6-Month Report 2023

(1 January – 30 June 2023)

IKB
Deutsche Industriebank

IKB Group key figures

Income statement (in € million)	1 Jan. 2023 – 30 June 2023	1 Jan. 2022 – 30 June 2022
Net interest income	107	98
Net fee and commission income	9	13
Gross income	116	111
Administrative expenses	-77	-80
Operating profit before risk provisions	39	31
Net risk provisioning	-12	0
Net other income	9	-1
Income before tax	36	30
Tax expense/income	0	0
Consolidated net result after tax	36	30
Interest margin on loan book (%)	2.13	1.77
Cost of Risk of loan book (%)	0.25	-0.01
Return on equity (%)	7.9	6.2
Cost/income ratio (%)	66.3	71.7
Adjusted cost/income ratio (%)[1)]	57.0	61.5

Balance sheet (€ million)	30 June 2023	31 December 2022
Own funds component CET 1 (fully phased)	1,177	1,139
Total assets	14,872	15,434
Loan book	9,342	9,251
Loan to deposit ratio (%)	100	99

Regulatory key figures (%)[2)]	30 June 2023	31 December 2022
Risk-weighted assets (€ billion, fully phased)	7.5	7.8
CET 1 ratio (fully phased)	15.7	14.5
Tier 1 ratio (fully phased)	15.7	14.5
Own funds ratio (fully phased)	21.8	20.8
NPL ratio in accordance with EBA definition	1.8	1.9
Leverage ratio (fully phased)	6.4	6.0
Liquidity coverage ratio	267	257

Employees	30 June 2023	30 June 2022
Full-time employees (FTE) on the reporting date	566	546

Ratings	Moody’s (16 Dec. 2022)	Fitch (28 Dec. 2022)
Issuer rating (long term)	Baa1 (outlook: stable)	BBB- (outlook: stable)

Any differences in totals are due to rounding effects.

1) Calculated on the basis of administrative expenses of €66 million (previous year: €68 million) adjusted for inflation-induced expenses on pension provisions (€9 million; previous year: €9 million) and one-time expenses for unplanned project costs in connection with regulatory requirements (€2 million; previous year: €2 million).

2) Figures take account of the CRR phase-in and phase-out provisions; the CET 1 ratios have been calculated in accordance with the current version of the CRR as of the respective reporting date and the interpretations published by the regulatory authorities. The possibility that future EBA/ECB standards and interpretations or other supervisory actions will lead to a retrospective change in the CET 1 ratio cannot be ruled out.

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Business highlights

- Consolidated net income before tax improved to €36 million
- Return on equity (ROE) after tax increased to 7.9%
- Administrative expenses at €77 million slightly below prior year
- Cost/income ratio (CIR) of 66% (normalised: 57%)
- Resilient loan book: risk provisions of €12 million and NPL ratio (EBA definition) of 1.8%
- CET 1 ratio (fully phased) of 15.7%
- Comfortable liquidity position with free available liquidity reserve of €1.3 billion
- Leverage ratio of 6.4%
- Dr Michael Wiedmann, Chairman of the Board of Managing Directors of IKB: "Business with our medium-sized corporate customers developed well in the first half of 2023. We're on track to hitting our targets for the full financial year."

Group Interim Management Report

1. Basic information on the Group

Basic information on the IKB Group can be found on page 15f. of the annual report for 2022. There were no changes in this basic information in the period under review.

2. Economic report

Macroeconomic and industry-specific conditions

The global economy entered 2023 on a solid note. However, high inflation rates put a damper on the economies of nearly all industrial countries. For a number of months now, energy and commodity prices have been declining significantly, while consumer price inflation is likely to have peaked in the United States and in the Eurozone, although it is still high. Monetary policy, which has become more restrictive in response to the high inflation, is now increasingly retarding the global economy. The Federal Reserve Bank (Fed) incrementally increased its key rates to between 5.25% and 5.50% as of the end of July, thus reaching a figure last seen in the financial crisis in 2008. The European Central Bank (ECB) also hiked its rates in several steps, raising its key interest rate for main refinancing operations to 4.25% as of the end of July.

With gross domestic product (GDP) contracting by 0.3% quarter-on-quarter in the first quarter, the German economy slipped into a technical recession. In the final quarter of 2022, economic output had already dropped by 0.5% quarter-on-quarter. The main reason for the decline at the beginning of the year was the sharp drop in consumer spending. High inflation had erroded private households' purchasing power. Muted domestic demand was also reflected in lower imports. By contrast, capital spending was surprisingly strong. Despite higher borrowing costs and the pronounced uncertainty still prevailing at the beginning of the quarter over energy supplies, companies invested noticeably in equipment and plant. At the same time, capital spending presumably benefited from increasingly easing energy markets. Moreover, the availability of some capital goods also improved in the wake of subsiding supply chain constraints. Construction spending also increased unexpectedly. However, this growth must be seen against the backdrop of the exceptionally mild winter and the sharp slump in the preceding quarters, as demand in residential construction in particular is coming under considerable pressure from higher borrowing and construction costs.

In the second quarter, economic output remained flat quarter-on-quarter according to preliminary estimates by the German Federal Bureau of Statistics, with private households' consumer spending in particular likely to have stabilised.

The ECB's monetary tightening is increasingly unleashing the desired effect on borrowing costs in particular. Thus, interest on loans has risen appreciably in Germany and is having an impact on lending to households and companies. New real estate lending business has slumped by roughly half since mid-2022. By contrast, new loans in the corporate sector are reasonably stable. Even so, growth in loan portfolios has slowed here as well. Companies have been increasingly repaying short-term loans that they had obtained in the previous year for liquidity reasons. These loans have been repaid particularly due to the easing supply-chain bottlenecks and falling energy prices. Growth in loan portfolios in the manufacturing sector has also slowed, with the volume of long-term loans declining slightly on a quarter-on-quarter basis. At the same time, supply-side factors are also likely to be increasingly playing a role in lending. Thus, in a bank lending survey, banks report that they have on balance tightened their lending policies substantially, justifying this by reference to heightened credit risks in the wake of the more muted outlook for the economy.

Following the decline in the number of corporate insolvencies in 2021 and 2020 due to government measures (e.g. the suspension during the Covid-19 pandemic of the obligation to file for insolvency), there are now signs of a gradual return to normal. Thus, in the previous year, the number of insolvencies climbed by 4.3% over 2021. In the first quarter of

2023, the number of corporate insolvencies was 18% up on the same quarter of the previous year. Current calculations point to a turnaround, although there is no evidence of any nascent wave of insolvencies.

Important events during the reporting period

Changes in the Group

On 19 April 2023, the share capital of IKB Invest GmbH was reduced from €45,000,000 to €25,000 by means of a corresponding entry in the commercial register. At the same time, Article 3 of its Articles of Association was duly amended.

On 9 May 2023, IKB Beteiligungen GmbH as the transferring entity and IKB AG as the receiving entity entered into a merger agreement.

Legally relevant events

Litigation

At the level of IKB AG, claims arising from litigation initiated, which are recognised by IKB AG within other assets, have been reduced by €13.9 million since the reporting date (31 December 2022).

Personnel changes

Supervisory Board

Mr Evgeniy Kazarez and Mr Arndt G. Kirchhoff were re-elected to the Supervisory Board as shareholder representatives under resolutions passed at the Annual General Meeting on 9 March 2023.

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

Board of Managing Directors

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

Results of operations, asset position and financial situation

Higher interest rates and persistently strong inflation in the wake of the geopolitical tensions in connection with the Ukraine war left material traces on business performance in the first half of 2023. Even so, consolidated profit before taxes increased in the reporting period. The full-year forecast (consolidated profit before taxes of roughly €60 million) is re-affirmed.

Business performance

New business increased in the first half of 2023, reaching €1.6 billion (previous year: €1.2 billion) particularly as a result of follow-on business from the previous year. The proportion of internally funded total business stood at 60% (previous year: 67%). With lending remaining selective and focusing on good credit ratings as a result of the economic uncertainties, new business is likely to be lower in the second half of 2023.

Results of operations

In the first six months of 2023, IKB achieved consolidated profit before taxes of €36 million (previous year: €30 million). Of the consolidated profit before taxes, the Public Programme Loans segment accounted for €22 million (previous year: €30 million), the Corporate Bank segment for €30 million (previous year: €22 million) and the Corporate Centre segment for €-16 million (previous year: €-22 million).

Consolidated profit before taxes for the first six months of 2023 was consistent with the full-year forecast (roughly €60 million).

in € million	Group 1 Jan. 2023 – 30 June 2023	Group 1 Jan. 2022 – 30 June 2022	IKB AG 1 Jan. 2023 – 30 June 2023	IKB AG 1 Jan. 2022 – 30 June 2022
Net interest income	**107**	**98**	**109**	**96**
Interest income	184	109	187	107
Interest expenses	-98	-12	-99	-12
Net interest income for derivatives	21	2	21	2
Net fee and commission income	**9**	**13**	**9**	**13**
Gross income	**116**	**111**	**118**	**109**
Administrative expenses	**-77**	**-80**	**-77**	**-79**
Personnel expenses	-45	-46	-45	-46
Other administrative expenses	-32	-34	-32	-34
Operating profit before risk provisions	**39**	**31**	**41**	**30**
Net risk provisioning	**-12**	**0**	**-12**	**0**
Operating profit	**28**	**32**	**30**	**30**
Net other income	**9**	**-1**	**-5**	**-10**
Income before tax	**36**	**30**	**25**	**21**
Tax expense/income	**0**	**0**	**-0**	**0**
Consolidated net result	**36**	**30**	**25**	**21**

Any differences in totals are due to rounding effects.

Other key figures	Group 1 Jan. 2023 – 30 June 2023	Group 1 Jan. 2022 – 30 June 2022
New business (€ billion)	**1.6**	**1.2**
of which corporate loans	0.9	0.8
of which public programme loans business	0.6	0.4
Interest margin on loan book (%)	**2.13**	**1.77**
Cost of risk of loan book (%)	**0.25**	**-0.01**
Cost/income ratio (%)	**66.3**	**71.7**
Normalised cost/income ratio[1] (%)	**57.0**	**61.5**
Return on equity (%)	**7.9**	**6.2**

1) Calculated on the basis of administrative expenses of €66 million (previous year: €68 million) adjusted for inflation-induced expenses on pension provisions (€9 million; previous year: €9 million) and one-time expenses for unplanned project costs in connection with regulatory requirements (€2 million; previous year: €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.

Cumulative Group net interest and net commission income amounted to €116 million in the first half of 2023, thus slightly above the previous year (previous year: €111 million).

Group net interest income rose to €107 million in the reporting period (previous year: €98 million). The previous year had included one-time income from the ECB's targeted longer-term refinancing operations (TLTRO). Adjusted for this income (€13 million), net interest income was €22 million higher than in the previous year in the reporting period. The Public Programme Loans segment accounted for €37 million (previous year: €41 million), the Corporate Bank segment for €63 million (previous year: €42 million) and the Corporate Centre segment for €7 million (previous year: €16 million).

The Group's net interest income from lending and money market transactions came to €65 million (previous year: €68 million). Adjusted for the one-time TLTRO income (€13 million), net interest income from lending and money market transactions rose by €10 million. Higher interest rates caused interest income to rise to €163 million (previous year: €80 million). At the same time, interest expenses for funding operations also increased to €98 million (previous year: €12 million).

As a result of the higher market interest rates, net interest income from derivatives climbed to €21 million (previous year: €2 million). Interest expenses for derivatives came to €78 million (previous year: €2 million) and interest income to €99 million (previous year: €4 million). Income from shares in funds, which is reported within current income from equities and other non-fixed income securities, dropped to €3 million (previous year: €15 million), whereas interest income from bonds increased to €19 million (previous year: €14 million).

In the first six months of 2023, net fee and commission income came to €9 million (previous year: €13 million) at the Group level. The decline in net commission income is due to lower commission income from new lending business. The Public Programme Loans segment accounted for €2 million (previous year: €3 million), the Corporate Bank segment for €5 million (previous year: €7 million) and the Corporate Centre segment for €2 million (previous year: €3 million).

Administrative expenses

Administrative expenses comprise personnel expenses and other administrative expenses, which include depreciation and amortisation..

Administrative expenses amounted to €77 million in the first half of 2023 (previous year: €80 million), thus not remaining at the previous year's level as forecast but falling slightly short of it, primarily as a result of lower other administrative expenses. The Public Programme Loans segment accounted for €22 million (previous year: €22 million), the Corporate Bank segment for €21 million (previous year: €20 million) and the Corporate Centre segment for €34 million (previous year: €38 million).

Group personnel expenses reached €45 million (previous year: €46 million), whereas other administrative expenses and amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets amounted to €32 million (previous year: €34 million) within the Group.

As expected, personnel expenses were again adversely affected by heightened expenses for pension provisions of €9 million (previous year: €9 million) as further adjustments were made to pensions for inflation-related reasons, while the pension and inflation trends were updated.

Other administrative expenses were lower than in the previous year particularly as a result of reduced contributions to the Single Resolution Fund of the Banking Union (EU bank levy).

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.

At the Group level, net other income was composed of income of €9 million in the reporting period (previous year: expense of €1 million). This is due to the following main factors:

- The value of the securities held as current assets stabilised in the reporting period, resulting in expenses of €11 million for the Group. In the previous year, expenses of €436 million had been largely covered by a partial reversal from the fund for general banking risks. In addition, the previous year's expenses had been accompanied by an improvement in unrealised gains and losses on material items of the balance sheet as well as off-balance-sheet derivatives. Unrealised gains and losses also stabilised in the reporting period (see section entitled "Unrealised gains and losses" in the notes to the financial statements).

- The derivative positions in the banking book generated net income of €31 million for the Group, compared with net income of €105 million in the previous year.
- The discount factor unwind on pension obligations resulted in expense of €2 million for the Group in the period under review (previous year: expense of €7 million).
- Changes in the value of the assets placed in contractual trust arrangements (CTA) resulted in net income of €1 million in the first half of 2023 for the Group (previous year: expense of €6 million). In the previous year, a decline in the value of the CTA produced income of €4 million as a result of reduced pension obligations in the case of certain pension plans.
- 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 €9 million (previous year: €4 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 2023, the Group recorded expenses of €12 million from net risk provisioning (previous year: income of €0 million). Of this, the Public Programme Loans segment accounted for €5 million in income (previous year: €7 million in income), the Corporate Bank segment for €17 million in expenses (previous year: €6 million in expenses) and the Corporate Centre segment for €0 million in income (previous year: €1 million in expenses). The additional portfolio loan loss allowance recognised as of 31 December 2022 for latent risks of €12 million has so far not been utilised.

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 €22 million (previous year: net expenses of €6 million) and net income of €10 million (previous year: net income of €6 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. "Report on Risks and Opportunities".

Taxes

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

Net income

Consolidated profit before taxes came to €36 million in the first half of 2023 (previous year: €30 million) and was thus in line with the full-year forecast.

Asset position

The Group's total assets fell from €15.4 billion on 31 December 2022 to €14.9 billion.

The gross loan volume, which also includes off-balance-sheet business (see also Section 3. "Report on Risks and Opportunities") contracted from €17.6 billion on 31 December 2022 to €16.9 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.

Assets

Group receivables from banks dropped by €1.2 billion compared with 31 December 2022 to €2.1 billion primarily as a result of a decline in the cash collateral provided.

Group receivables from customers rose slightly by €0.1 billion to €8.9 billion due to the growth in new business.

Bonds and other fixed-income securities held by the Group increased by €0.6 billion compared with 31 December 2022 to €3.0 billion due to portfolio re-allocations. This resulted in a reduction in the average remaining maturity of the securities portfolio.

Liabilities

Group liabilities to banks fell by €0.6 billion compared with 31 December 2022 to €8.5 billion. ECB funding was scaled back in favour of collateralised funding in the interbank market, whereas it was not necessary to raise as much funding due to a reduction in liquidity overhangs.

Group liabilities to customers remained stable at €4.3 billion. The reduction in deposits from corporate customers was offset by increased deposits from retail customers.

Unrealised gains and losses arose on financial instruments in the banking book in the form of securities, derivatives and from funding the loan book without matching maturities in the period under review and in earlier financial years as a result of changes in market interest rates, exchange rates and credit ratings. In future financial years, this as well as changes to regulatory requirements or the interpretation of these could exert strain on the income statement and the present value of the banking book. The measurement of the banking book at the lower of cost or market in accordance with the IDW RS BFA 3 accounting guidance did not result in any provisioning requirements as of 30 June 2023.

Equity

In the reporting period, equity rose from €1,001 million on 31 December 2022 to €1,037 million due to the inclusion of the consolidated net income.

When calculating regulatory capital, the fund for general banking risks of €159 million must be taken into account as Common Equity Tier 1 capital.

Financial position

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

The maturities of liabilities are shown in the breakdown of remaining maturities in the notes. Please refer to Section 3. "Report on Risks and Opportunities" or further details concerning the liquidity and financing situation.

Financial and non-financial performance indicators

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

Regulatory Tier 1 ratio

The CET1 ratio (transitional) for the IKB Group stood at 15.8% as of 30 June 2023. On a fully phased basis, the CET1 ratio is 15.7% for the IKB Group. For IKB AG, the CET1 ratio is 16.0% on both a transitional and fully phased basis (see Section 3. "Report on Risks and Opportunities" for details). The IKB has not utilised any significant CRR transition options since 1 January 2023.

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.

in %	IKB Group 30 June 2023	IKB Group 31 Dec. 2022	IKB AG 30 June 2023	IKB AG 31 Dec. 2022
Leverage ratio (transitional)	6.4	6.7	6.6	6.9
Leverage ratio (fully phased)	6.4	6.0	6.6	6.2

The minimum statutory ratio is thus substantially exceeded.

Net income before taxes

Consolidated profit before taxes came to €36 million for the Group in the first half of 2023 and was thus in line with the full-year forecast (roughly €60 million).

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 66.3% for the Group in the first half of the 2023 financial year (previous year: 71,7%).

The return on equity as the ratio of consolidated net income to average allocated equity derived from a 12-percent imputed capital charge for risk-weighted assets in accordance with the CRR was 7.9% (previous year: 6.2%) in the first half of the 2023 fiscal year.

Liquidity coverage ratio

The liquidity coverage ratio (LCR) is the ratio of highly liquid assets (liquidity buffer) to short-term net liquidity requirements, quantified as the net amount of all weighted cash inflows and outflows in the next 30 calendar days.

The following table provides an overview of the LCR compared with 31 December 2022.

in %	IKB Group 30 June 2023	IKB Group 31 Dec. 2022	IKB AG 30 June 2023	IKB AG 31 Dec. 2022
Liquidity coverage ratio	267	257	246	238

Accordingly, the ratio was consistently above the statutory minimum of over 100% in the first half of 2023.

Net stable funding ratio

As of 30 June 2023, the net stable funding ratio (NSFR), which tracks medium to long-term liquidity stood at 114% for the IKB Group (IKB AG: 117%), thus consistently exceeding the statutory minimum of 100%.

in %	IKB Group 30 June 2023	IKB Group 31 Dec. 2022	IKB AG 30 June 2023	IKB AG 31 Dec. 2022
Net stable funding ratio	114	117	117	120

Overall assessment

Consolidated profit before taxes came to €36 million in the first six months of 2023 and was thus consistent with the full-year forecast for 2023 (roughly €60 million). IKB re-affirms the full-year forecast for its financial performance indicators. Cash flows and the financial position are orderly.

From the Bank’s perspective, business performance was satisfactory.

3. Report on Risks and Opportunities

A detailed description has been dispensed with where there has been no change in the methods and processes since 31 December 2022, in which case IKB's annual report for 2022 (pages 27 to 52) should be referred to.

In 2021, a regular audit was carried out by BaFin in accordance with section 44 (1) of the German Banking Act (KWG), which, in addition to adjustments to risk management processes, also led to modifications to the methods used to determine risk-bearing capacity. As a result of the findings, BaFin ordered on 16 February 2022 that IKB has to meet temporary capital add-ons in accordance with section 10 (3), sentence 1, in conjunction with sentence 2, no. 2, KWG. The methodological adjustments were implemented in the first five months of 2022 and retroactively taken into account in the figures as of 31 December 2021 in the annual report for 2021. In the first half of 2023, BaFin conducted an audit of the modifications implemented and the methods for measuring counterparty default risks and market price risks in accordance with section 44 (1) of the German Banking Act (KWG). The adjustments to processes and methods required as a result of this review may result in strain particularly on risk-bearing capacity and related aspects.

Regulatory capital resources and risk-bearing capacity

Regulatory capital

The Bank calculates its regulatory capital resources in accordance with the requirements of the CRR. Since 2019, the Bank has been applying the basic IRB approach (internal ratings based approach) to measure counterparty default risk. It applies the basic IRB approach in the rating models for corporates as well as for bank, country and transfer risks. IKB 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-in). The CRR includes various provisions which are being fully phased over time. The term "transitional" refers to the situation in the light of the requirements prevailing as of the relevant reporting date, while the term "fully phased" refers to the situation in which the rules apply in their final form.

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

	30 June 2023		31 December 2022[3)]	
Figures in € million	**transitional**	**fully phased**	**transitional**	**fully phased**
Counterparty default risk (including CVA charge)	6,948	6,948	7,181	7,325
Market risk equivalent	94	94	53	53
Operational risk	435	435	452	452
Total risk-weighted assets (RWA)	**7,477**	**7,477**	**7,686**	**7,830**
Common Equity Tier 1 (CET 1)	**1,178**	**1,177**	**1,277**	**1,139**
Additional tier 1 (AT 1)	0	0	0	0
Total tier 1 (T 1)	**1,178**	**1,177**	**1,277**	**1,139**
Tier 2 (T 2)	455	455	486	486
Own funds	**1,633**	**1,632**	**1,763**	**1,625**
CET 1 ratio (%)	**15.8**	**15.7**	**16.6**	**14.5**
T1 ratio (%)	15.8	15.7	16.6	14.5
Own funds ratio (%)	21.8	21.8	22.9	20.8

Any differences in totals are due to rounding effects.

1) Figures taking account of the phase-in and phase-out provisions of the CRR; the CET 1 ratios have been calculated in accordance with the current version of the CRR as of 30 June 2023 and 31 December 2022 respectively and the interpretations published by the regulatory authorities. The possibility that future EBA/ECB standards and interpretations or other supervisory actions will lead to a retrospective change in the CET 1 ratio cannot be ruled out.
2) Values such as those arising upon the adoption of the annual financial statements (end of the financial year) or inclusion of interim profit (half-year).
3) As of 31 December 2022, the Bank applied the option provided for in Article 468 of the CRR. This resulted an additional amount of €126 million eligible for inclusion in CET 1 as of 31 December 2022. Use of the option under the CRR was only permitted until 31 December 2022.

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

	30 June 2023		31 December 2022[3)]	
Figures in € million	**transitional**	**fully phased**	**transitional**	**fully phased**
Counterparty default risk (including CVA charge)	7,120	7,120	7,319	7,470
Market risk equivalent	93	93	53	53
Operational risk	366	366	372	372
Total risk-weighted assets (RWA)	**7,579**	**7,579**	**7,744**	**7,895**
Common Equity Tier 1 (CET 1)	**1,211**	**1,211**	**1,320**	**1,184**
Additional tier 1 (AT 1)	0	0	0	0
Total tier 1 (T 1)	**1,211**	**1,211**	**1,320**	**1,184**
Tier 2 (T 2)	455	455	486	486
Own funds	**1,666**	**1,665**	**1,806**	**1,670**
CET 1 ratio (%)	**16.0**	**16.0**	**17.0**	**15.0**
T1 ratio (%)	16.0	16.0	17.0	15.0
Own funds ratio (%)	22.0	22.0	23.3	21.2

Any differences in totals are due to rounding effects.

1) Figures taking account of the phase-in and phase-out provisions of the CRR; the CET 1 ratios have been calculated in accordance with the current version of the CRR as of 30 June 2023 and 31 December 2022 respectively and the interpretations published by the regulatory authorities. The possibility that future EBA/ECB standards and interpretations or other supervisory actions will lead to a retrospective change in the CET 1 ratio cannot be ruled out.
2) Values such as those arising upon the adoption of the annual financial statements (end of the financial year) or inclusion of interim profit (half-year).
3) As of 31 December 2022, the Bank applied the option provided for in Article 468 of the CRR. This resulted an additional amount of €126 million eligible for inclusion in CET 1 as of 31 December 2022. Use of the option under the CRR was only permitted until 31 December 2022.

At 15.7% for the Group and 16.0% 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 (BaFin) in the banking supervisory review and evaluation process (SREP).

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

Table: Regulatory capital requirements

	30 June 2023		
Ratios (%)	**Common Equity Tier 1 capital**	**Tier 1 capital**	**Total capital**
Capital requirement			
Pillar I requirements (Art. 92 CRR)	4.50	6.00	8.00
Pillar II requirements (SREP)	1.69	2.25	3.00
Capital conservation buffer (CCB)	2.50	2.50	2.50
Countercyclical capital buffer (CCyB)	0.71	0.71	0.71
Total for group of institutions	**9.40**	**11.46**	**14.21**
Capital markup in accordance with section 10 (3) sentence 1 of the German Banking Act (KWG) (individual institution only)	1.69	2.25	3.00
Total for individual institution	**11.09**	**13.71**	**17.21**
For information purposes: net own funds recommendation (for individual institution only)	2.30	2.30	2.30
Capital ratios – IKB AG			
Current capital ratio (transitional)	15.98	15.98	21.98
MDA surplus	489 bps	227 bps	477 bps
Capital ratios – IKB Group			
Current capital ratio (transitional)	15.76	15.76	21.84
MDA surplus	636 bps	430 bps	763 bps

The MDA (maximum distributable amount) surplus is therefore 227 bps in the IKB AG's Tier 1 capital in the relevant perspective.

Minimum requirements for eligible liabilities (MREL)

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

Risk-bearing capacity

IKB's annual report for 2022 (see pages 31f.) 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 2023 in € million	30 June 2023 in %	31 Dec. 2022 in € million	31 Dec. 2022 in %
Counterparty default risk	537	60	506	56
Market price risk	266	30	320	35
Operational risk	70	8	71	8
Refinancing cost risk	18	2	13	1
Total	**890**	**100**	**909**	**100**
less diversification effects	-77		-84	
Overall risk position	**813**		**826**	
Risk coverage potential	**1,095**		**1,328**	

Any differences in totals are due to rounding effects.

The decline in individual risks and the overall risk position compared with the previous year is particularly due to the lower market price risk. The decline in risk coverage potential is materially due to the “cliff-edge effect” arising from the exclusion of Tier 2 capital components from risk coverage potential in the economic perspective from 1 January 2023.

The risk-bearing capacity over the next twelve months is intact. Depending on the adjustments that are necessary as a result of the audit performed in the first half of 2023 in accordance with section 44 (1) of the German Banking Act, risk-bearing capacity and related aspects may come under pressure in the future.

Forecast calculations and stress tests

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

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 2022 (see pages 32f.) should be referred to for details on the risk strategy. There were no material changes made the first half of 2023.

Counterparty default risks

IKB’s annual report for 2022 (see page 33f.) 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.

Structure of the counterparty default risk

The credit volume as of 30 June 2023 breaks down as follows:

Table: Credit volume – Group

	Group				
in € million	**30 June 2023**	**31 Dec. 2022**	**Change**	**30 June 2022**	**Change**
Balances with central banks	22	36	-14	125	-103
Receivables from banks	2,095	3,313	-1,218	3,263	-1,168
Receivables from customers	8,885	8,810	75	8,770	115
Bonds and other fixed-income securities not including own issues	2,974	2,417	557	2,393	581
Equities and other non-fixed-income securities	600	601	-1	630	-30
Equity investments	0	0	-	1	-1
Subtotal: Assets recognised on the balance sheet	**14,576**	**15,177**	**-601**	**15,182**	**-606**
Contingent liabilities[1)]	1,155	1,153	2	1,123	32
Positive fair values of derivatives in the non-trading book[2)]	1,159	1,179	-20	883	276
Write-downs	136	135	1	135	1
Securities lending	20	92	-72	92	-72
Non-consolidated IKB balances in non-fixed income securities	-166	-166	-	-178	12
Gross credit volume	**16,880**	**17,570**	**-690**	**17,237**	**-357**
For information purposes: other significant counterparty default risks outside the gross credit volume					
Irrevocable loan commitments	752	1,030	-278	1,020	-268
Shares in associated and affiliated companies	0	1	-1	2	-2

Any differences in totals are due to rounding effects.

1) before deducting risk provisions

2) Including €21 million (31 December 2022: €16 million) in positive fair values from protection seller CDSs whose nominals are treated as contingent liabilities for accounting purposes.

The IKB Group’s gross credit volume declined as of 30 June 2023 compared with 31 December 2022. The decrease is due to lower central bank balances, which are predominantly reported under receivables to banks (see table on segment structure). On the other hand, bonds rose as a result of portfolio re-allocations. There was a decline in loan commitments. All other components of the credit volume were largely unchanged over 31 December 2022.

Segment structure

Table: Credit volume by segment – Group

	30 June 2023 in € million	30 June 2023 in %	31 Dec. 2022 in € million	31 Dec. 2022 in %
Loan book	**9,342**	55%	**9,251**	53%
of which Corporate Bank	4,321	26%	4,293	24%
of which public programme loans	5,021	30%	4,957	28%
Corporate Centre	**7,538**	45%	**8,319**	47%
of which liquidity book[1)]	3,331	20%	2,766	16%
of which protection seller CDSs[2)]	870	5%	903	5%
of which money market products[3)]	3,331	20%	4,644	26%
of which balances with central banks[4)]	1,152	7%	2,286	13%
Total	**16,880**	**100%**	**17,570**	**100%**

Any differences in totals are due to rounding effects.

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

The loan book was largely unchanged over 31 December 2022 with an increase of €91 million, of which €64 million was attributable to public programme loans business. In the Corporate Centre, the decline in central bank balances and the increase in the liquidity book are reflected in the increase in bonds.

Geographical structure

Credit volume beaks down by region as follows:

Table: Credit volume by region – Group

	30 June 2023				31 December 2022			
	in € million	in %	in € million of which loan book	in % of which loan book	in € million	in %	in € million of which loan book	in % of which loan book
Germany	11,937	71%	7,568	81%	13,064	74%	7,384	80%
Outside Germany	4,110	24%	941	10%	3,578	20%	939	10%
Western Europe	2,848	17%	739	8%	2,485	14%	726	8%
of which EU[1]	656	4%	-	0%	401	2%	-	0%
of which France	641	4%	50	1%	581	3%	60	1%
of which Spain	316	2%	48	1%	322	2%	54	1%
of which the Netherlands	292	2%	75	1%	293	2%	95	1%
of which Austria	227	1%	227	2%	148	1%	148	2%
Eastern Europe	676	4%	60	1%	463	3%	69	1%
of which Poland	251	1%	60	1%	166	1%	64	1%
of which Romania	134	1%	-	0%	117	1%	-	0%
of which Bulgaria	102	1%	-	0%	75	0%	-	0%
North America	539	3%	118	1%	566	3%	125	1%
Other countries	47	0%	24	0%	64	0%	19	0%
Subtotal	**16,047**	**95%**	**8,509**	**91%**	**16,642**	**95%**	**8,323**	**90%**
Risk transferred to third parties[2]	833	5%	833	9%	928	5%	928	10%
Total	**16,880**	**100%**	**9,342**	**100%**	**17,570**	**100%**	**9,251**	**100%**

Any differences in totals are due to rounding effects.

1) European Investmentbank and European Financial Stability Facility SA

2) Hermes guarantees, indemnifications, risks transfers

The volume increased in Western Europe (EU and France) as well as Eastern Europe on account of the acquisition of bonds. At 10%, the proportion of foreign loans in the loan book was unchanged, with a moderate increase in Austria. IKB still does not have any exposure to Russia, Belarus and Ukraine.

Sector structure

Table: Credit volume by sector – Group

	30 June 2023				31 December 2022			
	in € million	in %	in € million of which loan book	in % of which loan book	in € million	in %	in € million of which loan book	in % of which loan book
Industrial sectors	7,565	45%	7,525	81%	7,402	42%	7,361	80%
Energy supply	742	4%	742	8%	675	4%	675	7%
Mechanical engineering	573	3%	573	6%	550	3%	549	6%
Automotive	544	3%	544	6%	527	3%	527	6%
Paper industry	523	3%	523	6%	456	3%	456	5%
Chemical and pharmaceutical industry	507	3%	481	5%	524	3%	498	5%
Retailers (excluding automotive, filling stations)	478	3%	476	5%	451	3%	449	5%
Food industry	439	3%	439	5%	446	3%	446	5%
Metal production and processing	405	2%	405	4%	423	2%	423	5%
Wholesale (excluding motor vehicles)	359	2%	359	4%	319	2%	319	3%
Medical, measurement, control and regulation technology, optics	333	2%	330	4%	290	2%	288	3%
Other industrial sectors	2,662	16%	2,653	28%	2,741	16%	2,731	30%
Real estate	878	5%	878	9%	858	5%	857	9%
Financial sector	310	2%	90	1%	310	2%	93	1%
Banks	4,604	27%	13	0%	5,952	34%	8	0%
Public sector	2,690	16%	3	0%	2,120	12%	4	0%
Subtotal	**16,047**	**95%**	**8,509**	**91%**	**16,642**	**95%**	**8,323**	**90%**
Risk transferred to third parties[1)]	833	5%	833	9%	928	5%	928	10%
Total	**16,880**	**100%**	**9,342**	**100%**	**17,570**	**100%**	**9,251**	**100%**

Any differences in totals are due to rounding effects.

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.

The loan portfolio is also being monitored in the light of current expectations regarding the macroeconomic effects of the Ukrainian war, the higher commodity and energy prices with a corresponding effect on inflation and the fast rise in interest rates. To date, IKB's loan portfolio is generally being impacted in the form of moderately heightened risk-provisioning on the basis of time-proportionate planning, although future developments are not fully foreseeable. The influence of the interest rate increase is manifesting itself differently in the sectors. The real estate sector is currently the subject of particular attention from the public. The IKB real estate portfolio is located almost entirely in Germany, is diversified with respect to use and 75% of the portfolio consists of real estate developments which are secured by mortgage loans.

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 2023				31 December 2022			
	in € million	in %	in € million of which loan book	in % of which loan book	in € mil-lion	in %	in € million of which loan book	in % of which loan book
1–4	8,524	50%	1,368	15%	8,511	48%	1,284	14%
5–7	4,401	26%	4,052	43%	4,928	28%	3,891	42%
8–10	2,341	14%	2,309	25%	2,413	14%	2,360	26%
11–13	494	3%	494	5%	481	3%	480	5%
14–15	129	1%	129	1%	142	1%	142	2%
Non-performing assets[2]	158	1%	157	2%	167	1%	166	2%
Subtotal	**16,047**	**95%**	**8,509**	**91%**	**16,642**	**95%**	**8,323**	**90%**
Risk transferred to third parties[3]	833	5%	833	9%	928	5%	928	10%
Total	**16,880**	**100%**	**9,342**	**100%**	**17,570**	**100%**	**9,251**	**100%**

Any differences in totals are due to rounding effects.

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

In the loan book, the volume and proportion of very good and good credit ratings (1-7) increased to 58% (31 December 2022: 56%). The volume of exposures in the middle (8-10) and lower (11-15) credit rating segments was almost exclusively in the loan book and declined in the current fiscal year.

Non-performing assets

Table: Non-performing assets[1] – Group

	30 June 2023 in € million	31 Dec. 2022 in € million	Change in € million	Change in %
Assets with single loan loss allowances	138	126	12	10%
Non-impaired	20	41	-21	-51%
Total	**158**	**167**	**-9**	**-5%**
Percentage of total loans	0.9%	0.9%		
Percentage of total loans to companies	1.7%	1.8%		
For information purposes: NPL ratio in accordance with EBA definition[2]	1.8%	1.9%		

Any differences in totals are due to rounding effects.

1) Before single loan loss allowances and provisions, before write-downs of securities to the lower of cost or market.
   Non-performing assets do not include:
   - €19 million (31 December 2022: €20 million) in risks transferred to third parties for non-performing assets that have been assumed by other banks and public sector entities and are therefore assigned to the party assuming liability (change in credit rating).
   - €11 million (31 December 2022: €3 million) in unutilised commitments for borrowers whose residual exposure is classified as a non-performing asset.
2) Receivables classified as non-performing/total receivables in accordance with Annex V of Commission Implementing Regulation (EU) 680/2014

As of 30 June 2023, non-performing assets were unchanged at a low level and were slightly down on 31 December 2022.

Overall, the portfolio of non-performing assets and other exposures managed by the restructuring units was unchanged over 31 December 2022, coming to €0.4 billion as of 30 June 2023.

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 2022: 43%).

Provisions for possible loan losses

Table: Provisions for possible loan losses – Group

	30 June 2023 in € million	30 June 2022 in € million	Change in %	31 Dec. 2022 in € million	Change in %
Development of single loan loss allowances/ provisions[1)]					
Opening balance	61.8	82.0	-25%	82.0	-25%
Utilisation	-9.8	-16.7	-41%	-42.0	-77%
Reversal	-14.9	-7.3	>100%	-13.8	8%
Unwinding	-0.6	-1.0	-40%	-1.9	-68%
Additions to single loan loss allowances/provisions	36.3	15.8	>100%	37.5	-3%
Effect of changes in exchange rates	0.0	-		0.0	0%
Total single loan loss valuation allowances/ provisions	**72.8**	**72.8**	**0%**	**61.8**	**18%**
Portfolio loan loss allowances[2)]					
Opening balance	76.0	72.3	5%	72.3	5%
Addition/(reversal)	-10.2	-6.2	65%	3.7	
Total portfolio loan loss allowances	**65.8**	**66.1**	**0%**	**76.0**	**-13%**
Total provisions for possible loan losses (including provisions)	**138.6**	**138.9**	**0%**	**137.8**	**1%**

Any differences in totals are due to rounding effects.

1) Not including portfolio loan loss allowances for contingent liabilities recognised as provisions

2) Including general valuation allowance for contingent liabilities recognised as provisions

As of 30 June 2023, single loan loss allowances and provisions were up on the beginning of the year due to higher allocations compared to the same period in the previous year and lower utilisation in tandem with increased reversals.

Portfolio loan loss allowances declined by €10.2 million in the reporting period. This is mainly due to the recognition of single loan loss allowances as well as a slightly improved rating structure. As is the case on 31 December 2022, the general loan loss allowances include an additional amount of €12 million to cover latent risks arising from expected credit rating downgrades in the light of the sectors in which borrowers operate as information on annual financial statements is received only gradually in the course of the year.

Annualised net risk provisioning as a portion of the loan book stood at 25 basis points in the period under review (2022: 20 basis points).

Liquidity book[1)] by asset structure

Table: Volume by assets – Group

	30 June 2023 in € million	30 June 2023 in %	31 Dec. 2022 in € million	31 Dec. 2022 in %
Sovereign bonds	1,716	52%	1,450	52%
Covered bonds	248	7%	202	7%
Financial senior unsecured bonds	476	14%	529	19%
EU and supras	656	20%	401	14%
Corporate bonds	116	3%	118	4%
Agencies and government-guaranteed bonds	119	4%	68	2%
Total	**3,331**	**100%**	**2,766**	**100%**

Any differences in totals are due to rounding effects.

1) Bonds and other fixed-income securities as well as equities and other non-fixed-income securities excluding own bonds and securities in the loan book

Liquidity book[1] by geographical structure

Table: Volume by countries – Group

	30 June 2023 in € million	30 June 2023 in %	31 Dec. 2022 in € million	31 Dec. 2022 in %
Germany	1,058	32%	1,052	38%
EU[2]	656	20%	401	14%
France	257	8%	183	7%
Netherlands	217	7%	198	7%
Poland	191	6%	85	3%
other countries	953	29%	848	31%
Total	**3,331**	**100%**	**2,766**	**100%**

Any differences in totals are due to rounding effects.

1) Bonds and other fixed-income securities as well as equities and other non-fixed-income securities excluding own bonds and securities in the loan book

2) European Investmentbank and European Financial Stability Facility SA

Liquidity book[1] by credit rating structure

Table: Volume by credit ratings – Group

	30 June 2023 in € million	30 June 2023 in %	31 Dec. 2022 in € million	31 Dec. 2022 in %
1–4	3,009	90%	2,276	82%
5–7	313	9%	451	16%
8–10	10	0%	40	1%
11–13	-	0%	-	0%
14–15	-	0%	-	0%
Non-performing assets	-	0%	-	0%
Total	**3,331**	**100%**	**2,766**	**100%**

Any differences in totals are due to rounding effects.

1) Bonds and other fixed-income securities as well as equities and other non-fixed-income securities excluding own bonds and securities in the loan book

Liquidity risk

IKB's annual report for 2022 (see pages 43f.) should be referred to for details of the liquidity risks. No material adjustments were made in the first half of 2023.

Liquidity situation

In the light of its new lending business, the Bank expects its liquidity requirements to amount to around €0.3 billion (31 December 2022: €1.1 billion) over the next twelve months. The reduction compared with 31 December 2022 is particularly due to lower new lending business in the coming twelve months.

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

As of 30 June 2023, the minimum liquidity balance is roughly €0.7 billion (31 December 2022: €0.4 billion) above the liquidity limit. Taking into account the legal maturities of asset and liability positions, the scope for raising funds from the central bank as well as in the secured interbank market and excluding the planned new lending business, the time to wall is 12 months ceteris paribus (assuming constant market values – 31 December 2022: 11 months). At the same time, the Bank has a free liquidity reserve of €1.3 billion (31 December 2022: €1.2 billion).

The minimum requirements with respect to the liquidity coverage ratio and the net stable funding ratio (NSFR) are 100%. The minimum requirements were observed at all times. The LCR stood at 267% for the IKB Group (31 December

2022: 257%) and 246% for IKB AG (31 December 2022: 238%) as of 30 June 2023. The NSFR stood at 114% for the IKB Group (31 December 2022: 117%) and 117% for IKB AG (31 December 2022: 120%) as of 30 June 2023. The funding cost risk stands at €17.72 million as of 30 June 2023 (31 December 2022: €12.73 million). The increase is due to higher interest rates and, hence, elevated funding costs.

Funding situation

In addition to financing customer lending business via the programme loans provided by the public-sector development banks on a matching-maturities basis, IKB primarily funds itself via collateralised financing in the interbank market (Eurex repo transactions / bilateral repo transactions), via the ECB and through deposit business. A total of 85% of the deposits are protected either by the statutory deposit guarantee scheme (EDB) or the deposit protection fund (ESF). The loan-to-deposit (LTD) ratio stands at 100% as of 30 June 2023, calculated as the Corporate Bank loan book according to segment reporting relative to liabilities to customers as stated in the consolidated balance sheet (31 December 2022: 99%).

Details are shown in the following table:

Funding source (HGB book values including deferred interest)	30 June 2023 in € million	31 Dec. 2022 in € million
Customer deposits	**4,156**	**4,131**
Retail customer deposits	3,081	2,950
Business customer deposits	1,075	1,181
Secured funding	**8,402**	**8,906**
Development loans	5,037	4,979
Interbank market	1,662	490
of which Eurex	1,550	490
of which other	112	0
ECB	1,704	3,436
of which TLTRO	503	3,436
of which open market	1,200	0
Unsecured funding	**188**	**225**
of which bearer bonds (including buybacks)	20	24
of which senior preferred	-	-
of which senior non-preferred	20	24
of which promissory note loans	168	202
of which senior preferred	15	15
of which senior non-preferred	153	187
of which other	0	0
Subordinated/hybrid funding	**557**	**598**
of which subordinated	482	523
of which hybrid (funding trust)	75	76
Equity	**1,196**	**1,160**
of which own funds	1,037	1,001
of which fund for general banking risks	159	159

Market price risk

IKB's annual report for 2022 (see page 44f.) should be referred to for details of the market price risk methods and processes refined in the previous year. No material adjustments were made in the first half of 2023.

Comparison of market price risk profile as of the reporting date

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

Table: Market price risk profile[1]

in € million	Value at 30 June 2023	Value at 31 Dec. 2022
Interest rate basis point value (BPV)	**-0.6**	**-0.4**
Credit spread BPV	**-3.4**	**-2.8**
VaR – interest rate and volatility	90	103
VaR – credit spread	194	239
VaR – FX and volatility	20	12
VaR – other	18	9
Correlation effect	-106	-91
Risk buffer	50	50
Total VaR	**266**	**320**

Any differences in totals are due to rounding effects.

The significant risk-easing effect in 2023 is particularly due to reduced volatility in the money and capital markets.

Non-financial risks

IKB's annual report 2022 (see page 46) should be referred to for details on non-financial and operational risks. No material adjustments were made in the first half of 2023.

Operational risks

The gross loss volume identified in the first half of 2023 amounted to a total of €0.1 million at the level of the Group as well as IKB AG (first half of 2022: €0.1 million). In individual cases, the loss amounts are based on estimates, and in some cases it may not be possible to obtain accurate figures on the basis of updated information for these until later.

Legal risks

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

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

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

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

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

1 The value at risk was reconciled with risk-bearing capacity in the table and shown as a positive figure (figures as of 31 December 2022 adjusted).

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

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. The last completed tax audit for the domestic consolidated group covers the assessment periods up to and including 2011 (VAT up to 2010). In the year under review, the tax audit for the assessment periods from 2012 up to and including 2016 (VAT from 2011 up to and including 2015) was continued but not completed in all respects. 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. One lawsuit is still pending.

Litigation

IKB has initiated several lawsuits in connection with structured credit products.

Other risks

IKB's Group annual report for the year ending 31 December 2022 (pages 47 to 50) 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. There is also no increased danger of staff leaving. The search for management and specialist staff remains challenging in the highly competitive employment market due to the shortage of skilled employees.

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

For information on IKB's remuneration system, please refer to the Disclosure Report for the financial year 2022.

Opportunities

Details of the opportunities available to IKB can be found on pages 51 and 52 of the annual report for 2022. The following changes arose in the period under review:

With the IKB Sustainable Finance Framework that was introduced at the "Green FINANCE" digital conference in March 2023 among other things, IKB is expanding the existing Green Loan Framework by adding internally funded loans, thus providing a holistic view of sustainable product positioning. This gives sales staff and customers a transparent methodology for assessing sustainability in the lending process. Products that are classified by IKB as sustainable are also offered. A volume of €3 – 4 billion in sustainable credit products is being targeted for the end of 2025. The IKB Sustainable Finance Framework has been audited by the internationally renowned ESG certifier ISS ESG.

On the basis of the trilogues completed in June 2023 on the EU banking package and the final CRR III drafts, IKB expects easing on RWA and a strengthening of its equity position. In the pro-forma analysis according to the latest draft versions of CRR III, this results in a temporary strengthening of the CET 1 ratio of up to 5.3 percentage points.

The expected positive impact compared to the current rules results largely from the temporary treatment of unrealised gains and losses from assets recognised at fair value, the zero-weighting of government bonds issued in the currency of another member state, the permanent reduction in standard LGD (loss given default) in the basic IRB approach 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.

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.

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 implementing this project. This also involves gaining further investors.

Overall assessment of risk situation

Measured in terms of its regulatory capital and liquidity ratios, IKB generally continued to have sufficient resources. As of 30 June 2023, all capital ratios are in excess of the regulatory capital requirements on the basis of the normative perspective of risk-bearing capacity, meaning that IKB has sufficient scope for pursuing its business activities as planned. This takes due account of the changes already known in the minimum regulatory requirements. This also applies in the light of the additional temporary capital add-ons requirements in accordance with section 10 (3) sentence 1 of the KWG.

Even allowing for the greater utilisation of risk coverage potential in 2023 particularly as a result of regulatory changes, risk-bearing capacity remains intact in the economic perspective not only over the next 12 months, but, based on the Bank’s planning, also for an additional period of at least two years. On the basis of current assessments, this also applies in the light of the adjustments that are necessary as a result of the findings of the audit conducted in accordance with section 44 (1) of the German Banking Act in the reporting period.

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

Following the coronavirus crisis, the market environment remains subject to heavy uncertainty as a result of the ensuing supply chain problems and the geopolitical risks after the outbreak of the Ukraine war. Despite the political and economic uncertainty coupled with continued high inflation and a substantial increase in interest rates, non-performing assets declined again compared with the beginning of the year, remaining at a low level. Net risk provisioning was also at the planned level despite the challenging environment. Additional general loan loss allowances of €12 million, which were already formed as of 31 December 2022, remain available to cover any latent risks due to possible credit rating downgrades. IKB is maintaining its high lending standards in the market situation characterised by protracted uncertainty. The aforementioned factors, with their unpredictable consequences for economic growth, among other things, may impact credit risks and, in particular, result in an increase in non-performing assets and necessitate elevated risk-provisioning by the Bank.

The first half of the year was overshadowed by rising interest rates and heightened risks to financial stability despite the receding volatility. Despite this challenging environment, the market price risk position was further reduced in the reporting period. IKB expects continued strong macroeconomic uncertainty throughout the rest of the year. Together with the uncertain outlook for inflation and the resultant response by the central banks and capital markets, strain may arise from interest-induced declines in the market value of the investment portfolio.

Given the aforementioned uncertainties, the Bank is tracking and analysing the related macroeconomic developments, the central banks’ monetary response, market reactions and, on this basis, various stress scenarios. In summary, the current macroeconomic uncertainty is an extreme situation which IKB is actively monitoring and managing.

4. Outlook

Future general economic conditions

Key underlying factors responsible for the slowdown in the global economy in 2022 improved at the beginning of 2023. Thus, energy prices have declined again, while the prospects of steady expansion in China have brightened with the end of the zero-Covid policy and supply chain bottlenecks are no longer posing an unusually strong stumbling block to economic activity. All this helped to improve the outlook for the global economy at the beginning of the year.

That said, high inflation and tighter monetary policies are still exerting pressure on the economy in many countries. This particularly applies to the industrialised nations. Stricter lending policies in the United States, also in connection with the recent turbulence afflicting banks, are likely to place a damper on the country’s economic growth and have caused clouds to gather over the outlook for 2023 and even for 2024.

In the Eurozone, monetary policy is likely to remain restrictive even if an end to the rate-hiking cycle is in sight. Key interest rates are likely to remain at their current level for some time, after which they could fall slightly in the second half of 2024 in the wake of weakening inflation. Reflecting the course adopted for monetary policy, lending conditions will remain restrictive for the time being.

Against this backdrop, the Bundesbank’s June forecast for Germany projects GDP contraction of 0.3% this year and GDP growth of 1.2% next year. In this context, the German economy is feeling the effects of the very high inflation, although this should subside. As wages are rising sharply thanks to a solid employment market, private households’ real incomes are improving, resulting in an increase in consumer spending again. At the same time, the strain exerted by energy costs on companies is diminishing thanks to lower market prices for gas and electricity. However, the high wage increases are causing labour costs to rise sharply. As foreign demand is expanding and the supply chain constraints should very largely have dissipated by the end of the year, exports look set to increase moderately. However, higher borrowing costs are continuing to place a damper on private-sector spending. In residential construction, they should decline until into the coming year. In this environment, corporate spending should benefit from receding supply chain constraints and the resultant catching-up potential. Impetus for capital spending is also likely to come from the transformation of the German economy and the adoption of production methods with a reduced impact on the climate and the environment. The substantial increase in borrowing costs in the wake of more restrictive monetary policies will, however, exert noticeable pressure. The Bundesbank therefore believes that corporate spending will expand at only a very subdued pace. In addition to substantially higher interest rates, more stringent lending practices on the part of banks are also likely to generally contribute to making borrowing more difficult for households and companies. Consequently, lending will remain muted.

Corporate insolvencies have already increased in recent months and this trend is likely to continue over the next few months. This is because the economic environment for companies remains very difficult due to inflation and higher interest rates. As a result, there is a risk of increased loan defaults for banks. For this reason, they are demanding higher risk premiums and more collateral from their customers.

As a general principle, rising interest rates pose a challenge for the German financial system. Even though the German financial sector has so far proved to be resilient, BaFin (German Federal Financial Supervisory Authority) believes that the associated risks should not be underestimated. In addition to financial institutions' higher funding costs, securities held on their balance sheets may be exposed to further valuation losses. Alongside changed interest margins, competition for customer deposits may intensify, driven by customers' greater willingness to change banks in search of higher interest rates. The imbalances in the US banking sector have highlighted the significance of interest rate and liquidity risks. However, the German banking system has solid equity and liquidity resources and the proportion of covered deposits is significantly larger than in the case of the US banks affected by the imbalances. Even so, an economic downturn remains a potential risk to the financial system.

According to the Bundesbank, its economic forecast is subject to limited forward visibility, even though some of the uncertainties over gas and electricity supplies have subsided. That said, it is not possible to rule out further difficulties for energy supplies. Accordingly, inflation risks are pointing upwards, while there are mostly downside risks for economic growth. Thus, tighter monetary policy could have stronger or unintended effects. Consequently, a situation in which the higher interest rates trigger turbulence in the European banking sector cannot be excluded. The heightened effects of more restrictive monetary policies could exert added strain on the financial system in the form of substantially lower real estate prices. Thus, future loan defaults could cause substantial losses due to the reduced value of collateral for real estate loans. In a worst-case scenario, these risks could feed through to the real economy via reduced lending. Thus, the greater impact of tighter monetary policies generally constitutes a downside risk for economic growth and inflation.

A further risk may arise from mounting or additional geopolitical tensions, particularly in connection with the Ukraine war as well as in Asia. This could leave traces on global commodity prices or result in the imposition of sanctions that disrupt supply chains. Such supply-side constraints are likely to weigh on the global and German economy and fuel price pressure.

Forecast of results of operations, asset position and financial situation

The geopolitical tensions, particularly in connection with the Ukraine war, the more restrictive monetary policies being pursued by the central banks with sharp rises in interest rates and, particularly in the industrialised nations, inflation well in excess of the target corridors, continue to make for a challenging business environment. Despite the uncertainties, the forecasts for the end of 2023 stated in the annual report for 2022 are re-affirmed. Detailed information on the results of operations, asset position and financial situation can be found on page 52 of IKB's annual report for 2022.

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

Consolidated balance sheet as of 30 June 2023

in € million	30 June 2023	31 Dec. 2022
Assets		
Cash reserve	**22.2**	**35.9**
a) Cash on hand	-	-
b) Balances with central banks	22.2	35.9
thereof: with Deutsche Bundesbank	22.2	35.9
c) Balances in postal giro accounts	-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing at central banks	**-**	**-**
Receivables from banks	**2,095.5**	**3,312.7**
a) Repayable on demand	1,320.0	2,544.6
b) Other receivables	775.4	768.1
Receivables from customers	**8,884.6**	**8,810.4**
thereof: mortgage loans	679.4	627.8
thereof: public sector loans	698.8	789.4
thereof: cash collateral	12.3	7.2
Bonds and other fixed-income securities	**3,003.5**	**2,421.1**
a) Money market securities	-	-
b) Bonds and notes	2,973.5	2,416.7
ba) Public sector issuers	2,296.2	1,825.2
thereof: eligible as collateral for Deutsche Bundesbank	2,296.2	1,825.2
bb) Other issuers	677.4	591.5
thereof: eligible as collateral for Deutsche Bundesbank	515.9	418.2
c) Own bonds	29.9	4.4
Nominal amount	41.5	4.5
Equities and other non-fixed-income securities	**599.7**	**601.0**
Equity investments	**0.2**	**0.2**
thereof: banks	0.2	0.2
thereof: financial services institutions	-	-
Shares in affiliated companies	**0.1**	**1.3**
thereof: banks	-	-
thereof: financial services institutions	-	-
Intangible assets	**1.0**	**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	0.9
c) Goodwill	-	-
d) Advance payments made	-	0.1
Tangible assets	**2.1**	**2.3**
Called unpaid capital	**-**	**-**
Other assets	**90.0**	**76.5**
Prepaid expenses	**40.6**	**39.6**
Deferred tax assets	**129.0**	**129.0**
Excess of plan assets over post-employment benefit liability	**3.2**	**2.7**
Total assets	**14,871.8**	**15,433.7**

in € million			30 June 2023	31 Dec. 2022
Equity and liabilities				
Liabilities to banks			**8,502.6**	**9,060.7**
a)	Repayable on demand		450.3	196.6
b)	With agreed term or notice period		8,052.3	8,864.1
Liabilities to clients			**4,329.1**	**4,335.2**
a)	Savings deposits		-	-
b)	Other liabilities		4,329.1	4,335.2
	ba)	Repayable on demand	958.2	1,218.7
	bb)	With agreed term or notice period	3,370.9	3,116.5
Securitised liabilities			**24.2**	**31.1**
a)	Bonds issued		24.2	31.1
b)	Other securitised liabilities		-	-
Other liabilities			**67.7**	**57.6**
Deferred income			**34.6**	**37.8**
Deferred tax liabilities			**-**	**-**
Provisions			**171.9**	**167.9**
a)	Provisions for pensions and similar obligations		110.6	106.9
b)	Tax provisions		18.5	18.4
c)	Other provisions		42.7	42.6
Subordinated liabilities			**545.8**	**583.5**
	thereof: due within two years		-	28.0
Fund for general banking risks			**159.0**	**159.0**
	thereof: trading-related special reserve in accordance with section 340e (4) HGB		-	-
Equity			**1,037.0**	**1,000.8**
a)	Called-up capital		100.0	100.0
	Subscribed capital		100.0	100.0
	Less uncalled unpaid contributions		-	-
		Contingent capital	-	-
b)	Capital reserves		647.9	647.9
c)	Revenue reserves		142.2	110.9
	ca)	Legal reserve	2.4	2.4
	cb	Reserve for shares in a parent or majority investor	-	-
	cc)	Statutory reserves	-	-
	cd)	Other revenue reserves	139.8	108.5
d)	Difference in equity from currency translation		-	-
e)	Net retained profits/net accumulated losses		146.8	142.0
f)	Non-controlling interests		-	-
Total equity and liabilities			**14,871.8**	**15,433.7**

Contingent liabilities		**1,154.0**	**1,151.7**
a)	Contingent liabilities from rediscounted and settled bills of exchange	-	-
b)	Liabilities from guarantees and indemnity agreements	1,154.0	1,151.7
c)	Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations		**752.4**	**1,030.2**
a)	Repurchase obligations from non-genuine repurchase agreements	-	-
b)	Placement and underwriting obligations	-	-
c)	Irrevocable loan commitments	752.4	1,030.2

Balance sheet of IKB Deutsche Industriebank AG as of 30 June 2023

in € million	30 June 2023	31 Dec. 2022
Assets		
Cash reserve	**22.2**	**35.9**
a) Cash on hand	-	-
b) Balances with central banks	22.2	35.9
thereof: with Deutsche Bundesbank	22.2	35.9
c) Balances in postal giro accounts	-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing at central banks	**-**	**-**
Receivables from banks	**2,091.3**	**3,308.8**
a) Repayable on demand	1,315.8	2,540.7
b) Other receivables	775.4	768.1
Receivables from customers	**9,169.6**	**9,095.2**
thereof: mortgage loans	679.4	627.8
thereof: public sector loans	698.8	789.4
thereof: cash collateral	12.3	7.2
Bonds and other fixed-income securities	**3,008.0**	**2,426.4**
a) Money market securities	-	-
b) Bonds and notes	3,004.2	2,422.0
ba) Public sector issuers	2,296.7	1,825.7
thereof: eligible as collateral for Deutsche Bundesbank	2,296.7	1,825.7
bb) Other issuers	707.5	596.3
thereof: eligible as collateral for Deutsche Bundesbank	519.9	423.0
c) Own bonds	3.8	4.4
Nominal amount	3.9	4.5
Equities and other non-fixed-income securities	**295.6**	**296.8**
Equity investments	**0.2**	**0.2**
thereof: banks	0.2	0.2
thereof: financial services institutions	-	-
Shares in affiliated companies	**121.1**	**117.1**
thereof: banks	-	-
Intangible assets	**1.0**	**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	0.9
c) Goodwill	-	-
d) Advance payments made	-	0.1
Tangible assets	**2.1**	**2.3**
Other assets	**112.0**	**116.1**
Prepaid expenses	**40.5**	**39.4**
Deferred tax assets	**129.0**	**129.0**
Excess of plan assets over post-employment benefit liability	**3.2**	**2.7**
Total assets	**14,995.8**	**15,571.0**

in € million			30 June 2023	31 Dec. 2022
Equity and liabilities				
Liabilities to banks			**8,502.6**	**9,060.7**
a)	Repayable on demand		450.3	196.6
b)	With agreed term or notice period		8,052.3	8,864.1
Liabilities to clients			**4,420.5**	**4,430.7**
a)	Savings deposits		-	-
b)	Other liabilities		4,420.5	4,430.7
	ba)	Repayable on demand	962.9	1,221.4
	bb)	With agreed term or notice period	3,457.7	3,209.3
Securitised liabilities			**24.2**	**31.1**
a)	Bonds issued		24.2	31.1
b)	Other securitised liabilities		-	-
Other liabilities			**67.6**	**57.4**
Deferred income			**34.6**	**37.8**
Deferred tax liabilities			**-**	**-**
Provisions			**174.0**	**168.2**
a)	Provisions for pensions and similar obligations		108.8	105.0
b)	Tax provisions		18.5	18.4
c)	Other provisions		46.7	44.8
Subordinated liabilities			**545.8**	**583.5**
	thereof: due within two years		-	28.0
Profit participation capital			**-**	**-**
Fund for general banking risks			**159.0**	**159.0**
	thereof: trading-related special reserve in accordance with section 340e (4) HGB		-	-
Equity			**1,067.4**	**1,042.4**
a)	Called-up capital		100.0	100.0
	Subscribed capital		100.0	100.0
	Less uncalled unpaid contributions		-	-
		Contingent capital	-	-
b)	Capital reserves		647.9	647.9
c)	Revenue reserves		142.2	110.9
	ca)	Legal reserve	2.4	2.4
	cb)	Reserve for shares in a parent or majority investor	-	-
	cc)	Statutory reserves	-	-
	cd)	Other revenue reserves	139.8	108.5
e)	Net retained profits/net accumulated losses		177.3	183.6
Total equity and liabilities			**14,995.8**	**15,571.0**

Contingent liabilities		**1,229.1**	**1,226.8**
a)	Contingent liabilities from rediscounted and settled bills of exchange	-	-
b)	Liabilities from guarantees and indemnity agreements	1,229.1	1,226.8
c)	Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations		**786.4**	**1,064.2**
a)	Repurchase obligations from non-genuine repurchase agreements	-	-
b)	Placement and underwriting obligations	-	-
c)	Irrevocable loan commitments	786.4	1,064.2

Consolidated income statement for the period from 1 January to 30 June 2023

in € million	2023	2022
Expenses		
Interest expenses	**-176.5**	**-14.0**
thereof: positive interest	6.1	33.7
Commission expenses	**-1.0**	**-0.9**
Net trading result	**-**	**-**
General administrative expenses	**-76.7**	**-79.2**
a) Personnel expenses	-45.2	-45.5
aa) Wages and salaries	-30.5	-31.2
ab) Social security, post-employment and other employee benefit costs	-14.7	-14.4
thereof: for pensions	-10.1	-9.9
b) Other administrative expenses	-31.5	-33.6
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	**-0.4**	**-0.4**
a) On lease assets	-	-
b) On intangible and tangible assets	-0.4	-0.4
Other operating expenses	**-35.7**	**-17.7**
Write-downs of receivables and certain securities and additions to loan loss provisions	**-22.4**	**-435.2**
Write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**-2.2**	**-25.1**
Costs of loss absorption	**-**	**-**
Extraordinary expenses	**-2.3**	**-0.9**
Income taxes	**0.0**	**0.0**
Other taxes not reported under “Other operating expenses”	**0.0**	**0.0**
Net income for the year	**-36.2**	**-30.3**
Total expenses	**-353.4**	**-603.7**

in € million	2023	2022
Income		
Interest income from	**280.6**	**97.1**
a) Lending and money market transactions	262.0	83.4
thereof: negative interest	-1.6	-28.7
b) Fixed-income securities and government-inscribed debts	18.7	13.8
thereof: negative interest	-	-
Current income from	**2.8**	**15.0**
a) Equities and other non-fixed-income securities	2.8	15.0
b) Equity investments	-	-
c) Shares in associated companies	-	-
d) Shares in affiliated companies	-	-
Income from profit pooling, profit-transfer and partial profit-transfer agreements	**-**	**-**
Commission income	**10.4**	**13.7**
Net trading result	**-**	**-**
Income from reversals of write-downs of receivables and certain securities and from the reversal of provisions in lending business	**-**	**-**
Income from reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**0.5**	**0.7**
Other operating income	**59.2**	**132.1**
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	**353.4**	**603.7**
Net income/loss for the year	**36.2**	**30.3**
Non-controlling interests	**-**	**-**
Profit carryforward from the previous year	**142.0**	**151.1**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 1 to no. 3 HGB	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 4 HGB	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-31.3**	**-**
Replenishment of profit participation capital	**-**	**-**
Net retained profits/net accumulated losses	**146.8**	**181.4**

Income statement of IKB Deutsche Industriebank AG for the period from 1 January to 30 June 2023

in € million	2023	2022
Expenses		
Interest expenses	**-177.1**	**-14.1**
thereof: positive interest	6.1	33.9
Commission expenses	**-0.9**	**-0.9**
Net trading result	**-**	**-**
General administrative expenses	**-76.4**	**-78.9**
a) Personnel expenses	-45.2	-45.5
aa) Wages and salaries	-30.5	-31.2
ab) Social security, post-employment and other employee benefit costs	-14.7	-14.4
thereof: for pensions	-10.1	-9.9
b) Other administrative expenses	-31.2	-33.4
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	**-0.4**	**-0.4**
Other operating expenses	**-49.3**	**-17.7**
Write-downs of receivables and certain securities and additions to loan loss provisions	**-22.4**	**-435.2**
Write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**-**	**-25.3**
Costs of loss absorption	**-2.2**	**-**
Extraordinary expenses	**-2.3**	**-0.7**
Income taxes	**0.0**	**0.0**
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	**-25.0**	**-20.5**
Total expenses	**-356.0**	**-593.8**

in € million	2023	2022
Income		
Interest income from	**283.6**	**97.0**
a) Lending and money market transactions	265.8	84.1
thereof: negative interest	-1.6	-28.7
b) Fixed-income securities and government-inscribed debts	17.9	13.0
thereof: negative interest	-	-
Current income from	**2.3**	**13.2**
a) Equities and other non-fixed-income securities	2.3	13.2
b) Equity investments	-	-
c) Shares in affiliated companies	-	-
Income from profit pooling, profit-transfer and partial profit-transfer agreements	**-**	**-**
Commission income	**10.4**	**13.8**
Net trading result	**-**	**-**
Income from reversals of write-downs of receivables and certain securities and from the reversal of provisions in lending business	**-**	**-**
Income from reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**0.5**	**0.6**
Other operating income	**59.2**	**124.1**
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	**356.0**	**593.8**
Net income/loss for the year	**25.0**	**20.5**
Profit carryforward from the previous year	**183.6**	**190.9**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 1 to no. 3 HGB	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 4 HGB	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-31.3**	**-**
Replenishment of profit participation capital	**-**	**-**
Net retained profits/net accumulated losses	**177.3**	**211.4**

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 2023 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 2022, which were audited and certified by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

The 2023 6-month report of IKB AG as at 30 June 2023 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, management report and 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 of 31 December 2022.

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

As of 30 June 2023, there were no changes in presentation and measurement or corrections to financial statements.

(3) Consolidated group

In addition to IKB AG, 14 (31 December 2022: 13) subsidiaries were consolidated in the consolidated financial statements for the period ended 30 June 2023. 11 (31 December 2022: 12) further subsidiaries were not consolidated pursuant to section 296 (2) and section 311 (2) HGB due to being of only minor importance to the net assets, financial position and results of operations of the Group. Not consolidating these companies does not result in a significantly different view of the economic position of the Group than if they had been consolidated.

IKB Funding Trust I, Wilmington, United States of America, was consolidated for the first time in June 2023. The purpose of the entity is the issuance of trust-preferred securities. In June 2023, IKB AG bought some of the trust-preferred securities issued by IKB Funding Trust, thereby assuming the risks and rewards of the entity; this has resulted in a requirement to consolidate this entity in the Group.

For further information, please see note (26).

(4) Consolidation principles

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

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 2022.

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

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

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

(5) Provisions for possible loan losses

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

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 72 of IKB's 2022 annual report.

Notes to the balance sheet

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

	Group		IKB AG	
in € million	30 June 2023	31 Dec. 2022	30 June 2023	31 Dec. 2022
Receivables from banks[1)]	**775.4**	**768.1**	**775.4**	**768.1**
remaining term				
up to 3 months	288.8	27.9	288.8	27.9
more than 3 months up to 1 year	486.7	740.3	486.7	740.3
more than 1 year up to 5 years	-	-	-	-
more than 5 years	-	-	-	-
Receivables from customers	**8,884.6**	**8,810.4**	**9,169.6**	**9,095.2**
remaining term				
up to 3 months	654.9	542.9	939.9	827.7
more than 3 months up to 1 year	1,645.9	1,704.4	1,645.9	1,704.4
more than 1 year up to 5 years	5,679.5	5,715.9	5,679.5	5,715.9
more than 5 years	904.4	847.2	904.4	847.2
Liabilities to banks[1)]	**8,052.3**	**8,864.1**	**8,052.3**	**8,864.1**
remaining term				
up to 3 months	2,710.0	654.8	2,710.0	654.8
more than 3 months up to 1 year	1,191.2	3,788.5	1,191.2	3,788.5
more than 1 year up to 5 years	3,300.6	3,641.6	3,300.6	3,641.6
more than 5 years	850.5	779.2	850.5	779.2
Liabilities to customers[1)]	**3,370.9**	**3,116.5**	**3,457.7**	**3,209.3**
remaining term				
up to 3 months	618.5	418.5	664.0	422.0
more than 3 months up to 1 year	1,218.4	1,098.1	1,259.7	1,187.4
more than 1 year up to 5 years	1,435.4	1,513.3	1,435.4	1,513.3
more than 5 years	98.6	86.6	98.6	86.6

1) Not including receivables or liabilities repayable on demand

Of the bonds and other fixed-income securities, €122.5 million (31 December 2022: €44.1 million) in the Group and €122.5 million (31 December 2022: €44.1 million) in IKB AG have a remaining term of up to one year. Of the bonds issued that are reported as securitised liabilities, €11.0 million (31 December 2022: €12.3 million) in the Group and €11.0 million (31 December 2022: €12.3 million) in IKB AG have a remaining term of up to one year.

(7) Repurchase agreements

As at the reporting date, assets of €2,082.6 million recognised in the balance sheet of the Group and assets of €2,084.9 million recognized in the balance sheet of IKB AG had been transferred as collateral under genuine repurchase agreements (31 December 2022: Group and IKB AG €728.5 million). The increase is due to higher secured funding via Eurex.

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

	Group			
	30 June 2023		31 December 2022	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	-	-	-	-
Other assets	-	-	-	-

	IKB AG			
	30 June 2023		31 December 2022	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	285.0	-	284.8	-
Bonds and other fixed-income securities	26.1	-	-	-
Other assets	22.6	-	40.1	-

The increase in bonds and other fixed-income securities in IKB AG results from the purchase of trust-preferred securities issued by IKB Funding Trust I, Wilmington, USA.

The decrease in other assets in IKB AG results from the settlement of receivables from profit transfer and from writing down an intragroup sub-interest in expected payments arising from legal disputes.

(9) Fixed assets

Group:

in € million	Intangible fixed assets	Tangible assets	Equity invest-ments	Shares in affiliated companies	Bonds and other fixed-income securities	Equities and other non-fixed income securities	Total
Cost as of 31 December 2022	**25.8**	**7.6**	**0.6**	**1.3**	**2,109.8**	**601.0**	**2,746.1**
Additions to the consolidated group	-	-	-	-	-	-	-
Additions	0.1	-	-	-	85.3	-	85.4
Reclassifications	-	-	-	0.0	-	-	0.0
Effects of currency translation	-	-	-	-	-1.1	-	-1.1
Disposals	-	-0.9	-	-1.2	-22.6	-1.2	-25.9
Cost as of 30 June 2023	**25.9**	**6.7**	**0.6**	**0.1**	**2,171.4**	**599.7**	**2,804.4**
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 31 December 2022	**-24.7**	**-5.3**	**-0.4**	**0.0**	**-**	**-**	**-30.4**
Reversal of write-downs	-	-	-	-	-	-	-
Depreciation/amortisation and write-downs	-0.1	-0.2	-	-	-	-	-0.3
Reclassifications	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-	-	-
Disposals from the consolidated group	-	-	-	-	-	-	-
Disposals	-	0.9	-	-	-	-	0.9
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 30 June 2023	**-24.9**	**-4.6**	**-0.4**	**0.0**	**-**	**-**	**-29.9**
Residual book value as of 30 June 2023	**1.0**	**2.1**	**0.2**	**0.1**	**2,145.2**	**599.7**	**2,748.3**
Residual book value as of 31 December 2022	**1.0**	**2.3**	**0.2**	**1.3**	**2,109.8**	**601.0**	**2,715.6**

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

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
Cost as of 31 December 2022	**25.8**	**7.6**	**0.2**	**680.7**	**2,115.1**	**296.8**	**3,126.2**
Additions	0.1	-	-	5.2	85.3	-	90.6
Reclassifications	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-1.1	-	-1.1
Disposals	-	-0.9	-	-1.2	-23.4	-1.2	-26.7
Cost as of 30 June 2023	**25.9**	**6.6**	**0.2**	**684.7**	**2,175.9**	**295.6**	**3,188.9**
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 31 December 2022	**-24.7**	**-5.3**	**-**	**-563.6**	**-**	**-**	**-593.6**
Reversal of write-downs	-	-	-	-	-	-	-
Depreciation/amortisation and write-downs	-0.1	-0.2	-	-	-	-	-0.3
Reclassifications	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-	-	-
Disposals	-	0.9	-	-	-	-	0.9
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 30 June 2023	**-24.9**	**-4.6**	**-**	**-563.6**	**-**	**-**	**-593.1**
Residual book value as of 30 June 2023	**1.0**	**2.1**	**0.2**	**121.1**	**2,175.9**	**295.6**	**2,595.9**
Residual book value as of 31 December 2022	**1.0**	**2.3**	**0.2**	**117.1**	**2,115.1**	**296.8**	**2,532.5**

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

1) Under shares in affiliated companies, the cost as of 31 December 2022 has been adjusted by €0.6 million.

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

Additions to shares in affiliated companies in IKB AG relate to contributions to capital reserves at the subsidiaries IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf, and IKB Beteiligungsgesellschaft 3 mbH, Düsseldorf. The reduction in shares in affiliated companies in IKB AG relates to the repayment of capital following the liquidation of Aleanta GmbH i.L., Düsseldorf.

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

In the Group 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 €345.6 million (31 December 2022: €368.8 million). This is based on carrying amounts of €1,971.7 million (31 December 2022: €2,210.5 million) and fair values of €1,626.1 million (31 December 2022: €1,841.7 million). IKB AG’s unrealised losses from securities held as fixed assets total €349.4 million (31 December 2022: €372.3 million). This is based on carrying amounts of €2,026.6 million (31 December 2022: €1,997.3 million) and fair values of €1,677.2 million (31 December 2022: €1,625.0 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 deferred interest.

(10) Subordinated assets

	Group		IKB AG	
in € million	**30 June 2023**	**31 Dec. 2022**	**30 June 2023**	**31 Dec. 2022**
Receivables from customers	12.1	14.1	12.1	14.1
Bonds and other fixed-income securities	26.1	-	26.1	-
Total	**38.2**	**14.1**	**38.2**	**14.1**

The rise in subordinated assets is attributable to the fact that IKB AG bought preferred shares (trust-preferred securities) issued by IKB Funding Trust I, Wilmington, USA, which are reported under bonds and other fixed-income securities.

(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	**Book value 30 June 2023**	**Fair value 30 June 2023**	**Difference to book value 30 June 2023**	**Distribution 2023**	**Book value 30 June 2023**	**Fair value 30 June 2023**	**Difference to book value 30 June 2023**	**Distribution 2023**
Mixed funds	181.8	181.8	-	-	181.8	181.8	-	-
Other special funds	599.7	599.6	-0.1	2.8	295.6	295.3	-0.3	2.3
Total	**781.5**	**781.4**	**-0.1**	**2.8**	**477.4**	**477.1**	**-0.3**	**2.3**

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

Mixed funds comprise investments of the CTA assets in a domestic special-purpose fund. If the offsetting of CTA assets against pension obligations (for each pension plan) results in an excess of CTA assets, this is reported under "Excess of plan assets over post-employment benefit liability". If the offsetting results in an excess pension obligation, this is recognised as a pension provision. As of 30 June 2023, the domestic special-purpose fund consisted mainly of fixed-income investment funds and to a small extent of money-market funds.

Other special funds include units in foreign special funds that particularly invest in European and North American fixed-income securities. Distributions from investment funds are recognised in the income statement in the "Equities and other non-fixed-income securities" item. Capital distributions are reported as a reduction in the book value.

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 2023**	**31 Dec. 2022**	**30 June 2023**	**31 Dec. 2022**
Foreign currency adjustment asset	2.6	9.3	2.6	9.3
Receivables from tax authorities	15.0	19.2	14.7	18.9
Deferrals for derivatives	53.9	29.6	53.9	29.6
Trade receivables	3.5	4.3	3.5	4.3
Receivables from affiliated companies	-	-	22.6	40.1
Miscellaneous assets	15.1	14.1	14.7	13.8
Total	**90.0**	**76.5**	**112.0**	**116.1**

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

(13) Prepaid expenses

“Prepaid expenses” break down as follows:

	Group		IKB AG	
in € million	**30 June 2023**	**31 Dec. 2022**	**30 June 2023**	**31 Dec. 2022**
Discounts on liabilities recognised at their nominal value	0.4	0.5	0.4	0.5
Deferred income for the derivatives business and for credit default swaps accounted for like guarantees	29.1	28.9	29.1	28.9
Prepaid expenses for invoices paid in advance	11.1	10.1	11.0	10.0
Total	**40.6**	**39.6**	**40.5**	**39.4**

(14) Deferred tax assets

	Group		IKB AG	
in € million	**30 June 2023**	**31 Dec. 2022**	**30 June 2023**	**31 Dec. 2022**
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 2023		**31 Dec. 2022**	
in € million	**Affiliated companies**	**Investees and investors**	**Affiliated companies**	**Investees and investors**
Liabilities to clients	-	-	1.5	-

	IKB AG			
	30 June 2023		**31 Dec. 2022**	
in € million	**Affiliated companies**	**Investees and investors**	**Affiliated companies**	**Investees and investors**
Liabilities to clients	91.5	-	97.0	-
Other liabilities	0.0	-	0.4	-
Subordinated liabilities	75.1	-	75.1	-

(16) Other liabilities

The "Other liabilities" item breaks down as follows:

	Group		IKB AG	
in € million	**30 June 2023**	**31 Dec. 2022**	**30 June 2023**	**31 Dec. 2022**
Obligations from derivatives	1.9	1.9	1.9	1.9
Deferrals for derivatives	32.4	27.5	32.4	27.5
Liabilities to tax authorities	2.2	0.2	2.1	0.1
Deferred income for subordinated liabilities	11.4	14.4	11.4	14.4
Trade payables	1.6	4.1	1.6	4.1
Miscellaneous liabilities	18.1	9.5	18.1	9.4
Total	**67.7**	**57.6**	**67.6**	**57.4**

(17) Deferred income

"Deferred income" breaks down as follows:

	Group		IKB AG	
in € million	**30 June 2023**	**31 Dec. 2022**	**30 June 2023**	**31 Dec. 2022**
Discounts on receivables recognised at their nominal value	5.4	6.2	5.4	6.2
Deferred income for the derivatives business and for credit default swaps accounted for like guarantees	29.2	31.6	29.2	31.6
Total	**34.6**	**37.8**	**34.6**	**37.8**

(18) Pension provisions

The reported pension provisions amounted to €110.6 million (31 December 2022: €106.9 million) in the Group and €108.8 million (31 December 2022: €105.0 million) in IKB AG. The increase in pension provisions is due to the inflation-induced rise in pensions for former employees in particular.

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

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

30 June 2023 **in € million**	**Group**	**IKB AG**
Measurement of the obligation at the average market interest rate for the past 10 years	331.8	330.0
Measurement of the obligation at the average market interest rate for the past 7 years	342.5	340.5
Difference in accordance with section 253 (6) HGB	**10.7**	**10.5**

(19) Fund for general banking risks

The fund for general banking risks had a balance of €159.0 million (31 December 2022: €159.0 million) at the level of the Group as well as of IKB AG.

(20) Other financial obligations

Other financial obligations came to €46.7 million as of the reporting date (31 December 2022: €50.5 million) in the Group and €46.7 million (31 December 2022: €50.5 million) in IKB AG. The decrease results in particular from the fact that obligations from IT services declined to €18.3 million (31 December 2022: €21.2 million) and lease obligations for properties fell to €7.8 million (31 December 2022: €10.3 million). The payment obligations to national and international banking system guarantee schemes increased to €13.6 million (31 December 2022: €11.9 million).

Notes to the income statement

(21) Extraordinary income and expenses

The net extraordinary expense was €2.3 million (previous year: net expense of €0.9 million) in the Group and €2.3 million (previous year: net expense of €0.7 million) in IKB AG. It solely concerned extraordinary expenses and was mainly attributable to the restructuring of bank operations in both the Group and IKB AG.

(22) Other operating expenses

The "Other operating expenses" item largely includes:

	Group		IKB AG	
in € million	**2023**	**2022**	**2023**	**2022**
Expenses from derivatives in the non-trading book	-25.3	-0.3	-25.3	-0.3
Expenses from additions to provisions	-0.4	-0.5	-0.1	-0.5
Expense from discount factor unwinding on pension obligations and change in the discount rate	-2.1	-6.8	-2.1	-6.8
Fair-value measurement of the CTA assets	1.3	-6.2	1.3	-6.2
Expenses for hedging business risks	-0.8	-0.8	-0.8	-0.8
Legal and project costs	-7.7	-2.6	-7.7	-2.6
Expenses from the write-down of an intra-Group sub-interest in expected payments arising from legal disputes	-	-	-13.9	-
Other expenses	-0.6	-0.4	-0.6	-0.5
Total	**-35.7**	**-17.7**	**-49.3**	**-17.7**

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.

(23) Costs of loss absorption

In the period under review, IKB AG incurred loss absorption costs of €2.2 million (previous year: €0.0 million). The costs related to the recognition of a provision for loss absorption obligations under the profit and loss transfer agreement with the subsidiary IKB Beteiligungsgesellschaft 3 mbH.

(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) Other operating income

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

	Group		IKB AG	
in € million	**2023**	**2022**	**2023**	**2022**
Income from derivatives in the non-trading book	56.7	105.2	56.7	105.2
Income from currency translation	-	0.6	-	1.2
Income from the release of provisions	2.0	4.7	2.0	4.7
Other operating income	0.4	0.3	0.4	0.3
Income from payments from legal disputes	0.1	8.5	0.0	0.0
Income from cost reimbursements in connection with legal disputes	-	12.8	-	12.8
Total	**59.2**	**132.1**	**59.2**	**124.1**

Income from derivatives in the non-trading book relates in particular to close-outs of derivative transactions in the banking book. Income from currency translation particularly relates to the recognition through profit and loss of currency gains outside special cover.

(26) List of shareholdings as of 30 June 2023

30 June 2023		Fiscal year	Equity interest in %
1. Domestic companies (fully 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 (fully consolidated)			
IKB Finance B.V., Amsterdam, Netherlands		1 Jan. – 31 Dec.	100.00
IKB Funding LLC I, Wilmington, United States of America		1 Jan. – 31 Dec.	100.00
IKB Funding Trust I, Wilmington, United States of America		1 Jan. – 31 Dec.	100.00
IKB International S.A. i.L., Munsbach, Luxembourg	3)	1 Jan. – 31 Dec.	100.00
IKB Lux Investment S.à r.l., Munsbach, Luxembourg		1 Jan. – 31 Dec.	100.00
3. German subsidiaries (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
Aleanta GmbH i.L., Düsseldorf	3)	1 Jan. – 31 Dec.	100.00
IKB New 1 GmbH, Düsseldorf		1 April – 31 March	100.00
IKB NewCo 3 GmbH, Düsseldorf		1 Jan. – 31 Dec.	100.00
IKB Projektentwicklungsverwaltungsgesellschaft mbH i.L., Düsseldorf	3)	1 Jan. – 31 Dec.	100.00
IKB Real Estate GmbH, Düsseldorf		1 Jan. – 31 Dec.	100.00
Restruktur 2 GmbH i.L., Düsseldorf	3)	1 April – 31 March	100.00
Restruktur 3 GmbH, Düsseldorf		1 April – 31 March	100.00
4. Special-purpose vehicles (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
RIO DEBT HOLDINGS (IRELAND) DESIGNATED ACTIVITY COMPANY, Dublin, Ireland			
Rosaria Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Heimstetten KG, Grünwald			
5. German associates/joint ventures (not accounted for using the equity method on the basis of section 311 (2) HGB[4])	1)		
FUNDINGPORT GmbH, Hamburg		1 Jan. – 31 Dec.	30.00
6. Foreign associates/joint ventures (not accounted for using the equity method on the basis of section 311 (2) 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 have been dispensed with in the interests of greater clarity.

(27) Related-party transactions

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

(28) Derivative financial instruments not measured at fair value

Group:

	Nominal	Fair value		Book value	
30 June 2023 **in € million**		**Positive**	**Negative**	**Assets**	**Equity and liabilities**
Interest-related derivatives	19,971.6	1,134.9	1,193.8	64.3	57.1
Currency-related derivatives	217.0	0.5	2.1	0.3	2.0
Derivatives assigned to several categories	102.6	3.1	10.8	2.9	14.3
Total	**20,291.2**	**1,138.5**	**1,206.7**	**67.5**	**73.4**

AG:

	Nominal	Fair value		Book value	
30 June 2023 **in € million**		**Positive**	**Negative**	**Assets**	**Equity and liabilities**
Interest-related derivatives	19,971.6	1,134.9	1,193.8	64.3	57.1
Currency-related derivatives	217.0	0.5	2.1	0.3	2.0
Derivatives assigned to several categories	102.6	3.1	10.8	2.9	14.3
Total	**20,291.2**	**1,138.5**	**1,206.7**	**67.5**	**73.4**

(29) Unrealised gains and losses

The table shows the unrealised gains and losses for the following material financial balance-sheet items and off-balance sheet derivatives of the IKB Group. In addition, it includes the unrealised net gains and losses on credit default swaps, which are accounted for in the same way as loan collateral provided.

Group	**30 June 2023**			**31 December 2022**		
in € million	**Book value**	**Fair value**	**Difference**	**Book value**	**Fair value**	**Difference**
Receivables from banks	2,095.5	2,093.2	-2.3	3,312.7	3,308.9	-3.8
Receivables from customers	8,884.6	8,690.4	-194.2	8,810.4	8,642.7	-167.7
Bonds and other fixed-income securities	3,003.5	2,671.3	-332.2	2,421.1	2,057.5	-363.6
Equities and other non-fixed-income securities	599.7	599.7	0.0	601.0	600.3	-0.7
Derivative financial instruments not measured at fair value	67.4	1,138.5	1,071.1	51.9	1,163.8	1,111.9
Credit default swaps recognised as loan collateral pledged	18.2	20.7	2.5	16.0	15.6	-0.4
Subtotal	**14,668.9**	**15,213.8**	**544.9**	**15,213.1**	**15,788.8**	**575.7**
Liabilities to banks	8,502.6	8,111.0	391.6	9,060.7	8,665.8	394.9
Liabilities to clients	4,329.1	4,228.3	100.8	4,335.2	4,238.7	96.5
Securitised liabilities	24.2	23.3	0.9	31.1	30.2	0.9
Subordinated liabilities	545.8	435.7	110.1	583.5	500.2	83.3
Derivative financial instruments not measured at fair value	73.4	1,206.6	-1,133.2	60.0	1,193.4	-1,133.4
Credit default swaps recognised as loan collateral pledged	5.7	2.7	3.0	5.2	3.0	2.2
Subtotal	**13,480.8**	**14,007.6**	**-526.8**	**14,075.7**	**14,631.3**	**-555.6**
Total			**18.1**			**20.1**

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

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

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

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

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

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

(30) Significant events after 30 June 2023

The following events of material importance that affect the true and fair view of the operations, the results of operations, the situation and the expected development of the company occurred after 30 June 2023:

Merger of IKB Beteiligungen GmbH

The merger of IKB Beteiligungen GmbH (transferor entity) with IKB AG (absorbing entity) was entered in the commercial register and thus became effective on 10 July 2023.

(31) Executive bodies

Board of Managing Directors

Dr Michael H. Wiedmann (Chairman)

Dr Patrick Alfred Trutwein

Steffen Zeise

Supervisory Board

Dr Karl-Gerhard Eick (Chairman), management consultant

Claus Momburg (Deputy Chairman), independent gentleman

Sven Boysen[1)], employee representative

Benjamin Dickgießer, Managing Director of Hudson Advisors Portugal, LDA

Dr Lutz-Christian Funke, Director of KfW

Evgeniy Kazarez, Director of Hudson Advisors Portugal, LDA

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

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

Jörn Walde[1)], employee representative

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

1) Elected by the employees

Notes on segment reporting

Segment reporting is based on the internal income statement, which forms part of IKB's management information system. It is presented in accordance with internal management reporting, which is used by the Board of Managing Directors to assess the performance of the segments and to allocate resources. The segment report is prepared in accordance with the guidance contained in DRS 28 and is based on the Bank's product units. Each segment is treated as an independent entity responsible for its own profit and loss and the requisite capitalisation.

Segmentation

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

- Public Programme Loans
- Corporate Bank
- Corporate Centre.

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

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

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

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

Segment report

Table: Segment reporting – Group

in € million	Public Programme Loans 1 Jan. – 30 June 2023	Public Programme Loans 1 Jan. – 30 June 2022	Corporate Bank 1 Jan. – 30 June 2023	Corporate Bank 1 Jan. – 30 June 2022	Corporate Centre 1 Jan. – 30 June 2023	Corporate Centre 1 Jan. – 30 June 2022	IKB 1 Jan. – 30 June 2023	IKB 1 Jan. – 30 June 2022
Net interest income	37	41	63	42	7	16	107	98
Net fee and commission income	2	3	5	7	2	3	9	13
Gross income	**40**	**44**	**68**	**48**	**9**	**19**	**116**	**111**
Administrative expenses	-22	-22	-21	-20	-34	-38	-77	-80
Operating profit before risk provisions	**18**	**23**	**47**	**28**	**-25**	**-19**	**39**	**31**
Provisions for possible loan losses	5	7	-17	-6	0	-1	-12	0
Operating profit	**22**	**30**	**30**	**22**	**-25**	**-20**	**28**	**32**
Net other income	0	0	0	1	9	-2	9	-1
Income before taxes	**22**	**30**	**30**	**22**	**-16**	**-22**	**36**	**30**
Tax expense/income	-3	-4	-4	-3	6	6	0	0
Consolidated net result	**19**	**26**	**26**	**19**	**-10**	**-15**	**36**	**30**
New business	631	423	935	814	-	-	1,565	1,237
Loans outstanding as of the reporting date	5,021	5,035	4,321	4,123	7,538	8,080	16,880	17,237
Risk-weighted assets	2,510	2,759	3,266	3,504	1,695	1,711	7,471	7,974
Average CET 1 capital at 12%	305	343	404	434	205	203	914	981
Interest margin (%)	1.47	1.58	2.91	2.01			2.13	1.77
Cost/income ratio (%)	55.3	48.9	31.1	41.8			66.3	71.7
Cost of Risk (%)	-0.18	-0.29	0.76	0.31			0.25	-0.01
Return on equity (%)	12.8	15.3	13.0	9.0			7.9	6.2

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 €19 million (previous year: €26 million). The new business volume was at €0.6 billion, compared with €0.4 billion in the previous year. The return on equity in the segment increased to 12.8% (previous year: 15.3%) chiefly due to the lower allocated earnings. The cost/income ratio stood at 55.3%, up from 48.9% in the previous year, due to the decline in gross income. The €44 million decline in gross income to €40 million is attributable to lower commission income as well as non-recurring income from prepayment penalties in the previous year.

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 €26 million (previous year: €19 million). The new business volume was at €0.9 billion (previous year: €0.8 billion). The return on equity in the segment widened from 9.0% in the previous year to 13.0%, primarily as a result of the increased gross income. Gross income rose significantly, to €68 million, compared with €48 million in the previous year. Interest income from loans to customers reacted faster to the rise in interest rates than the corresponding funding costs. As a result, the cost/income ratio improved to 31.1%, from 41.8% in the previous year.

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 after tax of €10 million (previous year: net loss of €15 million).

Düsseldorf, 9 August 2023

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.

IKB Deutsche Industriebank AG
Investor Relations
Wilhelm-Bötzkes-Straße 1
40474 Düsseldorf, Germany
Telephone +49 211 8221-4511
E-Mail: investor.relations@ikb.de

(Only the German version of this report is legally binding.)