Annual Report 2023

(1 January – 31 December 2023)

IKB

Deutsche Industriebank

IKB Group key figures

Income statement (in € million)	1 Jan. 2023 – 31 Dec. 2023	1 Jan. 2022 – 31 Dec. 2022
Net interest income	224	188
Net fee and commission income	20	23
Gross income	244	211
Administrative expenses	-147	-145
Operating profit before risk provisions	97	66
Net risk provisioning	-34	-19
Net other income	0	13
Income before taxes	63	61
Tax expense/income	3	0
Consolidated net result	65	61
Interest margin on loan book (%)	2.22	1.80
Cost of risk of loan book (%)	0.37	0.20
Return on equity (%)	7.3	6.3
Cost/income ratio (%)	60.1	68.5
Adjusted cost/income ratio[1)] (%)	52.3	60.4

Balance sheet (€ million)	31 Dec. 2023	31 Dec. 2022
Own funds component CET 1 (fully phased)	1,215	1,139
Total assets	14,498	15,434
Loan book	9,019	9,251
Loan to deposit ratio (%)	101	99

Regulatory key figures (%)[2)]	31 Dec. 2023	31 Dec. 2022
RWA (€ billion, fully phased)	7.2	7.8
CET 1 ratio (fully phased)	16.8	14.5
Tier 1 ratio (fully phased)	16.8	14.5
Own funds ratio (fully phased)	22.5	20.8
NPL ratio in accordance with EBA definition	2.0	1.9
Leverage ratio (fully phased)	7.2	6.0
Liquidity coverage ratio	249	257

Employees	31 Dec. 2023	31 Dec. 2022
Full-time employees (FTE) on the reporting date	568	551

Any differences in totals are due to rounding effects.

1) Adjusted for extraordinary effects on pension plan expenses of €10 million (previous year: €13 million) and one-time operating expenses, especially for projects in connection with regulatory requirements, of €9 million (previous year: €4 million).

2) Figures take account of the CRR phase-in and phase-out provisions; the CET 1 ratios have been calculated in accordance with the current version of the CRR as of the respective reporting date 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.

Contents

Letter from the Chairman of the Board of Managing Directors

Ladies and Gentlemen,

IKB will be celebrating its 100th anniversary on 30 September 2024. Over the course of the jubilee year, we have planned a series of events and programmes under the slogan of “GEMEINSAM GUTES UNTERNEHMEN” (“doing good business together”). Above all, the 100 years of IKB stand for 100 years of successfully financing mid-cap companies. From the very beginning, the Bank has played an important role for Germany as a home to businesses – whether as a financier of industry in the post-war years or in times of structural change. Together with our employees, we want to continue this success story. They deserve our thanks, because they are our most important asset. We would also like to thank our business partners and customers for their commitment and the trust they have placed in us over many years.

The past financial year 2023 was characterized by a stable lending business and a high level of risk discipline. Uncertainty on the capital markets and the economic weakness remained high, but the bank remained on track in this challenging economic environment. This was reflected in a satisfactory consolidated result and risk provisions appropriate to the environment.

Despite a difficult macroeconomic environment, new business with mid-cap corporate clients remained at the previous year's level at €2.7 billion. With selective lending and a focus on good credit ratings, 85% of our new business was with investment grade customers. As one of the market leaders in the KfW-relevant energy efficiency and environmental programmes, we made greater use of our comprehensive advisory expertise and expanded business in public programme loans. Our loan book remained resilient in the 2023 financial year and shows that our focused business model on the German mid-cap sector is paying off.

Consolidated net income before taxes amounted to €63 million and was slightly above the forecast for 2023. Net interest income increased by 20% from €188 million to €224 million for 2023. We expect consolidated net income before tax of approximately €70 million in the 2024 financial year.

Administrative expenses amounted to €147 million in the reporting year and were slightly above the level of the previous year. Personnel expenses continued to be negatively impacted by one-off effects relating to pension expenses in the amount of €10 million. IKB assumes that future inflation-related pension adjustments have now largely been anticipated with an effect on expenses. Other administrative expenses were also up on the previous year, which is due in particular to continued high project costs, mainly from the regulatory environment. All in all, the Bank expects a moderate decline in administration expenses in 2024.

The cost/income ratio was noticeably reduced in the 2023 financial year, from 68% to 60%. Net of inflation-induced pension plan expenses and one-off expenses incurred for project costs in the regulatory environment, the cost-income ratio stood at 52%. An improved figure of slightly below 60% is anticipated for the 2024 financial year. From IKB's perspective, improving cost efficiency is a key success factor. In the medium term, the Bank expects a decreasing risk provisioning and to achieve a cost/income ratio of roughly 40% and by lowering administrative expenses and by moderately increasing income.

IKB maintained its high lending standards in the 2023 financial year. Despite a challenging environment, net risk provisioning amounted to an expense of €34 million in comparison to the previous year of €19 million and includes an additional general loan loss provision of €6 million for increased latent risks. This corresponds to risk costs of 37 basis points in relation to the loan book. Net risk provisioning was therefore slightly better than the forecast figure of €35 million. Net risk provisioning also reflects the active portfolio and risk management, which also includes the early sale of exposures. The proportion of non-performing assets remained at a very low level with an NPL ratio of 2.0%. Total non-performing assets remained nearly stable at €172 million. For the 2024 financial year, we expect risk provisioning to remain at the level of the previous year.

As of 31 December 2023, the CET 1 ratio (fully phased) was 16.8%, following 14.5% in the previous year, thus significantly exceeding the forecast of 13% to 14% for 2023. The negative rating migrations in the loan portfolio anticipated by the Bank for economic reasons were less pronounced than planned. The impact on risk-weighted assets that had been expected very largely failed to materialise. A further reason for the moderate trend in risk-weighted assets was the rating structure of IKB's new business, which was better than expected. For 2024, we anticipate the CET 1 ratio to stabilise at the level of 2023.

In the reporting year, the German Federal Financial Supervisory Authority (BaFin) had carried out an audit of the risk management operations in accordance with section 44 (1) of the German Banking Act (KWG). They reviewed the adjustments implemented by the Bank in the determination of risk-bearing capacity on the basis of a previous audit and the determination of counterparty default and market price risks. As a result, this led to a reduction in the regulatory capital requirements.

For many years, we have been a leader in the field of climate protection financing solutions that support our customers in their sustainability transformation. We support our customers by offering them sustainable loans and advisory and will continue to gradually expand our offering in this regard. In doing so, we make an important contribution to the financing of the green transformation of German upper mid-cap companies. Our goal is to become one of the relevant financiers for the transformation of the upper mid-cap companies in Germany. In addition, IKB is successively implementing the topics of ESG and sustainability throughout all levels of the Bank.

Looking ahead, 2024 will also be a challenging year. We believe we are well positioned thanks to the team spirit of all our employees. In the recently published study by *stern* and *Statista* on the best employers in Germany, IKB was ranked a good 13th out of 51 banks and financial service providers. The survey shows that we are on the right track. We have created an environment in which employees feel comfortable and can develop, while at the same time attracting young talents. We want to retain them in the long term and thus secure our future viability.

Düsseldorf, March 2024

Dr Michael H. Wiedmann

Report of the Supervisory Board

In the financial year 2023, the Supervisory Board fulfilled the duties and obligations incumbent upon it in accordance with law, regulations, Articles of Association, and its rules of procedure. The Supervisory Board supervised management by the Board of Managing Directors and advised it on the management of the company. The Supervisory Board was involved in all decisions of fundamental importance to the bank.

Overview

In its supervisory and advisory activities, the Supervisory Board received regular, timely, and on specific occasions comprehensive reports, from the Board of Managing Directors, in both oral and written form. The Board of Managing Directors informed the Supervisory Board continuously of the business operations and the economic and financial development of the IKB Group and IKB AG. Other focal points of reporting were the general development of IKB, the development of the Group's risk situation as well as the processing of the findings from the follow-up audit conducted by the Bundesbank pursuant to Section 44 (1) of the German Banking Act (KWG). Furthermore, the Supervisory Board addressed Group planning and the actual development of business in the financial year 2023. The Chairmen of the Supervisory Board and the Board of Managing Directors also consulted regularly on key developments and decisions.

Reports by the Board of Managing Directors on the business situation and on specific issues were supplemented by written presentations and documentation which each member of the Supervisory Board received for preparation purposes prior to the meeting. The members of the Supervisory Board were also provided with the annual financial statements and consolidated financial statements, the combined management report, the dependent company report, and the auditors' reports in due time prior to the meeting convened to review the annual financial statements. The members of the Risk and Audit Committee and the Supervisory Board plenary meeting also received the half yearly financial report and quarterly reports in due time for preparation purposes.

A total of 26 meetings of the Supervisory Board and its committees were held. Where necessary, individual resolutions were passed by circular between meetings. If members of the Supervisory Board were unable to attend the meetings, they were absent with valid excuse.

Topics of the Supervisory Board plenary meeting

The Supervisory Board held seven meetings in the financial year 2023. In addition to the meetings were held in February, June, May, August, and November constitutive meetings of the Supervisory Board took place in March, May and August after an Extraordinary Annual General Meeting. In February 2023, the Supervisory Board also held an Extraordinary meeting.

Throughout the financial year, the Board of Management kept the Supervisory Board continuously informed about the Bank's current business performance and overall bank management in the wake of the Ukraine war, and an as before challenging macroeconomic and geopolitical environment and, in particular, presented and explained in detail the Bank's liquidity, risk, and earnings position. This included, in particular, capital planning, taking into account supervisory recommendations for an appropriate distribution policy in line with the general economic risks arising from the Corona crisis. The Board of Managing Directors was also in close contact with the Chairman of the Supervisory Board on specific occasions.

At all regular Supervisory Board meetings in the financial year 2023, the Supervisory Board was able to form a detailed opinion on the general development of the bank based on written and oral reporting by the Board of Managing Directors. In this respect, the Board of Managing Directors also provided the Supervisory Board with explanations concerning the development of new business volume and result of the Group. Furthermore, the Board of Managing Directors examined in detail the development in the individual business segments and reported on the capital position, financial situation including taxes and Group risk. The Supervisory Board was continuously informed by the Board of Managing Directors about the regulatory capital position of the IKB Group and the status of material legal disputes.

At an extraordinary meeting in February 2023, the Supervisory Board especially addressed Group planning for 2023. It set the targets for the members of the Board of Managing Directors for the financial year 2023.

At its meeting convened to review the annual financial statements in March 2023, the Supervisory Board examined inter alia the annual financial statements and consolidated financial statements, the combined management report and the dependent company report prepared by the Board of Managing Directors for the past financial year 2022. The Board of Managing Directors also gave a comprehensive written and oral explanation of the risk situation of the IKB Group including the recovery indicators defined in the recovery plan. Group Internal Audit gave its annual report for the financial year 2022. EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (formerly Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft) ("EY"), Stuttgart, reported on the audit findings, and the Chairman of the Risk and Audit Committee reported on the preparation for auditing the annual financial statements and consolidated financial statements as of 31 December 2022 together with the combined management report and dependent company report for the financial year 2022. The annual financial statements and consolidated financial statements were adopted resp. approved by the Supervisory Board. No objections were raised to the declaration of the Board of Managing Directors in the closing statement of the dependent company report. The Supervisory Board also examined the Board of Managing Directors' proposal for the appropriation of profits. In this context, it assessed in particular the situation of the Bank, also taking into account the measures resulting from processing of the findings of the audit pursuant to Section 44 (1) of the German Banking Act (KWG) and the overall political and economic uncertainties and raised no objections. The report of the Supervisory Board for the financial year 2022 was also approved. The agenda also included the verification of the target achievement and corresponding determination of the variable remuneration for the individual members of the Board of Managing Directors for the financial year 2022, as well as the verification and decision on the granting of the retained variable remuneration for the members of the Board of Managing Directors for past financial years. The Supervisory Board approved the determination of the total amount of variable remuneration for the financial year 2022, taking into account the requirements of Section 7 of the InstitutsVergV. In addition, the Supervisory Board was heard in the context of the appointment of a new Remuneration Officer and the reappointment of the Deputy Remuneration Officer.

The members of the Supervisory Board also dealt with and examined the combined separate non-financial report for the financial year 2022 prepared by the Board of Managing Directors. Following the final result of the Supervisory Board's own review of the combined separate non-financial report for the financial year 2022, no objections were raised. The report was published on IKB's website on 28 April 2023.

At its following meetings in May, August and November 2023, the Supervisory Board deliberated respectively on the business development and Group risk including the recovery indicators stipulated in the recovery plan and also addressed in this context the regulatory capital position, especially with respect to the further supervisory requirements. The meetings in each case also addressed the quarterly Internal Audit report. The Board of Managing Directors informed the Supervisory Board on all these topics both in written and oral form.

The Board of Managing Directors provided timely comprehensive information to the Supervisory Board in written and oral form on the business policy and fundamental management questions including the strategic further development of IKB which also included the IT strategy consistent with it and the outsourcing strategy as further sub-strategies of the business and risk strategy. The outsourcing strategy was also discussed in the November meeting as part of the 2024 business and risk strategy.

The Board of Managing Directors informed the Supervisory Board continuously about the status of the follow-up audit of the Bundesbank and the processing of the resulting findings and corresponding projects resulting therefrom. The Chairman of the Supervisory Board was in close, regular contact with the Board of Managing Directors to discuss the procedure for the stringent and structured processing of the findings.

The Supervisory Board also dealt with the annual efficiency audit of the Board of Managing Directors. It took note of the report of the Remuneration Officer and dealt with the remuneration systems of the Bank. The Supervisory Board also decided to amend the schedule of responsibilities. In this context, it was also informed about the change of the Compliance Officer and his deputy.

In addition, the Supervisory Board dealt with the Annual General Meeting of IKB in March 2023 and an Extraordinary Annual General Meeting in August 2023 and adopted the respective resolution proposals of the Supervisory Board to the Annual General Meeting. It dealt, among other topics, with the proposed resolutions for the forthcoming elections to the Supervisory Board.

The Supervisory Board also dealt with the non-financial statement to be submitted by the Board of Managing Directors for the financial year 2023 and decided again not to have a voluntary external audit of the combined non-financial report for the financial year 2023 in accordance with the regulations carried out. For the preparation of the non-financial report for the financial year 2023 the Supervisory Board also supported the mandating of a specialised auditing company to provide advice. The Board of Managing Directors has received appropriate advice.

The Supervisory Board also received reports on human resources planning and development and dealt with the diversity strategy and succession planning for the Board of Managing Directors and Supervisory Board. In addition, the Supervisory Board was informed of the internal guideline adopted by the Board of Managing Directors on members of senior management / key personnel in order to implement the requirements of the BaFin information sheets on managing directors and members of administrative and supervisory bodies.

Activities of the Committees

To ensure that the Supervisory Board exercises its functions efficiently, the Supervisory Board has set up different committees: The Supervisory Board Executive Committee, the Risk and Audit Committee, the Remuneration Control Committee and the Nomination Committee. The Committees prepare the deliberations and resolutions for approval in the plenary meeting. Furthermore, the authority to approve resolutions has also been delegated to the Committees themselves. The Supervisory Board Executive Committee and the Risk and Audit Committee each held seven meetings, three of which took place as joint meetings in each case. The Remuneration Control Committee and the Nomination Committee each held five meetings, two of which were also held as joint meetings.

The Supervisory Board Executive Committee essentially prepared the meetings of the Supervisory and, among other topics, dealt with the business and risk strategy, and the Extraordinary Annual General Meeting. The Supervisory Board Executive Committee also discussed the current status of the Bank's ESG initiatives. The Supervisory Board Executive Committee met several times this year together with the Risk and Audit Committee to discuss issues of capital planning and risk structure within the framework of overall bank management as well as the procedure for processing findings from the follow-up audit of the Bundesbank and the resulting implications. Other management measures requiring the approval of the Supervisory Board, such as various large exposure and corporate loan resolutions, were also the subject of consultations and resolutions by the Supervisory Board Executive Committee.

In addition to the topics discussed with the Supervisory Board Executive Committee, the work of the Risk and Audit Committee focused on monitoring the accounting procedure, the efficiency of the internal control system, risk management, the internal audit system, risk strategy and compliance as well as the audit of the financial statements. The Risk and Audit Committee deliberated extensively on the preparation of the annual financial statements and the consolidated financial statements and the appointment of the auditor. The Risk and Audit Committee commissioned the auditor to carry out the audit and concluded the fee agreement with him. One focus was on reviewing the independence of the auditor, the quality of the audit and the additional services provided by the auditor. The Committee reviewed the audit fees and decided again on a catalogue of permissible non-audit services (pre-approval catalogue), the provision of which by the auditor is possible without the further prior consent of the Risk and Audit Committee. In addition, the Risk and Audit Committee has granted the auditors pre-concurrence in accordance with the IESBA for non-audit services to companies that control IKB. The Compliance Officer explained his annual report for the past reporting year, which had been presented to all members of the Supervisory Board. The annual report of Internal Audit for the financial year 2022 was also explained in the Risk and Audit Committee.

In addition, the Supervisory Board Executive Committee and the Risk and Audit Committee discussed the sales strategy and quantitative and qualitative human resources planning in a joint meeting.

The Remuneration Control Committee addressed the bank's remuneration systems, especially the remuneration system of the Board of Managing Directors and reviewed their principles for adequacy. The Remuneration Control Committee also prepared the resolutions of the Supervisory Board relating to remuneration. It was consulted in connection with the appointment of a new Remuneration Officer and the reappointment of the Deputy Remuneration Officer and had the Remuneration Control Report explained to it.

The Nomination Committee discussed the proposals to the Supervisory Board regarding the election of Supervisory Board members by the Annual General Meeting on 9 March 2023 and by the Extraordinary General Meeting on 17 August 2023. The Nomination Committee furthermore fulfilled the duties incumbent upon it according to Section 25 d (11) KWG and dealt in particular with the regular efficiency review of the Board of Managing Directors and the Supervisory Board.

In a joint meeting of the Nomination Committee and the Remuneration Control Committee, human resources planning and development as well as diversity on the Management Board and Supervisory Board were also discussed. The guideline on members of senior management / key function holders was also brought to the attention of the Supervisory Board.

The members of the Committees engaged in deliberations among themselves outside the meetings as well and maintained contact with the Board of Managing Directors.

The plenary meetings were regularly provided with accounts of the activities of the Committees.

Audit of the annual financial statements and consolidated financial statements

Acting on the proposal of the Supervisory Board, the Annual General Meeting appointed EY as auditors for the annual financial statements for the financial year 2023 and the consolidated financial statements and for any reviews or any audits of all other interim financial statements resp. interim consolidated financial statements and interim management reports resp. interim Group management reports which are prepared prior to the Annual General Meeting for the financial year 2024. EY audited the annual financial statements of IKB AG and the Group and the combined management report for IKB AG and the Group and issued unqualified audit opinions. The audits of and deliberation on the annual financial statements, the consolidated financial statements and the relevant combined management report and the related written audit reports of EY for the financial year 2023 by the Risk and Audit Committee and the plenary meeting of the Supervisory Board took place on 13 and 14 March 2024. The auditors participated in these deliberations. At the meeting of the Supervisory Board on 14 March 2024, they reported on the key findings of their audit, including findings in respect of the internal control and risk management system of the Bank relating to the accounting process, answered questions and provided additional information. There were no circumstances which gave reason to doubt the impartiality of the auditors. The auditors furthermore informed the Supervisory Board of all additional services provided by them.

The Supervisory Board approved the result of the audit of the financial statements at its meeting held on 14 March 2024. According to the final result of the Supervisory Board's own reviews of the annual financial statements and the consolidated financial statements and the combined management report, no objections were raised. The Supervisory Board approved the annual financial statements and the consolidated financial statements of 28 February 20234, prepared by the Board of Managing Directors, at its meeting on 14 March 2024. The annual financial statements for the financial year 2023 have, therefore, been adopted.

The Supervisory Board also examined the proposal of the Board of Managing Directors for the appropriation of profits. In this context, the Supervisory Board assessed in particular the situation of the company, also taking into account the continuation of the measures resulting from the processing of findings of the follow-up audit pursuant to Section 44 para. 1 of the German Banking Act (KWG) as well as the existing overall political and economic uncertainties. The Supervisory Board concurs with the Board of Management's proposal for the appropriation of profits.

Review and approval of the dependent company report

The report on business relationships with affiliated companies for the financial year 2023 (dependent company report) which was presented by the Board of Managing Directors was also examined by the auditors. The dependent company report was issued with the following unqualified audit opinion: “Having duly examined and assessed this report, we confirm that the factual statements made in the report are correct, the company’s consideration with respect to the legal transactions listed in the report was not inappropriately high, and there are no circumstances that indicate a materially different assessment of the measures listed in the report from that given by the Board of Managing Directors.”

At the meetings held on 13 and 14 March 2024, first the Risk and Audit Committee and then the Supervisory Board also deliberated on and reviewed the dependent company report. The members of the Supervisory Board resp. Committees received both the dependent company report and the related audit report of the auditors in good time before the respective meeting, enabling them to address the respective contents intensively. The auditors also participated in the deliberations on the dependent company report of the Supervisory Board and the Risk and Audit Committee. At the meeting of the Supervisory Board on 14 March 2024, they reported on the result of their audit and were available to answer questions. The Supervisory Board approved the result of the dependent company report at its meeting on 14 March 2024.

In accordance with the result of its own review by the Supervisory Board, no objections were raised against the declaration of the Board of Managing Directors at the end of the dependent company report for the financial year 2023.

Personalia – Supervisory Board

On the side of the shareholders, Evgeniy Kazarez und Arndt G. Kirchhoff were re-elected to the Supervisory Board by resolutions of the Ordinary Annual General Meeting on 29 March 2023. Furthermore, Mr Paxton Ward Fletcher was elected as new member of the Supervisory Board to replace Benjamin Dickgießer, who resigned from office at the end of the Extraordinary Annual General Meeting on 17 August 2023.

At the constitutive meeting of the Supervisory Board following the Extraordinary Annual General Meeting, Mr Kazarez was re-elected as member of the Supervisory Board Executive Committee, Remuneration Control Committee, Nomination Committee and Remuneration Control CommitteeCommittee.

On the employee side, Dr Jan Wisser Dr Jan Wisser was newly elected to the Supervisory Board at the election held on 25 January 2023 with effect from the end of the Annual General Meeting on 9 March 2023. The mandate of Ms Nicole Riggers ended at this time. At the constitutive meeting of the Supervisory Board following the Annual General Meeting, Dr Wisser was also elected as a member of the Remuneration Control Committee and Mr Walde as a member of the Nomination Committee.

Personalia – Board of Managing Directors

There were no personnel changes on the Board of Managing Directors of IKB in the reporting period. At its meeting on 16 November 2023, the Supervisory Board reappointed Dr Michael H. Wiedmann as a member of the Board of Managing Directors until 30 November 2026 and Dr Patrick Trutwein until 31 March 2027. Dr Wiedmann remains Chairman of the Executive Board.

The Supervisory Board thanks the members of the Board of Managing Directors and all employees of the IKB Group for their personal commitment and contributions in the past financial year.

Düsseldorf, 14 March 2024

The Supervisory Board

Dr Karl-Gerhard Eick

Chairman

Business highlights

- Consolidated net income before taxes of €63 million slightly above the previous year (€61 million)
- Return on equity (ROE) after tax of 7.3% up on the previous year (6.3%)
- At €147 million, administration expenses slightly above the previous year (€145 million)
- Cost income ratio (CIR) of 60%, or 52% after adjustments
- Resilient loan book: Risk provisions of €34 million in line with the budget and NPL ratio (EBA definition) stable at 2.0%
- CET 1 ratio (fully phased) of 16.8%, significantly up on the previous year (14.5%)
- Free available liquidity reserve of €1.4 billion (previous year: €1.2 billion)

Combined management report for the 2023 financial year

1. Basic information on the Group

The business model of IKB Deutsche Industriebank AG (IKB is used as a synonym for the Group and IKB AG for the individual company) is focused on the German upper midmarket. These mainly comprise companies with annual revenues of more than €100 million, which are among IKB's preferred target groups due to their strong equity and liquidity base and, associated with this, particularly low default rates. The Bank is characterised by long-standing and stable customer relationships and a pronounced understanding of the concerns of mid-cap companies. As it has the structures of a mid-cap company itself, IKB is familiar with its customers' needs. Competence and mutual trust are fundamental values underpinning customer relations. The corporate values – "professional, committed and reliable" – are the values by which IKB measures itself.

IKB concentrates on its strengths, adopting a lean structure and has gradually reduced its costs in recent years, driven its digital transformation forward and clearly defining its business segments. The Public Programme Loans segment includes income and expenses from public programme loans granted to mid-cap customers as well as advisory services for obtaining and applying for public programme loans. The Corporate Bank segment comprises the services related to internally financed corporate banking business. In addition to financing and advisory services in traditional lending business, this also includes supporting customers in their capital market activities. The income and expense items from Funding & Asset Liability Management and the investment portfolio are reported in the Corporate Centre.

Since its foundation in 1924, IKB has been an independent private bank with close relationships to German companies and entrepreneurs, specialising primarily in long-term corporate and project finance. As of 31 December 2023, IKB employed around 568 employees (full time equivalents) and, with six locations (including the headquarter), has a sales network covering all regions of Germany. Its integrated business approach comprising regional sales, sector and product groups aims to ensure solution-oriented, high-quality support for customers. IKB focuses on lending and structuring advice (including capital market products). The key factors here are a disciplined loan pricing policy and an appropriate risk-return profile. Each loan must be profitable in its own right. The Bank also arranges financing solutions for its customers outside its own balance sheet. This includes assisting companies in accessing capital markets, for example the issuance of promissory note loans or bonds. As a specialist, IKB offers its customers access to public loan programmes. Every corporate customer advisor has the knowledge needed to provide professional advice to companies in the upper midmarket concerning appropriate public programme loan solutions, supported by a highly specialised development loan product team.

As of 31 December 2023, IKB had a market share of 8.9% in the KfW Group public loan programmes of relevance to it. IKB's competitors are large universal banks as well as a number of larger institutions from the public-sector banking sector. IKB's long-standing experience in public programme loans is also playing a central role in its ESG strategy.

IKB considers making a meaningful contribution to the environment and society and to encourage the transformation to a sustainable economy which is a core element of its corporate identity. It has firmly entrenched its aspirations in its business and risk strategy and is seeking to be one of the relevant and sustainable providers of finance for SMEs in Germany. It has created the organisational structures necessary to achieve the ESG-related goals and to implement the corresponding measures: in its ESG strategy, IKB engages in strategic, regulatory and product-driven agenda. Developments in the three complexes described are overseen by an ESG steering committee which reports to the Board of Managing Directors.

As part of its liquidity management operations, the Bank invests in investment-grade securities. Plain derivatives, which are mostly transacted with central counterparties are used to manage the risk to which this portfolio is exposed.

IKB is an institution with a solid Tier 1 capital base. It is able to draw on a stable and diversified deposit base to fund its operations. Private (via pure online banking) and corporate customers are offered deposit products that contribute to the financing of Germany's mid-cap sector. This is supplemented by the use of public loan programmes for mid-cap companies, which do not require any further funding by IKB.

As part of a joint venture with Hypoport SE, IKB acquired a 30% share of FUNDINGPORT GmbH and established its own IKB sales platform called IKB Finanzierungsmarktplatz. Since 1 January 2022, this platform has been arranging finance projects mostly between customers with annual revenues of between €10 million and €100 million and banks via the FUNDINGPORT GmbH platform.

IKB is subject to supervision by the German regulatory authorities, i.e., the German Federal Financial Supervisory Authority (BaFin) and the German Bundesbank. IKB is currently not classified as a systemically relevant institution.

Regulation gives rise to a framework that can also influence the business model. One burden arises from the constantly changing conditions for integrated performance and risk management that have evolved and will continue to do so as a result of the various regulatory requirements and interpretations. These regulatory requirements now touch upon almost all areas and processes and are woven into the entire organisational and operational structure. For this reason, a high level of cost discipline, particularly also in the implementation of regulatory requirements, close management of risk-weighted assets and anticipation of possible future regulatory requirements remain highly relevant for the business model. In addition, IT security together with the need to establish an IT architecture that efficiently ensures flexible and timely reporting is growing in importance. In addition, IKB is investing in the further development of IT and has initiated a corresponding project portfolio for the coming years. In addition to implementing regulatory requirements, this also serves the purpose of steadily modernising the core banking systems for the digitalisation of business processes and further strategic developments.

2. Economic report

Macroeconomic and industry-specific conditions

Many central banks initially continued to tighten their monetary policy in 2023. The US Federal Reserve raised its key rates in several steps up until July 2023, after which it left them unchanged in a range of between 5.25% and 5.5%. After making several adjustments, the European Central Bank (ECB) likewise decided at its October meeting not to increase its key rates any further for the time being, leaving the main refinancing rate unchanged at 4.5%.

Inflation, which initially remained high in the course of the year, and the restrictive monetary policies exerted pressure on the global economy. Nevertheless, the US economy, driven by consumer spending, proved to be consistently solid. However, in China, growth fell short of expectations despite the abandonment of the zero-Covid policy. The economies of the other industrialised countries and in the emerging markets performed disparately but were generally likewise muted. The Eurozone economy was also weak.

Against this backdrop, the German economy continued to navigate difficult economic waters in 2023, with economic output contracting by 0.3%. Weak foreign demand and the consequences of the previous energy price shock took their toll on the industry. Moreover, order backlogs continued to decline and were increasingly unable to absorb the softer demand. As a result, industrial production dropped. Exports were also lower. At the same time, consumer spending was subdued. Despite sharp wage and salary hikes, declining inflation rates and a stable employment market, consumers were restrained when it came to additional spending.

Interest rates in the Eurozone money and capital markets rose at an extraordinarily sharp rate as a result of the ECB's restrictive policies. Compared to the same period in the previous year, interest margins in the third quarter of 2023 were relatively high by the standards of the past 25 years. Higher borrowing costs placed a damper on consumer spending. This particularly left traces on the construction industry as the higher interest rates rendered financing for many projects impossible, thus impairing their economic viability. Against this backdrop, residential real estate prices declined, with demand for residential property softening substantially. The downswing in the commercial real estate market also continued in 2023. Commercial property prices as well as transaction volumes dropped.

In this environment, lending declined again in the third quarter of 2023: in fact, there were net outflows in book loans to non-financial companies. For one thing, this was due to the significantly higher lending rates, muted domestic and foreign demand for goods and services and the uncertain economic outlook. For another, the German banks addressed by the Bank Lending Survey continued to rein in their lending policies primarily as a result of elevated credit risks.

Sharp increases in interest rates also posed challenges for the financial system. The higher interest rates triggered elevated stress in the financial markets in March 2023. The failure of several regional banks in the United States and one banking major in Switzerland prompted greater volatility in the financial markets. The German financial system proved to be stable in this situation due, among other things, to the fact that German banks had better liquidity resources and less exposure to interest rate risks than the troubled US banks. All in all, the Bundesbank came to the conclusion in its 2023 Financial Stability Report that the German banks have coped well to date with the market price losses on their investments caused by higher interest rates primarily thanks to their increased income. Moreover, there were few credit defaults despite the subdued economy – not least of all due to the fiscal support provided to cushion the effect of higher energy costs on businesses and consumers. Although the number of corporate insolvencies rose substantially in the course of the year, they remained at a low level. The individual sectors were affected to differing extents. The increase was more pronounced in the real estate sector.

Important events during the reporting period

Changes in the Group

Overall, IKB has significantly streamlined its corporate structure, reducing the number of subsidiaries from 97 in the 2016/17 financial year to 25 as at the end of the 2023 financial year and is continuing to do so. The following changes arose in the year under review:

On 19 April 2023, the share capital of IKB Invest GmbH was reduced from €45,000,000 to €25,000 by means of a corresponding entry in the commercial register.

On 9 May 2023, IKB Beteiligungen GmbH as the transferring entity and IKB AG as the receiving entity entered into a merger agreement. The merger took effect on 10 July 2023 upon being entered in the commercial register; IKB Beteiligungen GmbH therefore ceased to exist without liquidation. The domination and profit and loss transfer agreement that had previously been in force between IKB Beteiligungen GmbH and its directly held subsidiary IKB Invest GmbH was transferred to IKB AG and is now continuing between IKB AG and IKB Invest GmbH.

Aleanta GmbH, which was dissolved at the end of the day on 31 December 2021 in accordance with a resolution passed by the shareholders on 22 December 2021 ceased to exist upon this transaction being duly entered in the commercial register on 8 November 2023.

Legally relevant events

Litigation in the United States

In connection with lawsuits that it had initiated in the United States, IKB received net income of an amount in the single-digit millions at the Group level as at the end of the 2023 financial year. All in all, the claims held by IKB AG under lawsuits that it had initiated, which are recognised within other assets, have dropped by an amount in the double-digit millions since the last reporting date.

IKB submits purchase offer to the holders of the trust preferred securities in IKB Funding Trust I

On 19 December 2023, IKB Deutsche Industriebank AG announced an offer to acquire the trust preferred securities of IKB Funding Trust I, with the exception of the securities held by IKB itself. This was a non-binding invitation to the holders of the trust preferred securities to offer these to IKB for purchase. The offer expired on 24 January 2024 but was renewed until 21 February 2024 (see Note 64 of the Consolidated Financial Statements "Significant events after 31 December 2023"). The offer price is 69.50% of the nominal amount of the trust preferred securities.

Personalia

Supervisory Board

Mr Evgeniy Kazarez and Mr Arndt G. Kirchhoff were re-elected to the Supervisory Board as shareholder representatives under resolutions passed at the Annual General Meeting on 9 March 2023. Moreover, Mr Paxton Ward Flesher was elected to the Supervisory Board in place of Mr Benjamin Dickgießer, who stepped down from the Supervisory Board at the end of the extraordinary shareholder meeting held on 17 August 2023. At the constituent meeting of the Supervisory Board held following the extraordinary shareholder meeting, Mr Kazarez was elected to the Supervisory Board Executive Committee, the Risk and Audit Committee, the Nomination Committee and the Remuneration Control Committee.

Following an election held on 25 January 2023, Dr Jan Wisser was appointed to the Supervisory Board as an employee representative for the first time with effect from the end of the Annual General Meeting of 9 March 2023, upon which Ms Nicole Riggers' office expired. At the constituent meeting of the Supervisory Board, which was held after the Annual General Meeting, Dr Wisser was elected to the Remuneration Control Committee and Mr Jörn Walde to the Nomination Committee.

Board of Managing Directors

There were no changes in the composition of the Bank's Board of Managing Directors during the reporting period. At its meeting of 16 November 2023, the Supervisory Board re-appointed Dr Michael H. Wiedmann and Dr Patrick Trutwein to the Board of Managing Directors for a period expiring on 30 November 2026 and 31 March 2027, respectively. Dr Wiedmann remains the Chairman of the Board of Managing Directors.

Rating review by Moody's und Fitch

In 2023, Moody's confirmed its Baa1 deposit and issuer rating but lowered the outlook from stable to negative. Fitch confirmed its BBB- deposit and issuer rating as well as its stable outlook.

Results of operations, asset position and financial situation

Higher market interest rates and persistently strong inflation in the wake of the geopolitical tensions in connection with the Ukraine war left material traces on business performance in 2023.

Business performance

In 2023, new business was valued at €2.7 billion in line with the forecast (previous year: €2.7 billion). Consequently, the previous year's level was repeated on the basis of continued selective lending with a focus on good credit ratings. The proportion of internally funded new business stood at 57% (previous year: 62%).

Results of operations

In 2023, the Group generated earnings before taxes of €63 million (previous year: €61 million), thus matching the forecast (roughly €60 million). The Public Programme Loans segment contributed earnings of €48 million (previous year: €50 million), the Corporate Bank segment €54 million (previous year: €33 million) and the Corporate Centre segment €-38 million (previous year: €-23 million).

At the level of IKB AG, earnings before taxes came to €42 million (previous year: €63 million), thus also matching the forecast (roughly €40 million).

in € million	Group 1 Jan. 2023 – 31 Dec. 2023	Group 1 Jan. 2022 – 31 Dec. 2022	IKB AG 1 Jan. 2023 – 31 Dec. 2023	IKB AG 1 Jan. 2022 – 31 Dec. 2022
Net interest income	**224**	**188**	**225**	**185**
Net fee and commission income	**20**	**23**	**20**	**23**
Gross income	**244**	**211**	**245**	**209**
Administrative expenses	**-147**	**-145**	**-146**	**-144**
Personnel expenses	-83	-84	-83	-84
Other administrative expenses	-63	-60	-63	-60
Operating profit before risk provisions	**97**	**66**	**99**	**65**
Net risk provisioning	**-34**	**-19**	**-34**	**-19**
Operating profit	**63**	**48**	**65**	**46**
Net other income	**-0**	**13**	**-23**	**17**
Income before taxes	**63**	**61**	**42**	**63**
Tax expense/income	**3**	**0**	**3**	**0**
Consolidated net result	**65**	**61**	**45**	**63**

Any differences in totals are due to rounding effects.

Other key figures	Group 1 Jan. 2023 – 31 Dec. 2023	Group 1 Jan. 2022 – 31 Dec. 2022
New business (€ billion)	**2.7**	**2.7**
of which corporate loans	1.5	1.7
of which public programme loans business	1.2	1.0
Interest margin on loan book (%)[1)]	**2.22**	**1.80**
Cost of risk of loan book (%)	**0.37**	**0.20**
Cost/income ratio (%)[2)]	**60.1**	**68.5**
Adjusted cost/income ratio[2) 3)] (%)	**52.3**	**60.4**
Return on equity (%)[4)]	**7.3**	**6.3**

1) The interest margin equals the quotient of net interest income and net risk costs from net risk provisioning in the Public Programme Loans and Corporate Bank segments relative to the corresponding volumes of the loan book.
2) The cost/income ratio is calculated as the quotient of administrative expenses and gross income (net interest income and net fee and commission income).
3) Adjusted for extraordinary effects on pension plan expenses of €10 million (previous year: €13 million) and one-time operating expenses, especially for projects in connection with regulatory requirements, of €9 million (previous year: €4 million).
4) The return on equity is calculated as the ratio of net income to average allocated equity derived from a 12-percent imputed capital charge for risk-weighted assets in accordance with the CRR.

Net interest and commission 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. Net commission is defined as commission income net of commission expenses.

In line with the forecast, cumulative net interest and commission income increased significantly in 2023 to €244 million (previous year: €211 million) for the Group and €245 million (previous year: €209 million) for IKB AG as a result of the increased market interest rates.

At the Group level, net interest income for the year came to €224 million (previous year: €188 million), with the Public Programme Loans segment accounting for €78 million (previous year: €79 million), the Corporate Bank segment for €128 million (previous year: €89 million) and the Corporate Centre segment for €18 million (previous year: €20 million).

Supported by the higher interest rates, interest income from lending and money market transactions rose to €342 million (previous year: €190 million) and interest income from bonds to €49 million (previous year: €29 million). Income from shares in funds, which is reported within current income from equities and other non-fixed income securities, dropped to €12 million (previous year: €21 million). Net interest expenses for derivatives improved to €43 million in income (previous year: €4 million in expenses), comprising interest expenses of €215 million (previous year: €30 million) and interest income of €258 million (previous year: €25 million). Interest expenses for funding operations also increased to €222 million (previous year: €47 million).

IKB AG registered net interest income of €225 million (previous year: €185 million). IKB AG's interest income from lending and money market business came to €351 million (previous year: €191 million), with interest income from bonds reaching €47 million (previous year: €27 million). Income from shares in funds, which is reported within current income from equities and other non-fixed income securities, dropped to €6 million (previous year: €15 million). Income from profit transfer agreements stood at €0 million (previous year: €4 million). Net interest expenses for derivatives improved to €43 million in income (previous year: €4 million in expenses), comprising interest expenses of €215 million (previous year: €30 million) and interest income of €258 million (previous year: €25 million). Interest expenses for funding operations stood at €222 million (previous year: €48 million).

Net fee and commission income came to €20 million (previous year: €23 million) for the Group and €20 million (previous year: €23 million) for IKB AG. At the level of the Group, the Public Programme Loans segment contributed net commission and fee income of €5 million (previous year: €5 million), the Corporate Bank segment €10 million (previous year: €13 million) and the Corporate Centre segment €5 million (previous year: €5 million). The reduction is due to lower debt capital market activities.

Administrative expenses

Administrative expenses comprise personnel expenses and other administrative expenses as well as depreciation, amortisation and impairments.

Administrative expenses in 2023 reached €147 million (previous year: €145 million) for the Group and €146 million (previous year: €144 million) for IKB AG, thus slightly exceeding the previous year in line with the forecast. At the Group level, the Public Programme Loans segment accounted for administrative expenses of €44 million (previous year: €43 million), the Corporate Bank segment for €42 million (previous year: €41 million) and the Corporate Centre segment for €60 million (previous year: €60 million).

Personnel expenses equalled €83 million (previous year: €84 million) for both the Group and IKB AG. Other administrative expenses as well as depreciation, amortisation and impairments came to €63 million (previous year: €60 million) at the level of the Group and also €63 million (previous year: €60 million) at the level of IKB AG. In line with the forecast, personnel expenses were burdened by extraordinary effects on pension plan expenses of €10 million (previous year: €13 million), especially due to further inflation-related adjustments made to pensions. In the previous year, adjustments had been made to the long-term pension and inflation trends in addition to inflation-related adjustments to pensions.

In line with the forecast, other administrative expenses were also higher than in the previous year, this mainly being due to continued high project costs primarily in connection with regulatory requirements.

Loan-loss provisions in lending business

Loan-loss provisions in lending business (hereinafter referred to as "net risk provisioning") entail impairments and adjustments on receivables, allocations to reserves, fair value remeasurement gains on receivables and the reversal of provisions.

For reporting purposes, fair value remeasurement gains and losses on securities held in the liquidity reserve are not included in net risk provisioning but in net other income (see section on "Net other income").

Despite the challenging environment, net risk provisioning came to €34 million in expenses (previous year: €19 million in expenses) for the Group and €34 million in expenses (previous year: €19 million in expenses) for IKB AG in 2023; it included an additional portfolio loan loss allowance of €6 million to cover elevated latent risks. This corresponds to risk costs of 37 basis points as a proportion of the loan book. As a result, net risk provisioning was slightly better than the forecast figure of €35 million. Net risk provisioning also reflects active portfolio and risk management, which also includes the early sale of exposures. In the Group, the Public Programme Loans segment accounted for €8 million in income (previous year: €9 million in income), the Corporate Bank segment for €42 million in expenses (previous year: €27 million in expenses) and the Corporate Centre segment for €1 million in expenses (previous year: €1 million in expenses).

Net risk provisioning is made up of net expenses from impairments and single loan loss allowances on loans and advances, sold receivables as well as provisions in lending business amounting to €37 million (previous year: €15 million) for the Group and €37 million (previous year: €15 million) for IKB AG as well as net income from additions to portfolio loan loss allowances amounting to €3 million (previous year: €4 million) for the Group and €3 million (previous year: €4 million) for IKB AG. This includes an additional portfolio loan loss allowance of €6 million to cover the elevated latent risks in the acquisition financing and real estate portfolio. The portfolio loan loss allowance of €12 million additionally recognised in the previous year due to expected rating downgrades was reversed, because the downgrades materialised or are no longer expected. Additional information on risk provisioning can be found in the table on risk provisions in “Section 3. Report on Risks and Opportunities”.

Net other income

Net other income comprises other operating and extraordinary income and expenses, fair-value remeasurement gains and losses on investments, shares in affiliated companies as well as securities held as current and fixed assets and allocations to or withdrawals from provisioning reserves.

In 2023, net other income amounted to €0 million for the Group (previous year: €13 million in income) and €23 million in expenses (previous year: €17 million in income) for IKB AG. This is due to the following main factors:

- The value of the securities held as current assets stabilised in 2023, resulting in expenses of €4 million for both the Group and IKB AG. In the previous year, expenses of €467 million for both the Group and IKB AG had been largely offset by a partial withdrawal from the fund for general banking risks. In addition, the previous year’s expenses had been accompanied by an improvement in unrealised gains and losses on material items of the balance sheet as well as off-balance-sheet derivatives.
- The closure of derivative positions in the banking book generated net income of €20 million for both the Group and IKB AG, compared with net income of €73 million in the previous year.
- Net income of €1 million arose from securities held as fixed assets for both the Group and IKB AG particularly as a result of the redemption of shares in special funds and the disposal of bonds, compared with net expenses of €24 million in the previous year.
- The discount factor unwinding on pension obligations resulted in expenses of €4 million (previous year: €10 million in expenses) for both the Group and for IKB AG in the reporting period, whereas value gains from the CTA assets generated net income of €13 million (previous year: €6 million in expenses) for both the Group and IKB AG. In addition, an adjustment to the pension obligations under certain pension plans due to the changes in the value of the CTA assets generated net income of €1 million for both the Group and IKB AG (previous year: €2 million in net income).
- Litigation generated income of €5 million (previous year: €21 million) for the Group and €3 million (previous year: €13) for IKB AG.
- In addition, net other income includes legal and project costs as well as expenses of €23 million (previous year: €7 million) for both the Group and IKB AG for hedging business risks. The increase is mainly due to higher legal expenses in connection with the lawsuits initiated by IKB.
- Extraordinary expenses amounted to €16 million (previous year: €6 million) for both the Group and IKB AG. They were due in particular to the allocations made to the provisions for the inflation-related adjustment of pension obligations, frontloading impacts occurring in financial years 2024 to 2026. In addition, the item includes planned restructuring expenses.
- Loss absorption expenses came to €7 million for IKB AG (previous year: €2 million).

- At the level of IKB AG, net other income includes expenses of €17 million from the fair-value remeasurement losses on an intra-group sub-participation in settlement payments expected under pending lawsuits (previous year: €14 million in income from fair-value remeasurement gains).
- The reversal of/allocations to provisions resulted in net income of €5 million (previous year: net income of €1 million) for both the Group and IKB AG.
- Net foreign-currency translation gains and losses produced €4 million in income (previous year: €10 million in income) for the Group and €3 million in income (previous year: €11 million in income) for IKB AG.

Taxes

In 2023, tax income totalled €3 million (previous year: €0 in income) for both the Group and IKG AG. Income from taxes in previous years exceeded the reduction in deferred tax assets recognised through profit and loss. The reduction in deferred tax assets was due to the lower-than-planned future use of temporary differences.

Net income

In 2023, the Group generated earnings before taxes of €63 million (previous year: €61 million), thus matching the forecast. At the level of IKB AG, earnings before taxes came to €42 million (previous year: €63 million), thus also matching the forecast. Consolidated net income for the 2023 financial year reached €65 million (previous year: consolidated net income of €61 million). At the level of IKB AG, net income came to €45 million (previous year: net income of €63 million).

Asset position

The Group’s total assets declined by €0.9 billion to €14.5 billion in the reporting period (IKB AG: decline of €1.0 billion to €14.5 billion).

The Group’s gross credit volume, which also includes off-balance-sheet business (see also “Section 3. Report on Risks and Opportunities”) dropped from €17.6 billion to €15.9 billion as of the reporting date (IKB AG: decline from €17.7 billion to €16.1 billion). It mainly comprises medium- and long-term loans to banks, loans to customers, bonds, the positive market values of the derivatives held in the non-trading book and guarantees. Apart form the changes in assets described in the following section, the decline is mainly due to the reduced portfolio of derivatives in the non-trading book.

Assets

Receivables from banks fell by €1.1 billion over 31 December 2022 to €2.3 billion for the Group primarily as a result of the lower cash collateral provided to the central bank (IKB AG: by €1.1 billion to €2.3 billion).

Receivables from customers fell to €8.6 billion (previous year: €8.8 billion) for the Group and to €8.8 billion (previous year: €9.1 billion) for IKB AG. It was not possible to maintain the portfolio at the previous year’s level as forecast due to selective lending with a focus on good credit ratings in connection with the economic uncertainties.

The portfolio of bonds and other fixed-income securities increased from €2.4 billion on 31 December 2022 to €3.1 billion for the Group due to portfolio re-allocations (IKB AG: from €2.4 billion to €3.1 billion). This resulted in a reduction in the average remaining maturity of the securities portfolio. The Group's portfolio of equities and other non-fixed-income securities shrank from €0.6 billion to €0.3 billion (IKB AG: from €0.3 billion to €0.0 billion).

Equity and liabilities

Liabilities to banks fell by €0.6 billion to €8.5 billion (IKB AG: by €0.6 billion to €8.5 billion). ECB funding was scaled back in favour of collateralised funding in the interbank market, whereas it was not necessary to raise as much funding due to a reduction in liquidity overhangs.

Liabilities to customers fell by €0.4 billion to €3.9 billion (IKB AG: by €0.5 billion to €4.0 billion). The decline in business customer deposits was partially offset by the increase in retail deposits.

Unrealised gains and losses arose on financial instruments in the banking book in the form of securities, derivatives and from funding the loan book without matching maturities in the period under review and in earlier financial years as a result of changes in market interest rates, exchange rates and credit ratings. In future financial years, this as well as changes to regulatory requirements or the interpretation of these could exert strain on the income statement and the present value of the banking book. The measurement of the banking book at the lower of cost or market in accordance with the IDW RS BFA 3 accounting guidance did not result in any provisioning requirements as of 31 December 2023.

Subordinated liabilities remained largely unchanged at €0.5 billion (IKB AG: unchanged at €0.5 billion).

The fund for general banking risks was unchanged at €0.2 billion.

Equity

Compared with 31 December 2022, equity increased from €1,001 million to €1,066 million for the Group and from €1,042 million to €1,087 million for IKB AG driven entirely by profits. In line with the forecast, no dividend was distributed to the owner.

When calculating regulatory capital, the fund for general banking risks of €0.2 billion must be taken into account as Common Equity Tier 1 capital.

Financial position

IKB's liquidity position is stable thanks to its funding mix. In addition to matched funding via development banks and other secured funding operations in the interbank market or in connection with funding via the ECB, IKB accepts revolving deposits from corporate and retail customers and engages in new lending business selectively.

The maturities of liabilities are shown in the breakdown of remaining maturities in the notes. Please refer to "Section 3. Report on Risks and Opportunities".

Financial and non-financial performance indicators

Non-financial performance indicators are of minor importance for management purposes at IKB. In addition to a large number of management-related sub-indicators, IKB uses the following financial indicators as key performance indicators for management purposes.

Regulatory Tier 1 ratio

The CET 1 ratio of the IKB Group stood at 16.8% as of 31 December 2023 on both a transitional and fully phased-in basis.

For IKB AG, the CET 1 ratio is 17.1% on both a transitional and fully phased basis (see Section 3. "Report on Risks and Opportunities" for details). The IKB did not utilise any significant CRR transition options in the 2023 financial year.

Consequently, IKB substantially exceeded the forecast of 13 – 14% for the CET 1 capital ratio for both the group of institutions and for IKB AG. Negative rating migrations in the loan portfolio anticipated by the Bank for economic reasons were less pronounced than expected. Consequently, the resulting impact on risk-weighted assets that had been expected largely did not materialise. A further reason for the decline in risk-weighted assets were the ratings of IKB's new business, which were better than expected.

As the Bank has no intention to distribute any dividends for 2023, it includes the net retained profit carried forward within its CET 1 capital.

Leverage ratio

The leverage ratio measures the largely unweighted sum of on-balance-sheet and off-balance-sheet transactions relative to regulatory Common Equity Tier 1 capital and is a binding minimum requirement as of 28 June 2021 in accordance with CRR II.

The following table provides an overview of the leverage ratio in accordance with Article 429 of the CRR II/CRR.

	IKB Group		IKB AG	
in %	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
Leverage ratio (transitional)	7.2	6.7	7.4	6.9
Leverage ratio (fully phased)	7.2	6.0	7.4	6.2

The minimum statutory ratio is thus substantially exceeded. The forecast of a leverage ratio of around 6% for the IKB Group was likewise exceeded. This was due to the greater-than-expected decline in total assets as well as the run-off of the derivatives book and the associated reduction in risk exposure positions.

Net income before taxes

Consolidated profit before taxes came to €63 million for the Group and was thus in line with the forecast (roughly €60 million). At €42 million, earnings before taxes for IKB AG were also in line with the forecast (roughly €40 million).

Cost/income ratio and return on equity

The cost/income ratio expresses the ratio of administrative expenses to the sum of net interest, fee and commission income; the ratio was 60.1% for the Group in 2023 (previous year: 68.5%) and thus in line with the forecast, which had provided for a cost/income ratio slightly above 60%.

The return on equity as the ratio of net income to average allocated equity derived from a 12-percent imputed capital charge for risk-weighted assets in accordance with the CRR was 7.3% (previous year: 6.3%) in the 2023 financial year. The improvement over the forecast (just over 6%) reflects the lower risk-weighted assets compared with the 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 following table provides an overview of the LCR compared with 31 December 2022.

	IKB Group		IKB AG	
in %	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
Liquidity coverage ratio	249	257	232	238

The ratio was consistently above the statutory minimum of over 100%.

Net stable funding ratio

As of 31 December 2023, the net stable funding ratio (NSFR), which tracks medium to long-term liquidity stood at 116% for the IKB Group (IKB AG: 114%), thus consistently exceeding the statutory minimum of 100% in line with the forecast.

	IKB Group		IKB AG	
in %	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
Net stable funding ratio	116	117	114	120

Overall assessment

Consolidated profit before taxes came to €63 million in 2023 and was thus in line with the forecast (roughly €60 million). At €42 million, earnings before taxes for IKB AG were thus also in line with the forecast (roughly €40 million).

Cash flows and the financial position are orderly. Given the persistently challenging business environment, the Bank considers its business performance to be satisfactory.

Combined separate non-financial report

IKB intends to publish the non-financial Group report for the 2023 financial year pursuant to section 340i (5) of the German Commercial Code (HGB) in conjunction with section 315b of the German Commercial Code (HGB), which is combined with the parent company's non-financial report pursuant to section 340a (1a) of the German Commercial Code (HGB) in conjunction with section 289 of the German Commercial Code (HGB) on its website at https://www.ikb.de/en/investor-relations/reports-and-presentations at the end of April 2024.

3. Report on Risks and Opportunities

In 2023, BaFin carried out an audit of the risk management operations in accordance with section 44 (1) of the German Banking Act (KWG) in order to review the adjustments implemented by the Bank in the determination of risk-bearing capacity on the basis of a previous audit conducted in accordance with section 44 (1) of the German Banking Act (KWG) and the determination of counterparty default and market price risks. The improvements over the previous regulatory audit confirmed by the regulatory authorities also resulted in a reduction in the regulatory requirements. The other audit findings resulted in further adjustments to the risk management process as well as to the methodology for calculating risk-bearing capacity. The charges resulting from the measures taken to address the significant findings, in particular for risk-bearing capacity and related aspects, have already been recognised as of the reporting date.

Risk management organisation

The Bank operates a risk management system covering the entire Group and the risk types of all the segments in accordance with the Minimum Requirements for Risk Management (MaRisk) and other applicable pronouncements by regulatory authorities. The Bank performs an annual risk inventory to get an overview of the risk situation of the Bank, all subsidiaries and any significant outsourcing activities and assesses concentrations of risk and income. The impact of environmental, social and governance (ESG) risk drivers on the types of risk identified as being material in the risk inventory is analysed in an annual ESG risk driver analysis. The risk management system, including its tasks and areas of responsibility, is documented in the Bank's written rules.

The business and risk strategy and the measures derived from it are set out in the business and risk strategy.

The Board of Managing Directors of IKB AG is responsible for risk management. Based on the strategic business focus and risk-bearing capacity, it defines the principles for risk management policy which, together with the limit structure, are reflected in the business and risk strategy and in the limit book. Special committees assist the Board of Managing Directors in managing risks and making decisions. The Board of Managing Directors discusses the risk situation and the Bank's risk management at quarterly meetings with the Supervisory Board. In addition, the business and risk strategy is discussed with the Supervisory Board at least once a year after regular updating and, additionally, on an ad-hoc basis, e.g., in the event of any adjustments made during the year.

IKB's risk management is based on the "three lines of defence" principle, with each individual unit (front office, back office, as well as central divisions and staff departments) forming the first line of defence as part of its operational responsibility.

The second line of defence controls and monitors the risk management functions of the first line of defence. This includes defining risk management methods and procedures as well as monitoring identified material risks and reporting to the Board of Managing Directors. The second line of defence comprises the tasks assigned to risk controlling and management, information risk and security management and the data protection officer. It also includes the compliance functions in accordance with MaComp and MaRisk, the officer for the protection of customers' financial instruments and funds as well as the anti-money laundering function/central office. At the level of the Board of Managing Directors, Dr Trutwein is responsible for independent portfolio-related monitoring by Risk Controlling of counterparty default, market price and liquidity risks as well as non-financial risks together with the compliance functions. Dr Wiedmann is responsible for monitoring profit/loss management and capital resources. The Board of Managing Directors as a whole is responsible for managing risks associated with the business strategy and reputation risks.

The third line of defence in IKB's risk management is Internal Audit, which is a separate, process-independent and neutral monitoring unit within the IKB Group. It works on behalf of the entire Board of Managing Directors and reports directly to the Board of Managing Directors. Dr Wiedmann is responsible at the level of the Board of Managing Directors for internal auditing. All relevant activities and processes throughout the Group and the functionality of the internal control system (ICS) are reviewed on the basis of risk-oriented process audits. The processes and activities outsourced by IKB to other service providers are monitored as part of continuous outsourcing controlling and the independent audit activities performed by Internal Audit at the outsourcing companies. In quarterly reports and an annual report, Internal Audit summarises for the Board of Managing Directors and the Supervisory Board significant and serious audit findings, the agreed measures and their processing status and, specifically, the audits conducted and compliance with the audit plan. In addition, the Board of Managing Directors is kept continuously informed of the audit results in detail on the basis of the reports prepared for all audits. Regardless of this, the Chairman of the Supervisory Board can request information directly from the head of Internal Audit subject to consultation with the Chairman of the Board of Managing Directors and the Chairman of the Risk and Audit Committee.

Regulatory capital resources and risk-bearing capacity

Regulatory capital

The Bank calculates its regulatory capital resources in accordance with the requirements of the CRR. In 2019, it received approval to apply the IRB approach (internal ratings-based approach) to the corporate portfolio. In addition, the Bank had received approval from BaFin in the 2022 financial year to apply the base IRB approach to the rating models for banks, country as well as transfer risks and has been doing so since 31 March 2022 and 30 September 2022, respectively. The Bank uses the standardised approach to calculate the credit valuation adjustment charge, the basic indicator approach for operational risk and the prescribed standard method for market risk. The Bank continues to use the regulatory netting approach to determine the net basis of measurement for derivatives, taking existing netting agreements into account. The following table provides an overview of the regulatory risk items, equity resources and ratios (transitional and fully phased-in) taking effect upon the resolution passed at the Annual General Meeting approving the appropriation of profits. The CRR includes various provisions which are being fully phased over time. The term "transitional" refers to the situation in the light of the requirements prevailing as of the relevant reporting date, while the term "fully phased" refers to the situation in which the rules apply in their final form.

Table: Regulatory capital situation of the IKB Group in accordance with CRR II[1)2)]

	31 Dec. 2023		31 Dec. 2022	
Figures in € million	**transitional**	**fully phased**	**transitional[3)]**	**fully phased**
Counterparty default risk (including CVA charge)	6,727	6,727	7,181	7,325
Market risk equivalent	88	88	53	53
Operational risk	435	435	452	452
Total risk-weighted assets (RWA)	**7,250**	**7,250**	**7,686**	**7,830**
Common Equity Tier 1 (CET 1)	**1,215**	**1,215**	**1,277**	**1,139**
Additional tier 1 (AT 1)	0	0	0	0
Total tier 1 (T 1)	**1,215**	**1,215**	**1,277**	**1,139**
Tier 2 (T 2)	413	413	486	486
Own funds	**1,628**	**1,628**	**1,763**	**1,625**
CET 1 ratio (%)	**16.8**	**16.8**	**16.6**	**14.5**
T1 ratio (%)	16.8	16.8	16.6	14.5
Own funds ratio (%)	22.5	22.5	22.9	20.8

Any differences in totals are due to rounding effects.

1) Figures taking account of the phase-in and phase-out provisions of the CRR; the CET 1 ratios have been calculated in accordance with the current version of the CRR as of 31 December 2023 and 31 December 2022 respectively 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) In accordance with the resolution on the appropriation of profits passed at the Annual General Meeting, no dividend payouts are planned for the 2023 financial year.
3) The transitional perspective as of 31 December 2022 includes the exercise of the option under Art. 468 of the CRR.

Table: Regulatory capital situation at individual bank level in accordance with CRR II[1)2)]

	31 Dec. 2023		31 Dec. 2022	
Figures in € million	**transitional**	**fully phased**	**transitional[3)]**	**fully phased**
Counterparty default risk (including CVA charge)	6,796	6,796	7,319	7,470
Market risk equivalent	87	87	53	53
Operational risk	366	366	372	372
Total risk-weighted assets (RWA)	**7,249**	**7,249**	**7,744**	**7,895**
Common Equity Tier 1 (CET 1)	**1,236**	**1,236**	**1,320**	**1,184**
Additional tier 1 (AT 1)	0	0	0	0
Total tier 1 (T 1)	**1,236**	**1,236**	**1,320**	**1,184**
Tier 2 (T 2)	413	413	486	486
Own funds	**1,649**	**1,649**	**1,806**	**1,670**
CET 1 ratio (%)	**17.1**	**17.1**	**17.0**	**15.0**
T1 ratio (%)	17.1	17.1	17.0	15.0
Own funds ratio (%)	22.7	22.7	23.3	21.2

Any differences in totals are due to rounding effects.

1) Figures taking account of the phase-in and phase-out provisions of the CRR; the CET 1 ratios have been calculated in accordance with the current version of the CRR as of 31 December 2023 and 31 December 2022 respectively 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) In accordance with the resolution on the appropriation of profits passed at the Annual General Meeting, no dividend payouts are planned for the 2023 financial year.
3) The transitional perspective as of 31 December 2022 includes the exercise of the option under Art. 468 of the CRR.

At 16.8% for the Group and 17.1% for the Bank, IKB's CET 1 ratios (fully phased) are significantly above the statutory minimum 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 the banking supervisory review and evaluation process (SREP).

The following table provides an overview of the capital requirements imposed on IKB at the level of the individual Bank and at the Group level.

Table: Regulatory capital requirements

	31 Dec. 2023			31 Dec. 2022		
Ratios (%)	**Common Equity Tier 1 capital**	**Tier 1 capital**	**Total capital**	**Common Equity Tier 1 capital**	**Tier 1 capital**	**Total capital**
Capital requirement						
Pillar I requirements (Art. 92 CRR)	4.50	6.00	8.00	4.50	6.00	8.00
Pillar II requirements (SREP)	1.41	1.88	2.50	1.13	1.50	2.00
Capital conservation buffer (CCB)	2.50	2.50	2.50	2.50	2.50	2.50
Countercyclical capital buffer (CCyB)	0.73	0.73	0.73	0.05	0.05	0.05
Total for group of institutions	**9.14**	**11.11**	**13.73**	**8.17**	**10.05**	**12.55**
Capital markup in accordance with section 10 (3) sentence 1 of the German Banking Act (KWG)[1)]	1.13	1.50	2.00	2.25	3.00	4.00
Total for individual institution	**10.26**	**12.61**	**15.73**	**10.42**	**13.05**	**16.55**
For information purposes: net own funds recommendation	2.30	2.30	2.30	0.90	0.90	0.90
Capital ratios – IKB AG						
Current capital ratio (transitional)	17.06	17.06	22.75	17.04	17.04	23.32
MDA surplus	680 bps	445 bps	702 bps	662 bps	399 bps	677 bps
Capital ratios – IKB Group						
Current capital ratio (transitional)	16.77	16.77	22.46	16.62	16.62	22.94
MDA surplus	763 bps	566 bps	873 bps	845 bps	657 bps	1,039 bps

1) for individual institution only

The Pillar II capital requirements consist of the SREP capital requirements and the capital markup in accordance with section 10 (3) sentence 1 of the German Banking Act (KWG). In the audit conducted in 2023 in accordance with section 44 (1) of the German Banking Act (KWG), the supervisory authority confirmed that IKB had improved on the results of the previous audit. Consequently, it reduced the total of the aforementioned Pillar II capital requirements from 6% to 4.5%. In this process, the individual capital markup in accordance with section 10(3) sentence 1 of the German Banking Act (KWG) was reduced from 4% to 2%.

The MDA (maximum distributable amount) surplus is therefore 445 bps in the IKB AG's Tier 1 capital in the relevant perspective.

Minimum requirements for eligible liabilities (MREL)

IKB is not 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

In order to safeguard its risk-bearing capacity, the Bank considers two perspectives in line with the guidelines for the regulatory assessment of internal risk-bearing capacity concepts, which are intended to ensure the Bank's going concern status and to protect creditors: a normative perspective and an economic perspective.

The purpose of the normative perspective is to ensure compliance with the regulatory and supervisory minimum requirements during the annual multi-year planning process. In particular, this includes the increased capital requirements in accordance with section 10 (3) or (4) of the German Banking Act (KWG) and the combined capital requirement in accordance with section 10i (1) of the German Banking Act (KWG) including allowance for the increase in the anticyclical capital buffer from 1 February 2023. All structural requirements must also be met.

In addition to the base scenario, bank planning must include an adverse scenario to ensure compliance with the increased capital requirements in accordance with section 10 (3) or (4) of the German Banking Act (KWG).

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 and can be regarded as an extreme stress scenario with a low probability of occurrence with respect to economic growth.

All regulatory requirements for the normative perspective are met in both the base scenario and this adverse scenario throughout the entire planning period.

In addition to the normative perspective, the Bank also analyses its overall risk position and risk coverage potential from an economic perspective and monitors it on a monthly basis.

Risk coverage potential in the economic perspective is derived from all capital components used by the Bank including the fund for general banking risks (section 340g of the German Commercial Code – HGB) available within the risk horizon less deferred tax assets and intangible assets. At the same time, hidden liabilities/reserves from loans, securities, derivatives and pensions obligations are taken into account. As a result of the implementation of measures to address the findings of the audit performed in the reporting year in accordance with section 44 (1) of the German Banking Act (KWG), methodological adjustments were made to the quantification of risks and the calculation of risk coverage potential.

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 twelve months.

Table: Capital requirements – economic perspective

	31 Dec. 2023 in € million	31 Dec. 2023 in %	31 Dec. 2022 in € million	31 Dec. 2022 in %
Counterparty default risk	545	60	506	56
Market price risk	271	30	320	35
Operational risk	71	8	71	8
Refinancing cost risk	21	2	13	1
Total	**908**	**100**	**909**	**100**
less diversification effects	-96		-84	
Overall risk position	**812**		**826**	
Risk coverage potential	**1,035**		**1,328**	

Any differences in totals are due to rounding effects.

The decline in risk coverage potential compared to the previous year is due to the fact, that as of 1 January 2023, Tier 2 capital components are no longer recognised as a component of risk coverage potential in the economic perspective, together with other methodological adjustments arising from the implementation of the audit findings. The sum of the individual risks and overall risk exposure fell slightly compared to the previous year, accompanied by reduced market price risk and rising counterparty default risk as a result of exposure adjustments and changes in market data and ratings.

The risk-bearing capacity over the next twelve months is intact. Depending on the outcome of the ongoing implementation of the findings arising from the audit under section 44 of the German Banking Act (KWG) performed in 2023, risk-bearing capacity and related aspects may come under pressure.

Forecast calculations and stress tests

To allow for macroeconomic and regulatory developments, the Bank prepares different forecasts to calculate the expected utilisation of the risk-bearing capacity for the next two financial years in the economic perspective and for the next five financial years in the normative perspective. These forecasts are based on the Bank's plan scenario with current macroeconomic expectations. In addition, the Bank conducts various stress tests with different levels of severity on a quarterly and ad hoc basis. In this connection, macroeconomic and historical stress scenarios covering multiple risk types as well as specific stress events are analysed. This means that under the plan scenario all regulatory requirements are complied with in the normative perspective and risk coverage potential exceeds the capital requirements for unexpected risks in the economic perspective, whereas in individual stress scenarios and stress events risk coverage potential would not be sufficient in a static view to fully compensate for the corresponding overall risk position in the absence of any countermeasures. As these stress scenarios are based on extreme stress assumptions, they are currently considered to have only a "minor" probability of occurrence. In addition, countermeasures would be taken in this scenario.

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 risk types identified as material (counterparty default risks, market price risks, liquidity risks, non-financial risks in various forms and business risks) and risk concentrations to which the Bank is exposed. Further detail is added to the overall risk strategy for the key risk types, and it also defines the risk strategy guidelines for IKB's business activities. In particular, ESG and sustainability factors are also analysed and taken into account as risk drivers for the risk types. Important cornerstones of the risk strategy are the risk culture as it relates to the entirety of all standards, attitudes and behaviours of the Bank and its employees in dealing with risks. In the 2023 financial year, all segments were reviewed and revised to reflect the current business focus, regulatory developments and the economic situation as required.

Counterparty risk strategy (credit risk strategy)

In its lending business, the Bank seeks to limit overall risk exposure, risk-weighted assets and provisioning requirements. In addition to restricting new business to borrowers with good credit ratings in order to improve or stabilise the average credit rating over time, this also includes capping concentration risks at the level of individual borrowers and borrower groups and taking account of possible rating migrations as a result of macroeconomic factors.

IKB's core business means that the regional focus of its corporate financing business will remain on Germany in the future. The risk concentration that this entails is accepted in pursuing the Bank's business objectives.

With regards to its target customers in the upper midmarket segment, industry diversification is also important. In setting its limits, the Bank is guided both by the significance of the industry for the German economy and an analysis of the expected outlook for the industry. Environmental, climate, social and governance (ESG) aspects are explicitly taken into account in the sector analyses and for the purpose of specific lending decisions. Apart from a few exceptions, IKB does not exclude any sectors from its lending business. Rather, it adopts a "best-in-class" approach and focuses on (potential) borrowers in a sector with solid business foundations and a sustainable and future-oriented strategic alignment.

The portion of the loan portfolio attributable to foreign risks primarily relates to bonds and protection seller credit default swaps in the financial and public sectors, which the Bank holds in its investment portfolio for diversification purposes and as cash investments.

Market price risk strategy

The market price risk strategy describes the risk profile that IKB accepts when assuming market price risks and the measures taken to avoid unwanted risks. The main risk drivers here are credit-spread and interest-rate risks as well as changes in the corresponding volatility.

In the trade-off between achieving stable and adequate net interest income, on the one hand, and the willingness to accept market price risks, on the other, the Bank needs to accept market price risks to a reasonable degree in the light of its risk-bearing capacity. It is planned to continue the de-risking achieved in 2023 by harnessing the risk-mitigating effects from inventory changes, among other things, in the coming financial year.

Liquidity strategy

In addition to funding development loans through development banks at matching maturities, the current liquidity position is primarily underpinned by customer deposits guaranteed by the Deposit Protection Fund (Einlagensicherungsfonds – ESF) and the compensation scheme of the German banks (Entschädigungseinrichtung deutscher Banken – EDB), secured borrowing on the interbank market and funding via the ECB. In addition to consistently ensuring the Bank’s solvency, the aim of liquidity management is to secure access to inexpensive and sufficiently diversified funding options at all times in order to minimise funding cost risks. A diversified portfolio of ECB-eligible liquid securities serves as a liquidity reserve.

Strategy for non-financial risks

The purpose of managing non-financial risks is to achieve a balance between risk acceptance and the costs associated with mitigating and avoiding risk and to mitigate losses resulting from non-financial loss events. Business-continuity plans are developed on the basis of data derived from the business impact analysis for all processes defined as critical in the light of the applicable risks.

Strategy for sustainability risks

As a supra-regional credit institution, IKB shares responsibility for combating climate change and, with its financing solutions, is helping to promote the transition to a low-carbon economy and a more socially responsible society. The Bank therefore considers environmental and social factors to form part of responsible corporate conduct and fundamentally incorporates them in the development of conventional financing solutions in connection its lending. The integration of ESG risks within the risk management cycle is being further enhanced and scaled up in a multi-year project.

Counterparty default risks

Within counterparty default risk, IKB distinguishes between credit risk and counterparty risk in accordance with the requirements of the Capital Requirements Regulation (Article 5 of the CRR) and the Minimum Requirements for Risk Management (MaRisk, AT 2.3). Accordingly, risks from equity investments and derivatives as well as country risks form part of the counterparty default risk provided that they can be assigned to individual loans or counterparties. Migration risks are also taken into account in risk bearing capacity.

Credit approval process and individual exposure monitoring

Key tasks in the credit approval process (credit analysis, cash flow analysis, loan approval independent of the front office) and exposure monitoring (including watchlist support, problem exposure management) to review and constantly monitor capital service capabilities are handled by the Credit Risk and Contract Management division, which is segregated from the front office, and thus separately from the front-office functions (acquisition and business origination) in accordance with regulatory requirements.

Loan and collateral agreements and subsequent adjustments are prepared by lawyers from the same division. Collateral agreements are drawn up on the basis of standard contract templates by Operations employees, who act independently of the front office, with the involvement of lawyers in the Credit Risk and Contract Management division in more complex individual cases. Every credit decision is preceded by a risk-oriented credit analysis that analyses the information necessary for the decision, evaluates it and documents it in a loan approval form. The assessment of sales and procurement markets, the borrower’s position in the relevant market, its future prospects, including sustainability considerations, are of material importance in the credit analysis in addition to an analysis of the borrower’s financial situation and particularly also of its capital service capabilities based on annual financial statements, budgeted figures and liquidity planning. At the same time, importance is placed on to ensuring that loans can be syndicated and transferred.

Existing credit exposures are reviewed by Credit Risk and Contract Management every twelve months as well as on an ad-hoc basis using the applicable processes and approval procedures. In addition, the risk situation of the individual sub-portfolios and key individual exposures are analysed and exposure strategies defined on an annual basis.

Rating process and systems

IKB uses rating systems tailored to the respective customer segment or the specific type of financing to carry out credit assessments. The development, maintenance and operation of some of these rating systems have been outsourced to external service providers. The individual rating classes are assigned probabilities of default based on historical default data. Since 21 March 2019, the "Corporate Rating" rating system has been approved for the internal ratings-based approach ("IRB approach"). Approval was granted in letters dated 25 March 2022 and 10 May 2022 for the use of the IRB approach for the rating system for banks as well as for country and transfer risks.

Quantifying credit risk

Counterparty default risk is quantified on the basis of a default-based credit portfolio model using a simulation approach. In addition to the individual loan/investment information (loan/investment amount, collateralisation, maturity, sector, group affiliation), this model incorporates a large number of statistical variables, such as probabilities of default, spreads in statistical default probability, collateral recovery rates, and industry/asset correlations based on the Bank's experience or external reference sources.

IKB uses a simulation approach to quantify the present value of risks arising from rating migrations, incorporating in particular expected and simulated lifetime expected credit losses. In addition to information on individual transactions, this also takes account of default and migration probabilities as well as industry/asset correlations.

As part of the validation and benchmarking processes, the internal credit assessment systems and risk models as well as the approval, monitoring and control processes in lending business are tested once a year.

Portfolio monitoring and control

Portfolio monitoring focuses on the entire loan portfolio. Sector and market changes are monitored by specialised back-office units. Furthermore, front-office experts are consulted to supplement the overall analysis for portfolio management purposes. The aim is to identify and limit sector risks in lending business in the light of expected developments.

The loan portfolio is also being monitored in the light of special economic circumstances such as increased market interest rates, the development of the real estate portfolio, higher commodity and energy prices and the continued uncertainty with regard to the overall geopolitical situation. This also entails the systematic review of individual exposures.

Structure of the counterparty default risk

The credit volume as of 31 December 2023 breaks down as follows:

Table: Credit volume

	Group			IKB AG		
in € million	**31 Dec. 2023**	**31 Dec. 2022**	**Change**	**31 Dec. 2023**	**31 Dec. 2022**	**Change**
Balances with central banks	30	36	-6	30	36	-6
Receivables from banks	2,255	3,313	-1,058	2,252	3,309	-1,057
Receivables from customers	8,562	8,810	-248	8,849	9,095	-246
Bonds and other fixed-income securities not including own issues	3,069	2,417	652	3,098	2,422	676
Equities and other non-fixed- income securities	302	601	-299	2	297	-295
Subtotal: Assets recognised on the balance sheet	**14,218**	**15,177**	**-959**	**14,231**	**15,159**	**-928**
Contingent liabilities[1)]	1,033	1,153	-120	1,108	1,228	-120
Positive fair values of derivatives in the non-trading book[2)]	579	1,179	-600	579	1,179	-600
Write-downs	140	135	5	133	121	12
Securities lending	20	92	-72	20	92	-72
Non-consolidated IKB balances in non-fixed income secu-rities	-79	-166	87	-	-80	80
Gross credit volume	**15,911**	**17,570**	**-1,659**	**16,071**	**17,699**	**-1,628**
For information purposes: other significant counterparty default risks outside the gross credit volume						
Irrevocable loan commitments	599	1,030	-431	633	1,064	-431
Shares in associated and affiliated companies[3)]	0	1	-1	43	117	-74

Any differences in totals are due to rounding effects.

1) before deducting risk provisions
2) Including €27 million (31 December 2022: €16 million) in positive fair values from protection seller CDSs whose nominals are treated as contingent liabilities for accounting purposes.
3) IKB AG: including equity investments.

All in all, the IKB Group's gross credit volume declined by €1.7 billion compared with 31 December 2022 to €15.9 billion as of 31 December 2023. The decrease is due to lower central bank balances, which are predominantly reported under receivables to banks (see table on segment structure) resulting from a decline in the cash collateral provided as well as a reduction in the portfolio of swaps and, hence, the positive market value of derivatives.

On the other hand, bonds rose as a result of portfolio re-allocations. There were declines in equities and other non-fixed-income securities caused by the redemption of the shares in partner funds held by IKB AG.

In a challenging market environment, receivables from customers fell only slightly by roughly €0.2 billion. This decline concerned internally funded acquisition and real estate financing. Irrevocable loan commitments dropped by €0.4 billion to €0.6 billion.

The situation for IKB AG was comparable to that of the IKB Group in all parts of the loan book. This also applies to the following structure tables.

Segment structure

Table: Credit volume by segment – Group

	31 Dec. 2023 in € million	31 Dec. 2023 in %	31 Dec. 2022 in € million	31 Dec. 2022 in %
Loan book	**9,019**	57%	**9,251**	53%
of which Corporate Bank	3,975	25%	4,293	24%
of which public programme loans	5,044	32%	4,957	28%
Corporate Centre	**6,892**	43%	**8,319**	47%
of which liquidity book[1)]	3,227	20%	2,766	16%
of which protection seller CDSs[2)]	721	5%	903	5%
of which money market products[3)]	2,915	18%	4,644	26%
of which balances with central banks[4)]	1,221	8%	2,286	13%
Total	**15,911**	**100%**	**17,570**	**100%**

Any differences in totals are due to rounding effects.

1) Bonds and other fixed-income securities as well as equities and other non-fixed-income securities excluding own bonds and securities in the loan book
2) Without protection seller CDSs in the loan book
3) Including call accounts, loan deposits and derivatives with positive fair values
4) Balances with central banks includes the item “Balances with central banks” as well as overnight transactions reported under “Receivables from banks”.

The loan book contracted slightly due to lower internally funded acquisition and real estate loans (Corporate Bank). Within corporate business financed by means of public programme loans, receivables from customers rose slightly, however. The decline in total loans in the Corporate Centre was due to a sharp reduction in money market products (reduction in balances with the Deutsche Bundesbank) as well as a reduction in the portfolio of swaps. On the other hand, there was an increase in the portfolio of securities held in the liquidity book.

Size category structure

Table: Credit volume by size – Group

	31 Dec. 2023					31 Dec. 2022			
	in € million	in %	Number[1)]	in € million of which loan book	in % of which loan book	in € million	in %	in € million of which loan book	in % of which loan book
Under €5 million	290	2%	186	252	3%	322	2%	302	3%
Between €5 million and €10 million	622	4%	84	612	7%	578	3%	569	6%
Between €10 million and €20 million	1,673	11%	124	1,617	18%	1,869	11%	1,820	20%
Between €20 million and €50 million	3,890	24%	130	3,660	41%	4,059	23%	3,723	40%
Over €50 million	8,726	55%	62	2,168	24%	9,814	56%	1,909	21%
Subtotal	**15,201**	**96%**	**586**	**8,309**	**92%**	**16,642**	**95%**	**8,323**	**90%**
Risk transferred to third parties[2)]	710	4%	-	710	8%	928	5%	928	10%
Total	**15,911**	**100%**	**586**	**9,019**	**100%**	**17,570**	**100%**	**9,251**	**100%**

Any differences in totals are due to rounding effects.

1) Borrower groups in accordance with Section 19 of the German Banking Act
2) Hermes guarantees, indemnifications, risks transferred

The decline in total loans primarily concerns the “€50 million or greater” size class.

The size classes below €50 million are predominantly held in the loan book, the overall structure of which showed an increase in size classes of €20 million or more.

Collateral and risk transfers

Table: Credit volume by type of collateral – Group

	31 Dec. 2023				31 Dec. 2022			
	in € million	in %	in € million of which loan book	in % of which loan book	in € million	in %	in € million of which loan book	in % of which loan book
Property liens and charges[1)]	2,075	13%	2,075	23%	2,356	13%	2,356	25%
Transfer of ownership[1)]	302	2%	302	3%	368	2%	368	4%
Other collateral[1) 2)]	3,547	22%	3,547	39%	3,527	20%	3,528	38%
Collateralised[1)]	573	4%	16	0%	1,173	7%	8	0%
Secured credit volume	**6,497**	**41%**	**5,940**	**66%**	**7,424**	**42%**	**6,260**	**68%**
Without collateral[3)]	8,704	55%	2,369	26%	9,218	52%	2,063	22%
Subtotal	**15,201**	**96%**	**8,309**	**92%**	**16,642**	**95%**	**8,323**	**90%**
Risk transferred to third parties[4)]	710	4%	710	8%	928	5%	928	10%
Total	**15,911**	**100%**	**9,019**	**100%**	**17,570**	**100%**	**9,251**	**100%**

Any differences in totals are due to rounding effects.

1) including credit portions beyond collateral value
2) E.g., assignment of receivables, participation rights, assignment of shares, ownership rights, subordinations, positive/negative pledges
3) including collateral provided by the Bank on the interbank market in the form of term money and call money for derivatives and bonds (including Pfandbriefe)
4) Hermes guarantees, indemnifications, risks transferred

IKB takes into account conventional collateral (property liens, transfers of ownership and other collateral) in its lending business. The share of the credit volume secured in this way amounts to 41% of the total and 66% of the loan book and is virtually unchanged compared with the previous year (31 December 2022: 42% and 68%, respectively). The item entitled “Collateralised” relates to the lower positive market values of derivatives and decreased at the Group level from 7% as of 31 December 2022 to 4%. Loans without collateral are mainly attributable to the Corporate Centre (€6.3 billion, 31 December 2022: €7.2 billion). Where the Bank provides collateral for derivatives in the interbank market in the form of overnight and term deposits, these are also reported under “Without collateral”.

Risk transfers continue to decline as a result of the drop in public-sector collateral provided in connection with the coronavirus pandemic (KfW funding under the special COVID-19 programme). This means that 80% (31 December 2022: 83%) of risk transfers were attributable to liability sub-participations by banks and 20% (31 December 2022: 17%) to public guarantees (mainly Hermes cover).

Geographical structure

Credit volume beaks down by region as follows:

Table: Credit volume by region – Group

	31 Dec. 2023				31 Dec. 2022			
	in € million	in %	in € million of which loan book	in % of which loan book	in € million	in %	in € million of which loan book	in % of which loan book
Germany	11,340	71%	7,432	82%	13,064	74%	7,384	80%
Outside Germany	3,861	24%	877	10%	3,578	20%	939	10%
Western Europe	2,744	17%	696	8%	2,485	14%	726	8%
of which EU[1)]	663	4%	-	0%	401	2%	-	0%
of which France	588	4%	50	1%	581	3%	60	1%
of which Spain	301	2%	47	1%	322	2%	54	1%
of which Belgium	246	2%	19	0%	151	1%	19	0%
of which the Netherlands	219	1%	63	1%	293	2%	95	1%
Eastern Europe	678	4%	55	1%	463	3%	69	1%
of which Poland	248	2%	55	1%	166	1%	64	1%
of which Romania	138	1%	-	0%	117	1%	-	0%
of which Bulgaria	100	1%	-	0%	75	0%	-	0%
North America	420	3%	107	1%	566	3%	125	1%
Other countries	19	0%	19	0%	64	0%	19	0%
Subtotal	**15,201**	**96%**	**8,309**	**92%**	**16,642**	**95%**	**8,323**	**90%**
Risk transferred to third parties[2)]	710	4%	710	8%	928	5%	928	10%
Total	**15,911**	**100%**	**9,019**	**100%**	**17,570**	**100%**	**9,251**	**100%**

Any differences in totals are due to rounding effects.

1) European Commission, ESM, Council of Europe Development Bank and European Investment Bank
2) Hermes guarantees, indemnifications, risks transfers

The foreign credit volume rose almost everywhere, whereas domestic loans contracted sharply (reduction in Bundesbank balances and positive market values of derivatives).

At 10%, the proportion of foreign loans in the loan book remained stable.

Sector structure

Table: Credit volume by sector – Group

	31 Dec. 2023				31 Dec. 2022			
	in € million	in %	in € million of which loan book	in % of which loan book	in € million	in %	in € million of which loan book	in % of which loan book
Industrial sectors	7,536	47%	7,471	83%	7,402	42%	7,361	80%
Energy supply	769	5%	769	9%	675	4%	675	7%
Mechanical engineering	566	4%	566	6%	550	3%	549	6%
Paper industry	537	3%	537	6%	456	3%	456	5%
Automotive	528	3%	528	6%	527	3%	527	6%
Chemical and pharmaceutical industry	507	3%	480	5%	524	3%	498	5%
Retailers (excluding automotive, filling stations)	477	3%	476	5%	451	3%	449	5%
Metal production and processing	409	3%	409	5%	423	2%	423	5%
Food industry	409	3%	409	5%	446	3%	446	5%
Metal products	353	2%	353	4%	320	2%	318	3%
Wholesale (excluding motor vehicles)	326	2%	326	4%	319	2%	319	3%
Other industrial sectors	2,655	17%	2,618	29%	2,711	15%	2,701	29%
Real estate	727	5%	727	8%	858	5%	857	9%
Financial sector	270	2%	93	1%	310	2%	93	1%
Banks	3,903	25%	16	0%	5,952	34%	8	0%
Public sector	2,765	17%	2	0%	2,120	12%	4	0%
Subtotal	**15,201**	**96%**	**8,309**	**92%**	**16,642**	**95%**	**8,323**	**90%**
Risk transferred to third parties[1)]	710	4%	710	8%	928	5%	928	10%
Total	**15,911**	**100%**	**9,019**	**100%**	**17,570**	**100%**	**9,251**	**100%**

Any differences in totals are due to rounding effects.

1) Hermes guarantees, indemnifications, risks transferred

The degree of diversification in the industrial sectors remains high – no single industrial sector accounts for more than 5% of the portfolio. The other industrial sectors are composed of 26 other industry clusters. Total real estate loans were reduced by 15% to €727 million in 2023. The volume of real estate loans consists predominantly of property development finance in Germany, which dropped by 21% in 2023 from €661 million to €524 million.

Credit rating structure

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

Table: Credit volume by credit rating structure[1)] – Group

	31 Dec. 2023				31 Dec. 2022			
	in € million	in %	in € million of which loan book	in % of which loan book	in € mil-lion	in %	in € million of which loan book	in % of which loan book
1–4	7,666	48%	1,154	13%	8,511	48%	1,284	14%
5–7	4,578	29%	4,228	47%	4,928	28%	3,891	42%
8–10	2,160	14%	2,134	24%	2,413	14%	2,360	26%
11–13	382	2%	381	4%	481	3%	480	5%
14–15	243	2%	242	3%	142	1%	142	2%
Non-performing assets[2)]	172	1%	170	2%	167	1%	166	2%
Subtotal	**15,201**	**96%**	**8,309**	**92%**	**16,642**	**95%**	**8,323**	**90%**
Risk transferred to third parties[3)]	710	4%	710	8%	928	5%	928	10%
Total	**15,911**	**100%**	**9,019**	**100%**	**17,570**	**100%**	**9,251**	**100%**

Any differences in totals are due to rounding effects.

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

In the loan book, the volume and proportion of very good and good credit ratings (1–7) increased to 60% (31 December 2022: 56%). This is due to new business with high credit ratings. The share and volume of exposures in the middle (8-10) and lower (11-13) credit rating segments were also solely in the loan book and declined slightly in the year under review. On the other hand, the volume and share of loans in the weak (14-15) credit rating segments rose for migration-related reasons.

Non-performing assets

Non-performing assets are defined as exposures to borrowers who have defaulted on their loans in accordance with Article 178 of the Capital Requirements Regulation (CRR). A default occurs when insolvency proceedings have been commenced, payments of interest or principal are overdue by more than 90 consecutive days, a single loan loss allowance has been recognised or there are other clear indications that the borrower will not be able to meet its contractual obligations. Securities are classified as non-performing assets if the Bank considers permanent impairment to be probable.

Non-defaulting exposures that are managed by the Bank's restructuring units are not classified as non-performing assets but are subject to close monitoring together with the non-performing assets. Overall, the portfolio of non-performing assets and other exposures managed by the restructuring units was €0.5 billion as of the reporting date 31 December 2023 (31 December 2022: €0.4 billion).

Table: Non-performing assets[1) – Group

	31 Dec. 2023 in € million	31 Dec. 2022 in € million	Change in € million	Change in %
Assets with single loan loss allowances	164	126	38	30%
Non-impaired	8	41	-33	-80%
Total	**172**	**167**	**5**	**3%**
Percentage of total loans	1.1%	0.9%		
Percentage of total loans to companies	1.9%	1.8%		
For information purposes: NPL ratio in accordance with EBA definition[2)	2.0%	1.9%		

Any differences in totals are due to rounding effects.

1) Before single loan loss allowances and provisions, before write-downs of securities to the lower of cost or market.
Non-performing assets do not include:
- €15 million (31 December 2022: €20 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 December 2022: €3 million) in unutilised commitments for borrowers 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

In a still tense macroeconomic environment, non-performing assets remain at a low level as of the reporting date. Total non-performing assets increased slightly by €5 million to €172 million.

The coverage ratio of non-performing assets subject to single loan loss allowances, provisions and portfolio loan loss allowances attributable to non-performing assets stands at 42% (31 December 2022: 43%).

Provisions for possible loan losses

If the Bank's individual analyses establish that the respective contractual obligations are highly unlikely to be fulfilled through later payment or the liquidation of collateral, the receivable is classified as permanently impaired and single loan loss allowances in the form of a provision or specific risk provisions are recognised. In determining the amount of the single loan loss allowance, IKB takes the liquidation value of the available collateral into account in addition to possible future debt service payments by borrowers.

In the event of an acute risk of default, risk provisions are recognised for possible loan losses in the form of single loan loss allowances. A provision is recognised for contingent liabilities in the event of imminent utilisation. Risk provisions are also recognised in the form of a provision for permanently impaired CDSs. See also the explanations in Note (6) "Provisions for possible loan losses".

Table: Provisions for possible loan losses – Group

	31 Dec. 2023 in € million	31 Dec. 2022 in € million	Change in %
Development of single loan loss allowances/provisions[1)]			
Opening balance	61.8	82.0	-25%
Utilisation	-28.1	-42.0	-33%
Reversal	-21.4	-13.8	55%
Unwinding	-1.7	-1.9	-11%
Additions to single loan loss allowances/provisions	60.2	37.5	61%
Effect of changes in exchange rates	-	0.0	-100%
Total single loan loss valuation allowances/provisions	**70.8**	**61.8**	**15%**
Portfolio loan loss allowances[2)]			
Opening balance	76.0	72.3	5%
Addition/reversal	-3.1	3.7	
Total portfolio loan loss allowances	**72.9**	**76.0**	**-4%**
Total provisions for possible loan losses (including provisions)	**143.7**	**137.8**	**4%**

Any differences in totals are due to rounding effects.

1) Not including portfolio loan loss allowances for contingent liabilities recognised as provisions
2) Including general valuation allowance for contingent liabilities recognised as provisions

Single loan loss allowances and provisions increased by a total of €9 million in 2023 due to higher allocations and lower utilisation combined with increased reversals.

On the other hand, portfolio loan loss allowances including country risk provisions for receivables from customers, receivables from banks, contingent liabilities and irrevocable loan commitments declined by €3 million in 2023. The additional portfolio loan loss allowance of €12 million that had been recognised in the previous year due to credit rating downgrades was reversed as these duly arose or are no longer expected. The risk models take account of macroeconomic uncertainties. This includes an additional portfolio loan loss allowance of €6 million to cover the elevated latent risks in the acquisition financing and real estate portfolio.

Excluding the changes to the additional portfolio loan loss allowance, the increase in the portfolio loan loss allowance was primarily due to increased exposure in the 14-15 credit rating segments (see table on credit rating structure).

See also Note (6) for details of the accounting and measurement methods applied to risk provisions.

Net risk provisioning as a portion of the loan book stood at 37 basis points in the year under review (2022 financial year: 20 basis points).

Liquidity book[1)] by asset structure

Table: Volume by assets – Group

	31 Dec. 2023 in € million	31 Dec. 2023 in %	31 Dec. 2022 in € million	31 Dec. 2022 in %
Sovereign bonds	1,783	55%	1,450	52%
Covered bonds	250	8%	202	7%
Financial senior unsecured bonds	288	9%	529	19%
EU and supras	663	21%	401	14%
Corporate bonds	118	4%	118	4%
Agencies and government-guaranteed bonds	125	4%	68	2%
Total	**3,227**	**100%**	**2,766**	**100%**

Any differences in totals are due to rounding effects.

1) Bonds and other fixed-income securities as well as shares and other non-fixed-income securities excluding the Bank’s own bonds and securities in the loan book; (excluding non-consolidated IKB balance in non-fixed-income securities).

Liquidity book[1] by geographical structure

Table: Volume by countries – Group

	31 Dec. 2023 in € million	31 Dec. 2023 in %	31 Dec. 2022 in € million	31 Dec. 2022 in %
Germany	991	31%	1,052	38%
EU[2]	663	21%	401	14%
France	257	8%	183	7%
Poland	193	6%	102	4%
Belgium	182	6%	198	7%
other countries	941	29%	830	30%
Total	**3,227**	**100%**	**2,766**	**100%**

Any differences in totals are due to rounding effects.

1) Bonds and other fixed-income securities as well as shares and other non-fixed-income securities excluding the Bank's own bonds and securities in the loan book; (excluding non-consolidated IKB balance in non-fixed-income securities).

2) European Commission, ESM and European Investment Bank

Liquidity book[1] by credit rating structure

Table: Volume by credit ratings – Group

	31 Dec. 2023 in € million	31 Dec. 2023 in %	31 Dec. 2022 in € million	31 Dec. 2022 in %
1–4	2,919	90%	2,276	82%
5–7	298	9%	451	16%
8–10	10	0%	40	1%
11–13	-	0%	-	0%
14–15	-	0%	-	0%
Non-performing assets	-	0%	-	0%
Total	**3,227**	**100%**	**2,766**	**100%**

Any differences in totals are due to rounding effects.

1) Bonds and other fixed-income securities as well as shares and other non-fixed-income securities excluding the Bank's own bonds and securities in the loan book; (excluding non-consolidated IKB balance in non-fixed-income securities).

Risk reporting

Risk Controlling prepares all relevant information from lending business in detail in quarterly Group credit risk reports and presents these to the Board of Managing Directors with explanations. In addition, the Board of Managing Directors is informed of customer credit risk matters on a monthly basis by means of monitoring and reporting to ensure a swift response under active risk management. The Supervisory Board and the regulatory authorities receive a risk report every quarter containing all key information on the overall risk position in the Group.

Liquidity risk

IKB defines liquidity risk as including refinancing cost risk and insolvency risk.

Liquidity risk relevant for insolvency risk is identified and analysed on the basis of the expected deterministic cash flows from transactions that have already been contracted, supplemented by stochastic modelling of cash flows, the planning of liquidity measures and new business and the liquidity reserve (scope for raising funds from the ECB and cash on hand). The future liquidity balances calculated in this manner are reduced via additional stress modelling. Limits are imposed on the stress-tested balances. The aim of the limit is to ensure that the Bank has sufficient liquidity reserves to withstand the negative effects on liquidity of a combined stress scenario over a defined 3-month period. IKB supplements liquidity risk monitoring with an early warning system based on leading indicators which are intended to track at an early stage any developments that are likely to have an adverse effect on liquidity.

In addition, the Bank's funding cost risk is calculated on a monthly basis. This is the risk that the Bank can only fill existing as well as potentially additional liquidity gaps at greater expense.

Treasury is responsible for the operational management of liquidity risks within the limit proposed by Risk Management and approved by the Board of Managing Directors. In addition, the Bank's Asset Liability Committee is regularly updated on the liquidity situation.

Liquidity situation

In the light of its new lending business, the Bank expects its liquidity requirements to amount to around €0.8 billion (previous year: €1.1 billion) over the next twelve months.

IKB has a liquidity contingency plan to cover potential liquidity bottlenecks that provides for a package of measures and a defined procedure for responding to a liquidity bottleneck.

As of 31 December 2023, the minimum liquidity balance, at roughly €0.4 billion (previous year: €0.4 billion), is at the previous year's level. Taking into account the contractual maturities of asset and liability positions, the scope for raising funds from the central bank as well as in the secured interbank market and excluding the planned new lending business, the time to wall is 6 months ceteris paribus (assuming constant market values – previous year: 11 months). At the same time, the Bank has a free liquidity reserve of €1.4 billion (previous year: €1.2 billion).

The minimum requirements with respect to the liquidity coverage ratio and the net stable funding ratio (NSFR) are 100%. The minimum requirements were complied with at all times in the 2023 financial year. The LCR stood at 249% for the IKB Group (previous year: 257%) and 232% for IKB AG (previous year: 238%) as of 31 December 2023. The NSFR stood at 116% for the IKB Group (previous year: 117%) and 114% for IKB AG (previous year: 120%) as of 31 December 2023. The funding cost risk stands at €21 million as of 31 December 2023 (previous year: €12.73 million).

Funding situation

The key elements of IKB's funding operations include secured financing on the interbank market (Eurex Repo/bilateral repo transactions), funding via the ECB, and business with corporate customers, retail customers and institutional investors involving deposits and promissory note loans covered by the Deposit Protection Fund. With a ratio of 101% as of 31 December 2023, IKB has a loan-to-deposit (LTD) ratio, calculated as the Corporate Bank loan book according to segment reporting relative to liabilities to customers as stated in the consolidated balance sheet (31 December 2022: 99%). In its funding mix, the Bank also actively utilises programme loans from public-sector development banks in its customer lending business.

Details are shown in the following table:

Funding source (HGB book values including deferred interest)	31 Dec. 2023 in € million	31 Dec. 2022 in € million
Customer deposits	**3,801**	**4,131**
Retail customer deposits	3,192	2,950
Business customer deposits	608	1,181
Secured funding	**8,400**	**8,906**
Development loans	5,035	4,979
Interbank market	1,952	490
of which Eurex	1,843	490
of which other	109	0
ECB	1,414	3,436
of which TLTRO	513	3,436
of which open market	900	0
Unsecured funding	**161**	**225**
of which bearer bonds (including buybacks)	19	24
of which senior preferred	-	-
of which senior non-preferred	19	24
of which promissory note loans	142	202
of which senior preferred	15	15
of which senior non-preferred	127	187
of which other	0	0
Subordinated/hybrid funding	**566**	**598**
of which subordinated	491	523
of which hybrid (funding trust)	75	76
Equity	**1,225**	**1,160**
of which own funds	1,066	1,001
of which fund for general banking risks	159	159
Total	**14,153**	**15,020**

Market price risk

IKB's market price exposure arises from risk factors such as interest rates, credit spreads, FX (foreign exchange) rates, gold, stock market indices and related volatilities. Risks arising from low market liquidity are duly factored into pricing. As IKB does not have a trading book, all market price risks relate solely to non-trading book positions.

IKB is exposed to interest rate risks in the form of interest-adjustment and structure risks.

IKB's credit spread risk, which is identified and quantified on the basis of market price risk, arises from securities and credit derivatives. IKB's credit spread risk, which is identified and quantified on the basis of market price risk, arises from securities and credit derivatives as well as loans to borrowers and promissory note loans the borrowers for which have issued securities in the capital market. The credit spread risks arising from securities are managed/hedged selectively on the basis of the prevailing market conditions by specifically running off positions or taking out risk-mitigating derivatives.

IKB's foreign-currency positions are mainly denominated in USD.

Quantification and assessment of market price risks

Market price risks are measured daily using a value-at-risk (VAR) approach for all portfolios. VAR is determined on the basis of a historical simulation that applies a full valuation approach incorporating all relevant risk factors, i.e., interest rates, credit spreads, FX rates, gold, equity indices and related volatilities.

In addition, components of the market price risk that are not fully factored into the model are addressed by means of a risk buffer in the economic perspective.

With respect to the economic perspective of risk-bearing capacity, market price risk is calculated with a risk horizon of one year and a confidence level of 99.9%. A mathematical method is used to generate a 1-year market price risk distribution from the 1-day observations in the historical simulation. Market price risks for the pension obligations are integrated in the economic perspective. The relevant period used in the historical simulation to measure economic market price risk is determined via the maximum on the basis of the last 250 daily scenarios and on the basis of a time series since 2008.

In addition to VAR in the economic perspective, IKB applies an operating VAR with a risk horizon of one day and a confidence level of 99% for operational fine-tuning of the portfolio. Further, IKB uses stress tests and scenario analyses to assess its market price risks. For this purpose, historical, hypothetical and macroeconomic stress tests are used.

The models used are validated annually. Any shortcomings identified in the models or their materiality are reported to the Board of Managing Directors as part of validation activities. Validation is based on daily backtesting of the VAR forecasts. In addition, the backtesting results are analysed at the risk factor level among other things.

Market price risk management and hedging

The main task of market price risk management is to manage the market price-sensitive positions entered into by the individual segments. To manage market price risks, IKB uses a combination of risk indicators, earnings indicators and other indicators such as interest rate and credit spread sensitivities.

Daily risk reporting to the Board of Managing Directors and Treasury comprises the evaluation of all positions, market price risk, net interest income and limit utilisation. In addition, the Board of Managing Directors is provided on a monthly, quarterly and ad-hoc basis with information on relevant market developments, changes in the portfolio, measurement of the portfolio, earnings performance and the market risk profile. The Supervisory Board is informed of market price risks on a quarterly basis as part of overall risk reporting.

Year-on-year comparison of market price risk profile

The following table shows the year-on-year development of the market risk profile at the level of the risk consolidation group in terms of the interest rate basis point value, the credit spread basis point value and value at risk in the economic perspective at a 99.9% confidence level and applying a holding period of one year.

Table: Market price risk profile

in € million	**Value at 31 December 2023**	**Value at 31 December 2022**
Interest rate basis point value (BPV)	**-0.5**	**-0.4**
Credit spread BPV	**-3.6**	**-2.8**
VaR – interest rate and volatility	86	103
VaR – credit spread	223	239
VaR – FX and volatility	10	12
VaR – other	37	9
Correlation effect	-135	-91
Risk buffer	50	50
Total VaR	**271**	**320**

Any differences in totals are due to rounding effects.

Despite a more conservative measurement of market price risks and heightened market volatility, the risk-mitigating effect in 2023 is driven by reduction of risk of the bank as well as market data trends.

Non-financial risks

The Bank defines all risk types that are not credit, market or liquidity risks as non-financial risks (NFR). These initially include operational risks (NFR in the narrower sense) in accordance with the regulatory definition. Other non-financial risks such as legal risks, tax risks, IT risks, personnel risks etc. are also operational risks but are managed separately. In addition, reputation risks, business risks and strategic risks are types of non-financial risks. Non-financial risks within risk-bearing capacity are quantified jointly as operational risk via a loss database enriched with external data, regularly updated expert estimates and separately modelled special risks. These special risks are factors that cannot be fully taken into account in other quantification components.

Internal control system

The management of the internal control system (ICS) is closely linked to non-financial risk. For this reason, a central coordination function ("central ICS unit") has been established within the Bank's risk controlling department. An ICS control cycle including uniform valuation methods and specifications for modelling risk mitigation controls has been defined for process-inherent non-financial risks. An annual risk and control self-assessment of the key controls has been implemented within the ICS control cycle in the interests of regular control and monitoring of the ICS. In addition, annual, independent control testing of the key controls is performed by the central ICS unit and an annual report is submitted to the Board of Managing Directors and the Risk and Audit Committee is setting out the results of the assessment of the adequacy and effectiveness of the ICS.

Operational risks

Operational risk is the risk of loss resulting from a deficiency in or the unsuitability of internal processes, people and systems or from external events beyond the Bank's control. Operational risks are quantified using an internal model. The model is based on a loss distribution approach and determines the risk value on a 99.9% quantile. The associated economic capital is incorporated in the regular calculation of the Bank's risk-bearing capacity.

The individual units and subsidiaries are responsible for the operational management of the non-financial risks. Non-financial risk management, which forms part of the Risk Controlling unit ("NFR central unit"), is responsible for methodological harmonisation for identifying and assessing non-financial risks, central reporting that is as uniform as possible on all non-financial risks within the IKB Group and training of the local OpRisk officers. All significant loss events that occur or almost occur as well as specifically pending losses arising from an individual case in which the loss event has not yet occurred are monitored in a central loss database and analysed to determine their causes and impact. The Board of Managing Directors is informed of operational risks in a quarterly report. Significant loss events occurring are reported to the Board of Managing Directors on an ad-hoc basis.

The gross loss volume identified in the 2023 financial year amounted to a total of €0.42 million at the level of the Group as well as IKB AG (previous year: €0.17 million[1]). In individual cases, the loss amounts are based on estimates, and in some cases it may not be possible to obtain accurate figures on the basis of updated information for these until later.

Legal risks

Legal risk is also included in non-financial risk and constitutes the risk of losses incurred through the violation of general statutory requirements, new statutory requirements or changes to or interpretations of existing statutory requirements (e.g., high court decisions) which are detrimental for the Bank. Liability risks resulting from contractual agreements also form part of legal risk.

The management of legal risks is the responsibility of the Governance and Legal division. The management of tax law risks is the responsibility of the Taxes team in the Finance division. If necessary, external law firms are consulted in to assist.

[1] without boundary events; figure for the previous year restated to reflect updated information.

Contract templates and standardised texts are used in lending and related business to some extent. Deviations from these standard texts/templates and individually worded agreements and transactions are reviewed and approved using the central legal resources of the Governance and Legal division or the decentralised legal resources in the Credit Risk and Contract Management division, which come within the responsibility of the head of the Compliance and Legal division. All contract templates are continuously reviewed to determine whether modifications are required to allow for legislative changes or court rulings. When new business is commenced, the legal structure and assessment of the new products is overseen by the Governance and Legal division itself or under its responsibility as part of the new business process.

Legal developments which are of significance to the Bank's business are monitored partially by means of collaboration in the internal and external executive bodies and committees of the regulatory authorities and the Association of German Banks.

As an additional measure, the Governance and Legal division coordinates the Legal Development taskforce to identify regulatory and banking supervisory developments in order to determine their impact and coordinate the resulting implementation requirements for the Bank.

In legal proceedings, the Governance and Legal division protects the legal positions of IKB AG and the Group.

With regard to issues under tax law, the Taxes unit ensures the legally compliant declaration and defence of the Group's tax positions towards the tax authorities. External tax or legal advisors are consulted if necessary. At the level of IKB AG or its subsidiaries, additional tax expenses may arise from assessment periods that have not yet been audited. The last completed tax audit for the domestic consolidated group covers the assessment periods up to and including 2011 (VAT up to 2010). In the year under review, the audit for the assessment periods 2011 up to and including 2016 (value added tax 2010 up to and including 2015) was also materially completed. The results of the audit were included in the annual financial statements, although amended tax assessment notices have not yet been received. IKB is subject to constant follow-up tax audits.

IKB AG and Group companies are involved in legal proceedings. The following section contains a summary of the pending proceedings against IKB AG or Group companies that have a value in dispute of more than €15 million or are of material importance for IKB for other reasons. The Bank generally also recognises provisions for risks identified in connection with legal disputes.

Derivatives

In individual cases, customers complained about the advisory services provided by the Bank in connection with certain swap products. The last pending lawsuit was settled out of court.

Litigation in the United States

IKB has initiated several lawsuits in the United States in connection with structured credit products. One lawsuit was suspended.

Information risks

Activities for addressing information risks concentrate not only on IT services, products and projects but also on measures in the area of information security management. IKB's information security is based on the international ISO/IEC 27001 standard. Protection requirements for all processes at IKB are determined annually on this basis.

The existing Information Security Management System (ISMS) is operated under the responsibility of the Chief Information Security Officer (CISO) (second line of defence). Risk management under the ISMS addresses the information security risks in accordance with ISO/IEC 27001 controls in the light of the regulatory requirements set out in "Minimum requirements for risk management" (MaRisk) and "German Supervisory Requirements for IT in Financial Institutions" (BAIT). In the year under review, preparations were made to identify the necessary modifications resulting from the requirements under the Digital Operational Resilience Act (DORA) and to incorporate them in ICT risk management.

IT Security Management is responsible for the Bank's operational IT security within the IT division as an element of the first line of defence. It works with other relevant areas to establish measures and support their implementation, continuous improvement and adaptation in the light of current and future IT security and compliance requirements. In this context, system and network security is updated on the basis of contractual agreements to address changing threats in cooperation with external service providers. The agreements provide for the use of the latest hardware and software technologies and therefore require service providers for systematic patch management. IT infrastructure availability risks are minimised by segregating the data centres for internal bank IT operations across two physically separate locations. The ISMS takes account of the risk involved in outsourcing key IT services. Measures for addressing risks are verified by means of audits overseen by the CISO and business-continuity drills conducted by central Business Continuity Management (BCM).

Compliance risks

As its business activities give rise to legal obligations for the handing of compliance-relevant information for trading in financial instruments and providing investment and related services, IKB is subject to a wide range of statutory and regulatory requirements, observance of which is ensured through the measures taken by the compliance functions established for this purpose. The corresponding mandatory conduct requirements and process instructions are set out in the Bank's written rules. In addition, the principles and values prescribed by IKB's Code of Conduct include requirements for the conduct of all employees at all of the Group's locations. Regular training is provided to ensure that employees are fully aware of all requirements and regulatory developments. Compliance-related technical advisory services and support for the divisions and the implementation of monitoring measures are organised on a preventive and process-concomitant basis by (1) the compliance function in accordance with the Minimum Requirements for the Compliance Function (MaComp), (2) the MaRisk compliance function and (3) the officer for the protection of financial instruments and customer funds.

Reporting to the Board of Managing Directors by the compliance officer in accordance with MaComp and MaRisk, by the officer for the protection of financial instruments and customer funds and by the anti-money laundering officer/central unit is organised on an annual and also ad-hoc basis and additionally to the Supervisory Board in the case of the MaComp and MaRisk compliance functions and by the officer for the protection of financial instruments and customer funds.

The MaComp and MaRisk compliance functions as well as the officer for the protection of financial instruments and customer funds perform a regular, Group-wide risk analysis (at least once a year), which forms the basis for the applicable monitoring plan.

IKB AG has adopted internal principles, procedures and controls for meeting the requirements for preventing money laundering/terrorist financing and illegal acts and for ensuring compliance with financial sanctions. Employees receive regular training on typologies and current methods of money laundering and terrorist financing every two years or on an ad-hoc basis as well as on criminal offences and financial sanctions every three years or on an ad-hoc basis. In addition, all new employees undergo separate onboarding training. The money laundering officer/central office prepares a Group-wide risk analysis on the prevention of money laundering/terrorist financing, illegal acts and compliance with financial sanctions annually or, if necessary, more frequently. The risk of money laundering and the risk from illegal acts and financial sanctions are assessed on the basis of this risk analysis, taking the preventive measures defined into account. The security measures derived from the risk analysis are assessed at least once a year for effectiveness and revised if necessary. The current situation in Ukraine and the related financial sanctions on Russia/Belarus are being closely monitored. Various safeguards have been implemented to ensure compliance with the relevant sanctions (including screening of the customer base and real-time screening of payment transactions against sanctions lists, monitoring of sanctions-related requirements, identification of sanction risks on the part of IKB customers).

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. In the interests of high-level qualifications, IKB continuously invests in employee training and development management.

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. There is also no increased danger of staff leaving.

In order to cover future personnel requirements in the light of future demographic trends, IKB invests in young professionals, trainees and dual students.

For information on IKB's remuneration system, please refer to the Disclosure Report.

Reputation risks

Reputation risk is the risk of a negative perception of IKB by its stakeholders (e.g., customers, investors, regulatory authorities) that could affect the Bank's income, capital or liquidity by, for example, adversely influencing its ability to engage in existing or new business, maintain customer relationships or utilise funding sources either now or in future. It is generally not possible to quantify the probability and the consequences of the occurrence of a reputation risk.

Reputation risks at IKB are managed by the Board of Managing Directors. The methodology is largely the same as for non-financial risks. Responsible communication with all stakeholders is given high priority in the management of reputation risks. Reputation risks frequently arise from other operational risks and are measured and monitored within these.

Strategic risks

Strategic risks relate to threats to long-term corporate goals and the Bank's sustainable success as a result of unexpected developments. These may arise as a result of changes in the legal, regulatory or social environment and as a result of changes in market, competition and funding conditions. It is currently not possible to determine the extent to which the war in Ukraine or the military escalation in the Middle East conflict since October 2023 and the associated political and economic uncertainties will have a long-term impact on strategic risks. Potential risks to the Bank's long-term profit/loss positions are being observed and monitored.

As strategic risks do not follow any defined patterns, it is difficult to track them quantitatively as special risks in an integrated system and they are therefore assessed qualitatively. Consequently, they are monitored continuously by the Board of Managing Directors. This includes an annual and ad hoc review of the business strategy by the Board of Managing Directors, taking into account the implications for the strategic and operational planning process.

The business strategy targets, measures and risks are reviewed on an ongoing basis by the Strategy and Risk Committee and at the meetings of the Board of Managing Directors in addition to the annual and ad-hoc review of the business strategy. This gives rise to strategic initiatives and optimisation measures.

Participation risks

Participation risk (i.e., dividend omissions, impairments of carrying amounts, losses on disposal and reductions in hidden reserves) is not classified as a material risk type in its own right because the main individual counterparty default, market price, liquidity, business and non-financial risks in the investment portfolio are already taken into account with respect to the individual risk types.

Business risks

The Bank defines business risk as unexpected negative deviations from budgets for interest and fee/commission income and for operating expenses as a consequence of deteriorating market conditions, changes in the competitive position or customer preferences or as a result of changes in economic or statutory conditions. Business risk is particularly quantified on the basis of scenario calculations in accordance with the normative perspective.

The operational management of business risk – i.e., reducing the risk of a negative change in earnings performance within the business strategy agreed with the Board of Managing Directors - is the responsibility of each individual segment, central division and subsidiary. The Finance division prepares monthly performance analyses for existing and new business as part of profit/loss controlling and submits to the Board of Managing Directors weekly management reports which identify and analyse any budget deviations in income and assets. Thus, the Board of Managing Directors sees itself as being able to initiate risk-mitigating measures.

Opportunities

IKB has focused its business model on services for the upper midmarket with extensive advisory and financing requirements.

IKB has identified business potential from the sustainability-oriented transformation of the German economy anticipated and driven by the German Federal Climate Protection Act, which has defined the goal of achieving climate neutrality in 2045. Significant investments will be needed to achieve these climate goals. IKB is supporting its customers by offering them sustainable loans and advice and helping to finance German mid-caps' green transformation. To this end, products which IKB classifies as sustainable are being offered and scaled upwards. The IKB Sustainable Finance Framework provides a holistic view of sustainable product positioning. This gives sales staff and customers a transparent methodology for assessing sustainability in the lending process. The IKB Sustainable Finance Framework has been audited by the ESG certifier ISS ESG.

As at the reporting date, 56% of IKB's loan book was based on public programme loans, most of which are attributable to KfW public program loans. IKB is active in KfW's pass-through business and holds significant market shares in various complex public programme loans that also aim to reduce carbon dioxide emissions.

Moreover, the cost situation will continue to improve after the implementation of the current cost-cutting and optimisation measures.

Overall, IKB believes that it has the opportunity to generate increases in net profit thanks to the growth in its profitable new business and lower administrative costs. The improved perception of the Bank's credit standing as a result of this could generate further impetus for its business activities as a whole.

On the basis of the final draft version of CRR III, IKB expects an easing of RWA and a strengthening of its equity position. On a pro forma basis, this will strengthen the CET 1 ratio by around +1.1 percentage points from 1 January 2025 when the core components of the new regulations come into force.

The expected positive effects compared to the current regulations primarily result from the permanent reduction in standard LGD (loss given default) in the basic IRB approach from 45% to 40% and a reduction in the scaling factor in the formula for determining the RWA in the IRB approach from 1.06 to 1.0.

A possible sale of IKB by the owner Lone Star may have a positive effect on the Company's future business. IKB's Board of Managing Directors remains open to implementing this project. This also involves gaining further investors.

Overall assessment of risk situation

Measured in terms of its regulatory capital and liquidity ratios, IKB generally continued to have sufficient resources. As of 31 December 2023, all capital ratios are in excess of the regulatory capital requirements on the basis of the normative perspective of risk-bearing capacity, meaning that IKB has sufficient scope for pursuing its business activities as planned. This takes due account of the changes already known in the minimum regulatory requirements. This also applies in the light of the additional temporary capital add-ons requirements in accordance with section 10 (3) sentence 1 of the KWG.

Even allowing for the greater utilisation of risk coverage potential in the year under review particularly as a result of regulatory changes, risk-bearing capacity remains in the economic perspective not only over the next 12 months, but, based on the Bank's planning, also for an additional period of at least two years.

In the case of both perspectives for risk-bearing capacity, regulatory changes as well as changed regulatory interpretations are impacting the Bank's risk situation in addition to general risk trends.

In an economically challenging market environment characterised by muted economic growth, high inflation rates and monetary tightening against the backdrop of pronounced macroeconomic and geopolitical uncertainty, non-performing assets were largely unchanged and still at a low level at the end of the year. Net risk provisioning also matched the forecast. IKB is maintaining its high lending standards in an economic environment characterised by protracted uncertainty. The aforementioned factors, with their unpredictable consequences for economic growth, among other things, may impact credit risks and, in particular, result in an increase in non-performing assets and necessitate elevated risk-provisioning by the Bank.

The year under review was characterised by elevated stress and corresponding volatility in the capital markets as a result of the sharp increase in interest rates. Despite these challenging conditions, it was possible to further reduce the market price risk position by taking appropriate measures in the year under review. Given the ongoing uncertainty over the outlook for the economy and inflation as well as the response taken by the central banks, the investment portfolio may come under pressure.

In view of the aforementioned uncertainties, IKB is continuously monitoring macroeconomic developments, the central banks' monetary responses and market reactions and analysing their impact on IKB's risk position and possible stress scenarios in order to actively manage and limit its risk exposure.

IKB continues to see business potential in the sustainability-oriented transformation of the German economy. IKB is supporting its customers by offering them sustainable loans and advice and helping to finance German SMEs' green transformation. To this end, products which IKB classifies as sustainable are being offered and scaled upwards. Overall, IKB believes that it has the opportunity to generate increases in net income thanks to the growth in its profitable new business, driven by transformation finance among other things, and lower administrative costs.

4. Material characteristics of the internal control and risk management system relevant for the accounting and financial reporting process

In accordance with section 315 (4) of the German Commercial Code (HGB), the Group management report must also describe the main characteristics of the internal control and risk management system of relevance for the accounting and financial reporting process if an entity included in the consolidated financial statements is oriented to the capital market. As IKB Funding Trust I is included in IKB AG's consolidated financial statements, the Bank is required to report this information in the 2023 financial year.

Definition, objectives and limits of the internal control system in the accounting process

The purpose of the Bank's accounting-related internal control and the risk management system in relation to the accounting and financial reporting process is to ensure the regularity and reliability of the accounting records and the financial statements subject to publication and their components in compliance with the applicable accounting and reporting standards.

The entity's internal controls include such policies and procedures as are intended to ensure that directories are maintained in which all business transactions are recorded in sufficient detail and accuracy and free of any errors, that the business transactions are recorded, processed, documented and evaluated in accordance with the legal requirements as well as the Articles of Association and the general and special rules issued by management, that the necessary information is disclosed in the (combined) notes to the consolidated financial statements and the management report/Group management report and that the financial statements are prepared in accordance with the provisions of the German Commercial Code (HGB) and disclosed within the requisite period.

Internal controls can ensure reasonable, but not necessarily absolute assurance that these objectives are fulfilled. The limitations are determined by the cost/benefit ratio of the controls. In addition, there is a possibility of errors or fraudulent behaviour occurring in the execution of activities, the calculation of estimates or the exercise of discretion. These limitations may prevent misstatements in the financial statements from being detected or prevented with absolute certainty.

Responsibility for the internal control system in the accounting process (ICSA)

IKB’s Board of Managing Directors is responsible for the establishment, development, modification and effectiveness of the accounting-related internal controls and risk management system. The accounting records and the preparation of the annual and consolidated financial statements and the combined management report/Group management report are the responsibility of the Board of Managing Directors. The Supervisory Board is responsible for monitoring the effectiveness of the ICSA and has formed a Risk and Audit Committee to perform these duties. The Supervisory Board is also responsible for adopting the annual financial statements and approving the consolidated financial statements, issuing the engagements for the audit of the annual financial statements and the consolidated financial statements, ensuring compliance with the auditor’s non-assurance services and complying with the upper limit of the fees for non-assurance services. At their meetings, the Risk and Audit Committee and the Supervisory Board familiarised themselves with the ICSA on the basis of documents submitted and the supplementary explanations provided by the Board of Managing Directors.

The effectiveness of the ICSA is regularly examined internally by Internal Audit and externally by the responsible independent auditors. The audit concentrates on the proper functioning, effectiveness and appropriateness of the ICSA, compliance with legal and regulatory requirements and other regulations relating to the accounting process on the basis of a multi-year audit plan.

The Supervisory Board has engaged Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft to audit the annual financial statements/consolidated financial statements and the management report/Group management report. The auditors’ task is to express an opinion on the annual financial statements/consolidated financial statements and the management report/Group management report based on their audit.

Organisation of the accounting system

IKB’s accounting is primarily based within the Finance department at its headquarters in Düsseldorf. The Finance department is responsible for preparing IKB AG’s annual and consolidated financial statements. It also performs general ledger accounting and accounts receivable accounting. IKB’s payables and asset accounting are handled by an accounting firm. Accounting transactions in lending, securities and derivatives business are recorded in the sub-ledger by the Operations department and for the most part transferred automatically to the general ledger. The Finance department checks the plausibility of the accounting data transferred to the main ledger. The sub-ledger for retail deposits at IKB AG is managed by an external service provider. In preparing the annual financial statements, the Finance department receives support from other parts of the Bank. The Taxes team within the Finance department is responsible for handling all tax-related matters of the Bank and for calculating current and deferred taxes. Risk Controlling identifies impairments and provisions in connection with lending business and measures the value of financial instruments not related to lending business. Human Resources calculates personnel-related provisions and coordinates and reconciles data on pension provisions with the actuary. Provisions for pensions and similar obligations are calculated by an (external) actuary. The ongoing tax matters of the foreign entities (foreign branches, foreign subsidiaries, foreign investees) and the domestic subsidiaries are handled by external tax consultants or auditing companies, which also calculate the actual taxes and process the tax data; the tax calculations, tax data and tax returns are examined by the Taxes team within the Finance department. The preparation of the management report/Group management report is overseen by the Economic Research, Communications and Marketing unit with the involvement of other parts of the Bank.

An accounting firm carries out the accounting operations of the consolidated domestic subsidiaries. External service providers provide accounting services for individual subsidiaries and the special purpose entities included in the consolidated financial statements. The external auditing company or the external service provider transmits the accounting information from the financial statements to the Finance department for the preparation of the consolidated financial statements. The Finance department additionally checks the plausibility of the data. Where they are of material relevance, the annual financial statements of the consolidated companies are audited by the local auditor of the respective company.

Organisation and function of the ICSA

IKB's internal control system is based on the requirements of the Internal Controls Framework adopted by the Committee of Sponsoring Organization of the Treadway Commission (COSO Framework). The COSO framework provides an acknowledged framework for structuring the internal control system. In addition, the ICSA complies with the regulatory minimum requirements for bank risk management.

The core element of the ICSA is the control environment, which is determined by management's attitude, problem awareness and behaviour. In the Code of Conduct for the employees of IKB AG, the Bank's Board of Managing Directors prescribes competence, accountability and lawful and responsible conduct as essential prerequisites for the Bank's business activities. These requirements are underpinned by internal policies and organisational measures.

A further element of the ICSA is risk assessment. The Bank assesses potential risks of error affecting the accounting process and the annual financial statements and consolidated financial statements. The scope of the control activities and quality assurance measures relating to individual transactions, items of the balance sheet or disclosures in the notes to the financial statements and the management report is determined on the basis of this risk assessment.

Controls are methods and actions that are defined in the workflows to detect accounting errors. They come before, during or after the workflow in question. The scope of the controls ranges from an analytical review or random testing to a full-scale investigation of a given incident. The controls are performed in the form of automated (programmed) controls or manual controls.

IT systems in the accounting process and corresponding controls

The accounting-related processes are executed with the assistance of different IT systems (core systems: Murex presystems, FIS-KORDOBA, KreDa, the ERP system SAP-FI, SAP HCM and SAP SEM-BCS consolidation software). The Board of Managing Directors ensures that the IT systems used for accounting comply with the legal requirements and general rules and are appropriate in the light of the scope of business. In addition, it makes sure that the structural and procedural organisation of the accounting activities, the scope of the controls and the structure of the IT systems are appropriate in the light of the applicable scope of business. This includes a systematic selection of systems, system roll-outs and customisation on the basis of firmly defined processes, regular external and internal audits and the appropriate separation of functions by means of appropriate authorisation systems. The dual-control principle is installed in the internal control system. Due and proper operation of the systems is ensured on the basis of comprehensive system documentation and regular training.

Internal controls in connection with the accounting process

Unambiguous instructions have been issued for accounting, valuation, reporting and posting transactions, as well as for the necessary disclosures in the notes to the financial statements and the management report. These rules are set out in accounting manuals accessible to employees in the Finance department and other relevant units. There is a clearly defined process for the preparation and revision of the accounting manuals. The ramifications for IKB of amendments to accounting guidance and announcements issued by the Institute of Public Auditors (IDW) and the German Accounting Standards Committee e.V. (DRSC) are determined in the light of draft laws and draft accounting standards and included in the accounting manuals once they take effect.

The accounting effects of and proper accounting for new types of business transactions are determined in a new business process or, if no new business process is required, by reviewing the matter in conjunction with the relevant departments upon request to ensure the correct accounting treatment of the business transaction. Charts of accounts, plans of line items and accounting workflows are regularly modified and optimised in the interests of greater transparency and traceability.

Clearly defined accounting workflows ensure that all business transactions are recorded. Initial entries and processing are largely standardised in accordance with the dual control principle (segregated entry and approval of data). This data is stored in the accounting systems and can therefore be readily traced.

In lending business, all parts of the loan cycle from application, review and approval to repayment and funding liabilities are tracked in a computerised sub-ledger system. Subsequent verification of the entries in the systems and verification of the contract data by the back office ensures that this contract data is recorded free of any errors or omissions in the system. Valuation allowances are determined by Risk Controlling and recorded in the accounting system. Business transactions are accounted for on the basis of the posting and measurement rules defined for the product type and transferred to the main ledger on a largely automated basis. This ensures that business transactions are accounted for correctly and free of any omissions.

A similar process is used for accounting for the purchase and sale of securities and other financial instruments as well as portfolio management. Here, business transactions are automatically transferred from the trading system to the sub-ledger accounting system. Subsequent manual and automatic controls ensure that the data has been transferred to the sub-ledger free or any errors or omissions. In addition, the balances held in bank and nostro accounts as well as custody accounts are regularly reconciled with the main ledger.

Transaction values are measured using system-based valuation processes. In addition, procedures have been implemented to identify financial instruments for which prices cannot be derived in active markets. In the case of securities, Risk Controlling determines the amount of the impairment and records it in the systems.

There are defined, partially automated workflows for payments, payroll accounting, asset accounting and the procurement process to ensure that transactions are recorded free of any errors or omissions (e.g., plausibility checks, compliance with the dual control principle). Asset and payables accounting has been outsourced to an external service provider. The activities to be carried out and the delineation of the actions performed by the service provider and the Bank are specified in service level agreements and monitored by Bank employees as part of outsourcing management.

In the case of retail deposits, transactions are recorded in the sub-ledger by an external service provider, transferred from the sub-ledger to the general ledger on the same day and reconciled daily by the Bank with regard to revenues and inventories and regularly with regard to accrued interest.

The other transactions are transferred from the sub-ledger accounting systems to the main ledger on a same-day basis. Precisely defined interfaces and daily reconciliation between the general ledger and the sub-ledgers prevent any errors or omissions from occurring in the data transfers.

The data required for the consolidated financial statements is prepared by the Finance department for IKB AG as the parent company and the consolidated subsidiaries and included in the consolidation system. As a rule, data is collected from the external service providers in the form of reporting packages specified by the Bank and transmitted to the unit within the Finance department responsible for Group accounting. Verification is carried out by means of automatic plausibility checks and a critical review by the Group Accounting unit of the data received.

Structural and procedural organisation of the consolidated and annual financial statements process

The tasks and processes in connection with the preparation of the annual financial statements/consolidated financial statements are documented in corresponding organisational guidelines/manuals and are monitored with IT support. Information is exchanged between the persons and organisational units involved in the preparation of the annual financial statements/consolidated financial statements and the management report/Group management report via a SharePoint platform.

In addition to the daily workflows, steps are taken to ensure that the transactions have been recorded free of any errors or omissions, in particular through analytical control procedures, reporting procedures (particularly in the case of provisions) and requests for balance confirmations. Documentary evidence of the entries in the annual financial statements postings is provided in the form of posting documents, which are approved in accordance with the dual control principle. This procedure is duly documented. Where external experts are involved in valuation processes (e.g., pension provisions), the underlying values are checked for plausibility before being entered in the accounting system.

A firmly defined quality assurance process ensures that the annual financial statements/consolidated financial statements and the management report/Group management report are checked for plausibility, the absence of any omissions and consistency. The procedures and measures defined for the process for preparing and auditing the financial statements are also applied in the preparation process for the consolidated financial statements.

In addition, a condensed consolidated interim financial statement and interim Group management report are prepared for the first half of the year and undergo an audit review at the discretion of the Board of Managing Directors and the Risk and Audit Committee.

5. Outlook

Future general economic conditions

In 2023, the German economy shrank by 0.3% but should grow by 0.4% in 2024 according to Bundesbank forecasts. Expansion should gain momentum as the year progresses. Driven by growing market demand, exports will rise, while consumer spending will increase. This is because real household incomes will climb thanks to a stable employment market, a sharp rise in wages and salaries and receding inflation. However, residential construction and corporate spending will decline in 2024.

Inflation in Germany is in retreat. As measured by the Harmonised Index of Consumer Prices (HICP), annual average inflation came to 6.1% in 2023 but should fall to 2.7% in 2024 according to Bundesbank forecasts. Energy price inflation is falling sharply, while the increase in food prices is also slowing significantly, with the core rate (excluding energy and food) set to drop significantly to 3.0% in 2024. By this time, supply chain constraints will no longer pose such a problem and profit margins in the corporate sector will return to normal. Monetary tightening will increasingly unleash its effect.

With inflation rates in the Eurozone now declining significantly, the ECB's rate-raising cycle has now presumably peaked. According to the Bloomberg consensus, it could decide to lower its rates for the first time in the early summer of 2024. The restrictive measures already taken will take time to feed through to the real economy in full. Despite falling key rates, the Bloomberg consensus assumes that long-term capital market yields will remain largely steady as the future interest rate path is already factored in for the most part.

Reflecting the long-term capital market yields, long-term interest rates on loans for businesses and consumers will presumably fall only gradually from their current high level. Tighter lending practices on the part of banks are also likely to contribute to an overall challenging environment for finance for consumers and businesses in the forecast period. The Bundesbank assumes that monetary tightening will weigh on capital spending and, hence, demand for loans for some time to come. Moreover, heightened uncertainty regarding future government support for investments in climate protection and the adoption of lower-emission production methods could additionally dampen capital spending. The still considerable order backlog will stand in the way of a more pronounced slump. In addition, muted export growth will generate little in the way of impetus for capital spending. All things considered, the Bundesbank projects a decline in corporate spending in 2024.

The forecasts are subject to a number of uncertainties. For example, there are geopolitical risks, particularly as a result of the wars in Ukraine and the Middle East. For another, gas shortages in Germany continue to harbour residual risks. Similarly, the orientation adopted by fiscal policy and its influence on the German economy following the judgment of the German Federal Constitutional Court on the debt ceiling is still subject to some uncertainty. Moreover, the risk that inflation proves to be more persistent than expected has subsided thanks to monetary tightening, although it has not yet been entirely averted. Overall, downside risks predominate for economic growth and upside risks for inflation according to the Bundesbank.

In its financial stability report, the Bundesbank also sees a challenging environment for the German financial system. Thus, transmission of the higher interest rates has not yet been completed and could expose existing vulnerabilities in the German financial system. Similarly, companies' debt bearing capacity could suffer from higher borrowing costs and a sluggish economy. Although the number of insolvencies has risen only slightly to date, credit risks are already elevated in some parts of the corporate sector, particularly in the commercial real estate segment. On the other hand, consumers are for the most part still being shielded from the added strain caused by increased interest rates thanks to longer fixed-interest periods.

Credit risks are likely to continue rising. In particular, the downswing in the commercial real estate market looks set to have a growing impact on the quality of banks' loan portfolios; the proportion of non-performing commercial real estate loans has already risen slightly. In general, the weak economy will again dampen new lending in 2024.

Accelerated structural change towards a climate-neutral economy is likely to impose additional burdens on businesses and consumers, likewise resulting in credit risks for German banks.

General information on forecast

The following forecasts are based on a forward-looking horizon of one financial year. In addition, medium-term targets are stated for selected key figures, which are assumed to be achievable within the next five financial years. As the key figures and performance indicators mentioned in the forecast are the same for the IKB Group and IKB AG, the following statements generally refer to the IKB Group. Where there are significant differences, the figures for IKB AG are shown in brackets.

Asset position

In 2024, IKB expects the Common Equity Tier 1 (CET 1) ratio in the Group to stabilise at the current level. IKB will also reach the changed minimum institution-specific regulatory capital requirements.

The Bank projects new lending business in the 2024 financial year to be on the previous year's level or moderately up. With loan repayments coming to a similar amount, IKB assumes that receivables from customers will remain at the previous year's level.

Financial position

The main components of IKB's funding operations are deposit business with retail customers, corporate customers and institutional investors as well as collateralised borrowing. In addition, IKB continues to actively use the public programme loans and global loans offered by the public-sector development banks for its customers. As in the previous year, liabilities will therefore be characterised by a diversified funding mix to refinance the assets in the forecast period. The Bank is also able to issue bearer bonds, subordinate capital and CET 1 instruments.

Funds are raised to refinance liabilities that are due for payment as well as for new business. The future liquidity situation also depends on the state of new business, customer drawdowns under existing loan commitments and changes in the market value of collateral and derivatives. In addition, the ECB's monetary policy may have an impact on the investment preferences of customers and the scope for raising funds in the interbank market and with the ECB.

The Bank's business planning and all related measures depend on the market environment. Significant unexpected losses, stress-like market disruptions and additional regulatory requirements as well as other government interventions may have a negative impact on IKB's financial position.

Even allowing for the stress scenarios underlying corporate planning, IKB has sufficient liquidity, meaning that the liquidity ratios can always be met with a buffer during the forecast period. IKB's regulatory liquidity management is based on the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). The Bank projects an LCR of always over 100% for the 2024 financial year and thus full compliance with the statutory minimum. The NSFR for tracking medium- to long-term liquidity will also always remain above 100% in the coming financial year and, thus, above the statutory minimum. IKB projects a leverage ratio for the Group of around 8% in the 2024 financial year.

Results of operations

Turning to 2024, IKB forecasts stable to slightly higher net interest and commission income compared to the previous year.

Given the ongoing macroeconomic uncertainties, IKB is budgeting net risk provisioning of around €-35 million in its lending business for 2024, as in the previous year. Moreover, there is a portfolio loan loss allowance stemming from the 2023 financial year of €6 million to cover the elevated latent risks in the acquisition financing and real estate portfolio.

In relation to pension provisions, IKB assumes that future inflation-related pension adjustments have been largely factored into profit and loss. Litigation and unexpected effects of heightened inflation and cost increases could nevertheless lead to increased expenses in this regard. All in all, the Bank expects a moderate decline in administration expenses in 2024 compared with 2023. It assumes that the cost/income ratio, i.e., the ratio of administrative expenses to the sum of net interest income and net fee and commission income, for 2024 will improve over 2023 to slightly below 60%. IKB considers an improvement in cost efficiency to be a material determinant of its success. In the medium term, the Bank plans to achieve a cost/income ratio of roughly 40% by lowering administration expenses and through a moderate increase in income in tandem with a decline of risk provisioning.

In addition to cost efficiency, the return on equity is also important for the Bank's further development. IKB expects an ROE of around 8% after taxes for the 2024 financial year. In the medium term, the Bank is seeking an ROE of over 10%. This goal will be mainly achieved by a combination of lower administrative costs and moderately increased income.

IKB's Board of Managing Directors proposes an omission of a dividend distribution for 2023. It still plans to distribute regular dividends of 60% to 80% of the Group's consolidated net income after taxes to the owner in the medium term.

Overall assessment

For the 2024 financial year, IKB projects net income before taxes of around €70 million (IKB AG: around €50 million).

6. Disclosures in accordance with Section 312 of the German Stock Corporation Act

IKB has prepared a dependent company report in accordance with section 312 of the German Stock Corporation Act (AktG – Aktiengesetz). The dependent company report will not be published. The closing statement of the Board of Managing Directors of the Bank in the dependent companies report is as follows: "With respect to the transactions and measures listed in the report on relationships with affiliated companies, our company received at least appropriate and hence in no case disadvantageous compensation for every transaction in the light of the circumstances known to us at the time in which the transactions were carried out or measures performed or omitted and has therefore not been disadvantaged by any measures performed or omitted."

7. Declaration on Corporate Governance

In the declaration below, the Board of Managing Directors reports – also on behalf of the Supervisory Board – on the determination of target figures for the proportion of women and deadlines for their attainment on the Supervisory Board, the Board of Managing Directors and the top two management levels below the Board of Managing Directors in accordance with Section 289f (4) of the German Commercial Code (HGB).

At its meeting on 18 August 2022, the Supervisory Board of IKB set target figures of 11.1% (rounded) for female representation on the Supervisory Board on the basis of its current composition and 0% again on the Board of Managing Directors until 18 August 2027. Candidates of the under-represented gender and of different ages, educational and geographical backgrounds will continue to be included in the selection process. The Board of Managing Directors is to continue to be composed solely on the basis of suitability and quality regardless of the gender of the candidates. As the Supervisory Board sees the Board of Managing Directors as well positioned in its current composition, the target of 0% has been maintained.

At its meeting on 8 March 2022, the Board of Managing Directors set target figures for the proportion of women on the next two management levels below the Board of Managing Directors. The target figure for the proportion of women on the first management level was fixed at ≥ 20% and on the second management level at ≥ 15%, as of 31 December 2026 in both cases.

Combined Financial Statements and Consolidated Financial Statements of IKB Deutsche Industriebank AG for the 2023 Financial Year

Consolidated balance sheet as of 31 December 2023

in € million		31 Dec. 2023	31 Dec. 2022
Assets			
Cash reserve		**30.2**	**35.9**
a)	Cash on hand	-	-
b)	Balances with central banks	30.2	35.9
	thereof: with Deutsche Bundesbank	30.2	35.9
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		**2,255.1**	**3,312.7**
a)	Repayable on demand	1,503.5	2,544.6
b)	Other receivables	751.6	768.1
Receivables from customers		**8,562.1**	**8,810.4**
	thereof: mortgage loans	628.2	627.8
	thereof: public sector loans	605.0	789.4
	thereof: cash collateral	14.9	7.2
Bonds and other fixed-income securities		**3,098.0**	**2,421.1**
a)	Money market securities	-	-
b)	Bonds and notes	3,068.5	2,416.7
	ba) Public sector issuers	2,405.8	1,825.2
	thereof: eligible as collateral for Deutsche Bundesbank	2,405.8	1,825.2
	bb) Other issuers	662.7	591.5
	thereof: eligible as collateral for Deutsche Bundesbank	473.0	418.2
c)	Own bonds	29.5	4.4
	Nominal amount	41.0	4.5
Equities and other non-fixed- income securities		**301.8**	**601.0**
Equity investments		**0.2**	**0.2**
	thereof: banks	0.2	0.2
	thereof: financial services institutions	-	-
Shares in affiliated companies		**0.1**	**1.3**
	thereof: banks	-	-
	thereof: financial services institutions	-	-
Intangible assets		**0.9**	**1.0**
a)	Internally generated industrial and similar rights and assets	-	-
b)	Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	0.9	0.9
c)	Goodwill	-	-
d)	Advance payments made	-	0.1
Tangible assets		**1.6**	**2.3**
Called unpaid capital		**-**	**-**
Other assets		**88.4**	**76.5**
Prepaid expenses		**33.7**	**39.6**
Deferred tax assets		**119.0**	**129.0**
Excess of plan assets over post-employment benefit liability		**7.0**	**2.7**
Total assets		**14,498.2**	**15,433.7**

in € million			31 Dec. 2023	31 Dec. 2022
Equity and liabilities				
Liabilities to banks			**8,508.1**	**9,060.7**
a)	Repayable on demand		107.6	196.6
b)	With agreed term or notice period		8,400.5	8,864.1
Liabilities to clients			**3,947.4**	**4,335.2**
a)	Savings deposits		-	-
b)	Other liabilities		3,947.4	4,335.2
	ba)	Repayable on demand	1,174.1	1,218.7
	bb)	With agreed term or notice period	2,773.3	3,116.5
Securitised liabilities			**19.2**	**31.1**
a)	Bonds issued		19.2	31.1
b)	Other securitised liabilities		-	-
Other liabilities			**74.2**	**57.6**
Deferred income			**23.2**	**37.8**
Deferred tax liabilities			**-**	**-**
Provisions			**154.6**	**167.9**
a)	Provisions for pensions and similar obligations		109.6	106.9
b)	Tax provisions		4.0	18.4
c)	Other provisions		41.1	42.6
Subordinated liabilities			**546.2**	**583.5**
	thereof: due within two years		5.0	28.0
Fund for general banking risks			**159.0**	**159.0**
	thereof: trading-related special reserve in accordance with section 340e (4) HGB		-	-
Equity			**1,066.3**	**1,000.8**
a)	Called-up capital		100.0	100.0
	Subscribed capital		100.0	100.0
	Less uncalled unpaid contributions		-	-
		Contingent capital	-	-
b)	Capital reserves		647.9	647.9
c)	Revenue reserves		164.6	110.9
	ca)	Legal reserve	2.4	2.4
	cb)	Reserve for shares in a parent or majority investor	-	-
	cc)	Statutory reserves	-	-
	cd)	Other revenue reserves	162.2	108.5
d)	Difference in equity from currency translation		-	-
e)	Net retained profits/net accumulated losses		153.8	142.0
f)	Non-controlling interests		-	-
Total equity and liabilities			**14,498.2**	**15,433.7**

Contingent liabilities		**1,031.5**	**1,151.7**
a)	Contingent liabilities from rediscounted and settled bills of exchange	-	-
b)	Liabilities from guarantees and indemnity agreements	1,031.5	1,151.7
c)	Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations		**599.2**	**1,030.2**
a)	Repurchase obligations from non-genuine repurchase agreements	-	-
b)	Placement and underwriting obligations	-	-
c)	Irrevocable loan commitments	599.2	1,030.2

Balance sheet of IKB Deutsche Industriebank AG as of 31 December 2023

in € million	31 Dec. 2023	31 Dec. 2022
Assets		
Cash reserve	**30.2**	**35.9**
a) Cash on hand	-	-
b) Balances with central banks	30.2	35.9
thereof: with Deutsche Bundesbank	30.2	35.9
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	**2,252.2**	**3,308.8**
a) Repayable on demand	1,500.6	2,540.7
b) Other receivables	751.6	768.1
Receivables from customers	**8,849.2**	**9,095.2**
thereof: mortgage loans	628.2	627.8
thereof: public sector loans	605.0	789.4
thereof: cash collateral	14.9	7.2
Bonds and other fixed-income securities	**3,101.4**	**2,426.4**
a) Money market securities	-	-
b) Bonds and notes	3,098.1	2,422.0
ba) Public sector issuers	2,406.0	1,825.7
thereof: eligible as collateral for Deutsche Bundesbank	2,406.0	1,825.7
bb) Other issuers	692.1	596.3
thereof: eligible as collateral for Deutsche Bundesbank	502.3	423.0
c) Own bonds	3.4	4.4
Nominal amount	3.4	4.5
Equities and other non-fixed- income securities	**1.7**	**296.8**
Equity investments	**0.2**	**0.2**
thereof: banks	0.2	0.2
thereof: financial services institutions	-	-
Shares in affiliated companies	**42.8**	**117.1**
thereof: banks	-	-
Intangible assets	**0.9**	**1.0**
a) Internally generated industrial and similar rights and assets	-	-
b) Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	0.9	0.9
c) Goodwill	-	-
d) Advance payments made	-	0.1
Tangible assets	**1.6**	**2.3**
Other assets	**107.7**	**116.1**
Prepaid expenses	**33.6**	**39.4**
Deferred tax assets	**119.0**	**129.0**
Excess of plan assets over post-employment benefit liability	**7.0**	**2.7**
Total assets	**14,547.5**	**15,571.0**

in € million			31 Dec. 2023	31 Dec. 2022
Equity and liabilities				
Liabilities to banks			**8,508.1**	**9,060.7**
a)	Repayable on demand		107.6	196.6
b)	With agreed term or notice period		8,400.5	8,864.1
Liabilities to clients			**3,966.4**	**4,430.7**
a)	Savings deposits		-	-
b)	Other liabilities		3,966.4	4,430.7
	ba)	Repayable on demand	1,178.3	1,221.4
	bb)	With agreed term or notice period	2,788.1	3,209.3
Securitised liabilities			**19.2**	**31.1**
a)	Bonds issued		19.2	31.1
b)	Other securitised liabilities		-	-
Other liabilities			**82.8**	**57.4**
Deferred income			**23.2**	**37.8**
Deferred tax liabilities			**-**	**-**
Provisions			**155.5**	**168.2**
a)	Provisions for pensions and similar obligations		108.0	105.0
b)	Tax provisions		4.0	18.4
c)	Other provisions		43.5	44.8
Subordinated liabilities			**546.3**	**583.5**
	thereof: due within two years		5.0	28.0
Profit participation capital			**-**	**-**
Fund for general banking risks			**159.0**	**159.0**
	thereof: trading-related special reserve in accordance with section 340e (4) HGB		-	-
Equity			**1,087.2**	**1,042.4**
a)	Called-up capital		100.0	100.0
	Subscribed capital		100.0	100.0
	Less uncalled unpaid contributions		-	-
		Contingent capital	-	-
b)	Capital reserves		647.9	647.9
c)	Revenue reserves		164.6	110.9
	ca)	Legal reserve	2.4	2.4
	cb)	Reserve for shares in a parent or majority investor	-	-
	cc)	Statutory reserves	-	-
	cd)	Other revenue reserves	162.2	108.5
e)	Net retained profits/net accumulated losses		174.7	183.6
Total equity and liabilities			**14,547.5**	**15,571.0**

Contingent liabilities		**1,106.6**	**1,226.8**
a)	Contingent liabilities from rediscounted and settled bills of exchange	-	-
b)	Liabilities from guarantees and indemnity agreements	1,106.6	1,226.8
c)	Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations		**633.2**	**1,064.2**
a)	Repurchase obligations from non-genuine repurchase agreements	-	-
b)	Placement and underwriting obligations	-	-
c)	Irrevocable loan commitments	633.2	1,064.2

Consolidated income statement for the period from 1 January to 31 December 2023

in € million	2023	2022
Expenses		
Interest expenses	**-436.5**	**-76.7**
thereof: positive interest	15.3	46.6
Commission expenses	**-2.0**	**-2.1**
Net trading result	**-**	**-**
General administrative expenses	**-145.6**	**-143.9**
a) Personnel expenses	-83.4	-84.4
aa) Wages and salaries	-61.8	-61.6
ab) Social security, post-employment and other employee benefit costs	-21.6	-22.8
thereof: for pensions	-13.5	-15.2
b) Other administrative expenses	-62.2	-59.5
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	**-1.1**	**-0.8**
a) On lease assets	-	-
b) On intangible and tangible assets	-1.1	-0.8
Other operating expenses	**-656.2**	**-118.3**
Write-downs of receivables and certain securities and additions to loan loss provisions	**-37.9**	**-485.6**
Write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**-2.2**	**-25.5**
Costs of loss absorption	**-**	**-**
Extraordinary expenses	**-16.1**	**-6.1**
Income taxes	**1.5**	**1.0**
Other taxes not reported under “Other operating expenses”	**1.1**	**-1.0**
Net income for the year	**-65.5**	**-60.8**
Total expenses	**-1,360.5**	**-919.7**

in € million		2023	2022
Income			
Interest income from		**648.7**	**243.8**
a)	Lending and money market transactions	599.5	214.9
	thereof: negative interest	-2.0	-43.7
b)	Fixed-income securities and government-inscribed debts	49.3	28.9
	thereof: negative interest	-	-
Current income from		**11.9**	**21.0**
a)	Equities and other non-fixed-income securities	11.9	21.0
b)	Equity investments	-	-
c)	Shares in associated companies	-	-
d)	Shares in affiliated companies	-	-
Income from profit pooling, profit-transfer and partial profit-transfer agreements		**-**	**-**
Commission income		**21.8**	**25.0**
Net trading result		**-**	**-**
Income from reversals of write-downs of receivables and certain securities and from the reversal of provisions in lending business		**-**	**-**
Income from reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets		**0.9**	**0.8**
Other operating income		**677.1**	**203.2**
Income from winding up the fund for general banking risks		**-**	**426.0**
Extraordinary income		**-**	**-**
Income from assumption of losses		**-**	**-**
Net loss for the year		**-**	**-**
Total income		**1,360.5**	**919.7**
Net income/loss for the year		**65.5**	**60.8**
Non-controlling interests		**-**	**-**
Profit carryforward from the previous year		**142.0**	**151.1**
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		**-53.7**	**-69.9**
Replenishment of profit participation capital		**-**	**-**
Net retained profits/net accumulated losses		**153.8**	**142.0**

Income statement of IKB Deutsche Industriebank AG for the period from 1 January to 31 December 2023

in € million	2023	2022
Expenses		
Interest expenses	**-437.1**	**-77.2**
thereof: positive interest	15.3	46.8
Commission expenses	**-1.9**	**-2.0**
Net trading result	**-**	**-**
General administrative expenses	**-145.0**	**-143.3**
a) Personnel expenses	-83.3	-84.3
aa) Wages and salaries	-61.8	-61.6
ab) Social security, post-employment and other employee benefit costs	-21.5	-22.7
thereof: for pensions	-13.4	-15.1
b) Other administrative expenses	-61.6	-59.0
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	**-1.1**	**-0.8**
Other operating expenses	**-672.5**	**-118.4**
Write-downs of receivables and certain securities and additions to loan loss provisions	**-37.9**	**-485.6**
Write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**-0.3**	**-25.6**
Costs of loss absorption	**-6.6**	**-2.4**
Extraordinary expenses	**-16.1**	**-5.8**
Income taxes	**1.4**	**1.0**
Other taxes not reported under “Other operating expenses”	**1.1**	**-1.0**
Profit transfer on the basis of profit pooling, profit-transfer and partial profit-transfer agreements	**-**	**-**
Net income for the year	**-44.8**	**-62.6**
Total expenses	**-1,360.7**	**-923.6**

in € million	2023	2022
Income		
Interest income from	**656.5**	**243.8**
a) Lending and money market transactions	609.2	216.5
thereof: negative interest	-2.0	-43.7
b) Fixed-income securities and government-inscribed debts	47.4	27.3
thereof: negative interest	-	-
Current income from	**5.8**	**15.3**
a) Equities and other non-fixed-income securities	5.8	14.9
b) Equity investments	-	-
c) Shares in affiliated companies	-	0.3
Income from profit pooling, profit-transfer and partial profit-transfer agreements	**0.1**	**3.5**
Commission income	**22.0**	**25.2**
Net trading result	**-**	**-**
Income from reversals of write-downs of receivables and certain securities and from the reversal of provisions in lending business	**-**	**-**
Income from reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**0.9**	**0.7**
Other operating income	**675.2**	**209.2**
Income from winding up the fund for general banking risks	**-**	**426.0**
Extraordinary income	**-**	**-**
Income from assumption of losses	**-**	**-**
Net loss for the year	**-**	**-**
Total income	**1,360.7**	**923.6**
Net income/loss for the year	**44.8**	**62.6**
Profit carryforward from the previous year	**183.6**	**190.9**
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	**-53.7**	**-69.9**
Replenishment of profit participation capital	**-**	**-**
Net retained profits/net accumulated losses	**174.7**	**183.6**

Consolidated cash flow statement

in € million		2023
Net income for the period (consolidated net income/loss for the year including minority interest)		**65.5**
+/-	Amortisation/depreciation and write-downs of receivables and fixed assets and reversals thereof	38.0
+/-	Increase/decrease in provisions	-4.9
+/-	Other non-cash expenses/income	-6.4
-/+	Gain/loss on the disposal of fixed assets	-0.8
+/-	Other adjustments (net)	-16.0
+/-	Increase/decrease in receivables from banks	1,061.5
+/-	Increase/decrease in receivables from customers	218.9
+/-	Increase/decrease in securities (other than long-term financial assets)	-529.0
+/-	Increase/decrease in other assets from operating activities	6.1
+/-	Increase/decrease in liabilities to banks	-633.3
+/-	Increase/decrease in liabilities to customers	-399.2
+/-	Increase/decrease in securitised liabilities	-11.9
+/-	Increase/decrease in other liabilities from operating activities	-2.6
+/-	Interest expenses/interest income	-224.1
+/-	Expenses/income from extraordinary items	16.1
+/-	Income tax expenses/income	-1.5
+	Interest and dividends received	610.3
-	Interest paid	-335.6
+	Extraordinary receipts	-
-	Extraordinary payments	-0.1
+/-	Income tax payments	1.7
Cash flow from operating activities		**-147.3**
+	Receipts from the disposal of long-term financial assets	338.0
-	Payments for the acquisition of long-term financial assets	-168.2
+	Receipts from the disposal of tangible assets	-
-	Payments for the acquisition of tangible assets	-
+	Receipts from the disposal of intangible assets	-
-	Payments for the acquisition of intangible assets	-0.1
+	Receipts from disposals from consolidated group	-
-	Payments for additions to consolidated group	-
+/-	Change in cash funds from other investing activities (net)	-
+	Receipts from extraordinary items	-
-	Payment for extraordinary items	-
Cash flow from investing activities		**169.6**
+	Receipts from equity contributions by shareholders of the parent company	-
+	Receipts from equity contributions by other shareholders	-
-	Payments for equity reductions to shareholders of the parent company	-
-	Payments for equity reductions to other shareholders	-
+	Receipt from extraordinary items	-
-	Payment for extraordinary items	-
-	Dividends paid to shareholders of the parent company	-
-	Dividends paid to other shareholders	-
+/-	Change in cash funds from other capital (net)	-28.0
Cash flow from financing activities		**-28.0**
	Net change in cash funds	-5.7
+/-	Effect on cash funds of changes in exchange rates and remeasurement	-
+/-	Changes in cash funds due to consolidated group	-
+	Cash funds at beginning of period	35.9
Cash funds at end of period		**30.2**

Notes to the consolidated cash flow statement

The consolidated cash flow statement was prepared in accordance with the requirements of German accounting standard no. 21 (GAS 21) on cash flow statements promulgated by the Federal Ministry of Justice and Consumer Protection. IKB makes use of the option provided under the GAS 21.22 not to disclose prior-year figures in the cash flow statement.

The IKB Group's cash funds equate to the "Cash reserve" balance sheet item plus the "Debt instruments of public sector entities and bills of exchange eligible for refinancing of central banks" balance sheet item. In the cash flow statement, the cash funds at the start of the year are reconciled with the cash funds available at the end of the year by showing the cash flows from

- operating activities,
- investing activities and
- financing activities.

In accordance with the requirements of GAS 21.A2.14, the cash flow from operating activities is defined by the bank's operating activities. It is determined using the indirect method by adjusting net income for the year for all non-cash income and expenses.

The cash flow from investing activities shows receipts and payments from items whose general purpose is long-term investment or use. For banks, this includes receipts and payments from the disposal and acquisition of financial and tangible assets in particular. Additions and disposals resulting from addition to and disposal from the consolidated group are also taken into account.

The cash flow from financing activities shows cash flows from transactions with the owners and other shareholders of consolidated subsidiaries and from other capital.

Statement of changes in equity

Group:

in € million	1 Jan. 2023	Purchase of treasury shares	Capital reduction due to retirement of shares	Retirement of shares	Total	Transfers to/withdrawals from reserves	Distribution	Currency translation	Other changes	Changes in the consolidated group	Net income/loss for the year	31 Dec. 2023
(Corrected) subscribed capital	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Subscribed capital (ordinary shares)	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Treasury shares (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Uncalled unpaid contributions (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	**758.8**	**-**	**-**	**-**	**-**	**53.7**	**-**	**-**	**-**	**-**	**-**	**812.5**
Capital reserves	**647.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**647.9**
in accordance with section 272 (2) no. 1 to 3 HGB	7.6	-	-	-	-	-	-	-	-	-	-	7.6
in accordance with section 272 (2) no. 4 HGB	640.3	-	-	-	-	-	-	-	-	-	-	640.3
Revenue reserves	**110.9**	**-**	**-**	**-**	**-**	**53.7**	**-**	**-**	**-**	**-**	**-**	**164.6**
Legal reserves	2.4	-	-	-	-	-	-	-	-	-	-	2.4
Other revenue reserves[1)]	108.5	-	-	-	-	53.7	-	-	-	-	-	162.2
Difference in equity from currency translation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retained profits/ accumulated losses brought forward	**142.0**	**-**	**-**	**-**	**-**	**-53.7**	**-**	**-**	**-**	**-**	**65.5**	**153.8**
Parent company's equity	**1,000.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**65.5**	**1,066.3**
Non-controlling interests before currency translation and net profit/loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Currency translation attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit/loss for the year attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Consolidated equity	**1,000.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**65.5**	**1,066.3**

1) The allocation to revenue reserves concerns the profit appropriation of €22.4 million in accordance with the section 58 (2) AktG as well as an amount of €31.3 million from the previous year's unappropriated surplus allocated in accordance with a resolution passed by the Annual General Meeting on the basis of a proposal by the Board of Managing Directors.

Group:

in € million	1 Jan. 2022	Purchase of treasury shares	Capital reduction due to retirement of shares	Retirement of shares	Total	Transfers to/withdrawals from reserves	Distribution	Currency translation	Other changes	Changes in the consolidated group	Net income/loss for the year	31 Dec. 2022
(Corrected) subscribed capital	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Subscribed capital (ordinary shares)	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Treasury shares (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Uncalled unpaid contributions (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	**688.9**	**-**	**-**	**-**	**-**	**69.9**	**-**	**-**	**-**	**-**	**-**	**758.8**
Capital reserves	**647.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**647.9**
in accordance with section 272 (2) no. 1 to 3 HGB	7.6	-	-	-	-	-	-	-	-	-	-	7.6
in accordance with section 272 (2) no. 4 HGB	640.3	-	-	-	-	-	-	-	-	-	-	640.3
Revenue reserves	**41.0**	**-**	**-**	**-**	**-**	**69.9**	**-**	**-**	**-**	**-**	**-**	**110.9**
Legal reserves	2.4	-	-	-	-	-	-	-	-	-	-	2.4
Other revenue reserves[1)]	38.6	-	-	-	-	69.9	-	-	-	-	-	108.5
Difference in equity from currency translation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retained profits/ accumulated losses brought forward	**151.1**	**-**	**-**	**-**	**-**	**-69.9**	**-**	**-**	**-**	**-**	**60.8**	**142.0**
Parent company's equity	**940.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60.8**	**1,000.8**
Non-controlling interests before currency translation and net profit/loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Currency translation attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit/loss for the year attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Consolidated equity	**940.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**60.8**	**1,000.8**

1) The allocation to revenue reserves concerns the profit appropriation of €31.3 million in accordance with the section 58 (2) AktG as well as an amount of €38.6 million from the previous year's unappropriated surplus allocated in accordance with a resolution passed by the Annual General Meeting on the basis of a proposal by the Board of Managing Directors.

IKB AG:

in € million	1 Jan. 2023	Purchase of treas-ury shares	Capital reduction due to re-tirement of shares	Retire-ment of shares	Total	Trans-fers to/with-drawals from reserves	Distribu-tion	Other changes	Net in-come/ loss for the year	31 Dec. 2023
(Corrected) sub-scribed capital	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Subscribed capital (ordinary shares)	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Treasury shares (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Uncalled unpaid contributions (ordi-nary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	**758.8**	**-**	**-**	**-**	**-**	**53.7**	**-**	**-**	**-**	**812.5**
Capital reserves	**647.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**647.9**
in accordance with section 272 (2) no. 1 to 3 HGB	7.6	-	-	-	-	-	-	-	-	7.6
in accordance with section 272 (2) no. 4 HGB	640.3	-	-	-	-	-	-	-	-	640.3
Revenue reserves	**110.9**	**-**	**-**	**-**	**-**	**53.7**	**-**	**-**	**-**	**164.6**
Legal reserves	2.4	-	-	-	-	-	-	-	-	2.4
Other revenue re-serves[1)]	108.5	-	-	-	-	53.7	-	-	-	162.2
Retained profits/ accumulated losses brought forward	**183.6**	**-**	**-**	**-**	**-**	**-53.7**	**-**	**-**	**44.8**	**174.7**
Equity	**1,042.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**44.8**	**1,087.2**

1) The allocation to revenue reserves concerns the profit appropriation of €22.4 million in accordance with the section 58 (2) AktG as well as an amount of €31.3 million from the previous year's unappropriated surplus allocated in accordance with a resolution passed by the Annual General Meeting on the basis of a proposal by the Board of Managing Directors.

IKB AG:

in € million	1 Jan. 2022	Purchase of treasury shares	Capital reduction due to retirement of shares	Retirement of shares	Total	Transfers to/withdrawals from reserves	Distribution	Other changes	Net income/loss for the year	31 Dec. 2022
(Corrected) subscribed capital	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Subscribed capital (ordinary shares)	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Treasury shares (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Uncalled unpaid contributions (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	**688.9**	**-**	**-**	**-**	**-**	**69.9**	**-**	**-**	**-**	**758.8**
Capital reserves	**647.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**647.9**
in accordance with section 272 (2) no. 1 to 3 HGB	7.6	-	-	-	-	-	-	-	-	7.6
in accordance with section 272 (2) no. 4 HGB	640.3	-	-	-	-	-	-	-	-	640.3
Revenue reserves	**41.0**	**-**	**-**	**-**	**-**	**69.9**	**-**	**-**	**-**	**110.9**
Legal reserves	2.4	-	-	-	-	-	-	-	-	**2.4**
Other revenue reserves[1)]	38.6	-	-	-	-	69.9	-	-	-	**108.5**
Retained profits/ accumulated losses brought forward	**190.9**	**-**	**-**	**-**	**-**	**-69.9**	**-**	**-**	**62.6**	**183.6**
Equity	**979.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**62.6**	**1,042.4**

1) The allocation to revenue reserves concerns the profit appropriation of €31.3 million in accordance with the section 58 (2) AktG as well as an amount of €38.6 million from the previous year's unappropriated surplus allocated in accordance with a resolution passed by the Annual General Meeting on the basis of a proposal by the Board of Managing Directors.

Notes to the financial statements and the consolidated financial statements

Applied accounting principles

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

IKB Deutsche Industriebank AG (IKB AG), Düsseldorf, entered in the commercial register of the Düsseldorf Local Court under HRB 1130, is required to prepare annual financial statements and a management report pursuant to sections 340a and 242 of the German Commercial Code (Handelsgesetzbuch – HGB) in conjunction with section 264 HGB and to prepare consolidated financial statements and a Group management report pursuant to section 340i (1) HGB in conjunction with section 290ff. HGB.

The consolidated financial statements (Group) and the annual financial statements (IKB AG) of IKB Deutsche Industriebank AG for the financial year from 1 January to 31 December 2023 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 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.

The comparative figures for the previous year were calculated in line with the requirements of German commercial law and disclosed in accordance with section 298 (1) HGB in conjunction with section 265 (2) HGB; the year under review (2023) was comparable with the previous year.

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).

Disclosures that can be provided either in the (consolidated) balance sheet/(consolidated) income statement or the notes to the (consolidated) financial statements have largely been provided in the notes to the (consolidated) financial statements in the order of the items concerned. 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 consolidated financial statements and annual financial statements.

The notes to IKB AG's consolidated financial statements and the notes to IKB AG's financial statements have been combined in accordance with section 298 (2) HGB. Unless stated otherwise, any statements made apply to both the Group and IKB AG. The management report and Group management report have also been combined in accordance with section 315 (5) HGB in conjunction with section 298 (2) HGB.

IKB's financial year begins on 1 January and ends on 31 December.

(2) Changes in presentation and measurement and corrections to financial statements

No changes to presentation or accounting policies were made in 2023 that had a material effect on the balance sheet or income statement.

(3) Consolidated group

In addition to IKB AG, 13 (31 December 2022: 13) subsidiaries were consolidated in the consolidated financial statements for the period ended 31 December 2023. 10 (31 December 2022: 12) further subsidiaries were not consolidated pursuant to section 296 (2) and section 311 (2) HGB due to being of only minor importance to the net assets, financial position and results of operations of the Group. Not consolidating these companies does not result in a significantly different view of the economic position of the Group than if they had been consolidated.

The acquisition of the majority of the trust preferred securities issued by IKB Funding Trust I led to the first-time consolidation of IKB Funding Trust I, Wilmington, Delaware (USA), in June 2023. The purpose of the company is to provide funding resources to the IKB Group.

Due to its merger into IKB AG and its subsequent deletion from the commercial register, IKB Beteiligungen GmbH, Düsseldorf, as the transferring entity, was removed from the consolidated group in July 2023.

For further information, please see note (51).

(4) Consolidation principles

The consolidated financial statements were prepared in accordance with the uniform accounting policies applicable to IKB AG. The annual financial statements of the subsidiaries included that are neither banks nor financial services institutions have been reconciled to the structure of the RechKredV forms. There are no Group companies with reporting dates that differ from the Group reporting date.

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, 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 is 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.

Accounting policies

(5) Receivables

Receivables from customers and banks are recognised at nominal value less specific and general valuation allowances. Differences between the nominal value and the payment amount (premiums/discounts) are recognised in deferred income and prepaid expenses and allocated on a systematic straight-line basis, if the difference is equivalent to interest. Purchased receivables with a purchase price discount due to the credit rating are recognised at acquisition cost less specific and general valuation allowances.

(6) 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.

If the criteria for the recognition of a loan losses allowance or provision are met in the context of the specific valuation allowance process, their amount is calculated from the difference between the current book value and the present value of the expected cash flows. The discount factor is based on the original effective interest rate of the receivable.

In order to estimate current latent counterparty risks, general loan losses allowances and general provisions for receivables from customers and contingent liabilities under guarantees are calculated using a simplified method in accordance with the IDW accounting statement: risk provisions for foreseeable but not yet specific counterparty risks in bank lending business ("general loan losses allowances" – IDW AcP BFA 7).

For credit exposures in which the expected loss and the corresponding credit risk premium can be assumed to be balanced at the time the loan is granted, a general loan losses allowance is recognised in the amount of the expected loss over an observation period of twelve months without taking credit quality premiums into account (1-year expected loss).

In the case of exposures for which such a balance can no longer be assumed, the expected loss is estimated using a premium rate of 75% on the 1-year expected loss. This estimate covers at least the calculated lifetime expected loss for these exposures. To determine this calculated markup, historical loss time series were utilised, taking into account credit risk premiums collected and individual exposure categories (normal servicing with a deterioration of more than one notch in the credit rating, intensive, restructuring and workout servicing) over a long-term period (starting from March 2011).

To cover additional latent risks arising from the current uncertain macroeconomic situation, an additional portfolio loan loss allowance has been recognised to address the risk of expected future rating downgrades. These have meanwhile occurred or are no longer expected. The risk models map the macroeconomic uncertainties on the basis of default estimates that take account of economic expectations. This does not apply to the full extent to the acquisition financing and real estate rating systems, and therefore resulted in an additional portfolio loan losses allowance being recognised. The calculation was based on expert estimates.

To reflect latent risks of counterparty default on receivables from banks, irrevocable loan commitments and contingent liabilities under protection seller credit default swaps, the Bank also applies the method described above by analogy and has likewise calculated general loan losses allowances and general loan loss provisions for lending business.

In accordance with the guidance provided by IDW AcP BFA 7, no general loan losses allowances are calculated for securities held as fixed assets.

To cover country risks, a general valuation allowance was recognised for the credit volume in high-risk countries outside the European Union with internal ratings from class 8 for which the risk has not been placed with third parties. The general loan losses allowance for country risks is recognised in the amount of at least the one-year expected loss. The Bank considers whether additional country-risk provisioning appears necessary on a case-by-case basis.

Uncollectible receivables are written off directly. Recoveries on loans previously written off are recognised under “Risk provisions in the lending business” in the income statement.

(7) Securities

Purchased securities are carried at cost in accordance with section 253 (1) sentence 1 HGB. The differences between cost and the redemption amount (premiums/discounts) are recognised as an adjustment in net interest income pro rata temporis over the remaining term on the assumption of constant effective interest rates.

Securities classified as fixed assets are subsequently measured in accordance with the less strict lower-of-cost-or-market principle under section 340e (1) sentence 1 HGB in conjunction with section 253 (3) sentence 3 HGB. If impairment is expected to be permanent, assets are written down to the lower fair value as of the reporting date.

Securities held as current assets are measured at the lower of the stock-exchange or market price in line with the strict lower-of-cost-or-market principle in accordance with section 340e (1) sentence 2 HGB in conjunction with section 253 (4) HGB. 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 exclusively observable on the market are also used for this.

Write-downs are reversed in accordance with section 253 (5) sentence 1 HGB if the reasons for the lower book value no longer apply.

Structured financial instruments are recognised in accordance with the principles of IDW AcP HFA 22. Compared to other assets with debt features and liabilities, structured financial instruments have particular opportunities and risks due to the combination of the underlying with derivatives. The principle of uniform accounting is only deviated from if the structured financial instrument has significantly elevated or additional risks or opportunities compared to the underlying on account of embedded derivatives.

(8) Securities repurchase and lending transactions

In securities repurchase (repo) transactions, the Bank sell securities – as a repo seller – and at the same time agrees a contingent (non-genuine) or non-contingent (genuine) repurchase agreement for the securities with the repo buyer.

Repo transactions are recognised in line with the rules of section 340b HGB. Thus, in genuine repo transactions, IKB – as the repo seller – continues to report the assets sold on its balance sheet and at the same time recognises a corresponding liability to the repo buyer. If IKB is the repo buyer, a receivable from the repo seller is recognised. In non-genuine repo transactions, the assets are reported not in the repo seller's but in the repo buyer's balance sheet. The repo seller enters the agreed amount below the balance sheet for the case of retransfer.

In securities lending transactions, the lender lends securities from its portfolio to the borrower for a set period. The borrower is required to return securities of the same type, amount and quality at the end of the lending period. The lender of the securities remains the beneficial owner of the securities it lends. Accordingly, the securities lent are not reported in the balance sheet of the borrower, rather they continue to be recognised by the lender on account of its beneficial ownership.

(9) Equity investments and investments in affiliated companies/tangible assets/intangible assets/other assets

Shares in affiliated companies and other investees and investors are recognised at the lower of cost or fair value. They are measured in line with the less strict lower-of-cost-or-market principle under section 340e (1) sentence 1 HGB in conjunction with section 253 (3) sentence 5 HGB.

Finite-lived tangible assets and intangible assets are measured at cost less depreciation or amortisation and impairment. Tangible assets are depreciated on a straight-line basis over their ordinary useful life. If the market values of individual fixed assets fall below their book value, they are written down to market value if the impairment is expected to be permanent.

The option to capitalise internally generated intangible fixed assets in accordance with section 248 (2) sentence 1 HGB is not exercised. Intangible fixed assets purchased from third parties are capitalised at acquisition cost and amortised pro rata temporis on a straight-line basis over their standard useful life.

Other assets are carried at cost less any write-downs.

(10) Deferred taxes

If there are differences between the book values of assets, liabilities, prepaid expenses and deferred income in the financial statements and their tax bases that will reverse in subsequent financial years (temporary differences), any net tax expense resulting from this is recognised as a deferred tax liability. Any net relief resulting from this can be recognised as a deferred tax asset. In calculating deferred tax assets, temporary differences or tax loss carry forwards that are expected to be available for offsetting in the next five years are taken into account in loss offsetting. The option to report deferred tax assets in line with section 274 (1) sentence 2 HGB is exercised. However, the option to report deferred tax assets and liabilities without netting in line with 274 (1) sentence 3 HGB (gross presentation) is not exercised.

The deferred taxes are measured using individual tax rates for each taxable entity that were in effect on the balance sheet date or that have already been approved by the legislator and are expected to apply at the time the deferred tax assets and liabilities are realised. In calculating German deferred taxes, a corporation tax rate of 15%, a solidarity surcharge of 5.5% on corporation tax and a trade tax rate derived using the applicable trade tax multipliers are assumed. Deferred taxes for foreign operations and subsidiaries are measured using the tax rates that apply there.

Owing to tax groups for corporate income tax purposes, the deferred tax assets and liabilities resulting from temporary differences at tax group subsidiaries are taken into account in the calculation of the deferred taxes of the tax group parent. For tax group parents that are also tax group subsidiaries, temporary differences are taken into account at the level of the ultimate tax group parent.

If consolidation adjustments result in temporary differences in the consolidated financial statements, additional deferred tax assets and liabilities are reported for the future tax income or expenses resulting from these differences. The deferred taxes resulting from consolidation adjustments in accordance with section 306 HGB are offset against the deferred taxes in accordance with section 274 HGB.

(11) Excess of plan assets over post-employment benefit liability

In accordance with section 246 (2) sentence 2 HGB, assets that are inaccessible to all other creditors and that are solely used to satisfy pension or similar long-term liabilities are offset against these liabilities. The procedure is the same for the associated expenses and income from discounting obligations and from the assets to be offset. The net amount is reported under other operating income or other operating expenses, depending on whether it is positive or negative.

Assets transferred in contractual trust arrangements (CTAs) are measured at fair value. If the fair value of the assets exceeds the amount of the liabilities, the amount is reported under “Excess of plan assets over post-employment benefit liability”.

The accounting of pension liabilities is shown in the accounting policies for provisions (note (13)).

(12) Liabilities

Liabilities are reported at their settlement amount. Any negative difference between this and the amount paid is recognised under deferred items and charged to profit or loss on a systematic basis.

(13) Provisions

Provisions for pensions and similar obligations

Pension liabilities are measured at the settlement amount required according to prudent business judgement. The 2018 G Heubeck mortality tables are used to calculate the settlement amount required. The calculation is performed using the projected unit credit method with the following measurement assumptions:

Measurement factor	31 Dec. 2023 Assumption	31 Dec. 2022 Assumption
Interest rate (7-year/10-year average)	1.73% / 1.82%	1.44% / 1.78%
Salary increases (Board of Managing Directors/non-pay-scale employees/pay-scale employees)	0.0% / 1.0% / 1.5%	0.0% / 1.0% / 1.5%
Pension trend	1.80%	1.80%
Staff turnover rate broken down by age and gender		
Age up to 35 m/f	8,0% / 8,0%	6,0% / 6,0%
Age from 36 to 45 m/f	5,0% / 5,0%	4,0% / 4,0%
Age over 45 m/f	1,5% / 1,5%	1,5% / 1,5%

The calculation of the settlement amount takes into account the expected pension adjustment in an amount of €12.7 million estimated as at the reporting date on the basis of changes in the consumer price index up to the date of the pension adjustment. In accordance with section 253 HGB, pension provisions are discounted using the average market interest rate for the past ten years for a general remaining term of 15 years (see note (36)). The average market interest rate for the past seven years is used for discounting similar obligations. The interest rate is announced by the Bundesbank in line with the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung

– RückAbzinsV). For securities-linked commitments, provisions are carried in the amount of the fair value of the plan assets if a guaranteed minimum amount is exceeded.

To hedge the obligations from pension fund plans and similar arrangements, the assets necessary to meet pension claims were separated from other company assets and transferred to a trustee. If the fair value of the assets transferred is lower than the associated obligations, a provision for pensions and similar obligations is reported in the corresponding amount.

Please see note (11) for information on the offsetting requirement regarding offsetting transferred assets against pension obligations and the recognition of assets.

The Bank exercises the option not to recognise indirect pension obligations (2015 pension plan) in its balance sheet. Similarly, the pension obligations transferred to an external pension fund as of 30 November 2021 due to a change in the pension scheme are no longer recognised in the balance sheet as they entail indirect obligations (see Note (36)).

Tax and other provisions

Provisions for taxes and other provisions are recognised in the settlement amount required according to prudent business judgment. The settlement amount required includes future increases in prices and costs. Provisions for expected losses from executory contracts are recognised in the amount of the obligation surplus. Provisions with a remaining term of more than twelve months are discounted in line with section 253 (2) HGB using the matched term interest rates of the German Regulation on the Discounting of Provisions. The effect of interest on non-banking items in subsequent periods is reported under other operating expenses. The interest effect on provisions in connection with banking items is reported in interest expenses.

Restructuring provisions are also reported under other provisions. These must be recognised when the management plans and controls a programme with the aim of significantly changing either the business area covered by the Group or the way it performs this business, thereby leading to an external obligation or expected losses from executory contracts.

(14) Contingent liabilities and other obligations

Contingent liabilities and other obligations are shown below the balance sheet at nominal amounts less any provisions recognised.

(15) Extraordinary result

In accordance with section 340a (2) HGB, banks must report the expenses they incur and the income they generate outside ordinary business activities under "Extraordinary expenses" and "Extraordinary income". This item therefore includes, among other things, expenses and income in connection with extraordinary measures, such as transformation and merger processes, pension adjustments due to the extraordinary increase in the inflation index or restructuring measures (see note (44)).

(16) Derivatives and fair-value measurement of the banking book

Derivative financial instruments are accounted for in line with the principles applicable to executory contracts. Premium payments made and received from contingent forwards are reported in other assets and other liabilities, respectively. For non-contingent forwards, upfront fees paid or received are reported in prepaid expenses and deferred income, respectively, and are amortised on a straight-line basis over the remaining term in net interest income. On the balance sheet date, a check is made of whether a provision for expected losses from executory contracts needs to be recognised.

For futures positions that are not subject to integration treatment, provisions for expected losses from executory contracts are recognised if the fair value is negative.

Interest derivatives are measured at the lower of cost and market value together with all other interest-bearing financial instruments in accordance with the principles of IDW AcP BFA 3. The present value of the interest-bearing transaction is compared with the corresponding book values, taking into account administrative and risk costs and anticipated refinancing costs. Future cash flows are discounted for the purposes of measurement of the banking book at the lower of cost and market value using a uniform yield curve per currency. The notional funding costs were calculated on the basis of the Bank's funding structure as of the reporting date, with due allowance made for planned changes where these forms of funding are not available in the long term. The material parameters for calculating risk costs are the risk-free interest present values, the interest present values and the loss given default of the interest-bearing assets. Measurement at the lower of cost and market value in accordance with IDW AcP BFA 3 did not result in any requirement to recognise provisions.

Credit derivatives are accounted for in accordance with IDW AcP BFA 1. Accordingly, credit derivatives for which IKB is the protection buyer are treated as loan collateral if the credit derivative hedges default risk, IKB intends to hold the derivative to maturity and the derivative is objectively suitable as a hedging instrument. These credit derivatives are taken into account in the valuation of the hedged transactions. All other credit derivatives for which IKB is the collateral holder are recognised as executory contracts. Provisions for expected losses are recognised in the amount of the negative fair values.

Credit derivatives for which IKB is the collateral provider are treated as guarantees if the derivative only hedges default risk and the intention is to hold the derivative until maturity or the occurrence of the credit event. Provisions are recognised in the amount of the expected utilisation for credit derivatives accounted for as guarantees. If the intention to hold these to maturity is abandoned over time, the close-out effect is reported in net other operating income. All other credit derivatives for which IKB is the collateral provider are recognised as executory contracts. Provisions for expected losses are recognised in the amount of the negative fair values.

(17) Currency translation

The modified closing rate method in accordance with section 308a HGB/GAS 25 – Foreign Currency Translation in Consolidated Financial Statements is used to translate foreign-currency financial statements in the Group. The asset and liability items but not the equity on a balance sheet in a foreign currency are translated to euros at the mean spot rate on the balance sheet date. Equity is translated into euros at the historic rate. Income statement items are translated into euros at the average exchange rate. Any translation difference is reported in consolidated equity as the "Difference in equity from currency translation". No foreign-currency financial statements were included in the Group as of 31 December 2023.

In IKB AG's the single-entity financial statements and in the other institutions in the Group, foreign-currency assets and liabilities are translated in line with the principles of section 340h HGB in conjunction with section 256a HGB if there is special cover. Thus, foreign-currency assets and liabilities are translated at the mean spot rate as of the balance sheet date. If the requirements of special cover are not satisfied, currency translation is performed in line with the requirements that apply to all merchants (section 256a HGB). For a remaining term of one year or less, the unrealised gains on currency translation are recognised in income. If the remaining term exceeds one year, the general measurement rules apply.

This special cover within the meaning of section 340h HGB can be deemed provided in accordance with IDW AcP BFA 4 if the currency risk is managed via a currency position and the individual items are aggregated in a currency position. IKB AG allocates foreign-currency transactions to the currency position of the respective currency and manages them using approved limits.

In the income statement, income and expenses from currency translation (translation differences) are reported under "Other operating income" and "Other operating expenses".

If IKB AG uses currency forwards to hedge interest-bearing assets and liabilities, the forward rate is divided and its two elements (spot rate and swap rate) are taken into account separately in the calculation of gains or losses. The mark-ups and mark-downs on the spot rate are offset pro rata temporis in net interest income. For the above transactions, a check is made of whether closing the positions with matched terms would result in losses and whether provisions should be recognised for these (measurement of remaining items).

Notes to the balance sheet

(18) Cash reserve

The cash reserve deposited with the ECB amounted to €30.2 million (previous year: €35.9 million) in the Group and €30.2 million (previous year: €35.9 million) in IKB AG.

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

	Group		IKB AG	
in € million	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
Receivables from banks[1)]	**751.6**	**768.1**	**751.6**	**768.1**
remaining term				
up to 3 months	30.5	27.9	30.5	27.9
more than 3 months up to 1 year	721.1	740.3	721.1	740.3
more than 1 year up to 5 years	-	-	-	-
more than 5 years	-	-	-	-
Receivables from customers	**8,562.1**	**8,810.4**	**8,849.2**	**9,095.2**
remaining term				
up to 3 months	655.6	542.9	655.7	827.7
more than 3 months up to 1 year	1,773.3	1,704.4	2,060.3	1,704.4
more than 1 year up to 5 years	5,225.1	5,715.9	5,225.1	5,715.9
more than 5 years	908.0	847.2	908.0	847.2
Liabilities to banks[1)]	**8,400.5**	**8,864.1**	**8,400.5**	**8,864.1**
remaining term				
up to 3 months	3,061.7	654.8	3,061.7	654.8
more than 3 months up to 1 year	1,449.0	3,788.5	1,449.0	3,788.5
more than 1 year up to 5 years	3,003.0	3,641.6	3,003.0	3,641.6
more than 5 years	886.8	779.2	886.8	779.2
Liabilities to customers[1)]	**2,773.3**	**3,116.5**	**2,788.1**	**3,209.3**
remaining term				
up to 3 months	455.6	418.5	462.3	422.0
more than 3 months up to 1 year	1,000.9	1,098.1	1,002.0	1,187.4
more than 1 year up to 5 years	1,207.4	1,513.3	1,214.4	1,513.3
more than 5 years	109.4	86.6	109.4	86.6

1) not including receivables or liabilities repayable on demand

Of the bonds and other fixed-income securities, €104.8 million (previous year: €44.1 million) in the Group and €104.8 million (previous year: €44.1 million) in IKB AG have a remaining term of up to one year. Of the bonds issued that are reported as securitised liabilities, €9.7 million (previous year: €12.3 million) in the Group and €9.7 million (previous year: €12.3 million) in IKB AG have a remaining term of up to one year.

(20) Foreign-currency assets

The currency volumes translated into euros are shown in the table below:

	Group		IKB AG	
in € million	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
Assets	329.1	341.4	350.9	377.6

The differences between the assets and liabilities are largely hedged by currency hedges.

(21) Repurchase agreements

As at the reporting date, assets of €2,328.5 million in the Group and €2,331.8 million in IKB AG recognised in the balance sheet in genuine repurchase agreements had been transferred as collateral in both the Group and IKB AG (previous year: Group and IKB AG €728.5 million). The increase is due to higher secured funding via Eurex.

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

	Group			
	31 Dec. 2023		31 Dec. 2022	
in € million	**Affiliated companies**	**Investees and investors**	**Affiliated companies**	**Investees and investors**
Receivables from customers	-	-	-	-
Other assets	-	-	-	-

	IKB AG			
	31 Dec. 2023		31 Dec. 2022	
in € million	**Affiliated companies**	**Investees and investors**	**Affiliated companies**	**Investees and investors**
Receivables from customers	287.1	-	284.8	-
Bonds and other fixed-income securities	26.1	-	-	-
Other assets	20.1	-	40.1	-

The bonds and other fixed-income securities item in IKB AG increased as a result of the acquisition of the subordinated trust preferred securities (hybrid capital instruments) issued by IKB Funding Trust I.

The intra-Group sub-participation in expected settlement payments under pending lawsuits included in IKB AG's other assets declined to €19.9 million due to an impairment loss recognised in the light of repayments made (previous year: €36.6 million). In addition, the decline in other assets in IKB AG is attributable to the reduction to €0.1 million (previous year: €3.5 million) in receivables from profit transfer.

(23) Fixed assets

Group:

in € million	Intangible assets	Tangible assets	Lease assets	Equity investments	Shares in associated companies	Shares in affiliated companies	Bonds and other fixed-income securities not including own issues	Equities and other non-fixed-income securities	Total
Cost as of 31 December 2022	**25.8**	**7.6**	**-**	**0.6**	**-**	**1.3**	**2,109.8**	**601.0**	**2,746.1**
Additions to the consolidated group	-	-	-	-	-	-	-	-	-
Additions	0.1	0.0	-	-	-	-	184.0	-	184.1
Reclassifications	-	-	-	-	-	0.0	-	-	0.0
Effects of currency translation	-	-	-	-	-	-	0.9	-	0.9
Disposals	-0.4	-1.2	-	-	-	-1.2	-48.6	-300.8	-352.2
Cost as of 31 December 2023	**25.5**	**6.4**	**-**	**0.6**	**-**	**0.1**	**2,246.1**	**300.2**	**2,578.9**
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 31 December 2022	**-24.7**	**-5.3**	**-**	**-0.4**	**-**	**0.0**	**-**	**-**	**-30.4**
Reversal of write-downs	-	0.2	-	-	-	-	-	-	0.2
Depreciation/amortisation/write-downs	-0.3	-0.8	-	-	-	0.0	-	-	-1.1
Reclassifications	-	-	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-	-	-	-	-
Disposals from the consolidated group	-	-	-	-	-	-	-	-	-
Changes recognised in other comprehensive income[1)]	0.4	1.1	-	-	-	-	-	-	1.5
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 31 December 2023	**-24.6**	**-4.8**	**-**	**-0.4**	**-**	**0.0**	**-**	**-**	**-29.8**
Residual book value as of 31 December 2023	**0.9**	**1.6**	**-**	**0.2**	**-**	**0.1**	**2,246.1**	**300.2**	**2,549.1**
Residual book value as of 31 December 2022	**1.0**	**2.3**	**-**	**0.2**	**-**	**1.3**	**2,109.8**	**601.0**	**2,715.6**

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

The changes in accumulated depreciation/amortisation and write-downs and reversals thereof relate to both additions and disposals.

IKB AG:

in € million	Intangible assets	Tangible assets	Equity investments	Shares in affiliated companies[1]	Bonds and other fixed-income securities not including own issues	Equities and other non-fixed-income securities	Total
Cost as of 31 December 2022	**25.7**	**7.6**	**0.2**	**680.6**	**2,115.1**	**296.8**	**3,126.0**
Additions	0.1	0.0	-	59.4	184.0	-	243.5
Reclassifications	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	0.9	-	0.9
Disposals	-0.4	-1.2	-	-80.9	-50.5	-296.8	-429.8
Cost as of 31 December 2023	**25.4**	**6.4**	**0.2**	**659.1**	**2,249.5**	**-**	**2,940.6**
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 31 December 2022	**-24.7**	**-5.3**	**-**	**-563.5**	**-**	**-**	**-593.5**
Reversal of write-downs	-	0.2	-	-	-	-	0.2
Depreciation/amortisation and write-downs	-0.3	-0.8	-	-0.3	-	-	-1.4
Reclassifications	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-	-	-
Changes recognised in other comprehensive income [2]	0.4	1.1	-	-52.5	-	-	-51.0
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 31 December 2023	**-24.6**	**-4.8**	**-**	**-616.3**	**-**	**-**	**-645.7**
Residual book value as of 31 December 2023	**0.9**	**1.6**	**0.2**	**42.8**	**2,249.5**	**-**	**2,295.0**
Residual book value as of 31 December 2022	**1.0**	**2.3**	**0.2**	**117.1**	**2,115.1**	**296.8**	**2,532.5**

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

1) Under shares in affiliated companies, cost as of 31 December 2022 has been adjusted by €0.5 million.

2) The changes in accumulated depreciation/amortisation and write-downs and reversals thereof relate to both additions and disposals.

Tangible assets exclusively comprise operating and office equipment of €1.6 million (previous year: €2.3 million) in the Group and €1.6 million (previous year: €2.3 million) in IKB AG.

The merger of IKB Beteiligungen GmbH, Düsseldorf, into IKB AG resulted in the disposal of the shares in IKB Beteiligungen GmbH from the shares in affiliated companies of IKB AG and in the addition of shares in IKB Invest GmbH. The addition of IKB Invest GmbH also led to an addition of depreciation/amortisation, write-downs and accumulated write-downs, which was recognized in other comprehensive income.

Moreover, additions to shares in affiliated companies in IKB AG relate to contributions to capital reserves at the subsidiaries IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf, and IKB Beteiligungsgesellschaft 3 mbH, Düsseldorf. Shares in affiliated companies in IKB AG were further reduced by the repayment of capital following the liquidation of Aleanta GmbH i.L., 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 shares in special funds allocated to fixed assets and reported in the “Equities and other non-fixed-income securities” item in IKB AG in the previous year were returned in full in 2023, and this also led to a reduction in the portfolio at the Group level.

The Group’s unrealised losses from securities held as fixed assets totalled €284.0 million (previous year: €368.8 million). This is based on carrying amounts of €1,887.4 million (previous year: €2,210.6 million) and fair values of €1,603.3 million (previous year: €1,841.7 million). IKB AG’s unrealised losses from securities held as fixed assets totalled €286.2 million (previous year: €372.3 million). This is based on carrying amounts of €1,942.4 million (previous year: €1,997.3 million) and fair values of €1,656.2 million (previous year: €1,625.0 million).

These impairment losses were not recognised in the Group or in IKB AG because the differences between the carrying amounts and the fair values are not expected to be permanent within the meaning of section 253 (3) HGB. All unrealised gains and losses on securities held as fixed assets are presented in note (58).

In the current financial year, write-downs of fixed assets for impairments that are expected to be permanent were recognised in the amount of €0.0 million (previous year: €0.4 million) in the Group and €0.3 million (previous year: €0.5 million) in IKB AG.

The amounts stated do not include deferred interest.

(24) Subordinated assets

	Group		IKB AG	
in € million	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
Receivables from customers	9.1	14.1	9.1	14.1
Bonds and other fixed-income securities	26.1	-	26.1	-
Total	**35.2**	**14.1**	**35.2**	**14.1**

The change in subordinated assets is the result of two opposite effects. While receivables from customers declined due to scheduled and unscheduled repayments, the bonds and other fixed-income securities item increased as a result of the acquisition of the subordinated trust preferred securities (hybrid capital instruments) issued by IKB Funding Trust I.

(25) Tradeable securities

The tradeable securities included in the following balance sheet items break down as follows in terms of stock exchange listing:

	Group			IKB AG		
31 Dec. 2023 in € million	**Total negotiable**	**Listed**	**Not listed**	**Total negotiable**	**Listed**	**Not listed**
Bonds and other fixed-income securities	3,098.0	3,021.4	76.6	3,101.4	3,024.8	76.6
Equities and other non-fixed- income securities	301.9	1.7	300.2	1.7	1.7	0.0
Equity investments	-	-	-	-	-	-

	Group			IKB AG		
31 Dec. 2022 in € million	**Total negotiable**	**Listed**	**Not listed**	**Total negotiable**	**Listed**	**Not listed**
Bonds and other fixed-income securities	2,421.1	2,344.7	76.4	2,426.4	2,350.0	76.4
Equities and other non-fixed- income securities	601.0	-	601.0	296.8	-	296.8
Equity investments	-	-	-	-	-	-

The item “Bonds and other fixed-income securities” includes tradeable securities held as fixed assets of €2,246.1 million (previous year: €2,109.8 million) in the Group and €2,249.5 million (previous year: €2,115.1 million) in IKB AG. The item “Equities and other non-fixed-income securities” includes tradeable securities held as fixed assets of €300.2 million (previous year: €601.0 million) in the Group and €0.0 million (previous year: €296.8 million) in IKB AG.

(26) 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				IKB AG			
in € million	Book value 31 Dec. 2023	Fair value 31 Dec. 2023	Difference to book value 31 Dec. 2023	Distribution 2023	Book value 31 Dec. 2023	Fair value 31 Dec. 2023	Difference to book value 31 Dec. 2023	Distribution 2023
Mixed funds	200.2	200.2	-	3.0	200.2	200.2	-	3.0
Other special funds	300.2	301.9	1.7	11.7	-	-	-	5.8
Total	**500.4**	**502.1**	**1.7**	**14.7**	**200.2**	**200.2**	**-**	**8.8**

	Group				IKB AG			
in € million	Book value 31 Dec. 2022	Fair value 31 Dec. 2022	Difference to book value 31 Dec. 2022	Distribution 2022	Book value 31 Dec. 2022	Fair value 31 Dec. 2022	Difference to book value 31 Dec. 2022	Distribution 2022
Mixed funds	180.7	180.7	**-**	-	180.7	180.7	-	-
Other special funds	601.0	600.1	**-0.9**	21.0	296.8	296.4	-0.4	14.9
Total	**781.7**	**780.8**	**-0.9**	**21.0**	**477.5**	**477.1**	**-0.4**	**14.9**

Mixed funds comprise investments of the CTA assets in a domestic special-purpose fund. If the offsetting of CTA assets against pension obligations (for each pension plan) 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 is primarily composed of investment units and fixed-income investment funds.

Other special funds include units in foreign special funds that particularly invest in European 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. Capital distributions are reported as a reduction in the book value. The decrease in other special funds compared with the previous year is due to the redemption of shares in funds by IKB AG.

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.

(27) Other assets

The “Other assets” item includes the following:

	Group		IKB AG	
in € million	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
Foreign currency adjustment asset	5.1	9.3	5.1	9.3
Receivables from tax authorities	15.1	19.2	14.6	18.9
Deferrals for derivatives	44.8	29.6	44.8	29.6
Trade receivables	3.6	4.3	3.6	4.3
Receivables from affiliated companies	-	-	20.1	40.1
Miscellaneous assets	19.8	14.1	19.5	13.8
Total	**88.4**	**76.5**	**107.7**	**116.1**

The foreign currency adjustment asset includes translation differences on currency derivatives in the non-trading book that are included in the special cover in accordance with section 340h HGB.

(28) Prepaid expenses

"Prepaid expenses" break down as follows:

	Group		IKB AG	
in € million	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
Discounts on liabilities recognised at their nominal value	0.4	0.5	0.4	0.5
Deferred income for the derivatives business and for credit default swaps accounted for like guarantees	25.4	28.9	25.4	28.9
Prepaid expenses for invoices paid in advance	7.9	10.1	7.8	10.0
Total	**33.7**	**39.6**	**33.6**	**39.4**

(29) Deferred tax assets

The book value of deferred tax assets is essentially based on the differences between the financial accounts and the tax accounts that will reverse in subsequent years. In particular, the book value relates to investment funds of the domestic tax group and the difference between the fair values of the securities held as current assets and those of the pension provisions recognised in the financial accounts and the tax accounts. Local tax rates were used as a basis in each case. The resulting tax expenses and income have been reported net. In the reporting period, the amount of excess deferred tax assets presented in the balance sheet declined, moreover, by €10.0 million both in the Group and in IKB AG because of an impairment loss recognised on deferred tax assets.

(30) Excess of plan assets over post-employment benefit liability

31 Dec. 2023 in € million	Group	IKB AG
Offset assets		
Acquisition cost	251.8	251.8
Fair value	259.1	259.1
Offset liabilities		
Settlement amount	-360.1	-360.1
Excess of plan assets over post-employment benefit liability	**7.0**	**7.0**
Expenses and income offset in the reporting year	**2023**	**2023**
Expenses and income from pension obligations		
Expenses for pension obligations	-4.3	-4.3
Expenses and income from plan assets		
Income from plan assets	13.1	13.1
Expenses from plan assets	0.0	0.0
Net income/expense	**8.8**	**8.8**

31 Dec. 2022 in € million	Group	IKB AG
Offset assets		
Acquisition cost	247.7	247.7
Fair value	245.1	245.1
Offset liabilities		
Settlement amount	-347.5	-347.5
Excess of plan assets over post-employment benefit liability	**2.7**	**2.7**
Expenses and income offset in the reporting year	**2022**	**2022**
Expenses and income from pension obligations		
Expenses for pension obligations	-9.9	-9.9
Expenses and income from plan assets		
Income from plan assets	0.4	0.4
Expenses from plan assets	-6.6	-6.6
Net income/expense	**-16.2**	**-16.2**

The fair value of assets transferred in CTAs results from their net asset value, which was determined by the investment company as of the balance sheet date.

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

	Group			
	31 Dec. 2023		31 Dec. 2022	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Liabilities to clients	-	-	1.5	-
Other liabilities	-	-	-	-

	IKB AG			
	31 Dec. 2023		31 Dec. 2022	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Liabilities to clients	19.0	-	97.0	-
Other liabilities	6.1	-	0.4	-
Subordinated liabilities	75.1	-	75.1	-

The decline in liabilities to customers in IKB AG is the result of adjustments to the equity investment portfolio, while the rise in other liabilities is the result of higher loss absorption obligations to subsidiaries.

(32) Foreign-currency liabilities

The currency volumes translated into euros are shown in the table below:

	Group		IKB AG	
in € million	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
Liabilities	183.1	204.2	183.1	204.2

The differences between the assets and liabilities are largely hedged by currency hedges.

(33) Securitised liabilities

The portfolio of securitised liabilities declined to €19.2 million (previous year: €31.1 million) for the Group and to €19.2 million (previous year: €31.1 million) for IKB AG. The decline is due to repayments of issued bearer bonds.

(34) Other liabilities

The “Other liabilities” item breaks down as follows:

	Group		IKB AG	
in € million	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
Obligations from derivatives	1.9	1.9	1.9	1.9
Deferrals for derivatives	31.0	27.5	31.0	27.5
Liabilities to tax authorities	0.2	0.2	0.0	0.1
Deferred income for subordinated liabilities	20.1	14.4	21.2	14.4
Trade payables	3.2	4.1	3.2	4.1
Miscellaneous liabilities	17.7	9.5	25.4	9.4
Total	**74.2**	**57.6**	**82.8**	**57.4**

(35) Deferred income

"Deferred income" breaks down as follows:

in € million	Group 31 Dec. 2023	Group 31 Dec. 2022	IKB AG 31 Dec. 2023	IKB AG 31 Dec. 2022
Discounts on receivables recognised at their nominal value	4.6	6.2	4.6	6.2
Deferred income for the derivatives business and for credit default swaps accounted for like guarantees	18.6	31.6	18.6	31.6
Total	**23.2**	**37.8**	**23.2**	**37.8**

(36) Pension provisions

The reported pension provisions stand at €109.6 million (previous year: €106.9 million) in the Group and at €108.0 million (previous year: €105.0 million) in IKB AG. The increase in pension provisions is particularly due to the inflation-induced rise in pension obligations.

The indirect pension obligations not recognised in the balance sheet are covered by corresponding plan assets. In the case of one pension plan, there is an accounting deficit of €0.3 million, representing the difference between plan assets and the obligations.

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

31 Dec. 2023 in € million	Group	IKB AG
Measurement of the obligation at the average market interest rate for the past 10 years	342.7	341.1
Measurement of the obligation at the average market interest rate for the past 7 years	346.5	344.9
Difference in accordance with section 253 (6) HGB	**3.8**	**3.8**

(37) Subordinated liabilities

This item comprises liabilities whose contractual conditions stipulate that, in the event of insolvency or liquidation, they will only be repaid after all non-subordinated creditors have been repaid. Early repayment obligation and participation in the losses from operating activities are not provided for.

The preferred shares (trust preferred securities), which were issued by the IKB Funding Trust I, a subsidiary in the USA founded specifically for this purpose, and are defined as hybrid capital instruments, are also reported as subordinated liabilities. In the event of insolvency, these will only be repaid once all other subordinated liabilities and any profit participation certificate issues have been serviced. Unlike German preferred shares, these preferred shares receive no share in the proceeds of liquidation of the issuing companies. In the case of preferred shares, perpetual maturity has been agreed for the investor.

With the exception of the preferred shares issued by IKB Funding Trust I, the interest on all subordinated liabilities is usually owed and paid regardless of the Bank's net profit or loss for the year. The deferred interest attributable to the subordinated liabilities is reported in other liabilities.

As of the reporting date, subordinated liabilities amounted to €546.2 million (previous year: €583.5 million) in the Group and €546.3 million (previous year: €583.5 million) in IKB AG. €75.1 million (previous year: €75.1 million) of this is accounted for by the preferred shares still outstanding, of which 50.1% of the nominal amount was acquired by IKB AG. The interest expenses for subordinated liabilities, including the preferred shares, in the reporting year amounted to €28.6 million (previous year: €25.1 million) in the Group and €29.0 million (previous year: €25.5 million) in IKB AG.

Individual items that exceed 10% of the total amount of subordinated liabilities in the Group and at IKB AG:

Group Year of issue	Book value in € million	Currency	Interest rate in %	Maturity date
2002/2003	75.1	EUR	EURIBOR 3 M + 1.500%	perpetual
2005/2006	83.2	JPY	2.76	21/07/2035
2017/2018	300.0	EUR	6.53	31/01/2028

IKB AG Year of issue	Book value in € million	Currency	Interest rate in %	Maturity date
2002/2003	75.1	EUR	EURIBOR 3 M + 2.015%	perpetual
2005/2006	83.2	JPY	2.76	21/07/2035
2017/2018	300.0	EUR	6.53	31/01/2028

(38) Fund for general banking risks

The fund for general banking risks had a balance of €159.0 million (previous year: €159.0 million) at the level of the Group as well as of IKB AG.

(39) Development of capital

Treasury shares

In the 2023 financial year, there were no holdings of treasury shares – neither additions nor disposals.

Equity

The share capital consists of 100,000,000 no-par value shares with a notional value of €1 per share as of the end of the reporting period. The share capital amounts to €100,000,000.

Additions to revenue reserves

With respect to profit allocation, a partial amount of €22.4 million of IKB AG’s net income for the year of €44.8 million has been allocated to revenue reserves in accordance with section 58 (2) of the German Stock Corporation Act (AktG), resulting in an unappropriated surplus of €174.7 million.

Proposed appropriation of profits

The Board of Managing Directors recommends the allocation of a partial amount of €22.4 million from the unappropriated surplus of €174.7 million to revenue reserves, with the remaining balance of €152.3 million again to be carried forward.

The amounts barred from distribution break down as follows:

Group:

31 Dec. 2023 in € million	Gross income	Amount barred from distribution
Unrealized gains on plan assets	7.8	5.4
Recognition of deferred taxes	-	121.4
Difference in the valuation of pension obligations resulting from the change in the market interest rates	3.8	3.8
Total	**11.6**	**130.6**

IKB AG:

31 Dec. 2023 in € million	Gross income	Amount barred from distribution
Unrealized gains on plan assets	7.8	5.4
Recognition of deferred taxes	-	121.4
Difference in the valuation of pension obligations resulting from the change in the market interest rates	3.8	3.8
Total	**11.6**	**130.6**

(40) Contingent liabilities and other obligations

As of the balance sheet date, the guarantees and warranties reported under "Contingent liabilities" primarily comprised credit default swaps (Bank as collateral provider) in the amount of €977.7 million (previous year: €1,109.7 million) both in the Group and in IKB AG. Here, IKB has assumed the default risk for a predefined credit event for specific credit portfolios.

As part of the sale of the shares in IKB Leasing GmbH by IKB Beteiligungen GmbH in the 2017/18 financial year, IKB AG jointly and severally assumed warranties and indemnification obligations. These include guarantees of quality for GmbH shares and assets, and the proper settlement and fulfilment of past obligations (e.g., filing of tax returns). IKB AG and a further two Group companies also assumed warranties and indemnification obligations in connection with the disposal of IKB Leasing S.A., Bucharest, Romania, and IKB Leasing Finance IFN S.A., Bucharest, Romania, and the sale of the business operations of IKB Leasing SR, s.r.o. v likvidácii, Bratislava, Slovakia.

In addition, IKB AG assumed indemnification obligations in connection with the sale of its limited partner interests in IKB Projektentwicklung GmbH & Co. KG i.L. for certain taxes payable for periods until the completion of the sale.

The "Other obligations" item includes irrevocable loan commitments from unutilised loans and revolving credit facilities.

There are no contingent liabilities to associates as of the reporting date.

The risk of utilisation from contingent liabilities and other obligations is assessed on the basis of parameters from credit risk management. Provisions are recognised if utilisation is expected in full or in part due to the deterioration of the borrower's credit standing. Details on the process within credit risk management are explained in the risk report in the management report.

(41) Other financial obligations

As of the reporting date, "Other financial obligations" totalled €502.2 million (previous year: €50.5 million) in the Group and €502.2 million (previous year: €50.5 million) in IKB AG.

For potential recourse liabilities to the Deposit Protection Fund of the Association of German Banks in connection with liabilities to customers, an outstanding amount of €457.9 million (previous year: €0.0 million) in loan exposures was transferred as collateral both in the Group and in IKB AG.

Obligations from IT services declined to €14.1 million (previous year: €21.2 million) for both the Group and IKB AG. On the other hand, there are payment obligations under long-term leases of €7.3 million (previous year: €10.3 million) in the Group and in IKB AG for the duration of the leases. Leases for the Bank's branches for properties used for banking purposes continue to exist. Provisions for expected losses from executory contracts are recognised in case the expenses exceed the benefit of the lease. The risk or opportunity is that after expiry of a temporary lease, an extension of the lease or a follow-up lease may be concluded on less or more advantageous conditions.

Both the Group and IKB AG had payment obligations to national and international guarantee schemes of the banking system amounting to € 14.4 million (previous year: € 11.9 million) as at the reporting date. Corresponding collateral was provided for the payment obligations.

The treatment of the irrevocable payment obligation for the bank levy upon the return of the banking license is subject of a legal dispute between an affected foreign bank and the Single Resolution Board (SRB). In 2023, the Court of Justice of the European Union (CJEU) issued a ruling not in favour of the bank, which is not yet legally effective. The bank levy is used to finance the Single Resolution Fund, to which the credit institutions must contribute. A certain proportion of these financing contributions can be made in the form of irrevocable payment obligations for which collateral must be provided. The Bank has provided cash collateral in the same amount for irrevocable payment obligations submitted from the bank levy in the amount of € 8.1 million.

According to the Bank's assessment, the Bank would be called upon from the irrevocable payment obligations if the Single Resolution Fund were to participate in a resolution measure or if the ECJ were to confirm the ruling of the European Court of Justice on the return of the banking license; the probability of a call is considered to be low and therefore a call on the cash collateral is not to be expected. It is not necessary to write off the claim against deposit guarantee schemes from the transfer of cash collateral.

Furthermore, there are payment obligations from future lease payments in connection with leases for assets in the area of operating and office equipment. In leases, the right to use an asset is transferred from the lessor to the lessee in return for regular payments.

Further payment obligations result from purchase commitments in connection with service agreements. There is a risk with service agreements that the terms of the agreement may be less favourable than the terms at the time the agreement is fulfilled or that the costs of the agreement will exceed the economic benefit.

As of the balance sheet date, the Group and IKB AG had no payment obligations from shares, GmbH shares or shares in non-consolidated subsidiaries that were not fully paid in or from shareholdings held by IKB Invest GmbH or subordinated loans.

As in the previous year, none of IKB AG’s total financial obligations relate to affiliated companies.

(42) Off-balance sheet transactions

According to section 285 no. 3 HGB and section 314 (1) no. 2 HGB, the nature and purpose of risks and benefits of transactions not included in the balance sheet must be disclosed in the notes if this is necessary for assessing the financial situation. In particular, disclosures on transactions that are expected to result in significant improvements or worsening of the financial situation or that can be considered unusual in terms of their timing or the business partner may be necessary for assessing the financial situation.

Forward transactions

As of the balance sheet date, there were obligations from contingent and non-contingent forwards. These essentially serve to hedge interests and currency risks and lead to future inflows or outflows of cash. Please also refer to the information on forwards (see note (57)).

Notes to the income statement

(43) Income by geographical market

The total amount of interest income, current income from equities and other non-fixed-income securities, equity investments and shares in affiliated companies, commission income, the net trading result and other operating income breaks down among the different geographical markets as follows:

	Group		IKB AG	
in € million	**2023**	**2022**	**2023**	**2022**
Germany	1,359.3	492.9	1,359.4	493.4
Rest of Europe	0.2	0.1	0.1	0.1
Total	**1,359.5**	**493.0**	**1,359.5**	**493.5**

Income is allocated to geographical markets on the basis of the respective registered office of the company in the Group and the respective places of business in IKB AG.

(44) Extraordinary income and expenses

The net extraordinary expense amounted to €16.1 million (previous year: net expense of €6.1 million) in the Group and to €16.1 million (previous year: net expense of €5.8 million) in IKB AG. It solely concerned extraordinary expenses and was mainly attributable in both the Group and IKB AG to the restructuring of bank operations and to an addition to provisions for the inflation-related adjustment of pension obligations in an amount of €12.7 million (previous year: €0.0 million).

(45) Other operating expenses

The “Other operating expenses” item largely includes:

	Group		IKB AG	
in € million	**2023**	**2022**	**2023**	**2022**
Expenses from derivatives in the non-trading book	-630.5	-91.4	-630.5	-91.4
Expenses from additions to provisions	-1.1	-1.3	-0.8	-1.3
Expense from discount factor unwinding on pension obligations and change in the discount rate	-	-9.9	-	-9.9
Fair-value measurement of the CTA assets	-	-6.3	-	-6.3
Expenses for hedging business risks	-1.8	-1.7	-1.8	-1.7
Legal and project costs	-20.7	-6.6	-20.7	-6.6
Expenses from the write-down of an intra-Group sub-interest in expected payments arising from legal disputes	-0.3	-	-16.5	-
Other expenses	-1.8	-1.1	-2.1	-1.2
Total	**-656.2**	**-118.3**	**-672.5**	**-118.4**

Expenses from derivatives in the non-trading book relate in particular to close-outs of derivative transactions in the banking book. The year-on-year rise is attributable to the compression of the volume of derivatives. The expenses are offset by income in the “Other operating income” item.

(46) Costs of loss absorption

In the period under review, IKB AG incurred loss absorption costs of €6.6 million (previous year: €2.4 million). In addition to current loss absorption obligations to the subsidiaries IKB Beteiligungsgesellschaft 2 mbH and IKB Beteiligungsgesellschaft 3 mbH, the costs are attributable to a provision recognised for losses from profit and loss transfer agreements for 2024 to be absorbed from the subsidiary IKB Beteiligungsgesellschaft 2 mbH.

(47) Income taxes

The "Income taxes" item includes actual taxes of €11.5 million (previous year: €1.0 million) in the Group and of €11.4 million (previous year: €1.0 million) in IKB AG, relating in particular to prior-year taxes.

This item also reports the change in the recognition of deferred tax assets of €-10.0 million (previous year: €0.0 million) in the Group and €–10.0 million (previous year: €0.0 million) in IKB AG.

(48) Income from profit and loss transfer agreements

In the reporting period, income from profit and loss transfer agreements amounting to €0.1 million (previous year: €3.5 million) was generated under the profit and loss transfer agreements with IKB Invest GmbH. The profit and loss transfer agreement of IKB Invest GmbH with IKB Beteiligungen GmbH was transferred to IKB AG as a result of the merger of IKB Beteiligungen GmbH into IKB AG.

(49) Administrative and brokerage services for third parties

IKB primarily performs administrative and brokerage services in the lending business. The income from these activities is included in net commission income.

(50) Other operating income

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

	Group		IKB AG	
in € million	**2023**	**2022**	**2023**	**2022**
Income from derivatives in the non-trading book	650.9	164.4	650.9	164.4
Income from currency translation	3.8	10.3	3.8	10.7
Income from the release of provisions	7.5	4.7	7.4	5.0
Income from the reversal of an impairment on an intra-Group sub-participation in expected settlement payments under pending lawsuits	-	-	-	13.6
Other operating income	1.3	1.9	1.3	2.1
Expense from discount factor unwinding on pension obligations and change in the discount rate	-4.3	-	-4.3	-
Fair-value measurement of the CTA assets	13.1	-	13.1	-
Income from compensation payments and damages payments	1.8	9.2	0.0	0.6
Income from cost reimbursements in connection with legal disputes	3.0	12.8	3.0	12.8
Total	**677.1**	**203.2**	**675.2**	**209.2**

Income from derivatives in the non-trading book relates in particular to close-outs of derivative transactions in the banking book. The year-on-year rise is likewise attributable to the compression of the volume of derivatives. Income from currency translation particularly relates to the recognition through profit and loss of currency gains outside special cover.

(51) List of shareholdings as of 31 December 2023

31 Dec. 2023		Fiscal year	Equity interest in %
1. Domestic companies (fully consolidated)			
IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf	2)	1 Jan. – 31 Dec.	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 Invest GmbH, Düsseldorf	2)	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 Jan. – 31 Dec.	100.00
IKB Funding LLC I, Wilmington, United States of America		1 Jan. – 31 Dec.	100.00
IKB Funding Trust I, Wilmington, United States of America		1 Jan. – 31 Dec.	100.00
IKB International S.A. i.L., Munsbach, Luxembourg	3)	1 Jan. – 31 Dec.	100.00
IKB Lux Investment S.à r.l., Munsbach, Luxembourg		1 Jan. – 31 Dec.	100.00
3. German subsidiaries (not included in consolidation on the basis of section 296 (2) HGB4))	1)		
IKB New 1 GmbH, Düsseldorf		1 April – 31 March	100.00
IKB NewCo 3 GmbH, Düsseldorf		1 Jan. – 31 Dec.	100.00
IKB Projektentwicklungsverwaltungsgesellschaft mbH i.L., Düsseldorf	3)	1 Jan. – 31 Dec.	100.00
IKB Real Estate GmbH, Düsseldorf		1 Jan. – 31 Dec.	100.00
Restruktur 2 GmbH i.L., Düsseldorf	3)	1 April – 31 March	100.00
Restruktur 3 GmbH, Düsseldorf		1 April – 31 March	100.00
4. Special-purpose vehicles (not included in consolidation on the basis of section 296 (2) HGB4))	1)		
RIO DEBT HOLDINGS (IRELAND) DESIGNATED ACTIVITY COMPANY, Dublin, Irland			
Rosaria Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Heimstetten KG, Grünwald			
5. German associates/joint ventures (not accounted for using the equity method on the basis of section 311 (2) HGB4))	1)		
FUNDINGPORT GmbH, Hamburg		1 Jan. – 31 Dec.	30.00
6. Foreign associates/joint ventures (not accounted for using the equity method on the basis of section 311 (2) HGB4))	1)		
FUNDINGPORT SOFIA EOOD, Sofia, Bulgaria		1 Jan. – 31 Dec.	30.00

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 net assets, financial position and results of operations of the Group.

The companies consolidated are shown in the list of shareholdings. Accordingly, the separate lists of shareholdings and companies consolidated have been dispensed with in the interests of greater clarity.

(52) Significant shares of voting rights

With the entry in the commercial register of the resolution adopted at IKB AG's extraordinary shareholder meeting on 2 December 2016 to transfer all shares to the main shareholder in return for cash compensation (a squeeze out), LSF6 Europe Financial Holdings, L.P., with registered office in Dallas, USA, holds 100% of IKB's shares.

In accordance with section 20 AktG, as soon as an enterprise holds more than 25% (section 20 (1) AktG) or 50% (section 20 (4) AktG) of the shares in a non-listed stock corporation (Aktiengesellschaft) with registered office in Germany, the enterprise must notify the stock corporation in writing. Lone Star Europe Holdings (Bermuda), L.P., which has its registered office in Hamilton, Bermuda, notified us in accordance with section 20 (1) and (4) AktG that it has indirectly held more than one quarter of the shares as well as a majority interest in our company since 1 November 2023.

(53) Disclosure of auditor's fees

	Group		IKB AG	
in € million	**2023**	**2022**	**2023**	**2022**
Audit of financial statements	-1.7	-2.0	-1.6	-1.8
Other assurance or valuation services	-0.7	-0.2	-0.7	-0.2
Total	**-2.4**	**-2.2**	**-2.3**	**-2.0**

Auditor's fees include €0.1 million in expenses for previous financial years (previous year: none).

The fees for the statutory audit comprise expenses for the statutory audits of the annual and consolidated financial statements. Other assurance services concern the issue of audit opinions and the performance of audit procedures in accordance with ISAE 3000 as well as project audits.

(54) 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.

(55) Transfer of collateral for own liabilities and contingent liabilities

Assets were transferred in the amounts shown for the following liabilities:

31 Dec. 2023 in € million	**Group**	**IKB AG**
Liabilities to banks	9,516.1	9,519.5
Contingent liabilities	18.9	18.9
Total	**9,535.0**	**9,538.4**

The assets serving as collateral are primarily receivables and securities transferred to third-party banks or clearing houses in open-market and securities-repurchase transactions as part of business with public programme loans.

(56) Forward transactions

The derivatives concluded primarily serve to manage and limit interest-rate risk and relate in particular to the credit refinancing portfolio and the investment portfolios. The amount of interest-rate risk is restricted by a limit system approved by the Board of Managing Directors and monitored on a daily basis as part of risk management. In addition, the volume of forward and derivative transactions is restricted by counterparty limits.

The interest-rate risks of securities, loans and associated refinancing funds are managed uniformly in the investment portfolios and the credit refinancing portfolio. Derivatives are used to manage interest- and exchange-rate risks. The derivatives used are predominantly interest derivatives.

Please see note (57) for the fair values of interest-related derivatives in the Group and in IKB AG.

(57) Derivative financial instruments not measured at fair value

Group:

31 Dec. 2023 in € million	Nominal	Fair value Positive	Fair value Negative	Book value Assets	Book value Equity and liabilities
Interest-related derivatives	12,772.1	546.3	664.6	51.6	45.6
Currency-related derivatives	224.0	2.6	1.1	2.4	0.9
Derivatives assigned to several categories	101.7	3.1	13.0	3.0	13.7
Total	**13,097.8**	**552.0**	**678.7**	**57.0**	**60.2**

31 Dec. 2023 in € million	Book value Other assets	Book value Prepaid expenses	Book value Provisions	Book value Other liabilities	Book value Deferred income
Interest-related derivatives	44.1	7.5	-	32.2	13.4
Currency-related derivatives	2.4	-	0.0	0.9	-
Derivatives assigned to several categories	3.0	0.0	-	13.7	-
Total	**49.5**	**7.5**	**0.0**	**46.8**	**13.4**

IKB AG

31 Dec. 2023 in € million	Nominal	Fair value Positive	Fair value Negative	Book value Assets	Book value Equity and liabilities
Interest-related derivatives	12,772.1	546.3	664.6	51.6	45.6
Currency-related derivatives	224.0	2.6	1.1	2.4	0.9
Derivatives assigned to several categories	101.7	3.1	13.0	3.0	13.7
Total	**13,097.8**	**552.0**	**678.7**	**57.0**	**60.2**

31 Dec. 2023 in € million	Book value Other assets	Book value Prepaid expenses	Book value Provisions	Book value Other liabilities	Book value Deferred income
Interest-related derivatives	44.1	7.5	-	32.2	13.4
Currency-related derivatives	2.4	-	0.0	0.9	-
Derivatives assigned to several categories	3.0	0.0	-	13.7	-
Total	**49.5**	**7.5**	**0.0**	**46.8**	**13.4**

(58) 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. In addition, it includes the unrealised net gains and losses on credit default swaps, which are accounted for in the same way as loan collateral provided.

Group	31 Dec. 2023			31 Dec. 2022		
in € million	Book value	Fair value	Difference	Book value	Fair value	Difference
Receivables from banks	2,255.1	2,257.4	2.3	3,312.7	3,308.9	-3.8
Receivables from customers	8,562.1	8,503.0	-59.1	8,810.4	8,642.7	-167.7
Bonds and other fixed-income securities	3,098.0	2,884.4	-213.6	2,421.1	2,057.5	-363.6
Equities and other non-fixed-income securities	301.8	305.7	3.9	601.0	600.3	-0.7
Derivative financial instruments not measured at fair value	57.0	551.9	494.9	51.9	1,163.8	1,111.9
Credit default swaps recognised as loan collateral pledged	18.3	27.0	8.7	16.0	15.6	-0.4
Subtotal	**14,292.3**	**14,529.4**	**237.1**	**15,213.1**	**15,788.8**	**575.7**
Liabilities to banks	8,508.1	8,261.7	246.4	9,060.7	8,665.8	394.9
Liabilities to clients	3,947.4	3,901.1	46.3	4,335.2	4,238.7	96.5
Securitised liabilities	19.2	18.7	0.5	31.1	30.2	0.9
Subordinated liabilities	546.2	438.6	107.6	583.5	500.2	83.3
Derivative financial instruments not measured at fair value	60.3	678.7	-618.4	60.0	1,193.4	-1,133.4
Credit default swaps recognised as loan collateral pledged	5.2	0.9	4.3	5.2	3.0	2.2
Subtotal	**13,086.4**	**13,299.7**	**-213.3**	**14,075.7**	**14,631.3**	**-555.6**
Total			**23.8**			**20.1**

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 reporting sheet date plus a credit spread derived using IKB's internal risk measurement methods. The credit spread for a 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.

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.

(59) Remuneration of the Board of Managing Directors

Total remuneration for members of the Board of Managing Directors amounted to €3.0 million (previous year: €3.3 million) in the 2023 financial year. This includes fixed basic salaries, variable performance-based remuneration, compensatory pension benefits to compensate for a pension not agreed and non-cash remuneration. The Supervisory Board regularly reviews the appropriateness of the respective total remuneration.

Former and retired members of the Board of Managing Directors

The total remuneration for former members of the Board of Managing Directors and their surviving dependants amounted to €3.5 million (previous year: €3.3 million). In the 2023 financial year, the present value of the pension obligations towards former members of the Board of Managing Directors and their surviving dependants amounted to €57.2 million, discounted on the basis of the average market interest rate for the last 10 years (previous year: €55.7 million).

(60) Remuneration of the Supervisory Board

For the 2023 financial year, the total remuneration for members of the Supervisory Board amounted to €708 thousand (previous year: €619 thousand). This includes reimbursed expenses of €2 thousand (previous year: €5 thousand).

(61) Remuneration of the Advisory Board

The members of the Advisory Board were paid €272 thousand (previous year: €271 thousand), including VAT.

(62) Loans extended to members of the governing bodies and the Advisory Board

No loans have been granted to members of the Board of Managing Directors. No loans have been granted to members of the Supervisory Board either.

(63) Average number of employees for the year (calculated on the basis of full-time employees)

	Group		IKB AG	
	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
Men	363	351	363	351
Women	203	195	203	195
Total	**566**	**546**	**566**	**546**

(64) Significant events after 31 December 2023

The following events of material importance that affect the true and fair view of the operations, the results of operations, the situation and the expected development of the company occurred after 31 December 2023:

On 19 December 2023, IKB announced an offer to acquire the trust preferred securities of IKB Funding Trust I. Following an extension, the offer expired on 21 February 2024. As part of this offer, trust preferred securities in a nominal amount of €4.6 million were tendered. With effect from 23 February 2024, IKB acquired all trust preferred securities tendered at a price of 69.5% of the nominal amount.

Claims in the single-digit millions under a previous contractual relationship have been asserted against IKB in out-of-court proceedings. IKB has initiated, and will continue to take, the necessary legal steps to defend itself against these claims. IKB expects to incur elevated legal risks and legal defence costs.

(65) Executive bodies

Board of Managing Directors

Dr Michael H. Wiedmann (Chairman)

Dr Patrick Alfred Trutwein

Steffen Zeise

Supervisory Board

Dr Karl-Gerhard Eick (Chairman), management consultant

Claus Momburg (Deputy Chairman), independent gentleman

Sven Boysen[1)], employee representative

Benjamin Dickgießer, CFO of Novo Banco S.A., Portugal (until 17 August 2023)

Paxton Ward Flesher, Managing Director of Hudson Advisors UK Limited (since 17 August 2023)

Dr Lutz-Christian Funke, Director of KfW

Evgeniy Kazarez, Director of Hudson Advisors Portugal, LDA

Arndt G. Kirchhoff, Chairman of the Supervisory Board of KIRCHHOFF Group

Nicole Riggers[1)], employee representative (until 9 March 2023)

Jörn Walde[1)], employee representative

Dr Jan Wisser[1)], employee representative (since 9 March 2023)

1) Elected by the employees

Mandates held by employees

As of 31 December 2023, the following employees were represented in the statutory supervisory boards of large corporations:

Dr Reiner Dietrich

Tricor Packaging & Logistics AG

Notes on segment reporting

Segment reporting is based on the internal income statement, which forms part of IKB's management information system. It is presented in accordance with internal management reporting, which is used by the Board of Managing Directors to assess the performance of the segments and to allocate resources. The segment report is prepared in accordance with the guidance contained in DRS 28.

and is based on the Bank's product units. Each segment is treated as an independent entity responsible for its own profit and loss and the requisite capitalisation.

Segmentation

Reporting is based on a product approach with the following business segments:

- Public Programme Loans
- Corporate Bank
- Corporate Centre.

The Public Programme Loans segment includes income and expenses from development loans granted by IKB to mid-cap customers as well as consulting services for obtaining and applying for development loans.

The Corporate Bank segment is composed of the services provided by IKB in connection with internally financed corporate banking business. In addition to financing and advisory services in traditional lending business, this also includes supporting customers in their capital market activities.

The income and expense items from Funding & Asset Liability Management and the investment portfolio are reported in the Corporate Centre. Non-attributable costs of other central functions are also allocated to this segment.

Segment results and key figures

The segments are treated as independent entities with their own capital. Capital is allocated on the basis of the risk-weighted assets with an calculatory CET 1 ratio of 12% derived from the minimum requirements for regulatory own funds plus a capital buffer. Income and expenses are allocated to the segments in accordance with their responsibility for profit and loss. In line with standard industry practice, interest income and expense are reported on a net basis, as net interest income is a key performance indicator for assessing the segment's profitability. In the Public Programme Loans segment, interest income on loans is compared with the funding expenses of the development banks. Actual funding costs arising from private and corporate client deposits are netted between the Corporate Centre segment and the Corporate Bank segment. The return on allocated own funds is also transferred from the Corporate Centre and distributed across the Public Programmes Loans segment and the Corporate Bank segment. The interest margin is the ratio of net interest income and risk costs in the Public Programme Loans and Corporate Bank segments to the corresponding volumes of the loan book. Risk costs equal the quotient of net risk provisioning and the applicable average value of the loan book.

The personnel and administrative expenses of the central units are allocated to the segments in accordance with their origin and by means of transfer pricing. Project costs are allocated to the segments if the projects are directly related to these segments. Administrative expenses for projects and corporate functions with a corporate or regulatory background are reported in the Corporate Centre.

The risk provisions reported in the segments equal the net additions to and reversals of allowances for losses on loans and advances and recoveries on loans and advances previously written off.

The tax result is calculated in the Corporate Bank and Public Programme Loans segments on the basis of a notional tax rate of 12.5% specific to IKB. This figure is reconciled with the Group tax result in the Corporate Centre.

The performance of a segment is measured on the basis of net profit after tax, the cost/income ratio and the return on equity. The cost/income ratio is calculated as the quotient of administrative expenses and gross income (net interest income and net fee and commission income). The return on equity is calculated as the ratio of earnings after taxes to income to average allocated equity derived from a 12-percent imputed capital charge for risk-weighted assets in accordance with the CRR.

Segment report

Table: Segment reporting – Group

	Public Programme Loans		Corporate Bank		Corporate Centre		IKB	
in € million	1. Jan – 31 Dec. 2023	1. Jan – 31 Dec. 2022	1. Jan – 31 Dec. 2023	1. Jan – 31 Dec. 2022	1. Jan – 31 Dec. 2023	1. Jan – 31 Dec. 2022	1. Jan – 31 Dec. 2023	1. Jan – 31 Dec. 2022
Net interest income	78	79	128	89	18	20	224	188
Net fee and commission income	5	5	10	13	5	5	20	23
Gross income	83	85	138	101	23	25	244	211
Administrative expenses	-44	-43	-42	-41	-60	-60	-147	-145
Operating profit before risk provisions	39	41	96	60	-38	-35	97	66
Provisions for possible loan losses	8	9	-42	-27	-1	-1	-34	-19
Operating profit	48	50	54	33	-38	-35	63	48
Net other income	0	0	0	1	0	13	0	13
Income before taxes	48	50	54	33	-38	-23	63	61
Tax expense/income	-6	-6	-7	-4	15	10	3	0
Consolidated net result	42	44	47	29	-23	-12	65	61
New business	1,188	1,014	1,546	1,660	-	-	2,734	2,674
Loans outstanding as of the reporting date	5,044	4,957	3,975	4,293	6,892	8,319	15,911	17,570
Risk-weighted assets	2,644	2,562	3,055	3,497	1,551	1,771	7,250	7,830
Average CET 1 capital at 12%	308	329	387	428	204	208	900	965
Interest margin (%)	1.55	1.55	3.02	2.11			2.22	1.80
Cost/income ratio (%)	53.0	51.4	30.6	40.8			60.1	68.5
Risk costs (%)	-0.17	-0.18	1.00	0.65			0.37	0.20
Return on equity (%)	13.5	13.3	12.1	6.8			7.3	6.3

Any differences in totals are due to rounding effects.

Performance of the segments

The Public Programme Loans segment, which includes income and expenses from IKB's activities in connection with the grant of public programme loans to mid-cap customers and the provision of advice on obtaining and applying for such loans, generated net profit before tax of €48 million (previous year: €50 million). The new business volume was at €1.2

billion (previous year: €1.0 billion). The return on equity in the segment increased slightly to 13.5% (previous year: 13.3%) due to lower average risk-weighted assets and the resulting lower allocated equity. The cost/income ratio stood at 53.0%, up from 51.4% in the previous year, due to the slight decline in gross income.

The Corporate Bank segment, which combines the Bank's financing and advisory services in traditional lending business with support for its customers in capital market activities, generated net profit before tax of €54 million (previous year: €33 million). The new business volume was at €1.5 billion (previous year: €1.7 billion). Gross income rose significantly, to €138 million, compared with €101 million in the previous year, because interest income from loans to customers reacted faster to the rise in interest rates than the corresponding funding costs. The return on equity in the segment widened from 6.8% in the previous year to 12.1%, primarily as a result of the increased gross income. As a result, the cost/income ratio improved to 30.6%, from 40.8% in the previous year.

The Corporate Centre, which includes profit and loss from funding operations and asset/liability management and the investment portfolio as well as company-related costs (e.g., for the EU bank levy and the external audit of the annual financial statements) and the unallocated costs of central functions, reported a net loss before tax of €38 million (previous year: net loss of €23 million).

Düsseldorf, 28 February 2024

IKB Deutsche Industriebank AG

The Board of Managing Directors

Dr Michael H. Wiedmann	Dr Patrick Trutwein	Steffen Zeise

Report of the independent auditor

To IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf

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

Opinions

We have audited the annual financial statements of IKB Deutsche Industriebank AG, Düsseldorf, which comprise the balance sheet as at 31 December 2023, and the income statement for the financial year from 1 January 2023 to 31 December 2023, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of IKB Deutsche Industriebank AG for the financial year from 1 January 2023 to 31 December 2023, which was combined with the group management report. In accordance with the German legal requirements, we have not audited the content of the declaration on corporate governance pursuant to Sec. 289f (4) HGB ["Handelsgesetzbuch": German Commercial Code] contained in section 7 of the management report.

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

- **the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Institution as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 in compliance with German legally required accounting principles, and**

- **the accompanying management report as a whole provides an appropriate view of the Institution's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an assurance opinion on the declaration on corporate governance pursuant to Sec. 289f (4) HGB contained in section 7 of the management report.**

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

Basis for the opinions

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

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2023 to 31 December 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

1. Assessment of the recoverability of deferred tax assets

Reasons why the matter was determined to be a key audit matter

The assessment of the recoverability of deferred tax assets is subject to judgment and requires estimates on the extent to which temporary differences can be netted with future taxable income.

IKB AG assesses the recoverability of deferred tax assets on the basis of a forecast of the taxable results for the next five financial years based on internal planning, which is highly dependent on estimates and assumptions made by the executive directors.

Given the use of judgment in relation to the assumptions used in the forecast and the uncertainty inherent in any planning, the assessment of the recoverability of deferred tax assets was a key audit matter.

Auditor’s response and any key observations

During our audit procedures, we gained an understanding of the design of the Bank’s process for recognizing deferred tax assets and assessing the recoverability of deferred tax assets and assessed the appropriateness of the corresponding controls.

We examined whether deductible temporary differences were calculated in accordance with tax regulations and the provisions governing the recognition of deferred taxes set out in Sec. 274 HGB. Furthermore, we reconciled the Bank’s tax forecasts for subsequent years with internal planning documents prepared in accordance with German commercial law and analyzed the causes of any differences in the tax accounts or temporary differences and their reversal. We assessed the budgets and forecasts prepared in accordance with German commercial law in terms of the underlying planning assumptions, in particular with regard to a consistent application in the budgets and forecasts as well as consistency with the other inputs used by the Bank in other calculation models. In doing so, we relied on our knowledge of the Bank’s business activities and, in particular, considered the forecast development of the industry.

We identified the existing tax group relationships and analyzed whether the underlying tax rates reflect the effective tax burden of the tax group. We also assessed whether the Bank’s calculation is consistent with the pertinent tax legislation.

We consulted our tax experts and internal business valuation and mathematical finance specialists to assess the assumptions on deferred tax assets used in the impairment test.

Our audit procedures did not lead to any reservations relating to the assessment of the recoverability of deferred tax assets.

Reference to related disclosures

The Bank provides information on deferred tax assets in the notes to the financial statements and the consolidated financial statements of IKB as of 31 December 2023 in notes “(10) Deferred taxes” and “(29) Deferred tax assets.”

2. Identification and valuation of defaulted receivables from customers in the real estate portfolio

Reasons why the matter was determined to be a key audit matter

The identification and valuation of defaulted receivables from customers in the real estate portfolio is a key area in which the Board of Managing Directors uses judgment. Increased risk factors are particularly due to the noticeable downturn in the commercial real estate market. The identification of impaired loans and determination of required single loan loss allowances entail uncertainties and involve various assumptions and influencing factors, in particular the financial situation of the borrower, and expectations regarding future cash flows and income from the realization of collateral.

Even minor changes in the assumptions and estimation inputs can lead to significantly different valuations and thus to a change in allowances. In light of the significance for the assets, liabilities and financial performance, we considered the identification and valuation of defaulted receivables from customers in the real estate portfolio to be a key audit matter.

Auditor’s response

During our audit, we examined the processes for identifying and monitoring the default risk for receivables from customers in the real estate portfolio. To this end, we assessed in particular the processes and controls implemented for monitoring the occurrence of early warning indicators including ad hoc measures, the application of default criteria and the correct allocation to the relevant risk status.

We also examined the process for calculating provisions for possible loan losses, which included testing the operating effectiveness of the controls implemented for the calculation of provisions for possible loan losses.

As part of our credit file review, we selected a risk-based sample and in particular analyzed the allowance requirements determined for those exposures that are subject to increased risk factors due to the downturn in the real estate market.

We performed substantive audit procedures, assessing whether the significant assumptions and estimation inputs concerning the estimated future cash flows from the loan exposures were consistent with the financial situation of the borrower and the publicly available market and industry forecasts.

In the case of property collateral for which the Institution provided us with appraisals from a real estate expert it had appointed, we used these appraisals as audit evidence. In this context, we obtained an understanding of the underlying source data, the valuation inputs used and the assumptions made, critically evaluated them and assessed whether they are within a reasonable range. We also consulted internal specialists who have particular expertise in the area of real estate valuation for this purpose.

Furthermore, we obtained an understanding of the additional inputs used in each case for calculating the provisions for possible loan losses related to default risks on the basis of the evidence provided by the Bank and external information.

Our audit procedures did not lead to any reservations relating to the identification and valuation of defaulted receivables from customers in the real estate portfolio.

Reference to related disclosures

The Bank's disclosures on the identification and valuation of defaulted receivables from customers, which also include those from the real estate portfolio, are contained in note "(6) Provisions for possible loan losses" in the notes to the financial statements and the consolidated financial statements as of 31 December 2023 and in section "3. Report on Risks and Opportunities" in the "Counterparty default risks" subsection in the combined management report of IKB AG and the IKB Group.

Other information

The Supervisory Board is responsible for the "Report of the Supervisory Board." In all other respects, the executive directors are responsible for the other information.

The other information comprises the declaration on corporate governance pursuant to Sec. 289f (4) HGB. In addition, the other information comprises the non-financial report, which we expect to be provided with after we have issued our auditor's report. Furthermore, the other information comprises additional parts of the annual report of which we received a version before issuing this auditor's report, in particular the IKB Group key figures, the letter from the Chairman of the Board of Managing Directors, the Report of the Supervisory Board and the business highlights, but not the financial statements, not the management report disclosures whose content is audited and not our auditor's report thereon.

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

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

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

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

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

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

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

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

Auditor's responsibilities for the audit of the annual financial statements and of the management report

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

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

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Institution.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Institution's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on 9 March 2023. We were engaged by the Chairman of the Risk and Audit Committee on 25 October 2023. We have been the auditor of IKB Deutsche Industriebank AG without interruption since financial year 2017/2018.

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

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Marcus Binder.

Düsseldorf, 1 March 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Binder Wirtschaftsprüfer [German Public Auditor]	Eckert Wirtschaftsprüferin [German Public Auditor]

To IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of IKB Deutsche Industriebank AG, Düsseldorf, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the financial year from 1 January 2023 to 31 December 2023, and notes to the consolidated financial statements, including the recognition and measurement policies presented therein, as well as the group segment reporting for the financial year from 1 January 2023 to 31 December 2023. In addition, we have audited the group management report of IKB Deutsche Industriebank AG for the financial year from 1 January 2023 to 31 December 2023, which was combined with the management report. In accordance with the German legal requirements, we have not audited the content of the declaration on corporate governance pursuant to Sec. 289f (4) HGB ["Handelsgesetzbuch": German Commercial Code] contained in section 7 of the group management report.

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

- **the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 in compliance with German legally required accounting principles, and**

- **the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an assurance opinion on the declaration on corporate governance pursuant to Sec. 289f (4) HGB contained in section 7 of the group management report.**

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

Basis for the opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2023 to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

1. Assessment of the recoverability of deferred tax assets

Reasons why the matter was determined to be a key audit matter

The assessment of the recoverability of deferred tax assets is subject to judgment and requires estimates on the extent to which temporary differences can be netted with future taxable income.

The IKB Group assesses the recoverability of deferred tax assets on the basis of a forecast of the taxable results for the next five financial years based on internal planning, which is highly dependent on estimates and assumptions made by the executive directors.

Given the use of judgment in relation to the assumptions used in the forecast and the uncertainty inherent in any planning, the assessment of the recoverability of deferred tax assets was a key audit matter.

Auditor's response and any key observations

During our audit procedures, we gained an understanding of the design of the Bank's process for recognizing deferred tax assets and assessing the recoverability of deferred tax assets and assessed the appropriateness of the corresponding controls.

We examined whether deductible temporary differences were calculated in accordance with tax regulations and the provisions governing the recognition of deferred taxes set out in Sec. 274 HGB. Furthermore, we reconciled the Group's tax forecasts for subsequent years with internal planning documents prepared in accordance with German commercial law and analyzed the causes of any differences in the tax accounts or temporary differences and their reversal. We assessed the budgets and forecasts prepared in accordance with German commercial law in terms of the underlying planning assumptions, in particular with regard to a consistent application in the budgets and forecasts as well as consistency with the other inputs used by the Bank in other calculation models. In doing so, we relied on our knowledge of the Group's business activities and, in particular, considered the forecast development of the industry.

We identified the existing tax group relationships and analyzed whether the underlying tax rates reflect the effective tax burden of the tax group. We also assessed whether the Bank's calculation is consistent with the pertinent tax legislation.

We consulted our tax experts and internal business valuation and mathematical finance specialists to assess the assumptions on deferred tax assets used in the impairment test.

Our audit procedures did not lead to any reservations relating to the assessment of the recoverability of deferred tax assets.

Reference to related disclosures

The Group provides information on deferred tax assets in the notes to financial statements and the consolidated financial statements of IKB as of 31 December 2023 in notes "(10) Deferred taxes" and "(29) Deferred tax assets."

2. Identification and valuation of defaulted receivables from customers in the real estate portfolio

Reasons why the matter was determined to be a key audit matter

The identification and valuation of defaulted receivables from customers in the real estate portfolio is a key area in which the Board of Managing Directors uses judgment. Increased risk factors are particularly due to the noticeable downturn in the commercial real estate market. The identification of impaired loans and determination of required single loan loss allowances entail uncertainties and involve various assumptions and influencing factors, in particular the financial situation of the borrower, and expectations regarding future cash flows and income from the realization of collateral.

Even minor changes in the assumptions and estimation inputs can lead to significantly different valuations and thus to a change in allowances. In light of the significance for the assets, liabilities and financial performance, we considered the identification and valuation of defaulted receivables from customers in the real estate portfolio to be a key audit matter.

Auditor's response

During our audit, we examined the processes for identifying and monitoring the default risk for receivables from customers in the real estate portfolio. To this end, we assessed in particular the processes and controls implemented for monitoring the occurrence of early warning indicators including ad hoc measures, the application of default criteria and the correct allocation to the relevant risk status.

We also examined the process for calculating provisions for possible loan losses, which included testing the operating effectiveness of the controls implemented for the calculation of provisions for possible loan losses.

As part of our credit file review, we selected a risk-based sample and in particular analyzed the allowance requirements determined for those exposures that are subject to increased risk factors due to the downturn in the real estate market.

We performed substantive audit procedures, assessing whether the significant assumptions and estimation inputs concerning the estimated future cash flows from the loan exposures were consistent with the financial situation of the borrower and the publicly available market and industry forecasts.

In the case of property collateral for which the Institution provided us with appraisals from a real estate expert it had appointed, we used these appraisals as audit evidence. In this context, we obtained an understanding of the underlying source data, the valuation inputs used and the assumptions made, critically evaluated them and assessed whether they are within a reasonable range. We also consulted internal specialists who have particular expertise in the area of real estate valuation for this purpose.

Furthermore, we obtained an understanding of the additional inputs used in each case for calculating the provisions for possible loan losses related to default risks on the basis of the evidence provided by the Bank and external information.

Our audit procedures did not lead to any reservations relating to the identification and valuation of defaulted receivables from customers in the real estate portfolio.

Reference to related disclosures

The Group's disclosures on the identification and valuation of defaulted receivables from customers, which also include those from the real estate portfolio, are contained in note "(6) Provisions for possible loan losses" in the notes to the financial statements and the consolidated financial statements as of 31 December 2023 and in section "3. Report on Risks and Opportunities" in the "Counterparty default risks" subsection in the combined management report of IKB AG and the IKB Group.

Other information

The Supervisory Board is responsible for the "Report of the Supervisory Board." In all other respects, the executive directors are responsible for the other information.

The other information comprises the declaration on corporate governance pursuant to Sec. 289f (4) HGB. In addition, the other information comprises the non-financial report, which we expect to be provided with after we have issued our auditor's report. Furthermore, the other information comprises additional parts of the annual report of which we received a version before issuing this auditor's report, in particular the IKB Group key figures, the letter from the Chairman of the Board of Managing Directors, the Report of the Supervisory Board and the business highlights, but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

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

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

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

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

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

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

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

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

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

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Institution.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 9 March 2023. We were engaged by the Chairman of the Risk and Audit Committee on 25 October 2023. We have been the group auditor of IKB Deutsche Industriebank AG without interruption since financial year 2017/2018.

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

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Marcus Binder.

Düsseldorf, 1 March 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Binder Wirtschaftsprüfer [German Public Auditor]	Eckert Wirtschaftsprüferin [German Public Auditor]

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 of this report is legally binding.)