6-Month Report 2022

(1 January – 30 June 2022)

IKB Deutsche Industriebank

IKB Group key figures

Income statement (in € million)	1 Jan. - 30 June 2022	1 Jan. - 30 June 2022 adjusted[1)]	1 Jan. - 30 June 2021
Net interest income	98	98	108
Net fee and commission income	13	13	14
Gross income	111	111	122
Administrative expenses	-80	-68	-73
Operating profit before risk provisions	31	43	49
Net risk provisioning	0	0	2
Net other income[2)]	-1	-1	-3
Earnings before tax	30	42	48
Tax expense/income	0	0	-1
Net profit after tax	30	42	47
Interest margin on loan book (%)	1.77	1.77	1.77
Risk costs of loan book (%)	-0.01	-0.01	-0.04
Return on equity (%)	6.2	8.5	8.8
Cost/income ratio (%)	71.7	61.5	59.9

Balance sheet (€ million)	30 June 2022	31 December 2021
Own funds component CET 1 (fully phased)	1,186	1,361
Total assets	15,431	16,001
Loan book	9,157	9,340
Loan to deposit ratio (%)	90	70

Regulatory key figures (%)[3)]	30 June 2022	31 December 2021
Risk-weighted assets (€ billion, fully phased)	8.0	8.2
CET 1 ratio (fully phased)	14.9	16.6
Tier 1 ratio (fully phased)	14.9	16.6
Own funds ratio (fully phased)	21.0	23.8
CET 1 ratio IKB Group Basel IV (fully phased)	15.9	17.5
NPL ratio in accordance with EBA definition	1.8	1.9
Leverage ratio (fully phased)	6.4	8.1
Liquidity coverage ratio	244	274

Employees	30 June 2022	31 December 2021
Full-time employees (FTE) on the reporting date	546	548

Ratings	Moody's (22 November 2021)	Fitch (24 December 2021)
Issuer rating (long term)	Baa1 (outlook: stable)	BBB (outlook: stable)

Any differences in totals are due to rounding effects.

1) Adjusted for inflation-induced pension plan expenses (€9 million) and one-time expenses for unplanned project costs in connection with regulatory requirements (€2 million).

2) Among other things, this includes expense of €436 million from the remeasurement and sale of securities held in the liquidity reserve and a withdrawal of €345 million from the fund for general banking risks.

3) 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.

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Group Interim Management Report

Business highlights

- Consolidated net income before tax of €30 million impacted by extraordinary effects
- Adjusted return on equity (ROE) after tax of 8.5%
- Structural reduction of the cost basis ongoing with underlying adjusted administrative expenses in 1HY 2022 further reduced by €5 million to €68 million
- Adjusted cost income ratio (CIR) of 62%
- Resilient loan book: risk provisions of €0 million and NPL ratio (EBA definition) of 1.8%
- CET 1 ratio (fully phased) of 14.9%, pro-forma CET 1 ratio (Basel IV/CRR III) of 15.9%
- Leverage ratio of 6.4%

1. Basic information on the Group

Basic information on the IKB Group can be found on page 16f. of the annual report for 2021. There were no changes in this basic information in the period under review.

2. Economic report

Macroeconomic and industry-specific conditions

The first half of 2022 was particularly shaped by the Russian war on Ukraine, which commenced in February and exerted strain on the global economy. The sharp rise in the prices of numerous commodities, which increased companies' production costs and lowered consumer spending power, had a retarding effect. After contracting in the first two quarters of the year, the US economy is now in a technical recession. In China, economic activity rose sharply at the beginning of the year, with the government's growth target of 5.5% in 2022 appearing to be within striking distance. However, the strict measures under the zero-COVID policy exerted heavy pressure on the economy in the second quarter, causing Chinese gross domestic product (GDP) to shrink by 1.4% over the previous quarter. Increased uncertainty over the availability of key raw materials and intermediate goods additionally took a toll on business confidence in Europe in particular. The economic slowdown in the wake of the Ukraine conflict and the slump in Chinese growth continued to intensify in the second quarter of 2022. Thus, for example, the assumption by the Council of Experts in March 2022 that there would be no supply shortages on deliveries of gas from Russia proved to be overly optimistic.

German economic output still rose by 0.8% sequentially in the first quarter but stagnated in the second quarter. Since the beginning of the Russian war on Ukraine, it has had a significant impact on the economy. In addition, supply bottlenecks worsened again, with the sharp rise in energy prices placing a damper on production and corporate profits. Consumer spending also came under pressure at the beginning of the year from the pandemic and the measures taken to contain it. High energy prices fuelled the already high inflation rates, reducing consumer spending power as a result. On the other hand, the easing of the measures to contain the pandemic generated positive impetus.

In this environment, business confidence is muted. Rising energy prices and the threat of gas shortages are causing great concern for the German economy. However, consumer confidence has also come under pressure from the unexpectedly high inflation, with the GfK consumer confidence barometer hitting an all-time low in the summer. Although the inflation rate had been expected to rise in the course of 2022, the ECB (European Central Bank) was forced as early as in March as well as in June 2022 to raise its December 2021 inflation forecast for the year appreciably.

With inflation worsening, the Fed and the Bank of England have already raised their key interest rates several times in 2022, while the ECB retained its zero or negative interest rate policy until the summer. As a result, banks' earnings continued to come under pressure from the negative interest rate on deposit facilities. This left traces on banks' net interest income again. However, the ECB had already announced in December 2021 and February 2022 that it would gradually be tightening its monetary policy. It tapered its monthly asset purchasing operations and prepared the markets for an imminent end to quantitative easing. In response to the unexpectedly high inflation rates, the ECB announced at its monetary policy meeting in June 2022 that it would be raising its key interest rates for the first time since 2008, with further interest rate measures to follow. Net asset-purchasing under the APP (Asset Purchase Programme) and the PEPP (Pandemic Emergency Purchase Programme) was halted in July and March 2022, respectively. The capital markets anticipated the interest rate turnaround at an early stage, with yields on German government bonds returning to positive territory in February for the first time since mid-2019.

The number of corporate insolvencies in Germany is still low. Between January and April 2022, the number of failures dropped by 7% year-on-year. Insolvency numbers had dropped significantly at times during the coronavirus pandemic due to the special legal requirements and economic aid; these pandemic-related special rules expired in May 2021. The June figures for "applications for regulated insolvencies" as a leading indicator do not yet indicate any increase in insolvencies. Accordingly, banks' non-performing loans ratios presumably remained low in the first half of the year.

At the same time, companies received government support. Flanking the relief packages for consumers in response to high energy and petrol costs, a protective shield was put in place over the companies affected by the war. Implemented in May 2022, the special KfW UBR (Ukraine, Belarus, Russia) 2022 programme has been offering eligible companies access to an extended guarantee programme since the end of April.

Lending to companies in Germany continued to rise in the first quarter. Companies in the manufacturing sector also received more loans, although the portfolio of long-term loans declined. In the Bank Lending Survey, German banks state that demand for loans in the corporate sector had also risen in the second quarter. This increase was particularly due to heightened capital requirements for inventories and consumables and, in the first quarter, for capital spending. Many companies had increased their inventories due to precarious supply chains for intermediate products and the mounting uncertainty in the wake of the Ukraine war. Against this backdrop, German banks tightened their lending conditions for all sectors, citing heightened lending risks in justification of this. This particularly reflected sector- and company-specific factors in corporate business as well as the general deterioration in economic conditions identified by the banks well as the more muted outlook in the wake of the war in Ukraine, among other things.

Materially driven by the high uncertainty over the continued availability of gas, the growing pace of the economic deterioration over the past few weeks has triggered a further increase in risk aversion in the markets. Risk premiums on Italian bonds, particularly CDSs on issuers with poor ratings (iTraxx Crossover), have widened significantly again since May. At the same time, the euro depreciated against the US dollar as a result of fears of an energy crisis in Europe, with the latter additionally benefiting from its status as a safe-haven currency. Banks also showed preliminary signs of mounting risk aversion in their lending operations in the second quarter.

Important events during the reporting period

Changes in the Group

- Frana Grundstücks- und Vermietungsgesellschaft mbH was merged with Restruktur 3 GmbH with effect from 14 March 2022.
- With effect from 24 April 2022, IKB Beteiligungsgesellschaft 5 mbH sold all of its shares in IKB NewCo 5 GmbH to IKB Beteiligungsgesellschaft 1 mbH. In this connection, IKB NewCo 5 GmbH was renamed IKB New 1 GmbH.

Legally relevant events

Proceeds from lawsuits

IKB generated net income at the Group level in a double-digit million range under a judicial settlement in March 2022. At the level of IKB AG, other assets have therefore decreased by a single-digit million amount since the reporting date. The settlement has not led to evidence of any impairment.

Personnel changes

Supervisory Board

Dr Karl-Gerhard Eick and Dr Lutz-Christian Funke were re-elected to the Supervisory Board as representatives of the shareholders in resolutions passed at the Annual General Meeting on 2 June 2022. Furthermore, Mr Claus Momburg and Mr Evgeniy Kazarez were elected to the Supervisory Board for the first time to replace Dr Nolting and Mr Mark Coker, who stepped down at the end of the Annual General Meeting.

At the constituent meeting of the Supervisory Board following the Annual General Meeting, Dr Eick was re-elected Chairman of the Supervisory Board. He was also re-elected to the Risk and Audit Committee. Mr Momburg was elected Chairman of the Risk and Audit Committee and Deputy Chairman of the Supervisory Board and is thus also a member of the Supervisory Board Executive Committee, the Nomination Committee and the Remuneration Control Committee.

On the part of the employee representatives, Ms Susanne Eger stepped down from the Supervisory Board at the end of the Annual General Meeting. She has been replaced by Mr Jörn Walde as a substitute member elected in accordance with Section 7 of the German One-Third Participation Act (Drittelbeteiligungsgesetz). Mr Walde was also elected to the Supervisory Board Executive Committee and the Remuneration Control Committee at the constituent meeting of the Supervisory Board.

Board of Managing Directors

Dr Müller’s appointment was terminated at his request and by mutual agreement with effect from the end of the day on 15 February 2022. The Board of Managing Directors is now composed of Dr Michael Wiedmann as CEO and CFO, Dr Patrick Trutwein as Chief Risk Officer (CRO) and with responsibility for operations and IT and Mr Steffen Zeise as Chief Sales Officer.

Results of operations, asset position and financial situation

The effects of the Ukraine war on commodity prices and availability as well as on the economy and inflation are resulting in a challenging business environment. In the first half of the year, there were already signs of a very substantial widening of interest and credit spreads. Accordingly, the forecasts contained in the annual report for 2021 have been adjusted in some areas. Reference should be made to the section entitled “Macroeconomic and sector-specific conditions” for the rationale for the adjustment to the forecast.

IKB has taken extensive measures to lower its risk exposure in this challenging business environment. One aspect of this involved restructuring the investment portfolio, among other things, by abandoning the “hold to maturity” intention and transferring certain securities to the liquidity reserve together with more selective lending. In this connection, forecast consolidated profit before taxes for 2022 has been lowered from roughly €85 million to a good €60 million.

Business performance

In the first half of 2022, new business volume was valued at €1.2 billion (previous year: €1.7 billion). The proportion of internally funded business stood at 67% (previous year: 64%). Due to selective lending practices in connection with the high economic uncertainties, the volume of new business budgeted for 2022 was scaled back significantly.

Results of operations

In the first six months of 2022, IKB achieved consolidated profit before taxes of €30 million (previous year: €48 million). Of this, the Public Programme Loans segment contributed €30 million (previous year: €26 million), the Corporate Bank segment €22 million (previous year: €31 million) and the Corporate Centre segment €-22 million (previous year: €-9 million).

Forecast consolidated profit before taxes for 2022 has been lowered from roughly €85 million to a good €60 million. The consolidated profit before taxes for the first six months of 2022 was in line with the reduced forecast.

This adjustment is primarily due to higher projected administrative expenses. The increase in administrative expenses is particularly due to an inflation-induced increase in pension plan obligations as well as one-time expenses for unplanned projects in accordance with regulatory requirements.

	Group			IKB AG		
in € million	1 Jan. - 30 June 2022	1 Jan. - 30 June 2022 adjusted[1]	1 Jan. - 30 June 2021	1 Jan. - 30 June 2022	1 Jan. - 30 June 2022 adjusted[1]	1 Jan. - 30 June 2021
Net interest income	**98**	**98**	**108**	**96**	**96**	**100**
Interest income	109	109	125	107	107	117
Interest expenses	-12	-12	-17	-12	-12	-17
Net interest expenses for derivatives	2	2	-0	2	2	-0
Net fee and commission income	**13**	**13**	**14**	**13**	**13**	**14**
Gross income	**111**	**111**	**122**	**109**	**109**	**114**
Administrative expenses	**-80**	**-68**	**-73**	**-79**	**-68**	**-73**
Personnel expenses	-46	-36	-41	-46	-36	-41
Other administrative expenses	-34	-32	-32	-34	-32	-32
Operating profit before risk provisions	**31**	**43**	**49**	**30**	**41**	**41**
Net risk provisioning	**0**	**0**	**2**	**0**	**0**	**2**
Operating profit	**32**	**43**	**51**	**30**	**41**	**43**
Net other income[2]	**-1**	**-1**	**-3**	**-10**	**-10**	**-16**
Earnings before tax	**30**	**42**	**48**	**21**	**32**	**28**
Tax expense/income	**0**	**0**	**-1**	**0**	**0**	**-2**
Net profit after tax	**30**	**42**	**47**	**21**	**32**	**26**

Any differences in totals are due to rounding effects.

1) Adjusted for inflation-induced pension plan expenses (€9 million) and one-time expenses for unplanned project costs in connection with regulatory requirements (€2 million).

2) Among other things, this includes expense of €436 million from the remeasurement and sale of securities held in the liquidity reserve and a withdrawal of €345 million from the fund for general banking risks.

	Group	
Other key figures	1 Jan. - 30 June 2022	1 Jan. - 30 June 2021
New business volume (€ billion)	**1.2**	**1.7**
of which internally funded business	0.8	1.1
of which public programme loans business	0.4	0.6
Interest margin on loan book (%)	**1.77**	**1.77**
Risk costs of loan book (%)	**-0.01**	**-0.04**
Cost/income ratio (%)	**71.7**	**59.9**
Adjusted cost/income ratio[1](%)	**61.5**	
Return on equity (%)	**6.2**	**8.8**
Adjusted return on equity[1](%)	**8.5**	

1) Adjusted for inflation-induced pension plan expenses (€9 million) and one-time expenses for unplanned project costs in connection with regulatory requirements (€2 million).

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.

Net interest income in the period under review came to €98 million (previous year: €108 million) for the Group, with the Public Programme Loans segment contributing €41 million (previous year: €43 million), the Corporate Bank segment €42 million (previous year: €44 million) and the Corporate Centre €16 million (previous year: €21 million). Within the Group, interest income from lending business fell to €80 million (previous year: €92 million) and interest income from securities and current income from equities and other non-fixed-income securities to €29 million (previous year: €34 million). Recurring income from equities and other non-fixed-income securities is composed of income from fund units, which mainly comprises income from bonds. On the other hand, interest expenses for funding operations stood at €12 million (previous year: €17 million). The decline in interest expense on funding operations did not make up for the lower interest income from lending business. Net interest income from derivatives increased to €2 million (previous year: €0 million), with interest expense coming to €2 million (previous year: €9 million) and interest income to €4 million (previous year: €9 million).

In the first six months of 2022, net fee and commission income came to €13 million (previous year: €14 million) at the Group level. Of this, the Public Programme Loans segment generated net commission income of €3 million (previous year: €2 million), the Corporate Bank segment €7 million (previous year: €9 million) and the Corporate Centre segment €3 million (previous year: €3 million).

Administrative expenses

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

In the first half of 2022, administrative expenses came to €80 million (previous year: €73 million) at the Group level. Of this, the Public Programme Loans segment accounted for €22 million (previous year: €21 million), the Corporate Bank segment €20 million (previous year: €20 million) and the Corporate Centre segment €38 million (previous year: €32 million).

Group personnel expenses reached €46 million (previous year: €41 million), whereas other administrative expenses and amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets came to €34 million (previous year: €32 million) within the Group.

The increase in personnel expenses is primarily due to high expenses for pension plans as pension benefits were adjusted for inflation-related reasons, while modifications were made to the pension and inflation trend.

IKB adjusts current pension payments in accordance with the statutory requirements and contractual agreements. This is done over a period of three years for one year at a time for one third of the eligible former employees who were awarded a pension commitment before April 2006. The pension benefits paid to former members of the Board of Managing Directors are adjusted annually. One major factor in these adjustments for former employees is currently the average development of consumer prices over the past three years before the date of the adjustment. Accordingly, the substantial increase in consumer prices at the beginning of 2022 resulted in an increase through profit and loss in pension plan provisions in the first half of 2022 and is expected to exert an influence over the coming two financial years as well.

If inflation increases or remains at its current level over a protracted period of time, this will result in higher administrative expenses in connection with the measurement of the pension provisions. On the other hand, an increase in interest rates will reduce the value of the pension provisions. This effect would be reflected in net other income with a certain delay due to the discount rate to be applied under the German Commercial Code. Additional earnings effects may also arise from revised requirements in connection with the recognition and measurement of pension provisions.

In 2015, the company pension plan was restructured for new employees joining the Bank from 1 August 2015. Accordingly, no pension obligations arise under the new model. Moreover, the Bank has successfully implemented several measures over the last financial years prior to 2022 with the aim of reducing the effects on profit and loss as a result of interest and inflation rate changes caused by pension liabilities under the commitments granted prior to July 2015. In particular, the existing pension plan rules were modified, pension claims of €12.7 million discharged by means of settlement offers and pension obligations of €70.5 million transferred to a non-insurance-based pension fund.

The effects with respect to pension provisions resulted in additional expenses of €9 million in the reporting period. IKB currently assumes that, provided underlying conditions remain steady, this effect will likewise exert strain on administrative expenses in the first six months of the next two years. Other administrative expenses were also higher than in the previous year and the forecast due in particular to one-time expenses in connection with unplanned project costs in accordance with regulatory requirements. Adjusted for these effects, administrative expenses came to €68 million (previous year: €73 million).

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, securities held as current and fixed assets and expenses or income arising from allocations to or withdrawals from the fund for general banking risks.

In the reporting period, it included expenses of €1 million (previous year: expenses of €3 million) at the Group level. This is due to the following main factors:

- Persistently high inflation, rising interest rates and widening credit spreads in particular exposed IKB's investment portfolio to high fair value losses in the first half of the year. All in all, the value of the investment portfolio declined by around €167 million as a result of the following factors:

	in € million	Recognised in profit and loss/ not recognised in profit and loss
Net expense from the remeasurement and sale of securities held in the liquidity reserve	-436	Recognised in profit and loss
Net expense from the remeasurement and sale of securities held as fixed assets	-24	Recognised in profit and loss
Net income from the closure of derivatives positions in the non-trading book	105	Recognised in profit and loss
Improvement in unrealised gains and losses from interest rate swaps held off the balance sheet[1)]	380	not recognised in profit and loss
Deterioration in unrealised gains and losses on securities held as fixed assets[1)]	-192	not recognised in profit and loss
Total change in value of the investment portfolio	**-167**	

1) see also "Unrealised gains and losses" in the notes to the consolidated financial statements

- The components of the changes in value recognised in profit and loss were reported within net other income. To cover this, an amount of €345 million (previous year: €0 million) was withdrawn from the fund for general banking risks.

- The discount factor unwind on pension obligations resulted in expense of €7 million in the period under review (previous year: expense of €15 million). Despite the preponderance of declines in the equity markets (MSCI Europe – equity index roughly 15% down, Pan-European Aggregate bond index roughly 13% down) in the first half of 2022, expense in connection with the CTA was capped at a net €6 million (previous year: expense of €1 million) and thus at a decline of around 2.5% as it was mostly invested in cash and money market funds. In addition, changes in the value of the CTA resulted in income of €4 million (previous year: €0 million) as a result of a reduction in pension obligations.
- The out-of-court settlement of litigation initiated by the Group generated income of €21 million (previous year: €0 million), which was recognised within net other income.
- In addition, net other income includes legal and project costs as well as expenses for hedging business risks and restructuring expenses in the Group of €4 million (previous year: €14 million).

Net risk provisioning

Net risk provisioning comprises adjustments and impairments of receivables and additions to loan loss 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”). In the first half of 2022, net risk provisioning came to €0 million (previous year: income of €2 million) at the Group level. Of this, the Public Programme Loans segment accounted for €7 million (previous year: €3 million), the Corporate Bank segment €-6 million (previous year: €-3 million) and the Corporate Centre segment €-1 million (previous year: €2 million).

Group net risk provisioning is composed of net expenses from impairments and single loan loss allowances on loans and advances and provisions in lending business amounting to €6 million (previous year: net expenses of €13 million) and net income of €6 million (previous year: net income of €15 million) from the reversal of portfolio loan loss allowances. Additional information on risk provisioning can be found in the table on risk provisions in “Section 3. Risk report”.

Taxes

Net tax expense in the period under review came to €0 million after tax expense of €1 million in the same period of the previous year.

Net income

Consolidated net income for the first half of 2022 came to €30 million (previous year: €47 million).

Asset position

The Group’s total assets fell from €16.0 billion on 31 December 2021 to €15.4 billion.

The gross loan volume, which also includes off-balance-sheet business (see also “Section 3. Risk Report”) contracted from €17.4 billion on 31 December 2021 to €17.2 billion and is mainly composed of 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. In economic terms, the losses of €436 million on the securities held in the liquidity reserve were mostly offset by an improvement (which is not recognised in the balance sheet) in the unrealised profit/loss on off-balance sheet transactions (interest rate swaps) of roughly €380 million. Moreover, income of €105 million was recognised from the closure of interest rate swaps held in the non-trading book, while a withdrawal of €345 million from the fund for general banking risks was implemented.

Assets

Receivables from banks at the Group level rose by €0.3 billion over 31 December 2021 to €3.3 billion primarily as a result of higher secured liquidity investments via Eurex in tandem with a simultaneous decline in the cash collateral provided. Cash reserves dropped from €0.2 billion to €0.1 billion.

Receivables from customers declined by €0.1 billion to €8.8 billion as the effects of loan repayments were not fully offset by new business.

The portfolio of bonds and other fixed-income securities at the Group level fell by €0.6 billion compared to 31 December 2021 to €2.4 billion in connection with the reduction of market price risks. In addition to sales, the decline was attributable to remeasurement losses on bonds that were reclassified as components of the liquidity reserve due to the abandonment of the intention to hold them until maturity and were therefore marked to the market. Looking forward, marked-to-market valuation may result in income or also further expenses. All in all, bonds with a nominal value of €862 million were reclassified.

Liabilities

Liabilities to banks fell by €0.1 billion over 31 December 2021 to €8.6 billion.

Liabilities to customers declined by €0.2 billion to €4.6 billion mainly as a result of lower deposits from business customers.

The fund for general banking risks was reduced by €0.3 billion to €0.2 billion due to a partial withdrawal recognised through profit and loss.

Equity

In the reporting period, balance-sheet equity rose from €940 million on 31 December 2021 to €970 million due to the consolidated net income and the partial withdrawal from the fund for general banking risks recognised through profit and loss.

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.

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, unrealised losses could lead to a lower level of net interest income or losses on disposals. 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 30 June 2022.

Financial situation

IKB's funding mix means that its liquidity position is stable and funding can generally be obtained at more favourable conditions than in the previous periods. In addition to purpose-tied and other secured funding operations or in connection with the ECB's long-term refinancing programmes, 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. Risk report" for further details concerning the liquidity and financing situation

Overall assessment

The forecast for consolidated profit before taxes in 2022 was lowered from roughly €85 million to a good €60 million particularly as a result of the inflation-related increase in pension plan expenses and one-time expenses for unplanned project costs in accordance with regulatory requirements. The consolidated profit before taxes of €30 million for the first six months of 2022 was in line with the adjusted forecast. Cash flows and the financial position are orderly.

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 Common Equity Tier 1 ratio

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

As of 30 June 2022, the CET 1 ratio (transitional) stood at 17.0% for the IKB Group and 17.2% for IKB AG (see "Section 3. Risk report" for details). For this purpose, IKB applied the option provided for in Article 468 of the Capital Requirement Regulation (CRR) as of 30 June 2022 for the first time. This resulted in an additional amount of €139 million eligible for inclusion in CET 1 and an increase of 1.9 percentage points in the CET 1 ratio (IKB AG: 1.8 percentage points) in the transitional perspective. Under the CRR, use of this option is limited until 31 December 2022 and it has no impact on the CET 1 quotas in the fully phased view.

As of 30 June 2022, the CET 1 ratio (fully phased) stood at 14.9% for the IKB Group and 15.1% for IKB AG (see "Section 3. Risk report" for details). This means that IKB substantially exceeded the forecast of over 13% (IKB AG: over 13.5%). In addition to the profits for the current financial year, this is due to the Bank's changed dividend-distribution policy in relation to the net retained profit for the 2020 financial year. The Bank currently has no intention to distribute any dividends and therefore classifies the net retained profit carried forward as CET 1 capital. Moreover, there is a distinct decline in risk-weighted assets due to selective underwriting and the positive rating migrations within the loan portfolio. This is offset by a partial withdrawal from the fund for general banking risks to cover the expense arising from the remeasurement losses recognised on securities held as current assets.

As reported in the section entitled "Significant events after 31 December 2021" in the notes to the consolidated financial statements in the annual report 2021, IKB notified the banking supervisory authority with effect from 28 February 2022 in accordance with section 24 (1) no. 4 of the German Banking Act (KWG) that its CET 1 capital had declined from €1,349 million to €1,220 million.

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 %	30 June 2022	31 Dec. 2021	30 June 2022	31 Dec. 2021
Leverage ratio (transitional)	7.1	8.2	7.3	8.4
Leverageratio (fully phased)	6.4	8.1	6.6	8.4

This significantly exceeds the statutory minimum ratio and the forecast contained in the 2021 Annual Report of a leverage ratio of over 7% for the IKB Group.

The option provided for in Article 468 of the CRR described in the section on regulatory capital in "Chapter 3. Risk Report" in connection with the leverage ratio is also limited to the transitional perspective and therefore results in a decline of €139 million in CET 1 capital as of 30 June 2022 in the fully phased perspective.

Net income before taxes

The Group's consolidated profit and IKB AG's profit before taxes were in line with the revised forecast.

Cost/income ratio and return on equity

The cost/income ratio expresses the ratio of administrative expenses to the sum of net interest income and net fee and commission income; the ratio stood at 71.7% for the Group in the first half of the 2022 financial year (previous year: 59.9%). Accordingly, it was higher than forecast particularly as a result of the inflation-induced higher expenses for pension plans (€9 million) and higher expenses for projects (€2 million). Adjusted for these factors, the cost/income ratio stands at 61.5%. The increase in the cost/income ratio over the same period in the previous year is particularly due to lower net interest and commission income, whereas administrative expenses, adjusted for the aforementioned non-recurring effects, were lowered again to €68 million (previous year: €73 million).

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 6.2% (previous year: 8.8%) for the Group, thus falling short of the forecast of just under 9% stated in the annual report for 2021 for the reasons mentioned above. Adjusted for the higher pension plan and project expenses, the return on equity stands at 8.5%.

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 2021.

	IKB Group		IKB AG	
	30 June 2022	31 Dec. 2021	30 June 2022	31 Dec. 2021
Liquidity coverage ratio (%)	244	274	231	259

As forecast, the ratio was thus consistently above the minimum target of 100% defined in the Annual Report for the year ending 31 December 2021 during the entire 2022 financial year.

Net stable funding ratio

As of 30 June 2022, the net stable funding ratio (NSFR), which tracks medium to long-term liquidity stood at 122.4% for the IKB Group (IKB AG: 125.3%), thus consistently exceeding the statutory minimum of 100% in line with the forecast.

3. Risk report

A detailed description has been dispensed with where there has been no change in the methods and processes since 31 December 2021, in which case IKB's annual report for 2021 (pages 28 to 54) should be referred to.

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 rating process. In addition, the Bank received approval from BaFin in the current financial year to apply the base IRB approach to bank ratings and has been doing so since 31 March 2022. The Bank uses the standardised approach to calculate the credit valuation adjustment charge, the base indicator approach for operational risk and the prescribed standard method for market price 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) with due allowance made for the interim profit as of 30 June 2022. 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.

In the transitional perspective, the Bank made use of the option provided for in Article 468 of the CRR as of 30 June 2022 for the first time. This resulted an additional amount of €139 million eligible for inclusion in CET 1 as of 30 June 2022. Use of the option under the CRR is only permitted until 31 December 2022.

Table: Regulatory capital situation of the IKB Group in accordance with CRR/CRR II[1)3)]

	30 June 2022[4)]		31 December 2021[2)]	
Figures in € million	**transitional**	**fully phased**	**transitional**	**fully phased**
Counterparty default risk (including CVA charge)	7,280	7,391	7,421	7,591
Market risk equivalent	133	133	156	156
Operational risk	452	452	448	448
Total risk-weighted assets (RWA)	**7,866**	**7,977**	**8,025**	**8,194**
Common Equity Tier 1 (CET 1)	**1,335**	**1,186**	**1,361**	**1,361**
Additional tier 1 (AT 1)	0	0	8	0
Total tier 1 (T 1)	**1,335**	**1,186**	**1,368**	**1,361**
Tier 2 (T 2)	487	487	586	590
Own funds	**1,821**	**1,672**	**1,954**	**1,951**
CET 1 ratio (%)	**17.0**	**14.9**	**17.0**	**16.6**
T1 ratio (%)	17.0	14.9	17.0	16.6
Own funds ratio (%)	23.2	21.0	24.4	23.8

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 30 June 2022 and 31 December 2021 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) IKB had factored in the planned payout equalling IKB AG's net income for the 2020 financial year in its regulatory capital by recognising a correction item.
3) Figures after approval of the financial statements and including interim profit.
4) The discrepancy between the transitional and fully phased perspectives is primarily due to the first-time application of the option provided for in Article 468 of the CRR as of 30 June 2022.

Table: Regulatory capital situation at individual bank level in accordance with CRR/CRR II[1)3)]

	30 June 2022[4)]		31 December 2021[2)]	
Figures in € million	**transitional**	**fully phased**	**transitional**	**fully phased**
Counterparty default risk (including CVA charge)	7,432	7,550	7,579	7,746
Market risk equivalent	133	133	148	148
Operational risk	372	372	384	384
Total risk-weighted assets (RWA)	**7,937**	**8,055**	**8,111**	**8,278**
Common Equity Tier 1 (CET 1)	**1,365**	**1,219**	**1,400**	**1,400**
Additional tier 1 (AT 1)	0	0	0	0
Total tier 1 (T 1)	**1,365**	**1,219**	**1,400**	**1,400**
Tier 2 (T 2)	486	486	518	515
Own funds	**1,851**	**1,705**	**1,919**	**1,915**
CET 1 ratio (%)	**17.2**	**15.1**	**17.3**	**16.9**
T1 ratio (%)	17.2	15.1	17.3	16.9
Own funds ratio (%)	23.3	21.2	23.7	23.1

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 30 June 2022 and 31 December 2021 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) IKB had factored in the planned payout equalling IKB AG's net income for the 2020 financial year in its regulatory capital by recognising a correction item.
3) Figures after approval of the financial statements and including interim profit.
4) The discrepancy between the transitional and fully phased perspectives is primarily due to the first-time application of the option provided for in Article 468 of the CRR as of 30 June 2022.

At 14.9% for the Group and 15.1% for the Bank, IKB's CET 1 ratios (fully phased) are 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 (Bundesanstalt für Finanzdienstleistungsaufsicht – 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. In addition, IKB received a decision of BaFin on temporary capital add-ons in accordance with section 10 (3), sentence 1, KWG on 16 February 2022. In accordance with the notification, this applies solely to the individual institution.

Table: Regulatory capital requirements

Ratios (%)	30 June 2022 Common Equity Tier 1 capital	Tier 1 capital	Total equity and liabilities
Capital requirement			
Pillar I requirements (Article 92 CRR)	4.50	6.00	8.00
Pillar II requirements (SREP)	1.13	1.50	2.00
Capital conservation buffer (CCB)	2.50	2.50	2.50
Countercyclical capital buffer (CCyB)	0.02	0.02	0.02
Total for group of institutions	**8.14**	**10.02**	**12.52**
Capital markup in accordance with section 10 (3) sentence 1 of the German Banking Act (KWG) (individual institution only)	**2.25**	**3.00**	**4.00**
Total for individual institution	**10.39**	**13.02**	**16.52**
For information purposes: Net own funds target ratio	0.90	0.90	0.90
Capital ratios – IKB AG			
Current capital ratio (transitional)	17.20	17.20	23.32
MDA surplus	681 bps	418 bps	680 bps
Capital ratios – IKB Group			
Current capital ratio (transitional)	16.97	16.97	23.16
MDA surplus	883 bps	695 bps	1,064 bps

The MDA (maximum distributable amount) surplus is therefore 418 bps in the IKB AG's Tier 1 capital in the relevant perspective. Adjusted for the option provided for in Article 468 of the CRR, the MDAY surplus stands at 238 basis points.

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

IKB's annual report for 2021 (see pages 31ff.) should be referred to for details of the risk-bearing capacity concept.

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

	30 June 2022 in € million	30 June 2022 in %	31 December 2021 in € million	31 December 2021 in %
Counterparty default risk	525	59%	639	55%
Market price risk	300	33%	401	34%
Operational risk	65	7%	117	10%
Refinancing cost risk	9	1%	8	1%
Total	**898**	**100%**	**1,165**	**100%**
less diversification effects	-95		-136	
Overall risk position	**803**		**1,029**	
Risk-covering equity	**1,260**		**1,415**	

Any differences in totals are due to rounding effects.

Risk-bearing capacity over the next twelve months is intact.

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 containing current expectations with respect to the macroeconomic effects of the coronavirus pandemic, supply chain disruptions, the Ukraine war and interest rate trends. In addition, the calculations underlying the forecast take account of the fact that from 1 January 2023 Tier 2 components are no longer recognised as part of risk coverage potential in the economic perspective. 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.[1]

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

IKB's annual report for 2021 (see page 33) should be referred to for details of the risk strategy. No material adjustments were necessary in the first half of 2022.

Counterparty default risks

IKB's annual report for 2021 (see page 34ff.) provides details of the loan approval process, the process for monitoring individual exposures, the rating processes and systems, the quantification of credit risk and portfolio monitoring and management.

[1] As these stress scenarios are based on extreme assumptions, they are currently considered to have only a "minor" probability of occurrence.

Structure of the counterparty default risk

The credit volume as of 30 June 2022 breaks down as follows:

Table: Credit volume – Group

in € million	30 June 2022	31 Dec. 2021	Change	30 June 2021	Change
Balances with central banks	125	228	-103	367	-242
Receivables from banks	3,263	2,999	264	2,911	352
Receivables from customers	8,770	8,847	-77	9,136	-366
Bonds and other fixed-income securities not including own issues	2,393	3,039	-646	3,115	-722
Equities and other non-fixed-income securities	630	630	-	304	326
Equity investments	1	1	-	1	-
Subtotal: Assets recognised on the balance sheet	**15,182**	**15,744**	**-562**	**15,834**	**-652**
Contingent liabilities[1)]	1,123	1,300	-177	1,429	-306
Positive fair values of derivatives in the non-trading book[2)]	883	302	581	308	575
Write-downs	135	149	-14	163	-28
Securities lending	92	-	92	-	92
Non-consolidated IKB balances in non-fixed-income securities[3)]	-178	-75	-103	-96	-82
Gross credit volume	**17,237**	**17,420**	**-183**	**17,638**	**-401**
For information purposes: other significant counterparty default risks outside the gross credit volume					
Irrevocable loan commitments	1,020	910	110	1,063	-43
Shares in associated and affiliated companies	2	3	-1	2	-

1) before deducting risk provisions
2) Including €7 million (31 December 2021: €25 million) in positive fair values from protection seller CDSs whose nominals are treated as contingent liabilities for accounting purposes.
3) This disclosure has been supplemented. Gross lending volumes as of 31 December 2021 and 30 June 2021 have been adjusted.

Overall, the IKB Group's gross credit volume declined as of 30 June 2022 compared with 31 December 2021. The change is primarily due to the fair value losses following the reclassification of the bonds as current assets and the sale of long-dated government bonds as well as a reduction in contingent liabilities (expiry of protection seller CDSs). The simultaneous increase in receivables from banks and positive market values of the derivatives in the non-trading book partially offset this reduction.

Segment structure

Table: Credit volume by segment – Group

	30 June 2022 in € million	30 June 2022 in %	31 December 2021 in € million	31 December 2021 in %
Loan book	**9,157**	**53**	**9,340**	**54**
of which Corporate Bank	4,123	24	4,199	24
of which public programme loans	5,034	29	5,141	30
Corporate Centre	**8,080**	**47**	**8,080**	**46**
of which liquidity book[1)]	2,758	16	3,432	20
of which protection seller CDSs[2)]	918	5	1,009	6
of which money market products[3)]	4,404	26	3,639	20
of which balances with central banks[4)]	1,675	10	1,728	10
Total	**17,237**	**100**	**17,420**	**100**

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; these figures have been adjusted as of 31 December 2021 (excluding non-consolidated IKB balance in non-fixed-income securities)
2) without protection seller CDSs in the loan book
3) including call accounts, loan deposits and derivatives with positive fair values, adjustments
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 decreased slightly due to lower receivables from customers as well as expired protection seller CDSs. Overall, lending volumes in the Corporate Centre remained steady, with the liquidity book and the protection seller CDSs declining, while money market products were higher largely due to the higher positive market values of derivatives held in the non-trading book.

Geographical structure

Table: Credit volume by region – Group

	30 June 2022				31 December 2021			
	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	12,789	74	7,278	79	12,376	71	7,356	79
Outside Germany	3,517	20	948	10	4,059	23	998	11
Western Europe	2,496	14	756	8	2,927	17	802	9
of which: France	642	4	107	1	743	4	124	1
of which EU[1)]	372	2	0	0	508	3	0	0
of which Spain	293	2	50	1	325	2	47	1
of which the Netherlands	261	2	92	1	253	1	122	1
of which Belgium	196	1	19	0	301	2	19	0
Eastern Europe	414	2	82	1	481	3	61	1
of which Poland	169	1	67	1	188	1	46	0
of which Romania	130	1	0	0	154	1	0	0
of which Hungary	100	1	0	0	100	1	0	0
North America	550	3	100	1	595	3	123	1
Other countries	57	0	10	0	56	0	12	0
Subtotal	**16,306**	**95**	**8,226**	**90**	**16,435**	**94**	**8,355**	**89**
Risk transferred to third parties[2)]	931	5	931	10	985	6	985	11
Total	**17,237**	**100**	**9,157**	**100**	**17,420**	**100**	**9,340**	**100**

1) European Commission, ESM and European Investment Bank
2) Hermes guarantees, indemnifications, risks transfers

The reduction in the overall volume relates to foreign exposures in the Corporate Centre, particularly in Western European countries. Domestic volumes were higher.

The share of loans outside Germany in the loan book decreased slightly from 11% to 10%.

Sector structure

Table: Credit volume by sector – Group

	30 June 2022				31 December 2021			
	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	7,342	43	7.282	80	7,616	44	7,555	81
Energy supply	627	4	627	7	662	4	660	7
Automotive	584	3	584	6	646	4	646	7
Chemical and pharmaceutical industry	521	3	495	5	567	3	541	6
Food industry	494	3	494	5	527	3	526	6
Paper industry	488	3	488	5	475	3	475	5
Retail trade (excluding automotive, filling stations)	464	3	461	5	449	3	442	5
Mechanical engineering	449	3	447	5	449	3	445	5
Metal production and processing	360	2	360	4	366	2	366	4
Wholesale (excluding motor vehicles)	329	2	328	4	366	2	364	4
Construction sector	322	2	319	3	278	2	271	3
Other industrial sectors	2,704	16	2,679	29	2,831	16	2,819	30
Real estate	852	5	850	9	704	4	694	7
Financial services	338	2	89	1	383	2	94	1
Banks	5,538	32	2	0	4,748	27	8	0
Public sector	2,236	13	3	0	2,984	17	4	0
Subtotal	**16,306**	**95**	**8,226**	**90**	**16,435**	**94**	**8,355**	**89**
Risk transferred to third parties[1)]	931	5	931	10	985	6	985	11
Total	**17,237**	**100**	**9,157**	**100**	**17,420**	**100**	**9,340**	**100**

1) Hermes guarantees, indemnifications, risks transfers

The degree of diversification in the industrial sectors remains high – no single industrial sector accounts for more than 4% of the portfolio. The other industrial sectors are composed of 26 other industry clusters. IKB has only minor exposure totalling €119 million (31 December 2021: €144 million) to sectors particularly affected by the pandemic, e.g. culture, sports and entertainment, textiles and clothing, hospitality, shipping and aviation. This exposure is continuing to decline.

The loan portfolio is also being monitored in the light of special economic circumstances such as the substantial increase in commodity and energy prices as well as their availability and the impact of the war in Ukraine. This is still not having any material impact on IKB's loan portfolio, although the outlook for the future is completely unclear. IKB still does not have any exposure to Russia, Belarus and Ukraine. The Bank currently sees secondary effects in connection with current economic developments in the automotive sector in particular. Future developments will also depend on the extent to which the higher commodity and energy prices can be passed on to final customers by means of price increases.

Credit rating structure

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

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

	30 June 2022				31 December 2021			
	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
1-4	8,268	48	1,254	14	8,137	47	1,227	13
5-7	4,608	27	3,690	40	4,472	26	3,487	37
8-10	2,525	15	2,381	26	2,758	16	2,577	28
11-13	584	3	581	6	709	4	705	8
14-15	160	1	160	2	180	1	180	2
Non-performing assets[2)]	161	1	160	2	179	1	179	2
Subtotal	**16,306**	**95**	**8,226**	**90**	**16,435**	**94**	**8,355**	**89**
Risk transferred to third parties[3)]	931	5	931	10	985	6	985	11
Total	**17,237**	**100**	**9,157**	**100**	**17,420**	**100**	**9,340**	**100**

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 54%. The share and volume of exposures in the middle (8-10) and lower (11-15) credit rating segments are predominantly in the loan book and declined in the reporting period. In addition to the impact of the coronavirus pandemic on supply chains, the availability of raw materials and rising prices, the consequences of the war in Ukraine – among other things for economic growth – may also have an impact on future credit rating migrations and, hence, on the Bank's credit risks.

Non-performing assets

Table: Non-performing assets[1)] – Group

	30 June 2022 in € million	31 Dec. 2021 in € million	Change in € million	Change in %
Assets with single loan loss allowances	136	170	-34	-20
Non-impaired	25	9	16	178
Total	**161**	**179**	**-18**	**-10**
Percentage of total loans	0.9%	1.0%		
Percentage of total loans to companies	1.8%	1.9%		
For information purposes: NPL ratio in accordance with EBA definition[2)]	1.8%	1.9%		

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:
- €18 million (31 December 2021: €7 million) in risks transferred to third parties for non-performing assets that have been assumed by other banks or public sector entities and are therefore assigned to the party assuming liability (change in credit rating).
- €4 million (31 December 2021: €2 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 macroeconomic environment that remains difficult due to the Ukraine war, disrupted supply chains and price increases, in particular, non-performing assets were reduced as of the reporting date and remain at a low level. Overall, the portfolio of non-performing assets and other exposures managed by the restructuring units amounted to €0.4 billion as of 30 June 2022 (31 December 2021: €0.5 billion).

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 49% (31 December 2021: 47%).

Provisions for possible loan losses

Table: Provisions for possible loan losses – Group

	30 June 2022 in € million	30 June 2021 in € million	Change in %	31 Dec. 2021
Development of single loan loss allowances/provisions[1)]				
Opening balance	82.0	65.6	25	65.6
Utilisation	-16.7	-3.1	>100	-31.6
Reversal	-7.3	-2.0	>100	-3.2
Unwinding	-1.0	-0.9	11	-1.2
Additions to single loan loss allowances/provisions	15.8	18.5	-15	52.3
Effect of changes in exchange rates	-	0.0	-	0.1
Total single loan loss valuation allowances/provisions	**72.8**	**78.1**	**-7**	**82.0**
Portfolio loan loss allowances[2)]				
Opening balance	72.3	103.0	-30	103.0
Addition/reversal	-6.2	-15.2	-59	-30.7
Total portfolio loan loss allowances	**66.1**	**87.8**	**-25**	**72.3**
Total provisions for possible loan losses (including provisions)	**138.9**	**165.9**	**-16**	**154.3**

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 were lower in the first half of 2022 than in the first half of 2021 due to higher utilisation and reversals in tandem with lower allocations.

Portfolio loan loss allowances declined by €6.2 million in the reporting period. This is primarily due to exposures with low and medium credit ratings.

Annualised net risk provisioning as a portion of the loan book stood at -1 basis point in the period under review (2021: 12 basis points).

Liquidity book by asset structure

Table: Volume by assets – Group

	30 June 2022 in € million	30 June 2022 in %	31 December 2021[1)] in € million	31 December 2021 in %
Sovereign bonds	1,573	57	2,195	64
Covered bonds	201	7	202	6
Financial senior unsecured bonds	416	15	257	7
EU and supras	372	13	508	15
Corporate bonds	112	4	112	3
Agencies and government-guaranteed bonds	84	3	158	5
Total	**2,758**	**100**	**3,432**	**100**

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; these figures have been adjusted as of 31 December 2021 (excluding non-consolidated IKB balance in non-fixed-income securities).

Liquidity book by geographical structure

Table: Volume by countries – Group

	30 June 2022 in € million	30 June 2022 in %	31 December 2021[2] in € million	31 December 2021 in %
Germany	1,155	42	1,555	45
EU[1]	372	13	508	15
France	193	7	292	9
Netherlands	170	6	131	4
Belgium	129	5	238	7
Other countries	739	27	708	21
Total	**2,758**	**100**	**3,432**	**100**

1) European Commission, ESM and European Investment Bank
2) 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; these figures have been adjusted as of 31 December 2021 (excluding non-consolidated IKB balance in non-fixed-income securities).

Liquidity book by credit rating structure

Table: Volume by credit ratings – Group

	30 June 2022 in € million	30 June 2022 in %	31 December 2021[1] in € million	31 December 2021 in %
1-4	2,304	84	3,009	88
5-7	324	12	269	8
8-10	130	5	154	4
11-13	0	0	0	0
14-15	0	0	0	0
Non-performing assets	0	0	0	0
Total	**2,758**	**100**	**3,432**	**100**

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; these figures have been adjusted as of 31 December 2021 (excluding non-consolidated IKB balance in non-fixed-income securities).

Liquidity risk

IKB's annual report for 2021 (see pages 45 and 46) should be referred to for details of liquidity risks. No material adjustments were necessary in the first half of 2022.

Liquidity situation

Depending on its new business and taking into account credit facilities and liquidity commitments not yet utilised by customers, the Bank expects its liquidity requirements to amount to around €3.7 billion (31 December 2021: €1.1 billion) over the next twelve months. The substantial increase is due to maturing TLTRO transactions.

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

As of 30 June 2022, the minimum liquidity balance was roughly €0.6 billion (31 December 2021: €1.0 billion) above the liquidity limit. Taking into account the legal maturities of the Bank's asset and liability positions, its scope for raising funds from the central bank and on the secured interbank market and excluding planned new lending business, the Bank is fully financed for a period of 7 months (31 December 2021: 11 months) and has a free liquidity reserve of €1.8 billion (31 December 2021: €1.8 billion), all other things being equal (assuming unchanged market values).

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 90% as of 30 June 2022, IKB has a solid loan-to-deposit ratio – calculated as the loan book excluding public programme loans relative to the total of retail and business customer deposits and promissory note loans – (30 June 2021: 89%). The calculation of the LtD ratio was updated in connection with the first-time preparation of a segment report. The figure for the previous year was restated accordingly.

In its funding mix, the Bank also actively utilises programme loans from public-sector development banks for its customer lending business.

Details are shown in the following table:

Funding source (HGB book values including deferred interest)	30 June 2022 in € million	31 December 2021 in € million
Customer deposits	**4,340**	**4,398**
Retail customer deposits	2,779	2,592
Business customer deposits	1,560	1,806
Secured funding	**8,490**	**8,605**
Development loans	5,055	5,153
Interbank market	0	0
of which Eurex	0	0
of which other	0	0
ECB	3,435	3,452
of which TLTRO	3,435	3,452
of which open market	0	0
Unsecured funding	**289**	**389**
of which bearer bonds (including buybacks)	46	56
of which senior preferred	-	-
of which senior non-preferred	46	56
of which promissory note loans	242	332
of which senior preferred	15	-
of which senior non-preferred	227	332
of which other	0	0
Subordinated/hybrid funding	**774**	**783**
of which subordinated	699	708
of which hybrid (funding trust)	75	75
Equity	**1,210**	**1,525**
of which own funds	970	940
of which fund for general banking risks	240	585

Market price risk

IKB's annual report for 2021 (see page 46 to 48) should be referred to for details of the market price risk methods and processes. No material adjustments were necessary in the first half of 2022.

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. 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.

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. In a volatile market environment characterised by uncertainty over inflation and economic growth, value at risk was reduced over the beginning of the year. The reduction in value at risk is primarily due to the run-off of exposures in the investment portfolio.

Table: Market price risk profile

in € million	Value at 30 June 2022	Value at 31 December 2021
Interest rate basis point value (BPV)	**-0.2**	**-0.3**
Credit spread BPV	**-3.2**	**-6.1**
VaR – interest rate and volatility	-143	-191
VaR – credit spread	-187	-273
VaR – FX and volatility	-23	-29
VaR – other	-14	-39
Correlation effect	+118	+180
Risk buffer	-50	-50
Total VaR	**-300**	**-401**

Any differences in totals are due to rounding effects.

Non-financial risks[2]

Operational risks

IKB's annual report 2021 (see page 48f.) should be referred to for details of operational risks. No material adjustments were necessary in the first half of 2022.

2 IKB defines "non-financial risks" as all risks inherent in its business operations that do not primarily serve the purpose of generating income and are therefore not credit, market and liquidity risks. In addition to operating risks, examples include but are not limited to reputation, legal and IT risks. They do not include strategic and business risks. Non-financial risks within risk-bearing capacity are quantified jointly as operational risk.

The gross loss volume identified in the reporting period amounted to a total of €0.1 million at the level of the Group as well as IKB AG (first half of 2021: €1.4 million[3]). 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 risk

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

With regard to issues under tax law, the Taxes team 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. In the 2021 financial year, the outstanding issues were clarified at the subsidiaries, as a result of which the audit for the assessment period from 2007 until and including 2011 (value added tax for the period from 2006 up to and including 2010) was completed. Final tax assessment notices have been issued for IKB AG and the subsidiaries. IKB is subject to constant follow-up tax audits.

IKB and Group companies are involved in legal proceedings. The following section contains a summary of the pending proceedings against IKB 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 trading

In individual cases, customers complained about the advisory services provided by the Bank in connection with certain swap products. Two lawsuits are pending.

Disputes relating to subordinated securities

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

Since July 2016, investors have threatened legal action and, in some cases, asserted claims for information that have been rejected by IKB. At one stage, 50 lawsuits worth a total of €117 million were pending. In some individual cases, agreements to avoid measures suspending time-bars have been signed without prejudice. These agreements have now expired.

As of the end of June 2022, a lawsuit with an aggregate amount in dispute of around €17 million is still pending before the Berlin Regional Court. With the exception of the last remaining case before the Berlin Regional Court in July 2022, all other lawsuits have either become final following rulings in IKB's favour or dismissal of the appeal or have been withdrawn. IKB considers the claims that have been asserted to be without merit. This assessment was confirmed in IKB's favour in three second-instance judgments of the Düsseldorf Higher Regional Court and the subsequent rejection by the Federal Court of Justice (Bundesgerichtshof – BGH) of the appeals against non-admission in April 2022. Some of the lawsuits were inadmissible and all the other lawsuits were completely dismissed.

[3] Figure for the previous year restated to reflect updated information.

Litigation in the United States

IKB has initiated several lawsuits in the United States in connection with structured credit products. Three of these pending lawsuits have been settled.

Differing opinion of the tax authorities no longer upheld

In view of the comparable case underlying the judgement of the Federal Finance Court of 17 November 2020 (merger of a profit-making entity with a loss-making entity), it was not possible to complete the external tax audit at Aleanta GmbH. The previous risk has now been eliminated in full.

Other risks

IKB's Group report for the year ending 31 December 2021 (pages 50 to 53) provides details of information security, IT, compliance, business, reputation and investment risks. There were no material changes in the period under review.

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.

In view of the currently reduced coronavirus infection rates, IKB is not exposed to any heightened personnel risks.

There is also no increased danger of staff leaving.

For information on IKB's remuneration system, please refer to the Disclosure Report for the financial year 2021.

Overall assessment of risk situation

Measured in terms of its regulatory capital and liquidity ratios, IKB generally continued to have sufficient resources. As of 30 June 2022, all capital ratios are in excess of the capital requirements resulting from the banking supervisory review and evaluation process (SREP) on the basis of the normative perspective of risk-bearing capacity, meaning IKB has sufficient scope for pursuing its business activities as planned. 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. On the basis of the Bank's plans, risk-bearing capacity in the economic perspective is intact for the next 12 months as well as for a period of at least two years beyond that.

Market price risk has been additionally reduced by means of mitigating measures. Given the shortage of raw materials and supply-chain constraints in the wake of the coronavirus pandemic as well as the additional strain arising from the war in Ukraine, the effects of which still cannot be conclusively assessed, among other things, uncertainties over the macroeconomic outlook and, hence, volatility in the capital markets have risen significantly. Together with the uncertain outlook for inflation and the resultant response by the central banks and capital markets, strain has arisen since the reporting date from interest- and credit spread-induced declines in the market value of the investment portfolio.

In a still challenging overall economic environment, non-performing assets and risk provisioning were reduced again over the beginning of the year, thus remaining at a low level. IKB is maintaining its high lending standards in the market situation characterised by protracted uncertainty. In addition to the impact of the coronavirus pandemic on supply chains, the availability of raw materials and rising prices, developments arising from the war in Ukraine with their unpredictable consequences – for economic growth among other things – may have an impact on credit risk migrations and, hence, the Bank's credit risks, leaving traces on risk provisioning, regulatory capital resources and also risk bearing capacity.

Non-financial risk has declined compared with the end of last year particularly as a result of the dismissal by the Federal Court of Justice of two non-admissibility claims in connection with the disputes relating to subordinated securities. The coronavirus pandemic has no negative impact on non-financial risk due to the stable arrangements under which employees are able to work from home.

Given these uncertainties, the Bank is tracking and analysing the related macroeconomic developments, the central banks' monetary response and market reactions. As part of its risk management, it is also analysing the effects of a change in the current environment of low interest rates and, on this basis, the various stress scenarios. In summary, the current macroeconomic uncertainty is an extreme situation which IKB is actively monitoring.

4. Report on opportunities

Details of the opportunities available to IKB can be found on pages 53 and 54 of the annual report for 2021. The following changes arose in the period under review:

The outbreak of war in Ukraine in February 2022 marks a major global event. Complex sanctions, which also have long-term consequences for the global economy, were imposed on Russia. The impact of the war on underlying economic conditions is described in the forecast, while an appraisal of the risks can be found in the corresponding parts of the risk report.

IKB expects the provisions contained in the draft version of CRR III tabled on 27 October 2021 for implementing the Basel IV rules to offer an opportunity for easing the strain caused by RWAs in lending business. This will arise from the planned changes to the regulatory standard parameters in the basic IRB approach.

The Bank has additionally calculated its capital ratios for the Group on a pro-forma basis in accordance with the latest draft versions of CRR III.

This pro-forma analysis resulted in the following figures:

Capital ratios as of 30 June 2022 (IKB Group), fully phased	**Forecast (CRR III draft)**	**Comparative figures in line with CRR II**
CET 1 ratio (%)	**15.93**	**14.85**
T1 ratio (%)	15.93	14.85
Own funds ratio (%)	22.46	20.95
Total risk-weighted assets (RWA in € billion)	**7.44**	**7.98**

The expected positive impact compared to the current rules results largely from the planned changes to the basic IRB approach caused by a reduction in standard LGD (loss given default) from 45% to 40% and the reduction from 1.06 to 1.0 in the scaling factor in the formula for calculating the RWA in the IRB approach. The current draft of CRR III stipulates that the new rules are to be applied from 1 January 2025.

In December 2020, IKB received regulatory approval for the requested model change for the IRBA "Corporate Rating" system. This approval was subject to the inclusion of a PD (probability of default) markup. IKB expects the reduction in this PD markup to offer further potential for lowering RWAs in future years.

In a letter dated 10 May 2022, the Bank additionally received approval from BaFin for its country and transfer risk rating model for the IRB basic approach. The IRB approach for country and transfer risks will be applied from 30 September 2022 for the first time.

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

5. Outlook

Future general economic conditions

The Russian war in Ukraine represents a geopolitical turning point with serious consequences for Europe that are currently difficult to assess. Uncertainties remain high, particularly with regard to energy prices and supplies, while the recent increase in inflation rates is also exerting strain.

In the base scenario underlying its June forecast, the Bundesbank assumes that the conflict with Russia will not intensify any further, meaning that positive economic drivers will regain the upper hand from the second half of the year onwards and the high inflation rates will gradually decline. Supply bottlenecks will recede, while exports will pick up again. Receding uncertainty will bolster capital expenditure and consumer spending. On the basis of these assumptions, the overall German economy should expand by 1.9% this year and by 2.4% next year. However, given the current environment characterised by high uncertainty, all economic forecasts have only limited reliability. The Ukraine conflict and shortages in gas supplies as well as the surprisingly pronounced monetary tightening by a number of central banks point to mounting economic obstacles. Further sources of uncertainty include the Chinese zero-Covid policy and fragile global value chains. Accordingly, the economic outlook has generally deteriorated still further, with the consensus Bloomberg forecast in July pointing to GDP growth in Germany of only 1.6% in 2022 and 1.5% in 2023. The International Monetary Fund has also scaled back its forecast for Germany in response to the consequences of the Ukraine war and monetary tightening and now expects growth of only 1.2% and 0.8%, respectively. It has also been necessary to scale back the outlook for the United States and China due to their relatively muted performance in the second quarter of 2022. Accordingly, the Bloomberg consensus now sees the US economy growing by only around 2%, while China looks set to clearly fall short of its growth target of 5.5% due to the GDP contraction the second quarter. The consensus now puts growth in China at only 3.9%. Despite these revised forecasts, the economic risk in Germany is still pointing clearly downwards in view of the uncertainty over gas supplies. This is also confirmed by the current appreciable decline in German corporate confidence (ifo business barometer).

The Bundesbank assumes that inflation will fall only very slowly as the year progresses as pressure on prices will remain strong for the time being. As of next year, inflation should gradually decline. The surprisingly high inflation rates prompted the ECB to tighten its monetary reins and to raise its key interest rates by 50 basis points in July. Accordingly, the rate hike was higher than originally announced by the ECB. The Bloomberg consensus sees the interest rate for main refinancing operations at 1.25% at the end of 2022 and 1.5% at the end of 2023. This path will be followed by interest rates on loans, meaning that companies' nominal borrowing costs will rise substantially. Tighter monetary policy will cause macroeconomic risks and, hence, credit risks, to continue rising, with assets and real estate prices in particular coming under growing pressure.

In its base scenario, the Bundesbank assumes that companies' willingness to invest should increase significantly again as uncertainty is dispelled, supply bottlenecks are gradually resolved and foreign demand picks up. In addition, investments in connection with the transformation into a climate-neutral economy should spur capital spending in the business sector. That said, more expensive borrowing costs will prove to be an obstacle. The substantial deterioration in the outlook for the German and global economy as well as monetary tightening by the ECB is delaying the recovery in capital spending in the corporate sector and will place a damper on lending demand over the next few quarters. At the same time, credit risks are likely to rise in the wake of the muted economy and rising interest rates.

Given the current environment, the Bundesbank's macroeconomic projections described here are subject to extraordinarily high uncertainty. Even so, given the deterioration in the economic indicators such as the ifo business barometer and the purchasing managers indices, it is relatively clear that the German economy will continue to lose momentum noticeably in the short term. The greatest uncertainties concern the further course of the war in Ukraine including its economic consequences, the global development of the pandemic and the effects of the high inflation rates and, thus, the consequences of tighter monetary policy. In an overall assessment of economic growth, the downside risks continue to predominate – particularly as a result of the possible freeze on Russian energy supplies. The continuation of the pandemic also remains a downside risk to economic activity. With respect to inflation, the upside risks will predominate during the entire forecast period, resulting in an additional economic downside risk in view of the more restrictive monetary policies.

Risks for the banking sector will arise from the mounting credit risks. Corporate failures as a result of higher costs, disrupted supply chains and production problems as well as a steeper economic downturn cannot be ruled out. This is also indicated by the persistently high risk aversion in the financial markets and the continued widening of credit risk premiums. Moreover, interest rates and related trends in the financial and real estate markets also entail risks. Although higher interest rates are advantageous for banks in that their interest margins should widen as a result, However, in combination with an appreciable deterioration in the economy, this will result in higher credit risks for banks. Similarly, interest rate hikes and wider risk premiums will also trigger price adjustments on fixed income securities and in the real estate sector. This could put pressure on banks and significantly worsen the financing conditions for companies and consumers. These risks will particularly worsen if inflation remains high and the central banks are forced to restrict money supply even further. With the central banks increasing their interest rates noticeably, resulting in a flatter yield curve, German savers' investment preferences will change, with short-term periods losing appeal compared with long-term ones.

General information on forecast

The effects of the Ukraine war on commodity prices and availability as well as on the economy and inflation are resulting in a challenging business environment. In the first half of 2022, there were already signs of a very substantial widening of interest and credit spreads. Accordingly, the forecasts contained in the annual report for 2021 have been adjusted in some areas. The following forecasts refer to the end of the financial year (31 December 2022). Detailed information on the original forecast can be found on page 57 of IKB's annual report for 2021.

Asset position

IKB assumes that underlying economic conditions will continue to be overshadowed by high uncertainty in the second half of the year. In particular, possible shortfalls in gas supplies pose a challenge for companies across all sectors. For this reason, IKB is analysing existing and potential credit exposures very closely. IKB's core products are corporate loans and development loans with a special focus on customers with good credit ratings and credit exposures with profitable margins. In view of its selective lending practices, IKB assumes that new business will fall substantially short of the original forecast of €3 billion stated in the annual report for 2021. Consequently, the portfolio of receivables from external customers is expected to be down slightly on 31 December 2021.

Contrary to the forecast contained in the annual report for 2021, IKB expects a higher CET 1 ratio (fully phased) for the Group of substantially over 13.0% (IKB AG: substantially over 13.5%). The significantly improved expectations with respect to the CET 1 ratio are primarily due to the lower expected risk-weighted assets at the end of 2022 as a result of lower new business and improved ratings. Looking forward, the general macroeconomic uncertainties may necessitate rating adjustments.

With respect to the forecast concerning its other net assets, the Bank refers to the statement on page 57f. of "Section 5. Outlook" in the annual report for 2021 and reaffirms this forecast for 31 December 2022.

Financial situation

With regard to the forecast of its financial situation, the Bank refers to the statement on page 58 of "Section 5. Outlook" in the annual report for 2021 and reaffirms this forecast for 31 December 2022.

Results of operations

The experience gained in the first half of the year suggests that the war in Ukraine will continue to have only a minor direct impact on IKB's results of operations. Future indirect effects on the credit portfolio, for example as a result of increased energy and commodity prices or a shortage of energy and commodities, as well as possibly persistently high inflation, are still subject to a high degree of uncertainty, both in terms of probability and extent. Accordingly, it is still difficult to forecast the impact that such indirect effects will have on the Bank's results of operations.

The currently high inflation resulted in increases in pension provisions of €9 million through profit and loss in the reporting period. IKB currently assumes that, provided underlying conditions remain steady, this effect will likewise exert strain on administrative expenses in the first six months of the next two years. Contrary to the forecast in the annual report for 2021, the Bank expects substantially higher administrative expenses for the end of 2022. In view of the inflation-induced adjustments to pension plans as well as one-time expenses for unplanned projects in accordance with regulatory requirements, the Bank projects administrative expenses of approximately €-148 million, equivalent to an increase of around €-18 million over the forecast in the annual report for 2021. In contrast to the original forecast, the Bank projects a year-end cost/income ratio substantially up on the previous year of 54.5% and a return on equity of significantly less than 9% in view of the increase in administrative expenses.

With respect to the forecast concerning results of operations, the Bank refers to the statement on page 58f. of "Section 5. Outlook" in the annual report for 2021 and reaffirms this forecast for 31 December 2022. Given the high economic uncertainty, the Bank is retaining the net risk provisioning of around €-25 million stated in the annual report for 2021 for reasons of caution even though net risk provisioning stands at €0 million as of 30 June 2022. Higher risk provisioning expenses may be necessary as a result of heightened economic uncertainties and more stringent regulatory requirements.

Overall assessment

On the basis of the first six months of the financial year, IKB projects net income before taxes of around €60 million (IKB AG: around €40 million). Consolidated net profit is below the figure of around €85 million (IKB AG: around €60 million) forecast in the annual report for 2021 primarily as a result of the unexpected increase in administrative expenses

In the event that the risks and uncertainties described above, which cannot be conclusively assessed, with regard to the further course of the war in Ukraine, developments in raw material prices and availability, inflation and interest rates as well as macroeconomic conditions cause any unplanned negative effects, net income may be lower than expected in the coming financial year.

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

Consolidated balance sheet as of 30 June 2022

in € million			30 June 2022	31 December 2021
Assets				
Cash reserve			**125.4**	**228.0**
a)	Cash on hand		-	-
b)	Balances with central banks		125.4	228.0
		thereof: with Deutsche Bundesbank	125.4	228.0
c)	Balances in postal giro accounts		-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing at central banks			**-**	**-**
Receivables from banks			**3,263.4**	**2,999.2**
a)	Repayable on demand		1,833.1	2,216.6
b)	Other receivables		1,430.3	782.6
Receivables from customers			**8,769.5**	**8,847.2**
	thereof: mortgage loans		631.8	603.2
	thereof: public sector loans		803.0	856.6
	thereof: cash collateral		4.0	4.8
Bonds and other fixed-income securities			**2,400.0**	**3,048.8**
a)	Money market securities		-	-
b)	Bonds and notes		2,392.5	3,039.0
	ba)	Public sector issuers	1,792.0	2,348.9
		thereof: eligible as collateral for Deutsche Bundesbank	1,792.0	2,348.9
	bb)	Other issuers	600.5	690.1
		thereof: eligible as collateral for Deutsche Bundesbank	433.3	522.5
c)	Own bonds		7.5	9.8
		Nominal amount	7.5	9.7
Equities and other non-fixed-income securities			**630.0**	**630.0**
Equity investments			**0.6**	**0.6**
	thereof: banks		0.2	0.2
	thereof: financial services institutions		-	-
Shares in affiliated companies			**1.9**	**1.9**
	thereof: banks		-	-
	thereof: financial services institutions		-	-
Intangible assets			**1.1**	**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		1.0	0.5
c)	Goodwill		-	-
d)	Advance payments made		0.1	0.5
Tangible assets			**2.5**	**2.8**
Called unpaid capital			**-**	**-**
Other assets			**58.1**	**60.5**
Prepaid expenses			**42.1**	**45.0**
Deferred tax assets			**129.0**	**129.0**
Excess of plan assets over post-employment benefit liability			**7.0**	**6.8**
Total assets			**15,430.6**	**16,000.8**

in € million			30 June 2022	31 December 2021
Equity and liabilities				
Liabilities to banks			**8,567.8**	**8,625.2**
a)	Repayable on demand		72.9	14.9
b)	With agreed term or notice period		8,494.9	8,610.3
Liabilities to customers			**4,581.0**	**4,758.2**
a)	Savings deposits		-	-
b)	Other liabilities		4,581.0	4,758.2
	ba)	Repayable on demand	1,681.7	1,262.5
	bb)	With agreed term or notice period	2,899.3	3,495.7
Securitised liabilities			**53.7**	**72.1**
a)	Bonds issued		53.7	72.1
b)	Other securitised liabilities		-	-
Other liabilities			**48.2**	**47.4**
Deferred income			**39.1**	**40.7**
Deferred tax liabilities			**-**	**-**
Provisions			**172.7**	**166.6**
a)	Provisions for pensions and similar obligations		105.4	95.1
b)	Tax provisions		26.2	27.0
c)	Other provisions		41.1	44.5
Subordinated liabilities			**757.7**	**765.5**
	thereof: due within two years		202.8	202.8
Profit participation capital			**-**	**-**
	thereof: due within two years		-	-
Fund for general banking risks			**240.0**	**585.0**
	thereof: trading-related special reserve in accordance with section 340e (4) HGB		-	-
Equity			**970.3**	**940.0**
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		41.0	41.0
	ca)	Legal reserve	2.4	2.4
	cb)	Reserve for shares in a parent or majority investor	-	-
	cc)	Statutory reserves	-	-
	cd)	Other revenue reserves	38.6	38.6
d)	Difference in equity from currency translation		-	-
e)	Net retained profits/net accumulated losses		181.4	151.1
f)	Non-controlling interests		-	-
Total equity and liabilities			**15,430.6**	**16,000.8**

Contingent liabilities		**1,122.2**	**1,298.6**
a)	Contingent liabilities from rediscounted and settled bills of exchange	-	-
b)	Liabilities from guarantees and indemnity agreements	1,122.2	1,298.6
c)	Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations		**1,019.6**	**910.0**
a)	Repurchase obligations from non-genuine repurchase agreements	-	-
b)	Placement and underwriting obligations	-	-
c)	Irrevocable loan commitments	1,019.6	910.0

Balance sheet of IKB Deutsche Industriebank AG as of 30 June 2022

in € million		30 June 2022	31 Dec. 2021
Assets			
Cash reserve		**125.4**	**228.0**
a)	Cash on hand	-	-
b)	Balances with central banks	125.4	228.0
	thereof: with Deutsche Bundesbank	125.4	228.0
c)	Balances in postal giro accounts	-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing at central banks		**-**	**-**
Receivables from banks		**3,260.3**	**2,996.4**
a)	Repayable on demand	1,830.0	2,213.8
b)	Other receivables	1,430.3	782.6
Receivables from customers		**9,054.3**	**9,132.0**
	thereof: mortgage loans	631.8	603.2
	thereof: public sector loans	803.0	856.6
	thereof: cash collateral	4.0	4.8
Bonds and other fixed-income securities		**2,406.1**	**3,055.7**
a)	Money market securities	-	-
b)	Bonds and notes	2,398.6	3,045.9
	ba) Public sector issuers	1,792.5	2,349.4
	thereof: eligible as collateral for Deutsche Bundesbank	1,792.5	2,349.4
	bb) Other issuers	606.1	696.5
	thereof: eligible as collateral for Deutsche Bundesbank	438.9	528.9
c)	Own bonds	7.5	9.8
	Nominal amount	7.5	9.7
Equities and other non-fixed-income securities		**325.8**	**325.8**
Equity investments		**0.2**	**0.2**
	thereof: banks	0.2	0.2
	thereof: financial services institutions	-	-
Shares in affiliated companies		**117.9**	**117.9**
	thereof: banks	-	-
Intangible assets		**1.1**	**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	1.0	0.5
c)	Goodwill	-	-
d)	Advance payments made	0.1	0.5
Tangible assets		**2.5**	**2.8**
Other assets		**81.5**	**129.6**
Prepaid expenses		**41.7**	**44.5**
Deferred tax assets		**129.0**	**129.0**
Excess of plan assets over post-employment benefit liability		**7.0**	**6.8**
Total assets		**15,552.9**	**16,169.8**

in € million			30 June 2022	31 Dec. 2021
Equity and liabilities				
Liabilities to banks			**8,567.8**	**8,625.2**
a)	Repayable on demand		72.9	14.9
b)	With agreed term or notice period		8,494.9	8,610.3
Liabilities to customers			**4,673.8**	**4,878.7**
a)	Savings deposits		-	-
b)	Other liabilities		4,673.8	4,878.7
	ba)	Repayable on demand	1,685.9	1,265.9
	bb)	With agreed term or notice period	2,988.0	3,612.8
Securitised liabilities			**53.7**	**72.1**
a)	Bonds issued		53.7	72.1
b)	Other securitised liabilities		-	-
Other liabilities			**48.8**	**57.5**
Deferred income			**39.1**	**40.7**
Deferred tax liabilities			**-**	**-**
Provisions			**171.6**	**165.1**
a)	Provisions for pensions and similar obligations		103.9	93.2
b)	Tax provisions		26.2	27.0
c)	Other provisions		41.5	44.9
Subordinated liabilities			**757.7**	**765.6**
	thereof: due within two years		202.8	202.8
Profit participation capital			**-**	**-**
Fund for general banking risks			**240.0**	**585.0**
	thereof: trading-related special reserve in accordance with section 340e (4) HGB		-	-
Equity			**1,000.3**	**979.8**
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		41.0	41.0
	ca)	Legal reserve	2.4	2.4
	cb)	Reserve for shares in a parent or majority investor	-	-
	cc)	Statutory reserves	-	-
	cd)	Other revenue reserves	38.6	38.6
e)	Net retained profits/net accumulated losses		211.4	190.9
Total equity and liabilities			**15,552.9**	**16,169.8**

Contingent liabilities		**1,197.3**	**1,373.7**
a)	Contingent liabilities from rediscounted and settled bills of exchange	-	-
b)	Liabilities from guarantees and indemnity agreements	1,197.3	1,373.7
c)	Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations		**1,053.6**	**944.0**
a)	Repurchase obligations from non-genuine repurchase agreements	-	-
b)	Placement and underwriting obligations	-	-
c)	Irrevocable loan commitments	1,053.6	944.0

Consolidated income statement for the period from 1 January to 30 June 2022

in € million	2022	2021
Expenses		
Interest expenses	**-14.0**	**-26.1**
thereof: positive interest	33.7	33.8
Commission expenses	**-0.9**	**-1.1**
Net trading result	**-**	**-**
General administrative expenses	**-79.2**	**-72.6**
a) Personnel expenses	-45.5	-40.9
aa) Wages and salaries	-31.2	-32.3
ab) Social security, post-employment and other employee benefit costs	-14.4	-8.6
thereof: for pensions	-9.9	-4.2
b) Other administrative expenses	-33.6	-31.7
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	**-0.4**	**-0.6**
a) On lease assets	-	-
b) On intangible and tangible assets	-0.4	-0.6
Other operating expenses	**-17.7**	**-156.2**
Write-downs of receivables and certain securities and additions to loan loss provisions	**-435.2**	**-**
Write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**-25.1**	**-4.0**
Costs of loss absorption	**-**	**0.0**
Extraordinary expenses	**-0.9**	**-0.7**
Income taxes	**0.0**	**-1.4**
Other taxes not reported under “Other operating expenses”	**0.0**	**-0.1**
Net income for the year	**-30.3**	**-46.6**
Total expenses	**-603.7**	**-309.3**

in € million	2022	2021
Income		
Interest income from	**97.1**	**116.4**
a) Lending and money market transactions	83.4	100.7
thereof: negative interest	-28.7	-21.3
b) Fixed-income securities and government-inscribed debts	13.8	15.7
thereof: negative interest	-	-
Current income from	**15.0**	**18.0**
a) Equities and other non-fixed-income securities	15.0	18.0
b) Equity investments	-	0.0
c) Shares in associated companies	-	-
d) Shares in affiliated companies	-	-
Income from profit pooling, profit-transfer and partial profit-transfer agreements	**-**	**-**
Commission income	**13.7**	**15.0**
Net trading result	**-**	**-**
Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions	**-**	**1.9**
Income from reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**0.7**	**80.2**
Other operating income	**132.1**	**77.8**
Income from winding up the fund for general banking risks	**345.0**	**-**
Extraordinary income	**-**	**-**
Income from assumption of losses	**-**	**-**
Net loss for the year	**-**	**-**
Total income	**603.7**	**309.3**
Net income/loss for the year	**30.3**	**46.6**
Non-controlling interests	**-**	**-0.1**
Profit carryforward from the previous year	**151.1**	**103.5**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 1 to no. 3 HGB	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 4 HGB	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net retained profits/net accumulated losses	**181.4**	**150.0**

Income statement of IKB Deutsche Industriebank AG for the period from 1 January to 30 June 2022

in € million	2022	2021
Expenses		
Interest expenses	**-14.1**	**-26.4**
thereof: positive interest	33.9	33.9
Commission expenses	**-0.9**	**-1.1**
Net trading result	**-**	**-**
General administrative expenses	**-78.9**	**-72.3**
a) Personnel expenses	-45.5	-40.9
aa) Wages and salaries	-31.2	-32.3
ab) Social security, post-employment and other employee benefit costs	-14.4	-8.6
thereof: for pensions	-9.9	-4.2
b) Other administrative expenses	-33.4	-31.4
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	**-0.4**	**-0.6**
Other operating expenses	**-17.7**	**-156.9**
Write-downs of receivables and certain securities and additions to loan loss provisions	**-435.2**	**-**
Write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**-25.3**	**-4.0**
Costs of loss absorption	**-**	**-10.2**
Extraordinary expenses	**-0.7**	**-0.5**
Income taxes	**0.0**	**-1.7**
Other taxes not reported under "Other operating expenses"	**0.0**	**0.0**
Profit transfer on the basis of profit pooling, profit-transfer and partial profit-transfer agreements	**-**	**-**
Net income for the year	**-20.5**	**-25.8**
Total expenses	**-593.8**	**-299.5**

in € million	2022	2021
Income		
Interest income from	**97.0**	**119.0**
a) Lending and money market transactions	84.1	104.2
thereof: negative interest	-28.7	-21.3
b) Fixed-income securities and government-inscribed debts	13.0	14.9
thereof: negative interest	-	-
Current income from	**13.2**	**0.0**
a) Equities and other non-fixed-income securities	13.2	-
b) Equity investments	-	0.0
c) Shares in affiliated companies	-	-
Income from profit pooling, profit-transfer and partial profit-transfer agreements	**-**	**7.4**
Commission income	**13.8**	**15.1**
Net trading result	**-**	**-**
Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions	**-**	**2.2**
Income from reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**0.6**	**80.0**
Other operating income	**124.1**	**75.7**
Income from winding up the fund for general banking risks	**345.0**	**-**
Extraordinary income	**-**	**-**
Income from assumption of losses	**-**	**-**
Net loss for the year	**-**	**-**
Total income	**593.8**	**299.5**
Net income/loss for the year	**20.5**	**25.8**
Profit carryforward from the previous year	**190.9**	**152.3**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 1 to no. 3 HGB	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 4 HGB	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net retained profits/net accumulated losses	**211.4**	**178.1**

Notes to the interim financial statements and the consolidated interim financial statements

Applied accounting principles

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

The condensed interim financial statements of IKB Deutsche Industriebank AG (IKB AG), Düsseldorf, entered in the commercial register of the Düsseldorf Local Court under HRB 1130, and of the IKB Group (Group) as at 30 June 2022 are prepared in accordance with 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 provisions of the German Stock Corporation Act (Aktiengesetz – AktG). The consolidated interim financial statements also take into account the German accounting standards (GAS) adopted by the Accounting Standards Committee of Germany (ASCG) and promulgated by the German Federal Ministry of Justice in accordance with section 342 (2) HGB.

These condensed interim financial statements and consolidated interim financial statements should be read in conjunction with the annual and consolidated financial statements of IKB AG as at 31 December 2021, which were audited and certified by Ernst & Young.

The 2022 6-month report of IKB AG as at 30 June 2022 comprises the consolidated balance sheet, the consolidated income statement, selected explanatory notes to the interim financial statements and the consolidated interim financial statements as well as a Group interim management report. The option of voluntarily preparing a (condensed) (consolidated) statement of changes in equity and a (condensed) (consolidated) cash flow statement has not been exercised. For information on the results and events of the current interim reporting period that are relevant to understanding the significant changes in the items of the consolidated balance sheet and consolidated income statement as compared with the comparative figures presented, please refer to the information on the results of operations, asset position and financial situation in the Group interim management report, in addition to the disclosures in the condensed notes to the consolidated interim financial statements.

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 balance sheet and the income statement are structured in line with the forms for banks pursuant to section 2 RechKredV. The income statement is prepared in account form (RechKredV form 2).

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

These notes, the notes to the consolidated financial statements and the interim group management report are condensed. The condensed notes to the consolidated interim financial statements and the condensed notes to the interim financial statements of IKB AG have been combined. Unless stated otherwise, any statements made apply to both the Group and IKB AG.

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

With the exceptions outlined below, the accounting policies applied in the interim financial statements and consolidated interim financial statements are the same as those applied in the single-entity and consolidated financial statements as 0f 31 December 2021.

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

Income from the reversal of write-downs of securities treated as fixed assets and the write-down of securities treated as fixed assets were understated by €2.2 million in the comparison period. This was corrected in November 2021, meaning that the comparison figures as of 30 June 2022 have been adjusted.

(3) Consolidated group

In addition to IKB AG, 13 (31 December 2021: 12) subsidiaries were consolidated in the consolidated financial statements for the period ended 30 June 2022. 14 (31 December 2021: 16) 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.

IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf, was consolidated for the first time in April 2022. The purpose of this entity is to hold investments.

For further information, please see note (27).

(4) Consolidation principles

The consolidated interim 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.

The consolidation principles applied in the consolidated interim financial statements are the same as those applied in the consolidated financial statements as at 31 December 2021.

Since the German Act to Modernise Accounting Law (Bilanzrechtsmodernisierungsgesetz – BilMoG) entered into force, acquisition accounting 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 recognised directly in consolidated equity.

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

(5) Provisions for possible loan losses

Provisions for possible loan losses comprise valuation allowances and provisions for all identifiable credit and sovereign risks and for latent default risks. The provisions for possible loan losses also include write-downs of securities held as current assets.

Due to the rise in interest rates as a result of the indirect effects of the war in Ukraine, as well as possibly persistently high inflation, IKB has abandoned its intention to hold selected securities until maturity in the current financial year and, accordingly, has transferred these securities from fixed assets to the liquidity reserve. The reclassification and the resulting recognition at the lower fair value and the sale of reclassified securities gave rise to measurement losses of €435.5 million up to the reporting date as a result of write-downs and losses on disposals; the measurement losses are recognised in provisions for possible loan losses.

With regard to the calculation of the general valuation allowances and general provisions for loan losses, please also see the information on provisions for possible loan losses starting on page 80 of IKB's 2021 annual report. The prior-year figures of the provisions for possible loan losses were calculated before the application of IDW AcP BFA 7 and are therefore comparable to the current figures only to a limited extent.

Notes to the balance sheet

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

	Group		IKB AG	
in € million	**30 June 2022**	**31 Dec. 2021**	**30 June 2022**	**31 Dec. 2021**
Receivables from banks[1)]	**1,430.3**	**782.6**	**1,430.3**	**782.6**
remaining term				
up to 3 months	1,429.3	21.2	1,429.3	21.2
more than 3 months up to 1 year	1.0	761.4	1.0	761.4
more than 1 year up to 5 years	-	-	-	-
more than 5 years	-	-	-	-
Receivables from customers	**8,769.5**	**8,847.2**	**9,054.3**	**9,132.0**
remaining term				
up to 3 months	594.0	726.2	594.0	726.2
more than 3 months up to 1 year	1,532.6	1,483.5	1,817.4	1,768.3
more than 1 year up to 5 years	5,812.6	5,781.3	5,812.6	5,781.3
more than 5 years	830.3	856.1	830.3	856.1
Indefinite term	-	-	-	-
Liabilities to banks[1)]	**8,494.9**	**8,610.3**	**8,494.9**	**8,610.3**
remaining term				
up to 3 months	211.0	202.0	211.0	202.0
more than 3 months up to 1 year	3,795.8	782.2	3,795.8	782.2
more than 1 year up to 5 years	3,700.4	6,780.6	3,700.4	6,780.6
more than 5 years	787.8	845.5	787.8	845.5
Liabilities to customers[1)]	**2,899.3**	**3,495.7**	**2,988.0**	**3,612.8**
remaining term				
up to 3 months	564.1	593.8	566.4	597.0
more than 3 months up to 1 year	957.1	1,313.6	1,043.5	1,427.5
more than 1 year up to 5 years	1,270.4	1,419.6	1,270.4	1,419.6
more than 5 years	107.7	168.7	107.7	168.7

1) not including receivables or liabilities repayable on demand

Of the bonds and other fixed-income securities, €14.4 million (31 December 2021: €24.6 million) have a remaining term of up to one year in the Group and €14.4 million (31 December 2021: €24.6 million) have a remaining term of up to one year in IKB AG. Of the bonds issued that are reported as securitised liabilities, €29.9 million (31 December 2021: €41.4

million) have a remaining term of up to one year in the Group and €29.9 million (31 December 2021: €41.4 million) have a remaining term of up to one year in IKB AG.

(7) Repurchase agreements

As at the reporting date, no assets recognised in the balance sheet in genuine repurchase agreements had been transferred as collateral in either the Group or IKB AG (31 December 2021: Group and IKB AG €0.0 million).

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

	Group			
	30 June 2022		31 December 2021	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	0.0	-	-	-
Other assets	-	-	1.9	-

	IKB AG			
	30 June 2022		31 December 2021	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	284.8	-	284.8	-
Other assets	23.9	-	71.5	-

The decrease in other assets in IKB AG results from the settlement of receivables from profit transfer and from repayments of an intragroup sub-interest in expected compensation payments of pending lawsuits.

(9) Fixed assets

Group:

in € million	Intangible fixed assets	Tangible assets	Equity investments	Shares in affiliated companies	Bonds and other fixed-income securities	Equities and other non-fixed-income securities	Total
Historical cost as of 31 December 2021	**26.8**	**7.8**	**0.6**	**1.9**	**3,039.0**	**631.3**	**3,707.4**
Additions to the consolidated group	-	-	-	-	-	-	-
Additions	0.3	0.0	-	-	7.3	-	7.6
Reclassifications	-	-	-	0.0	-948.4	-	-948.4
Effects of currency translation	-	-	-	-	-	-	-
Disposals	-	-0.1	-	-	-107.9	-0.1	-108.1
Historical cost as of 30 June 2022	**27.0**	**7.7**	**0.6**	**1.9**	**1,990.0**	**631.2**	**2,658.4**
Accumulated depreciation/ amortisation and write-downs and reversals thereof up to 31 December 2021	**-25.8**	**-4.9**	**-**	**0.0**	**-**	**-1.3**	**-32.0**
Reversal of write-downs	-	-	-	-	-	0.1	0.1
Depreciation and write-downs	-0.2	-0.2	-	0.0	-	-	-0.4
Reclassifications	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-	-	-
Disposals from the consolidated group	-	-	-	-	-	-	-
Disposals	-	0.0	-	-	-	-	0.0
Accumulated depreciation/ amortisation and write-downs and reversals thereof up to 30 June 2022	**-25.9**	**-5.1**	**-**	**0.0**	**-**	**-1.2**	**-32.2**
Residual book value as of 30 June 2022	**1.1**	**2.5**	**0.6**	**1.9**	**1,990.0**	**630.0**	**2,626.1**
Residual book value as of 31 December 2021	**1.0**	**2.8**	**0.6**	**1.9**	**3,039.0**	**630.0**	**3,675.3**

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

IKB AG:

in € million	Intangible fixed assets	Tangible assets	Equity investments	Shares in affiliated companies[1)]	Bonds and other fixed-income securities	Equities and other non-fixed-income securities	Total
	26.7	**7.7**	**0.2**	**681.0**	**3,045.9**	**325.8**	**4,087.3**
Additions	0.3	0.0	-	0.2	7.3	-	7.8
Reclassifications	-	-	-	0.0	-948.4	-	-948.4
Effects of currency translation	-	-	-	-	-	-	-
Disposals	-	-0.1	-	-	-108.7	-	-108.8
Historical cost as of 30 June 2022	**27.0**	**7.7**	**0.2**	**681.2**	**1,996.1**	**325.8**	**3,038.0**
Accumulated depreciation/ amortisation and write-downs and reversals thereof up to 31 December 2021	**-25.7**	**-4.9**	**-**	**-563.1**	**-**	**-**	**-593.7**
Reversal of write-downs	-	-	-	-	-	-	-
Depreciation and write-downs	-0.2	-0.2	-	-0.2	-	-	-0.6
Reclassifications	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-	-	-
Disposals	-	0.0	-	-	-	-	0.0
Accumulated depreciation/ amortisation and write-downs and reversals thereof up to 30 June 2022	**-25.9**	**-5.1**	**-**	**-563.3**	**-**	**-**	**-594.3**
Residual book value as of 30 June 2022	**1.1**	**2.5**	**0.2**	**117.9**	**1,996.1**	**325.8**	**2,443.6**
Residual book value as of 31 December 2021	**1.0**	**2.8**	**0.2**	**117.9**	**3,045.9**	**325.8**	**3,493.6**

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

Tangible assets relate exclusively to operating and office equipment in both the Group and in IKB AG.

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

The reclassifications in the item “Bonds and other fixed-income securities” relate to ten securities that are no longer to be held to maturity. As a result, they were transferred to the liquidity reserve and measured at their fair value in accordance with section 253 (4) of the German Commercial Code. Losses of €435.5 million were incurred on these securities in the first half of 2022, mainly resulting from measurement.

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

The Group’s unrealised losses from securities held as fixed assets total €273.2 million (31 December 2021: €128.3 million). This is based on carrying amounts of €2,006.2 million (31 December 2021: €1,900.8 million) and fair values of €1,733.0 million (31 December 2021: €1,772.5 million). IKB AG’s unrealised losses from securities held as fixed assets total €275.2 million (31 December 2021: €128.3 million). This is based on carrying amounts of €2,073.5 million (31 December 2021: €1,900.8 million) and fair values of €1,798.3 million (31 December 2021: €1,772.5 million).

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

In the current financial year, no write-downs of fixed assets for impairments that are expected to be permanent were recognised in the Group (previous year: €0.0 million) or in IKB AG (previous year: €0.0 million).

The amounts stated do not include accrued interest.

(10) Subordinated assets

	Group		IKB AG	
in € million	30 June 2022	31 Dec. 2021	30 June 2022	31 Dec. 2021
Receivables from customers	17.5	21.5	17.5	21.5
Total	**17.5**	**21.5**	**17.5**	**21.5**

The decline in subordinated assets is attributable to scheduled and unscheduled repayments of receivables from customers.

(11) Disclosures on investment funds

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

	Group				IKB AG			
in € million	Carrying amount 30 June 2022	Fair value 30 June 2022	Difference over carrying amount 30 June 2022	Distribution 2022	Carrying amount 30 June 2022	Fair value 30 June 2022	Difference over Carrying amount 30 June 2022	Distribution 2022
Mixed funds	190.1	190.1	-	-	190.1	190.1	-	-
Other special funds	630.0	632.8	2.8	15.0	325.8	325.3	-0.5	13.2
Total	**820.1**	**822.9**	**2.8**	**15.0**	**515.9**	**515.4**	**-0.5**	**13.2**

	Group				IKB AG			
in € million	Carrying amount 31 Dec. 2021	Fair value 31 Dec. 2021	Difference over carrying amount 31 Dec. 2021	Distribution 2021	Carrying amount 31 Dec. 2021	Fair value 31 Dec. 2021	Difference over carrying amount 31 Dec. 2021	Distribution 2021
Mixed funds	198.4	198.4	-	-	198.4	198.4	-	-
Other special funds	630.0	657.7	**27.7**	46.5	325.8	344.5	18.7	5.3
Total	**828.4**	**856.1**	**27.7**	**46.5**	**524.2**	**542.9**	**18.7**	**5.3**

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. Due to the planned reorientation of the investment policy for the CTA assets, the fund was primarily composed of money-market funds, bank balances and, to a lesser extent, investments in closed-end real estate funds as of the prior-year reporting date after previously investing in fixed-income securities for the most part.

Other special funds at the level of the Group 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.

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

(12) Other assets

The "Other assets" item includes the following:

	Group		IKB AG	
in € million	**30 June 2022**	**31 Dec. 2021**	**30 June 2022**	**31 Dec. 2021**
Foreign currency adjustment asset	7.1	6.9	7.1	6.9
Receivables from tax authorities	18.2	20.3	18.1	20.2
Deferrals for derivatives	17.5	18.7	17.5	18.7
Assets held for sale	-	-	-	-
Trade receivables	4.2	2.7	4.2	2.7
Receivables from affiliated companies	-	1.9	23.9	71.5
Miscellaneous assets	11.1	9.9	10.7	9.6
Total	**58.1**	**60.5**	**81.5**	**129.6**

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.

The decrease in other assets in IKB AG results from the settlement of receivables from profit transfer and from repayments of an intragroup sub-interest in expected compensation payments of pending lawsuits.

(13) Prepaid expenses

"Prepaid expenses" break down as follows:

	Group		IKB AG	
in € million	**30 June 2022**	**31 Dec. 2021**	**30 June 2022**	**31 Dec. 2021**
Discounts on liabilities recognised at their nominal value	0.4	0.6	0.4	0.6
Deferred income for the derivatives business and for credit default swaps accounted for like guarantees	29.5	32.6	29.5	32.6
Prepaid expenses for invoices paid in advance	12.2	11.8	11.9	11.3
Total	**42.1**	**45.0**	**41.7**	**44.5**

(14) Deferred tax assets

	Group		IKB AG	
in € million	**30 June 2022**	**31 Dec. 2021**	**30 June 2022**	**31 Dec. 2021**
Excess deferred tax assets	129.0	129.0	129.0	129.0

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

	Group			
	30 June 2022		31 December 2021	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Liabilities to customers	2.1	-	4.0	-
Other liabilities	-	-	-	-

	IKB AG			
	30 June 2022		31 December 2021	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Liabilities to customers	94.9	-	124.5	-
Securitised liabilities	-	-	-	-
Other liabilities	1.0	-	10.7	-
Subordinated liabilities	75.1	-	75.1	-

The decline in liabilities to customers in IKB AG is the result of the settlement of profit transfer obligations of subsidiaries, while the decline in other liabilities is the result of the settlement of loss absorption obligations to subsidiaries.

(16) Other liabilities

The “Other liabilities” item breaks down as follows:

	Group		IKB AG	
in € million	30 June 2022	31 Dec. 2021	30 June 2022	31 Dec. 2021
Obligations from derivatives	1.9	2.0	1.9	2.0
Deferrals for derivatives	15.5	16.2	15.5	16.2
Liabilities to tax authorities	5.9	1.6	5.9	1.5
Deferred income for subordinated liabilities	15.9	17.7	15.9	17.7
Trade payables	0.9	4.4	0.9	4.4
Miscellaneous liabilities	8.1	5.6	8.7	15.8
Total	**48.2**	**47.4**	**48.8**	**57.5**

(17) Deferred income

“Deferred income” breaks down as follows:

	Group		IKB AG	
in € million	30 June 2022	31 Dec. 2021	30 June 2022	31 Dec. 2021
Discounts on receivables recognised at their nominal value	5.6	6.0	5.6	6.0
Deferred income for the derivatives business and for credit default swaps accounted for like guarantees	33.5	34.7	33.5	34.7
Total	**39.1**	**40.7**	**39.1**	**40.7**

(18) Pension provisions

The pension provisions recognised total €105.4 million (31 December 2021: €95.1 million) in the Group and €103.9 million (31 December 2021: €93.2 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 €0.2 million, representing the difference between plan assets and the obligation.

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

30 June 2022 in € million	Group	IKB AG
Measurement of obligation using the ten-year average market interest rate	324.5	323.0
Measurement of obligation using the seven-year average market interest rate	342.4	340.7
Difference in accordance with section 253 (6) HGB	**17.9**	**17.7**

(19) Fund for general banking risks

In the period under review, an amount of €345.0 million (previous year: €0.0 million) was withdrawn from the fund for general banking risks in accordance with section 340g HGB. This amount was reported in “Income from winding up the fund for general banking risks” through profit and loss. After the withdrawal, the fund for general banking risks had a balance of €240.0 million (31 December 2021: €585.0 million) at the level of the Group as well as of IKB.

(20) Other financial obligations

As at the reporting date, “Other financial obligations” amounted to €60.2 million (31 December 2021: €65.6 million) in the Group and €60.2 million (31 December 2021: €65.6 million) in IKB AG. The decrease results in particular from the fact that obligations from IT services declined to €29.4 million (31 December 2021: €34.7 million) and lease obligations for properties fell to €12.2 million (31 December 2021: €13.8 million). The payment obligations to national and international banking system guarantee schemes increased to €11.4 million (31 December 2021: €9.8 million).

Notes to the income statement

(21) Extraordinary income and expenses

The net extraordinary expense was €0.9 million (previous year: net expense of €0.7 million) in the Group and €0.7 million (previous year: net expense of €0.5 million) in IKB AG. It solely concerned extraordinary expenses and was mainly attributable to the reorganisation of pension obligations in both the Group and IKB AG.

(22) Other operating expenses

The “Other operating expenses” item largely includes:

	Group		IKB AG	
in € million	**2022**	**2021**	**2022**	**2021**
Expenses from derivatives in the non-trading book	-0.3	-120.1	-0.3	-120.1
Expenses from additions to provisions	-0.5	-0.5	-0.5	-0.4
Expense from discount factor unwinding on pension obligations and change in the discount rate	-6.8	-15.2	-6.8	-15.2
Fair-value measurement of the CTA assets	-6.2	-0.7	-6.2	-0.7
Other expenses	-3.8	-19.7	-3.9	-20.5
Total	**17.7**	**156.2**	**17.7**	**156.9**

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

Other expenses include €3.4 million (previous year: €13.6 million) at the level of the Group and €3.4 million (previous year: €4.1 million) at the level of IKB AG for legal and project costs or hedging entrepreneurial risks. In addition, other expenses at the level of IKB AG included expenses of €13.6 million in the previous year from the impairment of the intra-Group sub-participation in expected settlement payments under pending lawsuits.

(23) Costs of loss absorption

IKB AG did not incur any costs of loss absorption in the reporting period. In the same period of the previous year, the costs of loss absorption in the amount of €10.2 million related to the recognition of a provision for loss absorption obligations under the profit and loss transfer agreement with the subsidiary IKB Beteiligungen GmbH.

(24) Income taxes

Income taxes are generally calculated by applying the expected effective income tax rate to earnings before income taxes (GAS 16.24).

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

(25) Income from profit and loss transfer agreements

No income profit and loss transfer agreements arose in the year under review. The income from profit and loss transfer agreements in IKB AG of €7.4 million in the prior-year reporting period was attributable to the profit transferred by IKB Beteiligungen GmbH.

(26) Other operating income

The “Other operating income” item breaks down as follows:

	Group		IKB AG	
in € million	2022	2021	2022	2021
Income from derivatives in the non-trading book	105.2	72.9	105.2	72.9
Income from currency translation	0.6	0.2	1.2	0.1
Income from the release of provisions	4.7	3.0	4.7	1.8
Other operating income	13.1	1.7	13.1	0.9
Income from compensation payments and damages payments	8.5	0.0	-	0.0
Total	**132.1**	**77.8**	**124.1**	**75.7**

Income from derivatives in the non-trading book relates in particular to close-outs of derivative transactions in the banking book.

In the reporting period, other operating income includes an amount of €12.8 million for reimbursements in connection with the out-of-court settlement of lawsuits both in the Group and in IKB AG.

(27) List of shareholdings as of 30 June 2022

30 June 2022		Financial year	Equity interest in %
1. German subsidiaries (consolidated)			
IKB Beteiligungen GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
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 (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 International S.A. i.L., Munsbach, Luxembourg	3)	1 Jan. - 31 Dec.	100.00
IKB Lux Investment S.à r.l., Munsbach, Luxemburg		1 Jan. - 31 Dec.	100.00
3. German subsidiaries (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
Aleanta GmbH i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	100.00
IKB Beteiligungsgesellschaft 5 mbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
IKB New 1 GmbH, Düsseldorf		1 Apr. - 31 Mar.	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
ISTOS Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	100.00
Restruktur 2 GmbH i.L., Düsseldorf	3)	1 Apr. - 31 Mar.	100.00
Restruktur 3 GmbH, Düsseldorf		1 Apr. - 31 Mar.	100.00

30 June 2022		Financial year	Equity interest in %
4. Foreign subsidiaries (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
IKB Funding Trust I, Wilmington, United States of America		1 Jan. - 31 Dec.	100.00
5. Special-purpose vehicles (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
RIO DEBT HOLDINGS (IRELAND) DESIGNATED ACTIVITY COMPANY, Dublin, Ireland			
Rosaria Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Heimstetten KG, Grünwald			
6. German associates/joint ventures (not accounted for using the equity method on the basis of section 311 (2) HGB[4])	1)		
FUNDINGPORT GmbH, Hamburg		1 Jan. - 31 Dec.	30.00
7. Foreign associates/joint ventures (not accounted for using the equity method on the basis of section 311 (2) HGB[4])	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 that were published in previous years have been dispensed with in the interests of greater clarity.

(28) 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.

(29) Derivative financial instruments not recognised at fair value

Group:

	Nominal	Fair value		Carrying amount	
30 June 2022 in € million		**Positive**	**Negative**	**Assets**	**Equity and liabilities**
Interest-related derivatives	19,225.9	858.8	1,037.9	29.9	44.5
Credit-related derivatives	-	-	-	-	-
Currency-related derivatives	229.4	5.8	2.4	4.3	1.0
Derivatives assigned to several categories	117.5	11.9	1.8	6.7	6.5
Total	**19,572.8**	**876.5**	**1,042.1**	**40.9**	**52.0**

IKB AG:

	Nominal	Fair value		Carrying amount	
30 June 2022 in € million		**Positive**	**Negative**	**Assets**	**Equity and liabilities**
Interest-related derivatives	19,225.9	858.8	1,037.9	29.9	44.5
Credit-related derivatives	-	-	-	-	-
Currency-related derivatives	229.4	5.8	2.4	4.3	1.0
Derivatives assigned to several categories	117.5	11.9	1.8	6.7	6.5
Total	**19,572.8**	**876.5**	**1,042.1**	**40.9**	**52.0**

(30) Unrealised gains and losses

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

Group:

	30 June 2022			31 December 2021		
in € million	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Receivables from banks	**3,263.4**	3,263.4	0.0	2,999.2	2,999.2	0.0
Receivables from customers	8,769.5	8,745.4	-24.1	8,847.2	9,146.5	299.3
Bonds and other fixed-income securities	2,400.0	2,135.3	-264.7	3,048.8	2,976.3	-72.5
Equities and other non-fixed-income securities	630.0	633.0	3.0	630.0	657.8	27.8
Derivative financial instruments not measured at fair value	41.0	876.5	835.5	45.4	277.0	231.6
Credit default swaps recognised as loan collateral	13.0	6.8	-6.2	12.8	25.2	12.4
Subtotal	**15,116.9**	**15,660.4**	**543.5**	**15,583.4**	**16,082.0**	**498.6**
Liabilities to banks[1)]	8,567.8	8,344.8	223.0	8,625.2	8,627.6	-2.4
Liabilities to clients	4,581.0	4,571.9	9.1	4,758.2	4,783.9	-25.7
Securitised liabilities	53.7	53.5	0.2	72.1	72.7	-0.6
Subordinated liabilities	757.7	712.0	45.7	765.5	762.2	3.3
Derivative financial instruments not measured at fair value	52.0	1,042.1	-990.1	49.7	816.9	-767.2
Credit default swaps recognised as loan collateral	3.9	4.7	-0.8	4.7	0.0	4.7
Subtotal	**14,016.1**	**14,729.0**	**-712.9**	**14,275.4**	**15,063.3**	**-787.9**
Total			**-169.4**			**-289.3**

1) Due to the late recognition of amendments to terms and conditions of refinancing operations with the Bundesbank, the fair value of liabilities to banks was reduced by €21.0 million as of 31 December 2021. As a result, the unrealised gain or loss as of 31 December 2021 improved from €-310 million to €-289 million.

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 swap rates differentiated by maturity on the balance 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.

(31) Significant events after 30 June 2022

There were no significant events after 30 June 2022.

(32) Exekutive bodies

Board of Managing Directors

Dr Michael H. Wiedmann (Chairman)

Dr Ralph Müller (until 15 February 2022)

Dr Patrick Alfred Trutwein

Steffen Zeise

Supervisory Board

Dr Karl-Gerhard Eick (Chairman), management consultant

Dr Claus Nolting (Deputy Chairman), lawyer (until 2 June 2022)

Claus Momburg (Deputy Chairman), independent gentleman (since 2 June 2022)

Sven Boysen[1)], employee representative

Mark Coker, Managing Director and General Counsel – Europe at Lone Star Europe Acquisitions Ltd. (until 2 June 2022)

Benjamin Dickgießer, Managing Director of Hudson Advisors Portugal, LDA

Susanne Eger[1)], employee representative (until 2 June 2022)

Dr Lutz-Christian Funke, Director of KfW

Evgeniy Kazarez, Director of Hudson Advisors Portugal, LDA (since 2 June 2022)

Arndt G. Kirchhoff, Chairman of the Advisory Board of KIRCHHOFF Automotive Holding Verwaltungs GmbH

Nicole Riggers[1)], employee representative

Jörn Walde[1)], employee representative (until 2 June 2022)

1) Elected by the employees

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. Segment reporting 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 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 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 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 a target 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 figures for the first half of the year were extrapolated to twelve months to determine the key figures.

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 (extrapolated to twelve months) is calculated as the ratio of net profit after tax to the 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. – 30 June 2022**	**1 Jan. – 30 June 2021**	**1 Jan. – 30 June 2022**	**1 Jan. – 30 June 2021**	**1 Jan. – 30 June 2022**	**1 Jan. – 30 June 2021**	**1 Jan. – 30 June 2022**	**1 Jan. – 30 June 2021**
Net interest income	41	43	42	44	16	21	98	108
Net fee and commission income	3	2	7	9	3	3	13	14
Gross income	**44**	**45**	**48**	**53**	**19**	**25**	**111**	**122**
Administrative expenses	-22	-21	-20	-20	-38	-32	-80	-73
Operating profit before risk provisions	**23**	**24**	**28**	**32**	**-19**	**-7**	**31**	**49**
Provisions for possible loan losses	7	3	-6	-3	-1	2	0	2
Operating profit	**30**	**26**	**22**	**30**	**-20**	**-5**	**32**	**51**
Net other income	0	0	1	1	-2	-4	-1	-3
Earnings before tax	**30**	**26**	**22**	**31**	**-22**	**-9**	**30**	**48**
Tax expense/income	-4	-3	-3	-4	6	6	0	-1
Net profit after tax	**26**	**23**	**19**	**27**	**-15**	**-3**	**30**	**47**
New business	423	612	814	1,081	-	-	1,237	1,693
Loans outstanding as of the reporting date	5,035	5,413	4,123	4,250	8,080	8,071	17,237	17,734
Risk-weighted assets	2,759	3,115	3,504	3,836	1,711	1,639	7,974	8,590
Average CET 1 capital at 12%	343	391	434	471	203	203	981	1,065
Interest margin (%)	1.58	1.55	2.01	2.04			1.77	1.77
Cost/income ratio (%)	48.9	47.2	41.8	38.3			71.7	59.9
Risk costs (%)	-0.29	-0.09	0.31	0.12			-0.01	-0.04
Return on equity (%)	15.3	11.9	9.0	11.4			6.2	8.8

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 after tax of €26 million (previous year: €23 million) in the first half of 2022 under review. The new business volume was at €0.4 billion, compared with €0.6 billion in the prior-year period. The return on equity in the segment rose to 15.3% (previous year: 11.9%) particularly as a result of the lower risk-weighted assets and positive net risk provisioning; the cost/income ratio came to 48.9% (previous year: 47.2%).

The Corporate Bank segment, which combines our financing and advisory services in traditional lending business with support for our customers in capital market activities, generated net profit after tax of €19 million (previous year: €27 million). The risk-related reduction of parts of our corporate investment portfolio resulted in net other income of €1 million. The new business volume was at €0.8 billion (previous year: €1.1 million). The segment return on equity came to 9.0% (previous year: 11.4%). The cost/income ratio climbed to 41.8%, up from 38.3%. This is due to lower gross income compared with the previous year: net interest and commission income fell from €53 million in the previous year to €48 million primarily as a result of selective new business with customers with good credit ratings.

The Corporate Centre, which includes profit and loss from our 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 of €-15 million (previous year: €-3 million).

Düsseldorf, 9 August 2022

IKB Deutsche Industriebank AG

The Board of Managing Directors

Dr Michael H. Wiedmann | Dr Patrick Trutwein | Steffen Zeise

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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