

Supervisory Board

Mr Mark Coker and Mr Arndt G. Kirchhoff were re-elected to the Supervisory Board as shareholder representatives by resolutions of the Annual General Meeting on 3 September 2020. Ms Nicole Riggers was likewise re-elected to the Supervisory Board as the employee representative in the election held on 19 August 2020 with effect as of the end of the Annual General Meeting on 3 September 2020.

In the constitutive meeting of the Supervisory Board following the Annual General Meeting on 3 September 2020, Ms Nicole Riggers was also re-elected from among the employee representatives as a member of the Supervisory Board Executive Committee and a member of the Nomination Committee and as the appointed substitute in the Remuneration Control Committee.

Board of Managing Directors

There were no personnel changes in the Bank's Board of Managing Directors during the reporting period.

Results of operations, asset position and financial situation

Business development

The development of new business in the first half of the year was shaped, in particular, by the coronavirus pandemic. Demand for the special programmes launched by KfW had a decisive influence IKB's new lending business. Together with a clearly conservative approach to granting loans from its own resources, this led to new business of €1.1 billion (previous year: €1.3 billion); however, the proportion of business with public programme loans increased by 42 percentage points to 83%.

Results of operations

Despite the difficult economic environment caused by the coronavirus, at €42 million IKB achieved consolidated net income after tax at almost the previous year's level in the first six months of the 2020/21 financial year (April to September 2020) (same period of the previous year of April to September 2019: €46 million).

This is particularly due to the fact that while net interest income remained almost constant, further savings in administrative expenses more than compensated for the decrease in net fee and commission income and the increase in risk provisioning.

Net interest income

Net interest income includes interest income and expenses, current income from equities and other non-fixed income securities, investments and shares in affiliated companies, income from profit pooling, profit-transfer agreements and partial profit-transfer agreements.

At €107 million, consolidated net interest income was, as planned, almost stable at the previous year's level (previous year: €110 million). The decrease in interest income from the lending business (€98 million after €123 million in the previous year) was partially compensated for by a further reduction in interest expense for refinancing to €38 million (previous year: €50 million). Interest income from securities and current income from equities and other non-fixed income securities of €50 million (previous year: €32 million) more than compensated for this decrease. Net interest expense from derivatives was €3 million.

Net fee and commission income

At €14 million, consolidated net fee and commission income was below the previous year's level of €22 million. The decrease is largely due to adjustment of the structure of the new business with a focus on development loans from the KfW coronavirus special loan programme.

Administrative expenses

Administrative expenses comprise personnel expenses, other administrative expenses and amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets.

It was possible to reduce the Group's administrative expenses in the reporting period compared to the same period of the previous year as planned by €16 million from €84 million to €68 million.

Personnel expenses were further reduced by €5 million from €45 million to €40 million as a result of the continued cost-cutting and optimisation measures.

Other administrative expenses and amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets were reduced from €39 million to €27 million in the Group. In addition to lower IT costs and costs of premises, legal and advisory costs were also further reduced.

Net other income

Net other income comprises other operating and extraordinary income and expenses and write-downs and reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets.

Net other income decreased from €5 million in the same period of the previous year to €2 million largely due to the following factors:

Net income of €134 million resulted from securities held as fixed assets, particularly from sales of bonds, following net income of €101 million in the previous year.

Net expenses of €125 million resulted from closing out derivative positions in the banking book, compared to net expenses of €105 million in the previous year.

An expense of €15 million (previous year: €18 million) resulted from interest accrued on pension obligations in the reporting period.

Net income of €18 million (previous year: net income of €26 million) resulted in the reporting year from the performance of the assets outsourced under the contractual trust arrangement (CTA).

Moreover, legal and project costs and expenses to hedge business risks and restructuring expenses totalling €14 million (previous year: €2 million) were incurred.

Net risk provisioning

(Note: Additional information on the risk provisioning can be found in the section "3. Risk report" in the table on risk provisions.)

Net risk provisioning comprises write-downs of receivables and certain securities and additions to loan loss provisions. Net risk provisioning has increased from expense of €5 million in the first half of the 2019/20 financial year to expense of €13 million.

The higher net risk provisioning expense is particularly due to higher net expenses from write-downs and specific valuation allowances on receivables and certain securities and loan loss provisions of €32 million (previous year: net expenses of €10 million). By contrast, net income from reversals of general valuation allowances of €19 million was recognised (previous year: net income of €5 million). Additional information on risk provisioning can be found in the section "3. Risk report" in the table on risk provisions.

Taxes

Net tax expense in the reporting period was €0 million following tax expense of €2 million in the same period of the previous year.

Net income

The Group generated consolidated net income of €42 million in the first half of the 2020/21 financial year, which is in line with the forecast (previous year: €46 million).

Asset position

Consolidated total assets increased from €16.6 billion as of 31 March 2020 to €17.8 billion.

The gross credit volume, which also includes off-balance sheet transactions (see also the section "3. Risk report), increased from €18.3 billion as of 31 March 2020 to €19.7 billion and largely comprises medium and long-term loans to banks, loans to customers, bonds and positive fair values of derivatives in the non-trading book and guarantees.

Assets

Receivables from banks in the Group increased by €2.7 billion to €4.9 billion largely as a result of short-term liquidity investments of funds raised under an ECB long-term refinancing programme.

Receivables from customers decreased by €0.6 billion to €8.9 billion because new business was unable to compensate for the effects of repayments.

Bonds and other fixed-income securities fell by €0.4 billion to €3.4 billion as part of ongoing portfolio management.

Liabilities

Liabilities to banks increased by €1.0 billion to €8.7 billion in the Group, in particular as a result of borrowing under an ECB long-term refinancing programme while, at the same time, the secured refinancing via Eurex decreased.

Liabilities to customers increased by €0.3 billion to €6.5 billion largely due to an increase of deposits in retail and corporate customers while, at the same time, there was a decrease in promissory note loans issued.

Equity

Equity increased from €789 million to €831 million in the reporting period due to the Group's consolidated net income.

When calculating regulatory capital, the fund for general banking risks of €0.6 billion must be taken into account as Common Equity Tier 1 capital.

Unrealised gains and losses have arisen in the reporting period and in past financial years on financial instruments in the non-trading book in the form of securities, on derivatives and from refinancing of the credit book without matching maturities as a result of changes in market interest rates, exchange rates or credit ratings. In future financial years, unrealised losses could lead to a lower level of net interest income or losses on disposals. The loss-free measurement of the banking book in accordance with the IDW RS BFA 3 statement on accounting did not result in any requirement to recognise provisions as of 30 September 2020.

Financial position

Its funding mix means that IKB's liquidity position is stable and refinancing is more favourable overall than in previous periods. In addition to earmarked and other secured refinancing, IKB accepts revolving deposits from corporate and retail customers and operates its new lending business selectively.

The maturities of liabilities are shown in the breakdown of remaining terms in the notes. Please refer to the section "3. Risk report" for the liquidity and financing situation.

Overall assessment

The first half of the 2020/21 financial year was characterised by a good result for the Group. Despite the difficult economic environment due to the coronavirus pandemic, consolidated net income was close to the level of the previous year, which is in line with the forecast. The financial situation and the asset position are orderly.

Financial and non-financial performance indicators

Non-financial performance indicators are of minor importance in terms of management at IKB. In addition to a wide range of sub-indicators relevant to management, IKB uses the following financial indicators as key performance indicators for management.

Regulatory tier 1 ratio

The regulatory Common Equity Tier 1 ratio (CET 1 ratio) is calculated as the ratio of the regulatory Common Equity Tier 1 capital (CET 1) to the regulatory risk-weighted assets. Details of the reconciliation of regulatory CET 1 and risk-weighted assets can be found in the information on the regulatory capital situation in the section "3. Risk report".

As of 30 September 2020, the CET 1 ratio was 13.5% for the IKB Group and also 13.5% for IKB AG (for details see the section "3. Risk report"). This means that, as forecast, IKB significantly increased its Common Equity Tier 1 ratio and exceeded the statutory minimum requirement (CRR – Capital Requirements Regulation) for the CET 1 ratio of 4.5% plus a capital conservation buffer of 2.5% and the SREP (Supervisory Review and Evaluation Process) capital add-on.

Leverage ratio

The leverage ratio measures the largely unweighted sum of on-balance-sheet and off-balance-sheet transactions relative to the regulatory tier 1 capital. This indicator is currently still a monitoring indicator, which, in accordance with CRR II, does not become binding until 30 June 2021.

In line with the transitional provisions and applying the requirements of Delegated Regulation EU 2015/62 of 17 January 2015, IKB Group's leverage ratio pursuant to Article 429 CRR was 7.6% as of 30 September 2020 (IKB AG: 7.3%). This significantly exceeds the future minimum ratio and means that, as forecast in the 2019/20 annual report, the IKB Group's leverage ratio has been maintained at the level of the previous financial year.

Profit after taxes

Consolidated net income for the first half of the 2020/21 financial year is in line with the forecast in the 2019/20 annual report.

Cost/income ratio

The cost/income ratio is the ratio of administrative expenses to the sum of net interest income and net fee and commission income. It was 55.5% in the first half of the 2020/21 financial year, compared to 63.6% in the same period of the previous year and 64.6% in the full 2019/20 financial year and thus in line with the significant improvement that was forecast.

Liquidity coverage ratio

The liquidity coverage ratio (LCR) is the ratio of highly liquid assets (liquidity buffer) to short-term net liquidity requirements, quantified as the net amount of all weighted cash inflows and outflows in the next 30 calendar days. The minimum requirement for the LCR has been the final statutory requirement of 100% since 1 January 2018.

IKB's regulatory liquidity management is based on the LCR. The LCR was 309% at IKB Group level as of 30 September 2020 (IKB AG: 300%) and, as forecast, at all times exceeded the minimum of 100% set in the annual report for the year ended 31 March 2020 as the target for the full 2020/21 financial year.

3. Risk report

Where methods and processes have not changed since 31 March 2020, no detailed presentation is provided in the following section and readers should refer to IKB's 2019/20 annual report (see pages 23 to 43).

Regulatory capital and risk-bearing capacity

Regulatory capital

The Bank calculates its regulatory capital in accordance with the requirements of the CRR. On 31 March 2019, the Bank received permission to apply the foundation IRB approach for counterparty default risk. The Bank uses the standardised approach to calculate the credit valuation adjustment charge, the basic indicator approach for operational risk and the standard method prescribed by the regulatory authority for market price risk. Furthermore, the Bank uses the regulatory netting approach to calculate the net basis of measurement for derivatives, taking existing netting agreements into account. The following tables provide an overview of the regulatory risk items, equity base and equity ratios.

Table: Regulatory capital situation of the IKB Group in accordance with CRR/CRD IV[1)]

Figures in € million	**30 Sep. 2020**	**31 Mar. 2020[2)]**
Counterparty default risk (including CVA charge of €29 million; 31 March 2020: €34 million)	9,325	10,237
Market risk equivalent	195	559
Operational risk	515	609
Total risk-weighted assets (RWA)	**10,035**	**11,405**
Common Equity Tier 1 (CET 1)	1,359	1,368
Additional tier 1 (AT 1)	15	15
Total tier 1 (T 1)	**1,374**	**1,383**
Tier 2 (T 2)	630	693
Own funds	**2,003**	**2,076**
CET 1 ratio	**13.5%**	**12.0%**
T 1 ratio	13.7%	12.1%
Own funds ratio	20.0%	18.2%
Capital ratios (fully phased)		
CET 1 ratio	**13.3%**	**12.0%**
T 1 ratio	13.3%	12.0%
Own funds ratio	19.6%	18.1%

Any differences in totals are rounding differences.

1) Figures take into consideration the phase-in and phase-out provisions of the CRR. The CET 1 ratios were calculated in accordance with the current legal status of the CRR as of 30 September and 31 March 2020, respectively, including transitional provisions and the interpretations published by the regulatory authorities. The possibility that future EBA/ECB standards and interpretations or other supervisory actions will lead to a retrospective change in the CET 1 ratio cannot be ruled out.

2) Figures after approval of the accounts

Table: Regulatory capital situation at individual bank level in accordance with CRR/CRD IV[1)]

Figures in € million	30 Sep. 2020	31 Mar. 2020[2)]
Counterparty default risk (including CVA charge of €29 million; 31 March 2020: €34 million)	9,287	10,196
Market risk equivalent	0	411
Operational risk	425	479
Total risk-weighted assets (RWA)	**9,713**	**11,085**
Common Equity Tier 1 (CET 1)	1,315	1,324
Additional tier 1 (AT 1)	0	0
Total tier 1 (T 1)	**1,315**	**1,324**
Tier 2 (T 2)	570	633
Own funds	**1,885**	**1,957**
CET 1 ratio	**13.5%**	**11.9%**
T 1 ratio	13.5%	11.9%
Own funds ratio	19.4%	17.7%
Capital ratios (fully phased)		
CET 1 ratio	**13.3%**	**11.9%**
T 1 ratio	13.3%	11.9%
Own funds ratio	19.0%	17.6%

Any differences in totals are rounding differences.

1) Figures take into consideration the phase-in and phase-out provisions of the CRR. The CET 1 ratios were calculated in accordance with the current legal status of the CRR as of 30 September 2020 and 31 March 2020, respectively, including transitional provisions and the interpretations published by the regulatory authorities. The possibility that future EBA/ECB standards and interpretations or other supervisory actions will lead to a retrospective change in the CET 1 ratio cannot be ruled out.

2) Figures after approval of the accounts

At 13.5% at Group level and 13.5% at individual bank level, IKB's CET 1 ratios (transitional) are significantly above the statutory minimum requirements for CET 1, including the capital conservation buffer, countercyclical capital buffer and the SREP capital requirements set by the German Federal Financial Supervisory Authority (BaFin) in its Supervisory Review and Evaluation Process (SREP).

Minimum requirements for eligible liabilities (MREL)

IKB has not been required by BaFin to comply with any requirements relating to an MREL ratio beyond the existing pillar 1 requirements, i.e. no recapitalisation amount within the meaning of Article 2 of the Delegated Regulation (EU) 2016/1450 has been stipulated.

Risk-bearing capacity

To ensure its risk-bearing capacity in accordance with the guidelines on the supervisory assessment of bank-internal capital adequacy concepts, the Bank considers two perspectives: a normative perspective to ensure the institution's ability to continue as a going concern and an economic perspective to protect creditors.

The normative perspective ensures compliance with the regulatory and supervisory minimum requirements in the context of the multi-year bank planning carried out annually. In particular, this includes the increased capital requirements in accordance with section 10 (3) or (4) of the German Banking Act (Kreditwesengesetz – KWG) and the combined capital requirement in accordance with section 10i (1) KWG. In addition, all structural requirements must be met.

In addition to the plan scenario, the bank planning includes at least one adverse scenario in which compliance with the increased capital requirements in accordance with section 10 (3) or (4) KWG is ensured.

The IKB scenario of a “severe economic downturn” with its consequences for capital planning has been defined as an adverse scenario for the normative perspective.

All regulatory requirements for the normative perspective are met in both the plan scenario and this adverse scenario.

In addition to the normative perspective, the Bank also analyses the overall risk position and the risk cover from an economic perspective.

The risk cover in the economic perspective is calculated as the sum of all components of equity serving the Bank, including subordinated capital. At the same time, hidden liabilities/reserves from loans, securities, derivatives and pensions obligations are taken into account.

The following table compares the capital requirements in the economic perspective that could arise mathematically in a year to cover unexpected losses at a confidence level of 99.9% (value at risk) with the risk cover that will be available in the next 12 months.

Table: Capital requirements – economic perspective

	30 Sep. 2020 in € million	30 Sep. 2020 in %	31 Mar. 2020 in € million	31 Mar. 2020 in %
Counterparty default risk	539	38%	531	32%
Market price risk	731	52%	658	40%
Operational risk	59	4%	394	24%
Business risk	76	6%	76	4%
Total	**1,406**	**100%**	**1,660**	**100%**
less diversification effects	-162		-175	
Overall risk position	**1,244**		**1,485**	
Risk cover	**1,792**		**1,849**	

Any differences in totals are rounding differences.

Forecast calculations and stress tests

With a view to overall economic developments, the Bank prepares different financial forecast calculations for the next two financial years in the economic perspective and the next five financial years in the normative perspective. These forecast calculations are based on the Bank’s plan scenario. The Bank also conducts various stress tests with different levels of severity on a quarterly basis and as required. As a result, it can be concluded that regulatory requirements will be met if the plan scenario occurs in the normative perspective and the risk cover will exceed the capital requirements for unexpected risks in the economic perspective.

The results of the stress test are presented to the Board of Managing Directors and the Supervisory Board and the resulting recommendations for action are discussed.

Risk strategy

The overall risk strategy is a component of the integrated business and risk strategy and covers all key risk types (counterparty default risks, market price risks, liquidity risks, non-financial risks in various forms, business risks and strategic risks) and risk concentrations to which the bank is exposed. Further detail is added to the overall risk strategy in the form of sub-risk strategies for the key risk types, and the overall risk strategy also defines the risk strategy guidelines for IKB’s business activities. In the first half of the 2020/21 financial year, no material need for adjustment arose.

Counterparty default risks

For information on the lending approval process and the monitoring of individual exposures, the rating processes and rating systems, the quantification of credit risk and portfolio monitoring and management, please see IKB's 2019/20 annual report (pages 28 and 29).

Structure of the counterparty default risk

The credit volume as of 30 September 2020 breaks down as follows:

Table: Credit volume – Group

in € million	30 Sep. 2020	31 Mar. 2020	Change	30 Sep. 2019	Change
Receivables from banks	4,855	2,199	2,656	1,957	2,898
Receivables from customers	8,889	9,530	-641	9,541	-652
Bonds and other fixed-income securities not including own bonds	3,417	3,811	-394	3,788	-371
Equities and other non-fixed-income securities	304	304	-	458	-154
Subtotal: balance sheet assets	**17,465**	**15,844**	**1,621**	**15,744**	**1,721**
Contingent liabilities[1)]	1,616	1,807	-191	2,194	-578
Positive fair values of derivatives in the non-trading book[2)]	453	459	-6	1,008	-555
Write-downs	166	179	-13	181	-15
Gross credit volume	**19,700**	**18,289**	**1,411**	**19,127**	**573**
For information purposes: other significant counterparty default risks outside the gross credit volume					
Irrevocable loan commitments	778	762	16	1,119	-341
Shares in associated and affiliated companies	5	8	-3	3	2

1) Before deducting risk provisions. This item includes all protection seller credit default swaps (CDSs) nominals, which also includes €9 million of nominals (31 March 2020: €0 million) that are treated as derivative transactions for accounting purposes.
2) Including €28 million (31 March 2020: €14 million) in positive fair values from protection seller CDSs whose nominals are treated as contingent liabilities for accounting purposes.

Overall, the IKB Group's gross credit volume increased by €1.4 billion between 31 March 2020 and 30 September 2020. The change largely results from the increase in short-term deposits with banks with very good credit ratings. By contrast, receivables from customers in particular fell due to subdued new business during the COVID-19 pandemic and irrevocable loan commitments remained almost identical. The reductions in bonds and contingent liabilities are due to sales of bonds in the European area and closing out protection seller CDSs.

Geographical structure

The credit volume breaks down by region as follows:

Table: Credit volume by region – Group

	30 Sep. 2020 in € million	30 Sep. 2020 in %	31 Mar. 2020 in € million	31 Mar. 2020 in %
Germany	13,548	69%	11,420	62%
Rest of the world	5,408	27%	6,436	35%
Western Europe	3,996	20%	4,703	26%
Eastern Europe	534	3%	692	4%
North America	745	4%	844	5%
Other countries	133	1%	197	1%
Subtotal	**18,956**	**96%**	**17,856**	**98%**
Risks transferred to third parties[1)]	744	4%	433	2%
Total	**19,700**	**100%**	**18,289**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

There has been an increase in Germany, due primarily to higher deposits with banks, but a decrease in the rest of the world. In Western European countries, the reduction was primarily in the bond volume in Great Britain and France.

Risks transferred to third parties increased on the basis of state guarantees in the context of the COVID-19 pandemic, particularly as a result of KfW funds from the COVID-19 special programme.

Sector structure

Table: Credit volume by sector – Group

	30 Sep. 2020 in € million	30 Sep. 2020 in %	31 Mar. 2020 in € million	31 Mar. 2020 in %
Industrial sectors	8,146	41%	9,349	51%
Chemical and pharmaceutical industry	684	3%	736	4%
Automotive	680	3%	669	4%
Energy supply	669	3%	679	4%
Food industry	575	3%	617	3%
Mechanical engineering	527	3%	586	3%
Other industrial sectors	5,011	25%	6,062	33%
Real estate	685	3%	551	3%
Financial sector	493	3%	519	3%
Banks	6,906	35%	5,087	28%
Public sector	2,726	14%	2,350	13%
Subtotal	**18,956**	**96%**	**17,856**	**98%**
Risks transferred to third parties[1)]	744	4%	433	2%
Total	**19,700**	**100%**	**18,289**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

The degree of diversification in the industrial sectors remained high – no single industrial sector accounts for more than 3% of the portfolio. The higher credit volume in the public sector relates to bonds.

Credit rating structure

The credit volume breaks down by internal rating class as follows:

Table: Credit volume by credit rating structure1) – Group

	30 Sep. 2020 in € million	30 Sep. 2020 in %	31 Mar. 2020 in € million	31 Mar. 2020 in %
1-4	9,348	47%	6,951	38%
5-7	3,457	18%	4,388	24%
8-10	4,103	21%	4,710	26%
11-13	1,498	8%	1,365	7%
14-15	367	2%	288	2%
Non-performing assets2)	183	1%	154	1%
Subtotal	**18,956**	**96%**	**17,856**	**98%**
Risk transferred to third parties3)	744	4%	433	2%
Total	**19,700**	**100%**	**18,289**	**100%**

1) Higher rating classes reflect lower creditworthiness
2) Before specific valuation allowances and loan loss provisions
3) Hermes guarantees, indemnifications, risks transferred

The higher deposits with banks can be seen in the increase of very good ratings (1-4), while there has been a reduction of the good to medium ratings (5-10) primarily as a result of the reduction of customer receivables and their migration to worse ratings.

Non-performing assets

Table: Non-performing assets1) – Group

	30 Sep. 2020 in € million	31 Mar. 2020 in € million	Change in € million	Change in %
Assets with specific valuation allowances	140	134	6	4%
Non-impaired	43	20	23	115%
Total	**183**	**154**	**29**	**19%**
as % of credit volume	0.9%	0.8%		
as % of credit volume with respect to corporates	1.9%	1.5%		
For information purposes: NPL ratio in accordance with EBA definition2)	2.0%	1.3%		

1) Before specific valuation allowances and loan loss provisions, before write-downs of securities to the lower of cost or market.
The following are not considered non-performing assets:
- €17 million (31 March 2020: €5 million) in risks transferred to third parties for non-performing assets that have been assumed by other banks, public sector entities or via collateralised loan obligations (CLOs) and hence are assigned to the party assuming liability (change in credit rating).
- €4 million (31 March 2020: €5 million) in unutilised commitments for debtors whose residual exposure is classified as a non-performing asset.
2) Receivables classified as non-performing/total receivables in accordance with Annex V of Commission Implementing Regulation (EU) 680/2014

Even following the outbreak of the COVID-19 pandemic, as of the current reporting date the change in non-performing assets remains at a very low level, despite an increase. The increase in non-performing assets for which no specific valuation allowances have been recognised is due to exposures that have been reclassified as non-performing, but for which no need for permanent impairment is foreseeable due to favourable going concern forecasts or government support measures.

Risk provisions

Table: Risk provisions – Group

	30 Sep. 2020 in € million	30 Sep. 2019 in € million	Change in %	31 Mar. 2020 in € million
Development of specific valuation allowances/ provisions[1]				
Opening balance	65.7	76.7	-14%	76.7
Utilisation	-25.4	-6.7	>100%	-31.9
Reversal	-6.9	-9.1	-24%	-13.6
Unwinding	-0.8	-0.6	33%	-1.5
Additions to specific valuation allowances/provisions	39.3	14.2	>100%	36.0
Effect of changes in exchange rates	-0.1	-		-
Total specific valuation allowances/provisions	**71.8**	**74.5**	**-4%**	**65.7**
General valuation allowances[2]				
Opening balance	118.8	117.7	1%	117.7
Addition/reversal	-19.0	-5.3	>100%	1.1
Total general valuation allowances	**99.8**	**112.4**	**-11%**	**118.8**
Total risk provisions	**171.6**	**186.9**	**-8%**	**184.5**

1) Not including general valuation allowance for contingent liabilities recognised as provisions
2) Including general valuation allowance for contingent liabilities recognised as provisions

The volume of specific valuation allowances and provisions increased in comparison to 31 March 2020. The impact of the COVID-19 pandemic can be seen in higher additions in comparison to the first half of the 2019/20 financial year. In the same period, utilisation also increased.

As of 31 March 2020, provisions were made through general valuation allowances for the above-average risks of loss in connection with the coronavirus crisis, including acquisition financing. These were used by 30 September 2020 to partially offset the specific valuation allowances recognised. The volume of general valuation allowances, including country risk provisions for receivables from customers, receivables from banks, contingent liabilities and irrevocable loan commitments, has therefore decreased by €19 million since 31 March 2020.

General valuation allowances for securities amounted to €1.7 million in the Group (31 March 2020: €1.8 million).

Liquidity risk

Liquidity situation

Depending on the development of its new business and taking into account credit facilities and liquidity commitments not yet utilised by customers, the Bank expects its liquidity requirements to amount to around €1.2 billion over the next 12 months.

Liquidity planning is based on a number of assumptions regarding the aforementioned and other liquidity-determining factors on the assets side and the liabilities side. If a number of these assumptions cumulatively do not materialise, this may result in liquidity bottlenecks. For example, this may include market developments that do not or do not sufficiently permit the prolongation of liabilities guaranteed by the Deposit Protection Fund. IKB has a liquidity contingency plan for this eventuality, which describes a package of measures and a defined procedure for responding to a liquidity bottleneck.

As of 30 September 2020, the fact that the limited minimum liquidity balance is around €1.6 billion higher than the liquidity limit shows that the liquidity situation is comfortable. The satisfactory liquidity situation is also underlined by the fact that (assuming unchanged market values), taking into account the legal maturities of the Bank's asset and liability positions, an assumption regarding the deposit base for overnight money, its options for borrowing from the ECB and on the secured interbank market and excluding its planned new lending business ceteris paribus, the Bank is financed for a period of 10 months and has a free liquidity reserve of €3.1 billion.

The minimum requirement for the liquidity coverage ratio is 100%. The minimum requirements have been complied with at all times in the current financial year. The LCR was 309% in the IKB Group as of 30 September 2020 (IKB AG: 300%).

Refinancing situation

The key elements of IKB's refinancing include secured financing on the interbank market (Eurex Repo/bilateral repo transactions), refinancing via the ECB, and business with business customers, retail customers and institutional investors involving deposits and promissory note loans covered by the Deposit Protection Fund.

The Bank also actively utilises programme loans and global loans from government development banks in its customer lending business in its refinancing mix.

Details are shown in the following table:

Refinancing source (HGB book values including deferred interest)	30 Sep. 2020 in € million	31 Mar. 2020 in € million
Customer deposits	**5,955**	**5,461**
Retail customer deposits	2,818	2,636
Business customer deposits	3,137	2,825
Secured refinancing	**8,667**	**7,610**
Development loans	5,372	5,223
Interbank market	299	1,129
thereof Eurex	299	1,129
thereof other	-	**-**
ECB	2,996	1,258
thereof TLTRO	2,996	1,235
thereof open market	0	**23**
Unsecured refinancing	**633**	**865**
thereof bearer bonds (including buybacks)	173	233
thereof senior preferred	-	-
thereof senior non-preferred	173	233
thereof promissory note loans	460	632
thereof senior preferred	-	**-**
thereof senior non-preferred	460	632
thereof other	0	0
Subordinated/hybrid refinancing	**814**	**842**
thereof subordinated	739	767
thereof hybrid (Funding Trust)	75	75
Equity	**1,416**	**1,377**
thereof equity	831	792
thereof fund for general banking risks	585	585

Market price risk

The following table shows the year-on-year development of the market risk profile at the level of the risk consolidation group by means of the interest rate basis point value, the credit spread basis point value and value at risk at a 99% confidence level and applying a holding period of one day. The increase in the value at risk figures is due primarily to high volatility on financial and capital markets as a result of the COVID-19 pandemic.

Table: Market price risk profile

in € million	Value at 30 Sep. 2020	Value at 31 Mar. 2020
Interest rate basis point value (BPV)	**-1.4**	**-1.0**
Credit spread BPV	**-8.9**	**-8.4**
VaR – interest rate and volatility	-22.8	-23.5
VaR – credit spread	-52.6	-47.2
VaR – FX and volatility	-2.7	-2.6
VaR – other	-6.6	-5.1
Correlation effect	24.2	25.0
Total VaR	**-60.5**	**-53.4**

Any differences in totals are rounding differences.

Non-financial risks

Operational risks

The gross loss volume identified in the first half of the 2020/21 financial year amounted to a total of €0.2 million at Group level (previous year: €1.2 million[1]). In individual cases, the loss amounts are based on estimates, and it may not be possible to obtain accurate figures on the basis of updated information for these until later in some cases.

Legal risks

Derivatives trading

There have been no changes compared to the information on page 40 of IKB's 2019/20 annual report.

Disputes relating to subordinated securities

In order to create regulatory tier 2 capital, in the years from 1997 IKB AG issued a total of eight profit participation certificates with loss participation. These had not yet expired at the time of the crisis in 2007.

Since July 2016, investors have threatened legal action and, in some cases, asserted claims for information that have been rejected by IKB. In some individual cases, agreements on the suspension of the statute of limitations have been concluded without the acknowledgement of any legal obligation in order to avoid measures suspending the statute of limitations.

Lawsuits with a total value in dispute of €117 million had been filed against IKB as of the end of September 2020. IKB considers the claims asserted to be unjustified and assumes that such claims will remain unsuccessful. This assessment was confirmed on 24 September 2020 by three second-instance rulings of the Düsseldorf Higher Regional Court significantly in IKB's favour. Some of the lawsuits were inadmissible and all the other lawsuits were completely dismissed. The higher regional court did not permit an appeal in any of the cases. Even though, to IKB's knowledge, two of the claimants have so far filed an appeal against denial of

1 Figure for previous year restated to reflect updated information.

leave to appeal with the German Federal Court of Justice, based on the present rulings, IKB expects the lawsuits to be brought to a successful conclusion in 2021.

Differing opinion of the tax authorities

Aleanta GmbH (a wholly owned subsidiary of IKB AG with which no profit and loss transfer agreement has been concluded) had received initial written notification that, as part of the tax audit of a company of which it is the universal successor (Olessa GmbH), the tax authorities are intending to treat the retroactive merger of Olessa GmbH into Aleanta GmbH in the 2010/11 financial year as a case covered by section 42 of the German Tax Code (Abgabenordnung – AO). Aleanta GmbH had commented on the matter and on the tax audit's assessment at that time. The tax treatment of retroactive mergers of companies acquired still requires final clarification.

Personnel risks

The management of personnel risks is the responsibility of the individual central and back-office divisions and front-office units in collaboration with the Human Resources department. This includes maintaining the level of knowledge and experience employees need to carry out their duties and responsibilities. IKB therefore pursues extensive and ongoing training management in order to maintain a high qualification level among its employees.

The number of resignations by employees does not currently represent an additional personnel risk, as these can be compensated for internally or temporarily through an external service provider, or the vacancies can be filled through recruitment. Due to the coronavirus crisis, the Group created the option of employees working from home as far as possible. In addition, greater flexibility was provided with regard to working hours, meaning that it is possible for staff to work outside of core hours and employees with children can ensure their care. IKB does not currently see elevated personnel risks in this respect. There is no increased danger of staff leaving. The Group's stable IT systems mean all employees can work from home.

Other risks

With regard to risks in connection with information security, IT risks, compliance risks, business risks, strategic risks, reputation risks and participation risks, please see IKB's Group management report for the year ended 31 March 2020 (pages 39 to 42). No material changes have since occurred.

4. Report on opportunities

IKB reported on opportunities in detail on pages 43 and 44 of the 2019/20 annual report. The following changes have occurred compared to the information presented there:

In addition to the adverse impacts of the generally high degree of regulation, IKB also sees the opportunity for a reduction of the RWA burden on the lending business in the imminent regulatory adjustments that are summarised under Basel IV. This arises partly from the further development of existing and the introduction of further IRBA rating systems and also partly from announced changes for the regulatory standard parameters in the foundation IRB approach.

The Bank has therefore additionally calculated its capital ratios for the whole Group in a pro-forma analysis in accordance with the regulations of Basel IV, i.e. on the basis of the new regulations of the Basel Committee on Banking Supervision (BCBS), which will not enter into force until 1 January 2023 according to the press release of 27 March 2020, and also taking CRR II into consideration. In so doing, it has taken the following standards into consideration[2]:

- Revised standardised approach for credit risk
- Revised IRB approach for credit risk
- Revised operational risk framework
- Revised CVA framework
- Revised market risk framework
- Output floor.

This pro-forma analysis resulted in the following figures:

Capital ratios as of 30 Sep. 2020 (IKB Group)	Forecast figures (Basel IV incl. CRR II)	Comparative figures in line with CRR
CET 1 ratio	**14.0 %**	**13.3 %**
T 1 ratio	14.0 %	13.3 %
Own funds ratio	20.6 %	19.6 %
Total risk-weighted assets (RWA)	**€9.7 billion**	**€10.2 billion**

The expected positive impact compared to the current regulations results largely from the “Revised IRB approach for credit risk” caused by a reduction of the standard LGD from 45% to 40% in the foundation IRB approach and the reduction of the scaling factor in the formula for calculating the RWA in the IRB approach from 1.06 to 1.0.

IKB expects an RWA reduction from its IRBA Corporate Rating rating system in the 2020/21 financial year due to a requested model change. Based on the findings of the model change review that has already taken place, IKB currently expects the complete discontinuation of the extra charge for possible default that was stipulated as a condition when IRBA approval was granted as well as approval of the requested model change (and the associated recalibration of the rating model) by the supervisory authority. Due to the significantly tightened regulatory requirements for IRBA rating models, particularly as a result of the requirements of the European Banking Authority (EBA), the supervisory authority’s approval of the requested model change will involve the imposition of a new extra charge for possible default. IKB therefore expects an RWA reduction of around €0.8 billion in the short term and further potential in the following financial year. IKB had indicated potential totalling up to €1.5 billion in the 2019/20 annual report. Moreover, this RWA reduction leads to a significant increase in the CET 1 capital ratio compared to the 2019/20 financial year.

2 Simplified calculation, in some cases ignoring details of regulations that do not have a significant impact on the result.

5. Outlook

Future general economic conditions

Uncertainty about the future course of the coronavirus pandemic and associated protective measures remains high. In their Joint Economic Forecast (October 2020), leading German economic research institutions assume that the worldwide restrictions for combating the coronavirus will remain in place for some time. During 2021, a gradual lifting of the mitigation measures should be achieved, and the adverse impact on economies should diminish.

In the summer of 2020, the global economy recovered relatively quickly following its unprecedented collapse in the spring. However, the recovery in the final quarter of 2020 is likely to slow once again, and a recession cannot be ruled out. Rising numbers of infections have led to renewed tightening in mitigation measures, resulting in partial lockdowns in many economies. Catch-up effects should also diminish because many sectors have already been producing at relatively close to pre-crisis levels again.

Given the scale of the sharp decrease in the second quarter, the economic research institutions expect negative annual GDP growth rates for 2020 for most economies (USA: -3.6%, Euro area: -7.4%). Strong growth is expected for the next year, not least due to base effects (USA: 4.2%, Euro area: 5.6%). The economic recovery has progressed a lot quicker in China than in most other countries of the world. Here, the institutions expect GDP growth of 1.4% in the current year and 9.0% for 2021.

In Germany, the economy as a whole has experienced a V-shaped recovery. However, momentum is also likely to slow in the final quarter of 2020 due to another lockdown in parts of the economy. The institutions forecast a 5.7% decrease in calendar-adjusted GDP in 2020 and growth of 4.7% the next year for the German economy.

Investment in equipment, an important indicator of demand for loans in Germany, is expected to pick up again following the collapse in the current year (-14.1%) and then increase by 11.4% in 2021. Continuing uncertainty and underutilised production capacity preclude a stronger recovery. In addition, the weakened equity base as a result of the coronavirus crisis is likely to make the financing of investments harder. Thus, a return to pre-crisis levels of investment spending can only be expected in the medium term. Financing conditions remain overall fundamentally favourable. Interest rates in the Euro area are likely to remain very low for years to come due to continued expansionary monetary policy – even against the background of increasing government debt and the moderate course of inflation. However, banks could become more restrictive in their lending – not only because of weaker creditworthiness of companies but also because of their own increasing burdens as a result of the coronavirus crisis.

Although according to various analyses (2020 Financial Stability Review, June 2020 ECB Scenario Analysis) German banks are well equipped for the crisis as a result of the massive build up of capital in the past few years, increasing corporate defaults and rising bad debts are having a negative impact. Although government measures and special rules (suspension of the obligation to file for insolvency) have so far prevented an increase in corporate insolvencies, these are likely to increase from October.

The financial performance of German banks is also likely to continue to be adversely affected by influences not directly related to the coronavirus pandemic. For example, the continuation of the low and negative interest-rate period will continue to impact the traditional interest business and cause further considerable cost reduction pressure. In addition, investments in digitalisation, continuous necessary structural and regulatory adjustments and the already high intensity of competition will represent great challenges for the sector.

The developments described continue to be fraught with great uncertainty. The progression of the infection figures in conjunction with the mitigation measures is one of the greatest forecasting risks. Another lockdown means that another economic slump can no longer be ruled out. In addition, it is not clear whether the events of the pandemic can in fact be controlled in 2021. If, on the other hand, the pandemic is curbed more quickly, economies are also likely to recover faster.

Another flare-up of the euro debt crisis as a result of the coronavirus pandemic cannot be excluded. Government support measures, loss of tax revenue and the economic downturn will increase countries' debt-to-GDP ratios. The debt sustainability of highly indebted euro countries could be called into question again. Turbulence on financial markets cannot be ruled out either.

Finally, there is still the possibility of an intensifying global trade conflict between the US and China or the EU. The terms of Brexit and the trade relationship between the UK and the EU are still unclear and involve uncertainties.

Forecast period

IKB AG plans to change its financial year (currently 1 April to 31 March) using a nine-month shortened financial year to bring its financial year in line with the calendar year. In line with the requirements of GAS 16 in conjunction with GAS 20, the following forecasts relate to the original financial year end on 31 March 2021.

Asset position

IKB expects an RWA reduction from its IRBA Corporate Rating rating system for 31 March 2021 due to a requested model change. Based on the findings of the model change review that has already taken place, IKB currently expects the complete discontinuation of the extra charge for possible default that was stipulated as a condition when IRBA approval was granted as well as approval of the requested model change and the associated recalibration of the rating model by the supervisory authority. Due to the significantly tightened regulatory requirements for IRB rating models, particularly as a result of the requirements of the European Banking Authority (EBA), the supervisory authority's approval of the requested model change will involve the imposition of a new extra charge for possible default. IKB therefore expects an RWA reduction of around €0.8 billion in the short term and further potential in the following financial year. IKB had indicated potential totalling up to €1.5 billion in the 2019/20 annual report. Moreover, this RWA reduction leads to a significant increase in the CET 1 capital ratio compared to the 2019/20 financial year.

With regard to the forecast of the asset position, the Bank refers to the statement on page 50 of the section "6. Outlook" in the 2019/20 annual report. A stable securities portfolio was anticipated in the 2019/20 financial year. However, IKB now expects a significant reduction in the securities portfolio for 31 March 2021.

Financial situation

With regard to the forecast on the financial situation, the Bank refers to the statement on pages 50 and 51 of section "6. Outlook" in the 2019/20 annual report and maintains this forecast for 31 March 2021.

Results of operations

With regard to the forecast of financial performance, the Bank refers to the statement on page 51 of the section "6. Outlook" in the 2019/20 annual report and maintains this forecast for 31 March 2021.

Due to the continuing uncertainties with regard to the economic impact of the coronavirus pandemic, forecasting results of operations remains difficult.

Overall assessment

On the basis of the first six months of the financial year, IKB expects net income after tax for the financial year of around €80 million and expects to achieve the forecast from the 2019/20 annual report for 31 March 2021. At Group level, profits that will not be received by IKB AG until 31 December 2020 due to Group companies' differing financial years already needed to be reported for the 2019/20 financial year. For this reason, the Bank expects a significantly higher profit for IKB AG than forecast.

IKB plans to change the financial year, which currently ends on 31 March each year, to end on 31 December each year. In the event of a nine-month shortened financial year with a reporting date of 31 December 2020, the Bank expects net income after taxes of around €60 million for the IKB Group.

There continues to be great uncertainty about how the coronavirus pandemic will develop and its economic impact. Against this background, net income as of the end of the forecast period on 31 March 2021 and as of the end of the shortened financial year on 31 December 2020 may be lower than expected.

Combined Interim Financial Statements of IKB Deutsche Industriebank AG and the Group

Consolidated balance sheet as of 30 September 2020

in € million		30 Sep. 2020	31 Mar. 2020
Assets			
Cash reserve		**0.6**	**344.1**
a)	Cash on hand	-	0.1
b)	Balances with central banks	0.6	344.0
	thereof: with Deutsche Bundesbank	0.6	344.0
c)	Balances in postal giro accounts	-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing at central banks		**-**	**-**
Receivables from banks		**4,855.2**	**2,198.5**
a)	Repayable on demand	3,587.0	1,260.8
b)	Other receivables	1,268.2	937.7
Receivables from customers		**8,889.1**	**9,529.6**
	thereof: mortgage loans	653.1	649.1
	thereof: public sector loans	617.5	291.9
Bonds and other fixed-income securities		**3,433.2**	**3,830.1**
a)	Money market securities	-	-
b)	Bonds and notes	3,416.6	3,811.2
	ba) Public sector issuers	2,369.3	1,922.7
	thereof: eligible as collateral for Deutsche Bundesbank	2,369.3	1,922.7
	bb) Other issuers	1,047.2	1,888.4
	thereof: eligible as collateral for Deutsche Bundesbank	983.1	1,755.6
c)	Own bonds	16.7	19.0
	Nominal amount	16.5	18.4
Equities and other non-fixed-income securities		**304.0**	**304.0**
Trading assets		**-**	**-**
Equity investments		**0.2**	**0.2**
	thereof: banks	0.2	0.2
	thereof: financial services institutions	-	-
Shares in associated companies		**-**	**-**
	thereof: banks	-	-
	thereof: financial services institutions	-	-
Shares in affiliated companies		**5.0**	**7.4**
	thereof: banks	-	-
	thereof: financial services institutions	-	-
Assets held in trust		**-**	**-**
Compensation receivables from the public sector including debt securities arising from their exchange		**-**	**-**
Lease assets		**-**	**-**
Intangible assets		**1.1**	**1.5**
a)	Internally generated industrial and similar rights and assets	-	-
b)	Purchased concessions, industrial property rights and similar rights and licences in such rights and assets	1.1	1.5
c)	Goodwill	-	-
d)	Advance payments made	-	-
Tangible assets		**4.1**	**4.4**
Called unpaid capital		**-**	**-**
Other assets		**97.4**	**149.3**
Prepaid expenses		**105.3**	**108.1**
Deferred tax assets		**136.3**	**137.2**
Excess of plan assets over post-employment benefit liability		**8.0**	**7.4**
Total assets		**17,839.6**	**16,621.9**

in € million			30 Sep. 2020	31 Mar. 2020
Equity and liabilities				
Liabilities to banks			**8,694.6**	**7,669.6**
a)	Repayable on demand		15.1	47.4
b)	With agreed term or notice period		8,679.5	7,622.2
Liabilities to customers			**6,452.4**	**6,140.2**
a)	Savings deposits		-	-
b)	Other liabilities		6,452.4	6,140.2
	ba)	Repayable on demand	1,111.3	1,072.7
	bb)	With agreed term or notice period	5,341.1	5,067.5
Securitised liabilities			**189.5**	**299.9**
a)	Bonds issued		189.5	299.9
b)	Other securitised liabilities		-	-
Trading liabilities			**-**	**-**
Liabilities held in trust			**-**	**-**
Other liabilities			**65.8**	**59.6**
Deferred income			**51.8**	**38.3**
Deferred tax liabilities			**-**	**-**
Provisions			**168.2**	**209.2**
a)	Provisions for pensions and similar obligations		77.9	89.1
b)	Tax provisions		31.6	34.5
c)	Other provisions		58.8	85.6
Subordinated liabilities			**800.9**	**831.2**
Profit participation capital			**-**	**-**
	thereof: due within two years		-	-
Fund for general banking risks			**585.0**	**585.0**
	thereof: trading-related special reserve according to section 340e (4) HGB		-	-
Equity			**831.3**	**788.9**
a)	Called-up capital		100.0	100.0
	Subscribed capital		100.0	100.0
	Less uncalled unpaid contributions		-	-
		Contingent capital	800.0	800.0
b)	Capital reserves		647.9	647.9
c)	Revenue reserves		2.7	2.7
	ca)	Legal reserve	2.4	2.4
	cb)	Reserve for shares in a parent or majority investor	-	-
	cc)	Statutory reserves	-	-
	cd)	Other revenue reserves	0.3	0.3
d)	Difference in equity from currency translation		-	-
e)	Net retained profits/net accumulated losses		84.4	40.8
f)	Non-controlling interests		-3.7	-2.5
Negative goodwill from capital consolidation			-	-
Total equity and liabilities			**17,839.6**	**16,621.9**

Contingent liabilities		**1,604.4**	**1,804.1**
a)	Contingent liabilities from rediscounted and settled bills of exchange	-	-
b)	Liabilities from guarantees and indemnity agreements	1,604.4	1,804.1
c)	Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations		**777.5**	**762.1**
a)	Repurchase obligations from non-genuine repurchase agreements	-	-
b)	Placement and underwriting obligations	-	-
c)	Irrevocable loan commitments	777.5	762.1

Balance sheet of IKB Deutsche Industriebank AG as of 30 September 2020

in € million	30 Sep. 2020	31 Mar. 2020
Assets		
Cash reserve	**0.6**	**344.0**
a) Cash on hand	-	-
b) Balances with central banks	0.6	344.0
thereof: with Deutsche Bundesbank	0.6	344.0
c) Balances in postal giro accounts	-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing at central banks	**-**	**-**
Receivables from banks	**4,851.8**	**2,194.0**
a) Repayable on demand	3,583.7	1,256.4
b) Other receivables	1,268.1	937.7
Receivables from customers	**9,278.1**	**10,432.6**
thereof: mortgage loans	656.3	652.4
thereof: public sector loans	617.5	291.9
Bonds and other fixed-income securities	**3,442.5**	**3,838.5**
a) Money market securities	-	-
b) Bonds and notes	3,425.8	3,819.6
ba) Public sector issuers	2,369.9	1,923.3
thereof: eligible as collateral for Deutsche Bundesbank	2,369.9	1,923.3
bb) Other issuers	1,055.9	1,896.2
thereof: eligible as collateral for Deutsche Bundesbank	991.8	1,763.4
c) Own bonds	16.7	19.0
Nominal amount	16.5	18.4
Equities and other non-fixed-income securities	**0.0**	**350.9**
Trading assets	**-**	**-**
Equity investments	**0.2**	**0.2**
thereof: banks	0.2	0.2
thereof: financial services institutions	-	-
Shares in affiliated companies	**167.9**	**167.9**
thereof: banks	-	-
thereof: financial services institutions	-	-
Assets held in trust	**-**	**-**
Compensation receivables from the public sector including debt securities arising from their exchange	**-**	**-**
Intangible assets	**1.1**	**1.5**
a) Internally generated industrial property rights and similar rights and assets	-	-
b) Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	1.1	1.5
c) Goodwill	-	-
d) Advance payments made	-	-
Tangible assets	**4.1**	**4.4**
Called unpaid capital	**-**	**-**
Other assets	**78.5**	**135.7**
Prepaid expenses	**70.9**	**70.7**
Deferred tax assets	**137.0**	**137.0**
Excess of plan assets over post-employment benefit liability	**8.0**	**7.1**
Total assets	**18,040.7**	**17,684.5**

in € million	30 Sep. 2020	31 Mar. 2020
Equity and liabilities		
Liabilities to banks	**8,692.2**	**7,667.3**
a) Repayable on demand	14.8	47.2
b) With agreed term or notice period	8,677.4	7,620.1
Liabilities to customers	**6,643.4**	**6,482.8**
a) Savings deposits	-	-
b) Other liabilities	6,643.4	6,482.8
ba) Repayable on demand	1,139.2	1,108.1
bb) With agreed term or notice period	5,504.2	5,374.7
Securitised liabilities	**269.6**	**671.9**
a) Bonds issued	269.6	671.9
b) Other securitised liabilities	-	-
Trading liabilities	**-**	**-**
Liabilities held in trust	**-**	**-**
Other liabilities	**64.8**	**457.6**
Deferred income	**51.8**	**38.3**
Deferred tax liabilities	**-**	**-**
Provisions	**170.2**	**200.2**
a) Provisions for pensions and similar obligations	75.6	83.7
b) Tax provisions	31.1	33.0
c) Other provisions	63.5	83.5
Subordinated liabilities	**800.9**	**831.2**
Profit participation capital	**-**	**-**
Fund for general banking risks	**585.0**	**585.0**
thereof: trading-related special reserve according to section 340e (4) HGB	-	-
Equity	**762.9**	**750.3**
a) Called-up capital	100.0	100.0
Subscribed capital	100.0	100.0
Less uncalled unpaid contributions	-	-
Contingent capital	800.0	800.0
b) Capital reserves	647.9	647.9
c) Revenue reserves	2.4	2.4
ca) Legal reserve	2.4	2.4
cb) Reserve for shares in a parent or majority investor	-	-
cc) Statutory reserves	-	-
cd) Other revenue reserves	-	-
e) Net retained profits/net accumulated losses	12.6	-
Total equity and liabilities	**18,040.7**	**17,684.5**

Contingent liabilities	**1,679.5**	**1,879.2**
a) Contingent liabilities from rediscounted and settled bills of exchange	-	-
b) Liabilities from guarantees and indemnity agreements	1,679.5	1,879.2
c) Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations	**884.5**	**867.6**
a) Repurchase obligations from non-genuine repurchase agreements	-	-
b) Placement and underwriting obligations	-	-
c) Irrevocable loan commitments	884.5	867.6

Consolidated income statement for the period from 1 April 2020 to 30 September 2020

in € million	2020/21	2019/20
Expenses		
Lease expenses	**0.0**	**-**
Interest expenses	**-58.0**	**-212.8**
thereof: positive interest	12.2	9.5
Commission expenses	**-1.5**	**-1.7**
Net trading result	**-**	**-**
General administrative expenses	**-66.7**	**-81.6**
a) Personnel expenses	-40.2	-44.9
aa) Wages and salaries	-33.1	-36.9
ab) Social security, post-employment and other employee benefit costs	-7.1	-8.0
thereof: for pensions	-2.5	-3.2
b) Other administrative expenses	-26.5	-36.7
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	**-0.8**	**-2.0**
a) On lease assets	-	-
b) On intangible and tangible assets	-0.8	-2.0
Other operating expenses	**-210.1**	**-326.9**
Expenses for the addition to the fund for general banking risks	**-**	**-**
Write-downs of receivables and certain securities and additions to loan loss provisions	**-13.1**	**-4.8**
Write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**-3.9**	**-17.4**
Costs of loss absorption	**-**	**-**
Extraordinary expenses	**-4.4**	**-0.6**
Income taxes	**-0.4**	**-1.3**
Other taxes not reported under “Other operating expenses”	**0.1**	**-0.3**
Net income	**-42.4**	**-46.5**
Total expenses	**-401.2**	**-695.9**

in € million	2020/21	2019/20
Income		
Lease income	**-**	**-**
Interest income from	**136.2**	**322.0**
a) Lending and money market transactions	114.7	289.8
thereof: negative interest	-16.5	-11.9
b) Fixed-income securities and government-inscribed debts	21.5	32.1
thereof: negative interest	-	-
Current income from	**29.1**	**0.3**
a) Equities and other non-fixed-income securities	29.0	0.0
b) Equity investments	-	0.3
c) Shares in associated companies	-	-
d) Shares in affiliated companies	0.1	-
Income from profit pooling, profit-transfer and partial profit-transfer agreements	**-**	**-**
Commission income	**15.8**	**23.7**
Net trading result	**-**	**-**
Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions	**-**	**-**
Income from reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**137.6**	**119.6**
Other operating income	**82.5**	**230.3**
Income from the reversal of the fund for general banking risks	**-**	**-**
Extraordinary income	**-**	**0.0**
Income from assumption of losses	**-**	**-**
Net loss	**-**	**-**
Total income	**401.2**	**695.9**
Net income/loss	**43.6**	**47.0**
Non-controlling interests	**-1.2**	**-0.6**
Profit/loss carryforward from the previous year	**40.8**	**-2,592.1**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 1 to no. 3 HGB	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 4 HGB	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net retained profits/net accumulated losses	**84.4**	**-2,545.1**

Income statement of IKB Deutsche Industriebank AG for the period from 1 April 2020 to 30 September 2020

in € million	2020/21	2019/20
Expenses		
Interest expenses	**-59.4**	**-215.3**
thereof: positive interest	12.2	9.5
Commission expenses	**-1.3**	**-1.3**
Net trading result	**-**	**-**
General administrative expenses	**-66.3**	**-81.0**
a) Personnel expenses	-40.2	-44.9
aa) Wages and salaries	-33.0	-36.9
ab) Social security, post-employment and other employee benefit costs	-7.1	-8.0
thereof: for pensions	-2.5	-3.1
b) Other administrative expenses	-26.1	-36.2
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	**-0.8**	**-1.1**
Other operating expenses	**-206.4**	**-325.0**
Expenses for the addition to the fund for general banking risks	**-**	**-**
Write-downs of receivables and certain securities and additions to loan loss provisions	**-12.1**	**-4.3**
Write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**-3.9**	**-17.3**
Costs of loss absorption	**-6.5**	**-**
Extraordinary expenses	**-4.3**	**0.0**
Income taxes	**0.2**	**-1.4**
Other taxes not reported under "Other operating expenses"	**0.0**	**-**
Profit transfer on the basis of profit pooling, profit-transfer and partial profit-transfer agreements	**-**	**-**
Net income	**-12.6**	**-44.9**
Total expenses	**-373.4**	**-691.6**

in € million	2020/21	2019/20
Income		
Interest income from	**136.2**	**319.3**
a) Lending and money market transactions	116.2	288.6
thereof: negative interest	-16.5	-11.9
b) Fixed-income securities and government-inscribed debts	20.0	30.8
thereof: negative interest	-	-
Current income from	**0.0**	**1.0**
a) Equities and other non-fixed-income securities	0.0	-
b) Equity investments	-	0.0
c) Shares in affiliated companies	-	1.0
Income from profit pooling, profit-transfer and partial profit-transfer agreements	**-**	**-**
Commission income	**15.9**	**23.9**
Net trading result	**-**	**-**
Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions	**-**	**-**
Income from reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**139.9**	**118.7**
Other operating income	**81.4**	**228.7**
Income from the reversal of the fund for general banking risks	**-**	**-**
Extraordinary income	**-**	**0.0**
Income from assumption of losses	**-**	**-**
Net loss	**-**	**-**
Total income	**373.4**	**691.6**
Net income/loss	**12.6**	**44.9**
Loss carryforward from the previous year	**-**	**-2,508.1**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 1 to no. 3 HGB	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 4 HGB	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net retained profits/net accumulated losses	**12.6**	**-2,463.2**

Notes to the financial statements and the consolidated financial statements

Accounting principles applied

(1) Preparation of the condensed interim financial statements and consolidated interim financial statements

The condensed interim financial statements of IKB Deutsche Industriebank AG, Düsseldorf, entered in the commercial register of the Düsseldorf Local Court under HRB 1130, and the IKB Group (the Group) for the period ended 30 September 2020 are prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) in conjunction with the German Regulation on the Accounting of Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV) and relevant regulations of the German Stock Corporation Act (Aktiengesetz – AktG). The consolidated interim financial statements also take into account the German accounting standards (GAS) adopted by the Accounting Standards Committee of Germany (ASCG) and promulgated by the German Federal Ministry of Justice in accordance with section 342 (2) HGB. These condensed interim financial statements and consolidated interim financial statements should be read together with IKB AG's annual financial statements and consolidated financial statements for the year ended 31 March 2020, which were audited and certified by Ernst & Young.

IKB AG's 2020/21 six-month report for the period ended 30 September 2020 comprises the consolidated balance sheet, the balance sheet, the consolidated income statement, the income statement and selected explanatory notes in the condensed notes to the financial statements and consolidated financial statements and a Group interim management report. The option of voluntarily preparing a condensed or consolidated statement of changes in equity and a condensed or consolidated cash flow statement was not exercised. With respect to the events and circumstances in the current interim reporting period that are relevant for understanding the material changes in the items of the consolidated balance sheet and the consolidated income statement compared to the comparative figures shown, please refer to the information on the results of operations, asset position and financial situation in the Group interim management report as well as the disclosures in the condensed notes to the consolidated financial statements.

The comparative figures for the previous year were calculated in line with the requirements of German commercial law and stated in accordance with section 298 (1) HGB in conjunction with section 265 (2) HGB. The balance sheet and the income statement are structured in line with the forms for banks pursuant to section 2 RechKredV. The income statement is prepared in account form (RechKredV form 2).

Amounts are stated in millions of euros. Minor deviations may occur in the totals in the notes due to rounding. Amounts below €50,000 and values of zero are shown as "-" in IKB AG's interim financial statements and consolidated interim financial statements.

The condensed notes to IKB AG's consolidated financial statements and the notes to IKB AG's financial statements have been combined. Unless stated otherwise, any statements made apply to both the Group and IKB AG. The condensed interim financial statements and the interim management report in this six-month financial report have not been reviewed and nor have they been audited in accordance with section 317 HGB.

IKB's financial year begins on 1 April and ends on 31 March.

The same accounting policies were applied in preparing the interim financial statements and consolidated interim financial statements as for the separate financial statements and consolidated financial statements for the year ended 31 March 2020, with the exception of in the areas specified in the following note.

(2) Changes in presentation and measurement

The calculation of fair value in the lending business was adjusted to improve the way in which in particular embedded floors in variable interest loans, tenor-specific forward curves and expected and scheduled repayments are taken into account. Had the change already been made as of 31 March 2020, the fair value of the transactions concerned would have been €21.3 million lower. This change has no impact on the income statement.

The method for measuring illiquid subordinated liabilities was harmonised with the measurement of liquid subordinated liabilities. The improved measurement method now uses a greater number of input parameters that can be derived from liquid market data. The method was adjusted in July 2020, as a result of which the fair values at the date of the change increased by €29.4 million. Had the new measurement method already been used as of 31 March 2020, the fair value of the financial instruments concerned would have been €6.9 million higher. This change has no impact on the income statement because the subordinated liabilities are valued at their settlement amount.

In the light of the replacement of the EONIA (Euro OverNight Index Average) reference rate with the €STR (Euro Short-Term Rate), the clearing houses Eurex Clearing and LCH changed the discount rates for cash collateral for euro-denominated derivatives on 27 July 2020. The interest rate applicable to the cash collateral is usually used as the discount rate when calculating the fair value of derivatives. The cash flows underlying the derivatives do not change as a result of the change in the discount curve. However, there is an effect on the fair values of the derivatives concerned. In order to equalise this effect between the parties, one-off compensation payments were made between the parties at the date of the change. These were recognised as prepaid expenses of €1.6 million and deferred income of €20.2 million. The prepaid expenses and the deferred income are released on a straight line basis over the residual term. The change has no effect on the income statement or unrealised gains and losses.

(3) Consolidated group

In addition to IKB AG, a further 18 (31 March 2020: 21) subsidiaries are fully consolidated in the consolidated interim financial statements for the period ended 30 September 2020. 23 (31 March 2020: 26) further subsidiaries were not consolidated pursuant to section 296 (2) and section 311 (2) HGB due to being of only minor importance for the Group’s financial situation, asset position and results of operations. Not consolidating these companies does not result in a materially different view of the economic position of the Group than if they had been consolidated.

Due to their minor importance for the financial situation, asset position and results of operations of the Group, the companies IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf, IKB Grundstücksgesellschaft Düsseldorf GmbH, Düsseldorf and IKB Real Estate Holding GmbH, Düsseldorf were deconsolidated in September 2020. No material effects resulted from these deconsolidations.

For further information, please see note (25).

(4) Consolidation principles

The consolidated interim financial statements are uniformly prepared in accordance with the accounting policies applicable to IKB AG. The annual financial statements of the subsidiaries included that are neither banks nor financial services institutions are reconciled to the structure of the RechKredV forms. If a Group company does not prepare interim financial statements for the period ended 30 September, the material transactions that have occurred between the subsidiary's six-month financial statements and 30 September 2020 are taken into account.

The same consolidation principles as in the consolidated financial statements for the period ended 31 March 2020 are applied in the consolidated interim financial statements.

Since the German Act to Modernise Accounting Law (Bilanzrechtsmodernisierungsgesetz – BilMoG) entered into force, capital consolidation for companies consolidated for the first time has been carried out in accordance with the revaluation method pursuant to section 301 HGB. Prior to BilMoG's entry into force, the companies consolidated for the first time were consolidated in accordance with the book value method.

Increases in the shares in subsidiaries are classified as a capital transaction within the meaning of GAS 23 – Accounting for subsidiaries in consolidated financial statements, and thus the assets and liabilities are not remeasured. Instead, the cost of the additional shares is offset against the non-controlling interests in equity attributable to these shares at the date on which these shares are acquired. Any difference remaining after this offsetting must be offset directly against group equity.

Assets, liabilities, prepaid expenses, deferred income, expenses and income between the Group companies included are consolidated unless industry-specific accounting regulations prevent this. Intercompany profits or losses from internal transactions are eliminated unless immaterial.

(5) Risk provisions for possible loan losses

Risk provisions for possible loan losses comprise valuation allowances and provisions for all identifiable credit and sovereign risks and for latent default risks.

General valuation allowances and general provisions for customer receivables and contingent liabilities from guarantees are generally calculated based on the Federal Ministry of Finance's letter of 10 January 1994. Historical credit losses are used as a basis here and multiplied by an economic factor in order to take account of the overall economic situation. However, in order to estimate current latent counterparty risks, a general valuation allowance is maintained in at least the amount of the one-year expected loss on this portfolio.

With regard to the calculation of the general valuation allowances and general provisions for loan losses, please also see the information on provisions for possible loan losses starting on page 68 of IKB's 2019/20 annual report.

In the Bank's view, increased latent counterparty risks no longer exist for the impact of the tightening of legislation on borrowers in the renewable energy segment in southern Europe.

Notes to the balance sheet

(6) Maturity structure of selected balance sheet items by remaining term

	Group		IKB AG	
in € million	**30 Sep. 2020**	**31 Mar. 2020**	**30 Sep. 2020**	**31 Mar. 2020**
Receivables from banks[1)]	**1,268.2**	**937.7**	**1,268.1**	**937.7**
remaining term				
up to 3 months	595.7	2.0	595.7	2.0
more than 3 months up to 1 year	661.8	921.8	661.8	921.8
more than 1 year up to 5 years	10.7	14.0	10.7	13.9
more than 5 years	-	-	-	-
indefinite term	-	-	-	-
Receivables from customers	**8,889.1**	**9,529.6**	**9,278.1**	**10,432.6**
remaining term				
up to 3 months	494.0	747.4	794.1	757.4
more than 3 months up to 1 year	1,291.2	1,275.8	1,294.7	1,727.0
more than 1 year up to 5 years	5,618.5	5,796.9	5,623.8	5,818.7
more than 5 years	1,485.4	1,709.5	1,565.4	2,129.5
indefinite term	-	-	-	-
Liabilities to banks[1)]	**8,679.5**	**7,622.2**	**8,677.4**	**7,620.1**
remaining term				
up to 3 months	442.4	885.6	441.6	884.9
more than 3 months up to 1 year	816.5	2,496.4	816.4	2,496.2
more than 1 year up to 5 years	6,219.9	2,984.9	6,218.7	2,983.6
more than 5 years	1,200.7	1,255.3	1,200.7	1,255.3
indefinite term	-	-	-	-
Liabilities to customers[1)]	**5,341.1**	**5,067.5**	**5,504.2**	**5,374.7**
remaining term				
up to 3 months	1,254.4	740.9	1,250.6	925.1
more than 3 months up to 1 year	1,871.5	1,960.8	2,040.2	2,085.7
more than 1 year up to 5 years	1,910.6	1,951.3	1,908.8	1,949.5
more than 5 years	304.6	414.5	304.6	414.5

1) not including receivables or liabilities repayable on demand

Of the bonds and other fixed-income securities, €104.9 million (31 March 2020: €135.5 million) have a remaining term of up to one year in the Group and €105.2 million (31 March 2020: €136.5 million) have a remaining term of up to one year in IKB AG. Of the bonds issued that are reported as securitised liabilities, €102.1 million (31 March 2020: €129.6 million) have a remaining term of up to one year in the Group and €102.1 million (31 March 2020: €129.8 million) have a remaining term of up to one year in IKB AG.

(7) Repurchase agreements

The book value of the assets recognised in the balance sheet as of the reporting date and transferred as collateral in genuine repurchase agreements is €206.6 million (31 March 2020: €1,118.6 million) in the Group and €206.6 million (31 March 2020: €1,118.6 million) in IKB AG. The collateral value takes into account netting of €90.0 million conducted by Eurex against collateral from offsetting reverse repo transactions. The decrease compared to 31 March 2020 results from a lower amount of secured refinancing via Eurex in favour of other forms of refinancing.

(8) Receivables from affiliated companies and other investees and investors

	Group			
	30 Sep. 2020		31 Mar. 2020	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	-	-	-	-
Other assets	-	-	0.1	-

	IKB AG			
	30 Sep. 2020		31 Mar. 2020	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	446.8	-	980.9	-
Other assets	0.3	-	3.9	-

(9) Fixed assets

Group:

in € million	Intangible assets	Tangible assets	Equity investments	Investments in affiliated companies	Bonds and other fixed-income securities	Equities and other non-fixed-income securities	Total
Cost as of 31 Mar. 2020	**28.0**	**7.5**	**0.2**	**44.2**	**3,812.7**	**305.6**	**4,198.2**
Additions to the consolidated group	-	-	-	-	-	-	-
Additions	-	0.3	-	-	1,070.6	-	1,070.9
Reclassifications	-	-	-	0.6	-	-	0.6
Effects of currency translation	-	-	-	-	-0.3	-	-0.3
Disposals	-	-	0.0	-3.4	-1,465.0	-	-1,468.4
Cost as of 30 Sep. 2020	**28.0**	**7.9**	**0.2**	**41.4**	**3,418.0**	**305.6**	**3,801.1**
Cumulative depreciation/amortisation, write-downs and reversals thereof by 31 Mar. 2020	**-26.4**	**-3.1**	**-**	**-36.8**	**-1.6**	**-1.6**	**-69.5**
Reversal of write-downs	-	-	-	0.0	0.4	-	0.4
Depreciation/amortisation and write-downs	-0.4	-0.7	-	-	-0.3	-	-1.4
Reclassifications	-	-	-	0.0	-	-	0.0
Effects of currency translation	-	-	-	-	-	-	-
Disposals from the consolidated group	-	-	-	-	-	-	-
Disposals	-	-	-	0.4	-	-	0.4
Cumulative depreciation/amortisation, write-downs and reversals thereof by 30 Sep. 2020	**-26.8**	**-3.8**	**-**	**-36.4**	**-1.5**	**-1.6**	**-70.1**
Residual book value as of 30 Sep. 2020	**1.1**	**4.1**	**0.2**	**5.0**	**3,416.6**	**304.0**	**3,731.0**
Residual book value as of 31 Mar. 2020	**1.5**	**4.4**	**0.2**	**7.4**	**3,811.2**	**304.0**	**4,128.7**

Deferred interest for the financial year and the previous year is included in additions and disposals.

IKB AG:

in € million	Intangible assets	Tangible assets	Equity investments	Investments in affiliated companies	Bonds and other fixed-income securities	Total
Cost as of 31 Mar. 2020	**27.9**	**7.5**	**0.2**	**889.1**	**3,821.2**	**4,745.9**
Additions	-	0.3	-	-	1,070.6	1,070.9
Reclassifications	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-0.3	-0.3
Disposals	-	-	-	-0.4	-1,464.1	-1,464.5
Cost as of 30 Sep. 2020	**27.9**	**7.9**	**0.2**	**888.7**	**3,427.4**	**4,352.1**
Cumulative depreciation/amortisation, write-downs and reversals thereof by 31 Mar. 2020	**-26.4**	**-3.1**	**-**	**-721.2**	**-1.6**	**-752.3**
Reversal of write-downs	-	-	-	-	0.4	0.4
Depreciation/amortisation and write-downs	-0.4	-0.7	-	-	-0.3	-1.4
Reclassifications	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-	-
Disposals	-	-	-	0.4	-	0.4
Cumulative depreciation/amortisation, write-downs and reversals thereof by 30 Sep. 2020	**-26.8**	**-3.8**	**-**	**-720.8**	**-1.5**	**-752.9**
Residual book value as of 30 Sep. 2020	**1.1**	**4.1**	**0.2**	**167.9**	**3,425.9**	**3,599.2**
Residual book value as of 31 Mar. 2020	**1.5**	**4.4**	**0.2**	**167.9**	**3,819.6**	**3,993.6**

Deferred interest for the financial year and the previous year is included in additions and disposals.

No buildings were recognised under tangible assets in the Group or in IKB AG, as was the case as of 31 March 2020.

Tangible assets of €4.1 million (31 March 2020: €4.4 million) relate to operating and office equipment in the Group and tangible assets of €4.1 million (31 March 2020: €4.4 million) relate to operating and office equipment in IKB AG.

The derecognition of shares in affiliated companies in the Group relates in particular to the mergers of Rhodana GmbH, Düsseldorf, and Ligera GmbH, Düsseldorf, into IKB Invest GmbH, Düsseldorf.

The “Bonds and other fixed income securities” item largely comprises European government bonds and bank bonds.

In the Group, the “Equities and other non-fixed income securities” item particularly includes shares in special funds allocated to fixed assets.

The Group’s unrealised losses from securities held as fixed assets total €2.6 million (31 March 2020: €33.9 million). This is based on book values of €122.4 million (31 March 2020: €668.3 million) and fair values of €119.8 million (31 March 2020: €634.4 million). IKB AG’s unrealised losses from securities held as fixed assets total €2.6 million (31 March 2020: €33.9 million). This is based on book values of €122.4 million (31 March 2020: €668.3 million) and fair values of €119.8 million (31 March 2020: €634.4 million).

No write-downs were recognised for these impairments in the Group or in IKB AG because the differences are not expected to be permanent within the meaning of section 253 (3) HGB.

In the current financial year, no write-downs of fixed assets for decreases in value that are expected to be permanent were recognised in the Group (previous year: €13.1 million) or in IKB AG (previous year: €13.1 million).

The amounts stated do not include deferred interest.

(10) Subordinated assets

	Group		IKB AG	
in € million	**30 Sep. 2020**	**31 Mar. 2020**	**30 Sep. 2020**	**31 Mar. 2020**
Receivables from customers	51.4	64.1	51.4	64.1
Bonds and other fixed-income securities	-	17.3	-	17.3
Total	**51.4**	**81.4**	**51.4**	**81.4**

(11) Disclosures on investment funds

Investment funds in which consolidated Group companies or IKB AG hold a share of more than 10% break down by form of investment as follows:

	Group			
in € million	**Book value 30 Sep. 2020**	**Fair value 30 Sep. 2020**	**Difference to book value 30 Sep. 2020**	**Distribution 2020/21**
Mixed funds	250.1	250.1	-	-
Other special funds	304.0	398.6	94.6	29.0
Total	**554.1**	**648.7**	**94.6**	**29.0**

Other special funds in the Group include units in foreign special funds that invest in European, Chinese and North American fixed-income securities. Distributions from investment funds are recognised in the income statement in the “Equities and other non-fixed-income securities” item.

Furthermore, CTA assets were invested in a German special fund. If the offsetting of CTA assets against pension obligations (for each pension plan and company) results in an excess of CTA assets, this is reported under “Excess of plan assets over post-employment benefit liability”. If the offsetting results in an excess pension obligation, this is recognised as a pension provision. The fund predominantly invests in fixed-income securities and investment funds.

All fund units can be redeemed on any trading day. The management company can suspend the redemption of units if there are extraordinary circumstances that make it appear necessary to do so, taking account of the interests of the investors. The management companies have not exercised this right to date.

(12) Other assets

The “Other assets” item includes the following:

	Group		IKB AG	
in € million	**30 Sep. 2020**	**31 Mar. 2020**	**30 Sep. 2020**	**31 Mar. 2020**
Foreign currency adjustment item	16.5	22.4	16.5	22.4
Receivables from tax authorities	17.8	19.9	17.1	19.5
Receivables from derivatives	0.5	0.8	0.5	0.8
Deferred interest on derivatives	17.5	19.1	17.5	19.1
Assets held for sale	17.0	15.7	-	-
Trade receivables	5.8	7.1	5.6	6.8
Receivables from affiliated companies	-	0.0	0.3	3.9
Miscellaneous assets	22.5	64.2	21.1	63.1
Total	**97.4**	**149.3**	**78.5**	**135.7**

Translation differences on currency derivatives in the non-trading book are reported in the foreign currency adjustment item in accordance with section 340h HGB.

Assets held for sale in the Group include a building that is used by a third party and is for sale. The miscellaneous assets in the Group and in IKB AG primarily relate to margins for futures. The decrease as of 30 September 2020 is largely due to the change in futures positions in the Group.

(13) Prepaid expenses

Prepaid expenses primarily comprise discounts on liabilities recognised at their nominal value totalling €1.1 million (31 March 2020: €1.4 million) in the Group and €1.1 million (31 March 2020: €1.4 million) in IKB AG and prepaid expenses for the derivatives business and for credit default swaps accounted for like guarantees totalling €55.4 million (31 March 2020: €65.0 million) in the Group and €55.4 million (31 March 2020: €65.0 million) in IKB AG. In addition, prepaid expenses were recognised for invoices paid in advance in the amount of €48.8 million (31 March 2020: €41.8 million) in the Group and €14.4 million (31 March 2020: €4.3 million) in IKB AG.

(14) Deferred tax assets

	Group		IKB AG	
in € million	**30 Sep. 2020**	**31 Mar. 2020**	**30 Sep. 2020**	**31 Mar. 2020**
Excess deferred tax assets	136.3	137.2	137.0	137.0

(15) Liabilities to affiliated companies and other investees and investors

	Group			
	30 Sep. 2020		31 Mar. 2020	
in € million	**Affiliated companies**	**Investees and investors**	**Affiliated companies**	**Investees and investors**
Liabilities to customers	4.3	0.0	3.8	0.2
Other liabilities	-	-	0.5	-

	IKB AG			
	30 Sep. 2020		31 Mar. 2020	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Liabilities to customers	201.9	0.0	352.8	0.2
Securitised liabilities	80.0	-	420.2	-
Other liabilities	-	-	405.2	-
Subordinated liabilities	75.1	-	75.1	-

(16) Other liabilities

The “Other liabilities” item breaks down as follows:

	Group		IKB AG	
in € million	30 Sep. 2020	31 Mar. 2020	30 Sep. 2020	31 Mar. 2020
Obligations from derivatives	2.3	3.0	2.3	3.0
Deferred interest on derivatives	22.9	19.2	22.9	19.2
Liabilities to tax authorities	0.6	1.2	0.5	1.2
Deferred income for subordinated liabilities	13.5	10.7	13.5	10.7
Trade payables	2.0	15.9	1.9	9.7
Miscellaneous liabilities	24.3	9.6	23.6	413.8
Total	**65.8**	**59.6**	**64.8**	**457.6**

€400 million of the miscellaneous liabilities in IKB AG as of 31 March 2020 relate to repayment obligations due to the termination of the silent partnership with Capital Raising GmbH and Hybrid Raising GmbH. The repayment was made in July 2020. This repayment made the repayment of the bonds issued by the silent partners possible. The repayment of the bonds then led to the derecognition of the bonds with a book value of €350.9 million that were held internally by IKB AG and recognised under “Equities and other non-fixed-income securities”.

(17) Deferred income

Deferred income primarily comprises discounts and fees from the lending business with a nature similar to interest from receivables recognised at nominal value totalling €8.7 million (31 March 2020: €10.7 million) in the Group and €8.7 million (31 March 2020: €10.7 million) in IKB AG and deferred income for the derivatives business and for credit default swaps accounted for like guarantees totalling €43.1 million (31 March 2020: €27.5 million) in the Group and €43.1 million (31 March 2020: €27.5 million) in IKB AG. The increase in the deferred income for the derivatives business results particularly from compensation payments that were made in the context of the replacement of the EONIA reference rate with the €STR (see note (2)).

(18) Pension provisions

The pension provisions recognised total €77.9 million (31 March 2020: €89.1 million) in the Group and €75.6 million (31 March 2020: €83.7 million) in IKB AG. The decrease in pension provisions is largely due to employees accepting the Bank's offer for early payment of pension entitlements.

The difference in accordance with section 253 (6) HGB amounts to:

30 Sep. 2020 in € million	Group	IKB AG
Measurement of obligation using the ten-year average market interest rate	356.3	354.0
Measurement of obligation using the seven-year average market interest rate	395.1	392.5
Difference in accordance with section 253 (6) HGB	**38.8**	**38.5**

(19) Other financial obligations

The “Other financial obligations” item as of the reporting date amounts to €83.8 million (31 March 2020: €95.1 million) in the Group and €83.8 million (31 March 2020: €95.1 million) in IKB AG. The decrease results in particular from the fact that obligations from IT services reduced to €48.0 million (31 March 2020: €53.9 million) and lease obligations for properties fell to €22.0 million (31 March 2020: €28.2 million).

The tax risk in connection with Aleanta GmbH continues to amount to taxes of around €26.7 million plus interest (calculated as approximately €13.3 million up to and including 30 September 2020) and Chamber of Commerce and Industry contributions of €0.2 million.

Notes to the income statement

(20) Extraordinary income and expenses

The net extraordinary expense was €4.4 million (previous year: net expense of €0.6 million) in the Group and €4.3 million (previous year: net expense of €0.0 million) in IKB AG and in each case solely concerned extraordinary expenses. Of the extraordinary expenses, €3.7 million (previous year: €0.0 million) was accounted for by business restructuring measures both in the Group and in IKB AG.

(21) Other operating expenses

The “Other operating expenses” item largely includes:

	Group		IKB AG	
in € million	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Expenses from derivatives in the non-trading book	-197.6	-322.3	-197.6	-322.3
Expenses from additions to provisions	-1.1	-1.2	-1.1	-1.2

Expenses from derivatives in the non-trading book relate in particular to close-outs of derivative transactions in the banking book. These expenses are offset by income in the “Other operating income” item.

(22) Costs of loss absorption

Costs of loss absorption in IKB AG of €6.5 million (previous year: €0.0 million) concern the recognition of a provision for loss absorption obligations from the profit and loss transfer agreement with the subsidiary IKB Beteiligungen GmbH.

(23) Income taxes

Income taxes are generally calculated using the expected effective income tax rate for earnings before income taxes (GAS 16.24).

For IKB AG's German tax group, income taxes are calculated on the basis of the earnings as of the interim reporting date as a more exact estimate (GAS 16.25).

(24) Other operating income

The "Other operating income" item breaks down as follows:

	Group		IKB AG	
in € million	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Income from derivatives in the non-trading book	73.0	217.1	73.0	217.1
Income from currency translation	0.1	0.1	0.1	0.1
Income from the release of provisions	3.7	1.7	3.5	1.7
Pension scheme income (CTA-funded)	3.9	8.1	3.9	8.2
Income from compensation payments	0.2	0.7	0.1	0.6

Income from derivatives in the non-trading book relates in particular to close-outs of derivative transactions in the banking book. This income is offset by expenses in the "Other operating expenses" item.

Other disclosures

(25) Consolidated group as of 30 September 2020

			Equity interest in %
A.	**Consolidated subsidiaries**		
1.	**German companies**		
	Aleanta GmbH, Düsseldorf		100
	IKB Beteiligungen GmbH, Düsseldorf		100
	IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf		100
	IKB Beteiligungsgesellschaft 3 mbH, Düsseldorf		100
	IKB Beteiligungsgesellschaft 5 mbH, Düsseldorf		100
	IKB Invest GmbH, Düsseldorf	1)	100
	IKB Projektentwicklung GmbH & Co. KG i.L., Düsseldorf	3)	100
	Istop 1 GmbH, Düsseldorf	1)	100
	Istop 2 GmbH, Düsseldorf	1)	100
	Istop 4 GmbH, Düsseldorf	1)	100
	Istop 6 GmbH, Düsseldorf	1)	100
2.	**Foreign companies**		
	IKB Finance B.V., Amsterdam, Netherlands		100
	IKB Funding LLC I, Wilmington, United States of America		100
	IKB International S.A. i.L., Munsbach, Luxembourg	2)	100
	IKB Lux Beteiligungen S.à.r.l. i.L., Munsbach, Luxembourg	3)	100
3.	**Special-purpose vehicles in accordance with section 290 (2) no. 4 HGB**		
	Capital Raising GmbH, Norderfriedrichskoog		
	HIMERA Grundstücks-Vermietungsgesellschaft mbH, Pullach i. Isartal		
	Hybrid Raising GmbH, Norderfriedrichskoog		

1) Indirect investment 2) in liquidation (banking licence returned) 3) in liquidation

(26) List of shareholdings as of 30 September 2020

30 Sep. 2020		Financial year	Equity interest in %
1. German subsidiaries (fully consolidated)			
Aleanta GmbH, Düsseldorf		1 Apr. - 31 Mar.	100.00
IKB Beteiligungen GmbH, Düsseldorf	2)	1 Apr. - 31 Mar.	100.00
IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
IKB Beteiligungsgesellschaft 3 mbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
IKB Beteiligungsgesellschaft 5 mbH, Düsseldorf	2)	1 Apr. - 31 Mar.	100.00
IKB Invest GmbH, Düsseldorf	2) 5)	1 Jan. - 31 Dec.	100.00
IKB Projektentwicklung GmbH & Co. KG i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	100.00
Istop 1 GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
Istop 2 GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
Istop 4 GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
Istop 6 GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
2. Foreign subsidiaries (fully consolidated)			
IKB Finance B.V., Amsterdam, Netherlands		1 Apr. - 31 Mar.	100.00
IKB Funding LLC I, Wilmington, United States of America		1 Apr. - 31 Mar.	100.00
IKB International S.A. i.L., Munsbach, Luxembourg	3)	1 Apr. - 31 Mar.	100.00
IKB Lux Beteiligungen S.à.r.l. i.L., Munsbach, Luxembourg	3) 5)	1 Jan. - 31 Dec.	100.00

30 Sep. 2020		Financial year	Equity interest in %
3. Special-purpose vehicles (special-purpose vehicles included in the consolidated financial statements in line with section 290 (2) no. 4 HGB)			
Capital Raising GmbH, Norderfriedrichskoog			
HIMERA Grundstücks-Vermietungsgesellschaft mbH, Pullach i. Isartal			
Hybrid Raising GmbH, Norderfriedrichskoog			
4. German subsidiaries (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
Brunnenstraße 105-109 Berlin Grundbesitz GmbH i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	100.00
FRANA Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf		1 Jan. - 31 Dec.	100.00
IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG, Düsseldorf		1 Apr. - 31 Mar.	94.90
IKB Grundstücksgesellschaft Düsseldorf GmbH, Düsseldorf		1 Apr. - 31 Mar.	100.00
IKB NewCo 3 GmbH, Düsseldorf		1 Jan. - 31 Dec.	100.00
IKB NewCo 5 GmbH, Düsseldorf		1 Apr. - 31 Mar.	100.00
IKB Projektentwicklungsverwaltungsgesellschaft mbH i.L., Düsseldorf	3)	1 Oct. – 30 Sep.	100.00
IKB Real Estate GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
IKB Real Estate Holding GmbH, Düsseldorf	2)	1 Apr. - 31 Mar.	100.00
IKB Struktur GmbH, Düsseldorf	2)	1 Apr. - 31 Mar.	100.00
ISTOS Beteiligungsverwaltungs- und Grundstücks- Vermietungsgesellschaft mbH i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	100.00
MFRSI Beteiligungsholding Verwaltungsgesellschaft mbH, Düsseldorf		1 Jan. - 31 Dec.	100.00
Restruktur 2 GmbH i.L., Düsseldorf	3)	30 Mar. – 29 Mar.	100.00
Restruktur 3 GmbH, Düsseldorf		1 Apr. - 31 Mar.	100.00
Tempelhofer Hafen GmbH & Co. KG i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	100.00
5. Foreign subsidiaries (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
IKB Funding Trust I, Wilmington, United States of America		1 Apr. - 31 Mar.	100.00
6. Special-purpose vehicles (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
Rosaria Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Heimstetten KG, Grünwald			
7. German associates/joint ventures (not accounted for using the equity method on the basis of section 311 (2) HGB5[4])	1)		
Dritte Hubschraubertechnologiepark Donauwörth GmbH, Düsseldorf		1 Jan. - 31 Dec.	50.00
equiNotes Management GmbH i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	50.00
FUNDIS Verwaltungsgesellschaft mbH i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	50.00
Hafenspitze Verwaltungsgesellschaft mbH, Hamburg		1 Jan. - 31 Dec.	25.00
MFRSI Beteiligungsholding GmbH & Co. KG, Düsseldorf		1 Jan. - 31 Dec.	50.00

1) The information in accordance with section 285 no. 11 HGB on equity and results is not shown for companies not included in the consolidated financial statements in accordance with section 286 (3) sentence 1 no. 1 HGB.
2) Profit and loss transfer agreement
3) in liquidation
4) The Bank exercises the option of not including companies in consolidation where they are of only minor importance to the financial situation, asset position and results of operations of the Group.
5) In 2020 shortened financial year from 1 Apr. to 31 Dec.

(27) Related-party transactions

Transactions with related parties are generally conducted at standard market terms. There were no significant transactions under non-standard market conditions that would have been reportable for the IKB Group pursuant to section 314 (1) no. 13 HGB or reportable for IKB AG pursuant to section 285 no. 21 HGB.

(28) Derivative financial instruments not recognised at fair value

Group:

	Nominal	Fair value		Book value	
30 Sep. 2020 in € million		Positive	Negative	Assets	Equity and liabilities
Interest-related derivatives	12,776.1	383.0	1,303.5	44.2	55.7
Credit-related derivatives	8.5	0.4	-	0.8	0.5
Currency-related derivatives	339.5	6.0	2.5	4.3	1.0
Derivatives assigned to several categories	611.3	34.8	11.0	19.0	3.8
Total	**13,735.4**	**424.2**	**1,317.0**	**68.3**	**61.0**

AG:

	Nominal	Fair value		Book value	
30 Sep. 2020 in € million		Positive	Negative	Assets	Equity and liabilities
Interest-related derivatives	12,776.1	383.0	1,303.5	44.2	55.7
Credit-related derivatives	8.5	0.4	-	0.8	0.5
Currency-related derivatives	339.5	6.0	2.5	4.3	1.0
Derivatives assigned to several categories	611.3	34.8	11.0	19.0	3.8
Total	**13,735.4**	**424.2**	**1,317.0**	**68.3**	**61.0**

(29) Unrealised gains and losses

The table shows the unrealised gains and losses for the following material financial balance-sheet items and off-balance sheet derivatives of the IKB Group. It also includes the unrealised gains and losses on credit default swaps recognised as loan collateral.

Group	30 Sep. 2020			31 Mar. 2020		
in € million	**Book value**	**Fair value**	**Difference**	**Book value**	**Fair value**	**Difference**
Receivables from banks	4,855.2	4,853.6	-1.6	2,198.5	2,193.5	-5.0
Receivables from customers	8,889.1	9,293.5	404.4	9,529.6	9,852.0	322.4
Bonds and other fixed-income securities	3,433.2	3,846.2	413.0	3,830.1	4,110.1	280.0
Equities and other non-fixed-income securities	304.0	398.7	94.7	304.0	408.4	104.4
Derivative financial instruments not recognised at fair value	68.4	424.2	355.8	79.0	445.2	366.2
Credit default swaps recognised as loan collateral	21.4	29.0	7.6	28.4	14.1	-14.3
Subtotal	**17,571.3**	**18,845.2**	**1,273.9**	**15,969.6**	**17,023.3**	**1,053.7**
Liabilities to banks	8,694.6	8,798.1	-103.5	7,669.6	7,744.4	-74.8
Liabilities to customers	6,452.4	6,501.0	-48.6	6,140.2	6,187.9	-47.7
Securitised liabilities	189.5	189.6	-0.1	299.9	303.1	-3.2
Subordinated liabilities	800.9	743.7	57.2	831.2	682.3	148.9
Derivative financial instruments not recognised at fair value	61.0	1,317.1	-1,256.1	53.7	1,277.8	-1,224.1
Credit default swaps recognised as loan collateral	7.7	3.4	4.3	10.3	38.9	-28.6
Subtotal	**16,206.1**	**17,552.9**	**-1,346.8**	**15,004.9**	**16,234.4**	**-1,229.5**
Total			**-72.9**			**-175.8**

The unrealised gain or loss is calculated by comparing the net book value and the fair value. The recognition of specific valuation allowances has no influence on unrealised gains or losses, as specific valuation allowances recognised are also taken into account in the calculation of fair value. The book value is treated as being equal to fair value for receivables and liabilities repayable on demand and prepaid expenses/deferred income.

The fair values of receivables that are calculated for reporting in the notes are calculated using the discounted cash flow method. Fair value is calculated using assumptions that would arise when market prices are determined between independent business partners who use similar parameters for their purchase price calculation. The future cash flows of the loans are recognised taking into account value contributions from floor agreements. The measurement model for floating rate loans takes into account assumptions concerning unscheduled payments. Discounting is carried out using term-differentiated swap rates on the balance sheet date plus a credit spread derived using IKB’s internal risk measurement methods. The credit spread for the loan fluctuates according to changes in the measured standard risk costs, which are determined by the customer's internal rating, the collateral situation and the expected remaining term of the loan on the measurement date. Moreover, pre-tax returns of third parties derived from balance-sheet equity, IKB’s administrative expenses and the funding costs that are observed on the market for banks with an A or AA rating are also taken into account.

Receivables from development loans, which are matched by individual refinancing loans on the liability side of the balance sheet, are measured without taking funding costs into account. The present value of individual refinancing loans on the liability side of the balance sheet is calculated by discounting the interest and principal repayment cash flows using matched-term, risk-free swap rates.

In the case of receivables purchased and sold to a forfaiter by IKB as part of the sale of the leasing group and the non-recourse financing of the former IKB Leasing Group, the book values of the receivables are recognised as the fair value.

Securities (including securitised subordinated liabilities) are measured at the stock-exchange or market price on the reporting date if a liquid price is available. A stock-exchange or market price is considered to be liquid if the number of available price quotations exceeds a minimum number defined in accordance with an analysis based on statistical methods. This applies to both traded and non-traded observable prices. If no prices are available at the reporting date, the fair value is calculated on the basis of price information from market data providers and tested for plausibility using suitable methods. If no stock-exchange prices or price information from contractual providers are available for securities, the value is calculated on the basis of the Bank's own measurement models by discounting expected cash flows. The discount rate is calculated using the risk profile of similar securities. Parameters not observed on the market are also used for this. The fair values for the fund units recognised in the IKB Group correspond to the net asset value attributable to the fund units held.

The fair value of derivatives in the non-trading book is calculated in accordance with the measurement hierarchy set out in section 255 (4) HGB. The fair values of derivatives not traded on stock exchanges are determined on the basis of mathematical measurement models and market data (including interest rates, interest-rate volatilities and exchange rates). Future cash flows are derived using currency-specific and tenor-specific swap curves. The amount, timing and certainty of cash flows depend on, among other things, the development of interest rates and exchange rates, contractual regulations on payment dates for the derivative and the credit quality of the counterparty. Secured derivatives are discounted using the currency-based overnight index curve.

To calculate the fair values for liabilities to customers and banks, the contractual cash flows are discounted using a matched-term swap rate plus the funding costs specific to IKB. The funding costs are derived from the costs of comparable issues.

(30) Significant events after 30 September 2020

The financial year shall in future begin on 1 January of each year and end on 31 December of the same year. The period from 1 April 2020 to 31 December 2020 is to be a shortened financial year. The application to enter the change of financial year in the commercial register was made in November 2020. The change will only take effect upon entry in the commercial register.

(31) Governing bodies

Board of Managing Directors

Dr Michael H. Wiedmann (Chairman)

Claus Momburg

Supervisory Board

Dr Karl-Gerhard Eick (Chairman), management consultant

Dr Claus Nolting (Deputy Chairman), lawyer

Sven Boysen[1)], employee representative

Mark Coker, Managing Director and General Counsel – Europe at Lone Star Europe Acquisitions Ltd.

Benjamin Dickgießer, Managing Director of Hudson Advisors Portugal, LDA

Dr Lutz-Christian Funke, Director of KfW

Arndt G. Kirchhoff, Managing Partner and CEO of KIRCHHOFF Automotive Holding GmbH & Co. KG

Nicole Riggers[1)], employee representative

Jörn Walde[1)], employee representative

1) Elected by the employees

Düsseldorf, 4 November 2020

IKB Deutsche Industriebank AG

The Board of Managing Directors

Dr Michael H. Wiedmann   Claus Momburg

Note on forward-looking statements

This report contains forward-looking statements. Forward-looking statements are statements that do not describe past events; they also include statements on IKB's assumptions and expectations. These statements are based on the planning, estimates and forecasts currently available to the management of IKB. Forward-looking statements therefore apply only on the day on which they are made. IKB does not assume any obligation to update such statements in light of new information or future events.

By their nature, forward-looking statements contain risks and uncertainty factors. A large number of important factors could cause actual results to differ significantly from forward-looking statements. Such factors include economic developments, the condition and development of the financial markets in Germany, Europe, the US and other places where IKB generates income from securities trading, the possible default of borrowers or counterparties in trades, the implementation of our management agenda, the reliability of risk management policies, procedures and methods, and the liquidity situation.

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(Only the German version is legally binding.)