6-Month Report 2021

(1 January – 30 June 2021)

IKB Deutsche Industriebank

IKB Group key figures

Income statement (in € million)	**1 Jan. - 30 June 2021**	**1 Apr. - 30 Sept. 2020**
Net interest income	108	107
Net fee and commission income	14	14
Gross income	122	122
Administrative expenses	-73	-68
Operating profit before risk provisions	49	54
Net other income	-3	2
Net risk provisioning	2	-13
Tax expense/income	-1	0
Consolidated net income	47	42
Interest margin on loan book (%)	1.77	1.92
Risk costs of loan book (%)	-0.04	0.27
Return on equity (%)	8.8	7.1
Cost/income ratio (%)	59.9	55.5

Balance sheet (€ million)	**30 June 2021**	**31 Dec. 2020**
Own funds component CET 1 (fully phased)	1,270	1,273
Total assets	16,176	16,929
loan book	9,662	9,417
Loan to deposit ratio (%)	89	70

Regulatory key figures (%)[1)]	**30 June 2021**	**31 Dec. 2020**
Risk-weighted assets (€ billion, fully phased)	8.6	8.9
CET 1 ratio (fully phased-in)	14.8	14.3
Tier 1 ratio (fully phased-in)	14.8	14.3
Own funds ratio (fully phased-in)	22.0	21.4
CET 1 ratio IKB Group Basel IV (fully phased)	15.9	15.3
NPL ratio in accordance with EBA definition	1.8	1.6
Capital ratios (fully phased)	7.5	7.4
Liquidity coverage ratio	205	271

Employees	**30 June 2021**	**31 Dec. 2020**
Full-time employees (FTE) on the reporting date	563	581

Ratings	**Moody's**	**Fitch**
Issuer rating (long term)	Baa1 (outlook: stable)	BBB (outlook: negative)

Any differences in totals are due to rounding effects.

1) Figures taking account of the phase-in and phase-out provisions of the CRR/CRR II; the CET 1 ratios have been calculated in accordance with the current version of the CRR/CRR II 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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Note: As a consequence of changing the financial year to the calendar with effect from 31 December 2020 and the resulting nine-month short financial year (1 April 2020 to 31 December 2020), in particular the results of operations presented in the 2021 six-month financial statements (1 January to 30 June 2021) are only to a limited extent comparable to the prior-year period (1 April 2020 to 30 September 2020).

- Consolidated net profit after risk provisions increases to €47 million (first half of 2020: €42 million); return on equity (RoE) improved to 8.8% (first half of 2020: 7.1%)
- Earnings guidance for full-year 2021 confirmed: net income of close to €100 million and RoE of about 9% expected
- Administrative expenses of €73 million, cost/income ratio (CIR) of 59.9%
- Positive risk provisioning result of €2 million and low NPL ratio (EBA definition) of 1.8%
- Common Equity Tier 1 (CET 1) ratio of 14.8% at a high level (first half of 2020: 14.3%), pro forma CET 1 ratio in accordance with Basel IV of 15.9%
- Leverage ratio of 7.5% (31 December 2020: 7.4%)
- Solid liquidity position: loan to deposit ratio of 89% and liquidity coverage ratio (LCR) of 205%
- Chairman of IKB's Board of Managing Directors, Dr Michael Wiedmann: "Our business performed well in the first half of 2021 and we are fully on track to meet our 2021 targets."

1. Group Management Report

Basic information on the IKB Group can be found on page 15 et seq. of the annual report for 2020. There were no changes in this basic information in the period under review.

2. Economic report

Macroeconomic and industry-specific conditions

The coronavirus pandemic continued to leave traces around the world in the first half of 2021. New waves of infection and renewed or stepped-up measures to contain the pandemic placed a damper on the global recovery. The services sector was particularly affected again. Although industry initially remained buoyant, it was hampered by supply-chain constraints. Shortfalls particularly arose for specific intermediate goods, such as industrial raw materials and semiconductors. Capacity shortfalls in maritime transport, which are reflected in a sharp rise in freight rates, caused further delays. All in all, the global economy continued to rebound in the winter months, albeit at a noticeably slower pace.

In the Eurozone, gross domestic product (GDP) contracted by 0.3% in the first quarter of 2021 over the already muted previous quarter. By contrast, the economic recovery picked up again in the United States (+1.6%), where many restrictions were lifted in the course of the first quarter, with extensive stimulus packages providing additional impetus for the economy. The Chinese economy continued to recover in the first quarter of 2021, while other emerging markets suffered from the economic effects of new waves of infection.

The increase in commodity prices and the sharp rise in transport costs fed through to industrial producer prices. The surge in costs is likely to increasingly show up in final products and, hence, consumer prices. In the industrialised nations, consumer prices rose substantially year-on-year, primarily driven by energy prices. The inflation rate for the consumer price index rose to 5% in May in the United States and to 2% in the Eurozone.

Despite the rising inflation rates, the Fed and the ECB (European Central Bank) retained their expansionary monetary policy. The Fed saw the higher inflation rates as only a temporary phenomenon, announcing that it would be maintaining its expansionary stance for the foreseeable future. In December 2020, the ECB loosened its monetary policy against the backdrop of rising infections, enlarging its Pandemic Emergency Purchase Programme (PEPP) by €500 billion to a total of €1,850 billion. At the same time, it extended the time horizon for net asset-purchasing under the PEPP until at least March 2022. This monetary strategy was reaffirmed in March 2021.

In Germany, real GDP contracted by 1.8% quarter-on-quarter in seasonally and calendar-adjusted terms in the first quarter of 2021. At the same time, consumer spending in particular fell by 5.4%. This renewed decline is substantially due to the tightening of the measures for containing the coronavirus pandemic and the fact that they were more protracted than in the previous quarter. A number of service industries in particular were severely affected. In the industrial sector, shortages of intermediate products brought the recovery to a halt despite the further growth in demand. Thus, the automotive industry in particular experienced worldwide production stoppages. Consequently, the export industry was unable to repeat the high momentum of growth achieved in the previous quarter, although it did remain on its recovery trajectory. On the other hand, capital spending on machinery and equipment remained muted. That said, the Bundesbank assumes that the German economy expanded at a moderate pace again in the second quarter.

The momentum of lending to companies slowed somewhat in the first quarter of 2021 but continued to point upwards. Whereas demand for short-term loans picked up again substantially (+9.2%), long-term loans increased by only 1%. Reflecting muted capital spending, grants of long-term loans to industrial companies were actually down quarter-on-quarter.

The number of corporate insolvencies is continuing to decline. Accordingly, the re-imposition of the obligation to file for insolvency is not yet reflected in the data for the first quarter of 2021. However, it should be noted that this obligation had been suspended until the end of April in the case of companies for which receipt of government support is still pending.

Companies were given substantial support to soften the effects of the pandemic at least in the short term. Federal and state governments, development and guarantee banks as well as other banks established a broad network providing liquidity assistance and targeted advances within a very short space of time in 2020 to shield the companies from the effects of the coronavirus pandemic. Not including the economic stimulus packages, the support measures, which were renewed until the end of 2021 and partially revised, had reached a volume of somewhat over €100 billion by June of this year. Accounting for over €50 billion and with roughly 130,000 applications approved, the KfW pandemic loans granted to companies via their respective banks continue to play an important role.

German banks remain solid, with currently no evidence of any increase in the volume of loans at risk of default. Although a certain increase in corporate insolvencies must be expected in the future, banks are generally prepared for a possible deterioration in the situation. Thus, they have already increased their capital buffers substantially and stepped up their risk provisions. However, banks' earnings remain under pressure from low interest rates. In 2020, aggregate net interest income dropped slightly over the previous year. By contrast, other sources of income have proved to be relatively stable, one example being net commission income, which exceeded the previous year's level. Moreover, German banks were able to lower their administrative expenses slightly in 2020. Even so, the cost/income ratio in the German banking industry remains above the European average.

Important events during the reporting period

Changes in the Group

IKB's investment portfolio was partly supplemented or partly reduced as a result of the following changes:

- IKB AG and the Hypoport Group intend to cooperate in certain segments of corporate financing by establishing a digital B2B tender platform for finance, which will be operated by FUNDINGPORT GmbH. The agreement specifies, among other things, that the IKB Group will initially hold an interest of 30 percent in FUNDINGPORT GmbH. Following the approval granted by the supervisory authorities at the beginning of March 2021, the IKB Group acquired 30% of the capital of FUNDINGPORT GmbH on 10 March 2021 via IKB Beteiligungsgesellschaft 3 mbH.
- The liquidation of equiNotes Management GmbH i.L. was completed with the deletion of the company from the commercial register on 21 June 2021.
- Effective 30 June 2021, IKB Beteiligungsgesellschaft 2 mbH sold all of its shares in IKB Real Estate GmbH to IKB Invest GmbH.
- During the period under review, the financial year of IKB Beteiligungen GmbH was altered to match the calendar year. The period from 1 April 2021 to 31 December 2021 has been designated a shortened financial year. The amendments to the articles of association in connection with the change of financial year were entered in the commercial register on 30 June 2021.

Legally relevant events

Agreement on carrying profits forward

In accordance with a contractual agreement entered into in March 2021, IKB and LSF6 Europe Financial Holdings, L.P. ("LSF6") declared their intention to hold another (extraordinary) shareholder meeting in the course of the 2021 financial year or in 2022 up to the adoption of the annual financial statements for the 2021 financial year in order to resolve on further profit distributions. In this connection, LSF6 has undertaken towards IKB to pass a resolution to distribute a dividend only if this is not in conflict with the regulatory recommendations issued by BaFin (German Federal Financial Supervisory Authority) or the ECB concerning the distribution of dividends during the coronavirus pandemic.

Personnel changes

Supervisory Board

Mr Benjamin Dickgießer and Dr Claus Nolting were re-elected to the Supervisory Board as shareholder representatives in resolutions passed at the Annual General Meeting on 18 March 2021. With respect to the employee representatives, the following changes took effect at the end of the Annual General Meeting on 18 March 2021: Mr Sven Boysen was re-elected to the Supervisory Board, while Ms Susanne Eger was elected for the first time. Mr Jörn Walde stepped down from the Company's Supervisory Board as of the same date.

In the constituent meetings following this Annual General Meeting, Dr Nolting was re-elected Deputy Chairman of the Supervisory Board and Chairman of the Risk and Audit Committee. In addition, the vacant seats on the committees were filled or re-filled as follows through elections: the Supervisory Board Executive Committee (Ms Eger and Mr Dickgießer), the Risk and Audit Committee (Mr Boysen, Mr Dickgießer and Dr. Nolting), the Nomination Committee (Mr Dickgießer) and the Remuneration Control Committee (Ms Eger and Mr Dickgießer).

Board of Managing Directors

IKB's Supervisory Board appointed Dr Patrick Trutwein and Dr Ralph Müller to the Board of Managing Directors on 27 January 2021 with effect from 1 February 2021. This expands the IKB Board of Managing Directors from two members to four. Dr Trutwein is responsible for risk management and internal audit as chief risk officer (CRO). Dr Müller is responsible for strategy, digitalisation and operations as chief digital officer (CDO)/chief operating officer (COO).

Investment-grade rating from Moody's and Fitch

IKB received an investment-grade rating from rating agencies Moody's (15 January 2021) and Fitch (14 January 2021). Moody's assigned IKB a deposit and issuer rating of Baa1 with a stable outlook. Fitch assigned IKB a long-term issuer default rating of BBB with a negative outlook. These ratings fulfil the requirements of many business partners and investors.

Results of operations, asset position and financial situation

Due to the conversion of the financial year to match the calendar year with effect from 31 December 2020 and, as a result of this, the insertion of a stub nine-month financial year (1 April 2020 - 31 December 2020), the earnings situation reflected in the financial statements for the first half of the year (1 January - 30 June 2021) in particular is not fully comparable with the previous year (1 April 2020 - 30 September 2020).

Business performance

In the first half of 2021, the ongoing coronavirus pandemic continued to leave traces on new business. With its good position in public programme loans, IKB was able to support its customers with the special KfW loan programmes.

Together with the growing demand for corporate loans, this resulted in an increase in new business to around €1.7 billion (previous year: €0.9 billion), with the proportion of corporate loans in total loans widening by 47 percentage points to 64%.

Results of operations

In the first six months of 2021 (January to June 2021), IKB generated consolidated net income of €47 million (previous year: €42 million). On an annualised basis, this is in line with the full-year forecast. The Public Programme Loans segment accounted for €23 million, the Corporate Bank segment for €27 million and the Corporate Centre segment for €3 million.

in € million	Group		IKB AG	
	1 Jan. - 30 June 2021	1 Apr. - 30 Sept. 2020	1 Jan. - 30 June 2021	1 Apr. - 30 Sept. 2020
Net interest income	**108**	**107**	**100**	**77**
Interest income	125	148	117	119
Interest expenses	-17	-38	-17	-39
Net interest expenses for derivatives	0	-3	0	-4
Net fee and commission income	**14**	**14**	**14**	**15**
Gross income	**122**	**122**	**114**	**91**
Administrative expenses	**-73**	**-68**	**-73**	**-67**
Personnel expenses	-41	-40	-41	-40
Other administrative expenses	-32	-27	-32	-27
Operating profit before risk provisions	**49**	**54**	**41**	**24**
Net risk provisioning	**2**	**-13**	**2**	**-12**
Operating profit	**51**	**41**	**43**	**12**
Net other income	**-3**	**2**	**-16**	**0**
Earnings before tax	**48**	**43**	**28**	**12**
Tax expense/income	**-1**	**0**	**-2**	**0**
Net profit after tax	**47**	**42**	**26**	**13**

Any differences in totals are due to rounding effects.

Other key figures	Group	
	1 Jan. - 30 June 2021	1 Apr. - 30 Sept. 2020
New business (€ billion)	**1.7**	**0.9**
of which internally funded business	1.1	0.2
of which public programme loans business	0.6	0.7
Interest margin on loan book (%)	**1.77%**	**1.92%**
Risk costs of loan book (%)	**-0.04%**	**0.27%**
Cost/income ratio (%)	**59.9%**	**55.5%**
Return on equity (%)	**8.8%**	**7.1%**

Net interest income

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

Net interest income in the period under review came to €108 million (previous year: €107 million) for the Group, with the Public Programme Loans segment contributing €43 million, the Corporate Bank segment €44 million and the Corporate Center €21 million. Within the Group, interest income from lending business came to €92 million (previous year:

€98 million) and interest income from securities and current income from equities and other non-fixed income securities to €34 million (previous year: €50 million). Current income from equities and other non-fixed income securities is composed of income from fund units, which mainly comprises income from bonds. On the other hand, interest expenses for funding operations stood at €17 million (previous year: €38 million). Interest expenses for derivatives came to €9 million in the period under review (previous year: €20 million), while the corresponding interest income likewise amounted to €9 million (previous year: €16 million).

Net fee and commission income

In the first six months of 2021, net fee and commission income came to €14 million (previous year: €14 million) at the Group level. Of this, the Public Programme Loans segment generated net commission income of €2 million, the Corporate Bank segment €9 million and the Corporate Centre segment €3 million.

Administrative expenses

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

In the first half of 2021, administrative expenses came to €73 million (previous year: €68 million) at the Group level. Within the Group, administrative expenses of €21 million arose in the Public Programme Loans segment, €20 million in the Corporate Bank segment and €32 million in the Corporate Center segment.

Group personnel expenses reached €41 million (previous year: €40 million), whereas other administrative expenses and amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets came to €32 million (previous year: €27 million) within the Group. The increase in other administrative expenses over the previous year is particularly due to the conversion of the financial year to match the calendar year, as a result of which the expense for the EU bank levy (€9 million) arising at the beginning of a calendar year was recognised in the first half of the financial year. Adjusted for this timing difference, other administrative expenses were further reduced particularly as a result of the ongoing efforts to lower IT and office expenses.

Net other income

Net other income comprises other operating and extraordinary income and expenses and impairments and reversals of impairments of equity investments, shares in affiliated companies and securities held as fixed assets.

At the Group level, net other income was composed of expense of €3 million (previous year: income of €2 million). This is due to the following main factors:

- Net income of €76 million was generated in particular from sales of fixed-income securities held within securities as fixed assets, after net income of €134 million in the previous year.
- The derivative positions in the banking book resulted in net expenses of €47 million, compared with expenses of €125 million in the previous year.
- The discount factor unwind on pension obligations resulted in expense of €15 million in the period under review (previous year: €15 million).
- Changes in the value of the assets placed in contractual trust arrangements (CTA) caused net expense of €1 million in the period under review (previous year: income of €18 million).
- 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 €14 million (previous year: €14 million).

Net risk provisioning

Net risk provisioning comprises adjustments and impairments of receivables and certain securities and additions to loan loss provisions. In the first half of 2021, the Group recorded income of €2 million from net risk provisioning (previous year: expense of €13 million). Of this, the Public Programme Loans segment accounted for income of €3 million, the Corporate Bank segment expense of €3 million and the Corporate Centre segment income of €2 million.

Group net risk provisioning is composed of net expenses from impairments and single loan loss allowances on loans and advances and certain securities as well as provisions in lending business amounting to €13 million (previous year: net expenses of €32 million) and net income of €15 million (previous year: net income of €19 million) from the reversal of portfolio loan loss allowances. Additional information on risk provisioning can be found in the table on risk provisions in "Section 3. Risk report".

Taxes

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

Net income

Consolidated net income came to €47 million in the first half of 2021 (previous year: €42 million) and was thus in line with the forecast.

Asset position

The Group's total assets fell from €16.9 billion on 31 December 2020 to €16.2 billion.

The gross loan volume, which also includes off-balance-sheet business (see also "Section 3. Risk Report") contracted from €18.7 billion on 31 December 2020 to €17.7 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

Receivables from banks increased by €0.9 billion to €2.9 billion primarily as a result of the short-term investment of liquidity derived from funds raised under a long-term ECB refinancing programme. At the same time, the cash reserve dropped from €2.3 billion to €0.4 billion.

Receivables from customers increased by €0.4 billion to €9.1 billion as new business more than made up for the effects of repayments. This also includes the sale of IKB Beteiligungsgesellschaft 5 mbH's remaining portfolio of forfeited lease receivables of €34 million.

At €3.2 billion, Group holdings of bonds and other fixed-income securities were unchanged over 31 December 2020 in the Group and include repurchased own bonds of €0.1 billion.

Liabilities

Group liabilities to banks increased by €0.2 billion to €8.7 billion particularly as a result of the additional funds raised under a long-term ECB refinancing programme.

Liabilities to customers fell by €1.0 billion to €4.8 billion mainly as a result of lower deposits from private and business customers.

Equity

In the period under review, equity rose from €862 million to €900 million due to the inclusion of the consolidated net income less the dividend of €12 million paid to the shareholder.

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

Unrealised gains and losses arose on financial instruments in the non-trading book in the form of securities, derivatives and from funding the loan book without matching maturities in the period under review and in earlier financial years as a result of changes in market interest rates, exchange rates and credit ratings. In future financial years, unrealised losses could lead to a lower level of net interest income or losses on disposals. The measurement of the banking book at the lower of cost or market in accordance with the IDW RS BFA 3 accounting guidance did not result in any provisioning requirements as of 30 June 2021.

Financial position

IKB's funding mix means that its liquidity position is stable and funding can generally be obtained at more favourable conditions than in the previous periods. In addition to purpose-tied and other secured funding operations or in connection with the ECB's long-term refinancing programmes, IKB accepts revolving deposits from corporate and retail customers and engages in new lending business selectively.

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

Overall assessment

The Group achieved positive earnings in the first half of 2021. It thus fulfilled the forecast despite the persistently difficult economic environment as a result of the coronavirus pandemic and friction along the supply chain in the manufacturing industry. Cash flows and the financial position are orderly.

From the Bank's perspective, business performance was positive.

Financial and non-financial performance indicators

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

Regulatory Common Equity Tier 1 ratio

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

As of 30 June 2021, the CET 1 ratio (fully phased) stood at 14.8% for the IKB Group and 15.3% for IKB AG (see "Section 3. Risk report" for details). This means that, in line with the forecast, IKB had a CET 1 ratio of over 13% (IKB AG: over 14%).

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 CRR II/CRR.

	IKB Group		IKB AG	
in %	**30 June 2021**	**31 Dec. 2020**	**30 June 2021**	**31 Dec. 2020**
Leverage ratio (transitional)	7.6	7.5	7.8	7.7
Capital ratios (fully phased)	7.5	7.4	7.8	7.7

This significantly exceeds the future minimum ratio and means that the IKB Group's leverage ratio is in line with the forecast contained in the annual report for 2020 indicating a figure in excess of 7%.

Net income after taxes

The Group's consolidated net income and IKB AG's net income were in line with the forecast included in the annual report for 2020.

Cost/income ratio

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 was 59.9% for the Group in the first half of the 2021 financial year, compared with 55.5% in the first half of the 2020 stub financial year. The increase is particularly due to the conversion of the financial year to match the calendar year, as a result of which the expense for the EU bank levy (€9 million) arising at the beginning of a calendar year was recognised in the first half of the financial 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 minimum required LCR has equalled the final statutory requirement of 100% since 1 January 2018.

The following table provides an overview of the LCR compared with 31 December 2020.

	IKB Group		IKB AG	
	30 June 2021	**31 Dec. 2020**	**30 June 2021**	**31 Dec. 2020**
Liquidity coverage ratio (%)	205	271	193	244

LCR stood at 205% as of 30 June 2021 (31 December 2020: 271%) following the reduction in the excess liquidity that had additionally accumulated during the coronavirus pandemic. In line with the forecast, the ratio was thus at all times above the minimum target of 100% defined in the annual report for 2020 and for the full financial year 2021.

3. Risk report

A detailed description has been dispensed with where there has been no change in the methods and processes since 31 December 2020, in which case IKB's annual report for 2020 (pages 27 to 51) should be referred to. In the reporting period, a periodic audit by BaFin in accordance with section 44 (1) of the German Banking Act (KWG) was commenced. The audit is currently still ongoing. Depending on the outcome of the audit, additional expenses may arise.

Regulatory capital resources and risk-bearing capacity

Regulatory capital

The Bank calculates its regulatory capital resources in accordance with the requirements of the CRR. It has received approval to apply the IRB approach for counterparty default risk. The Bank uses the standardised approach to calculate the credit valuation adjustment charge, the base indicator approach for operational risk and the prescribed standard method for market price risk. The Bank continues to use the regulatory netting approach to determine the net basis of measurement for derivatives, taking existing netting agreements into account. The following tables provide an overview of the regulatory risk assets, the Bank's own funds base and ratios (transitional and fully phased-in). The Capital Requirements Regulation (CRR/CRR II) includes various provisions which are being fully phased in over time. Accordingly, 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-in" 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/CRR II[1)2)]

	30 June 2021[3)]		**31 December 2020[4)]**	
Figures in € million	Transitional	Fully phased-in	Transitional	Fully phased-in
Counterparty default risk (including CVA charge)	7,821	7,988	8,093	8,230
Market risk equivalent	155	155	170	170
Operational risk	448	448	515	515
Total risk-weighted assets (RWA)	**8,424**	**8,590**	**8,779**	**8,916**
Common Equity Tier 1 (CET 1)	1,273	1,270	1,277	1,273
Additional Tier 1 (AT 1)	8	0	15	0
Total Tier 1 (T 1)	**1,281**	**1,270**	**1,292**	**1,273**
Tier 2 (T 2)	620	624	625	635
Own funds	**1,901**	**1,894**	**1,917**	**1,907**
CET 1 ratio	**15.1%**	**14.8%**	**14.5%**	**14.3%**
T1 ratio	15.2%	14.8%	14.7%	14.3%
Own funds ratio	22.6%	22.0%	21.8%	21.4%

Any differences in totals are due to rounding effects.

1) Figures taking account of the phase-in and phase-out provisions of the CRR/CRR II; the CET 1 ratios have been calculated in accordance with the current version of CRR/CRR II as of 30 June 2021 and 31 December 2020, respectively, and the interpretations published by the regulatory authorities. The possibility that future EBA/ECB standards and interpretations or other supervisory actions will lead to a retrospective change in the CET 1 ratio cannot be ruled out.
2) IKB has already anticipated the planned payout equalling IKB AG's net profit for the year in its regulatory capital by recognising a correction item.
3) The provisions of CRR II were applied for the first time from 30 June 2021.
4) Figures after approval of the accounts

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

	30 June 2021[3)]		31 December 2020[4)]	
Figures in € million	Transitional	Fully phased-in	Transitional	Fully phased-in
Counterparty default risk (including CVA charge)	7,948	8,115	8,105	8,242
Market risk equivalent	149	149	0	0
Operational risk	384	384	425	425
Total risk-weighted assets (RWA)	**8,482**	**8,648**	**8,530**	**8,667**
Common Equity Tier 1 (CET 1)	1,326	1,324	1,329	1,326
Additional Tier 1 (AT 1)	0	0	0	0
Total Tier 1 (T 1)	**1,326**	**1,324**	**1,329**	**1,326**
Tier 2 (T 2)	553	548	565	559
Own funds	**1,879**	**1,872**	**1,894**	**1886**
CET 1 ratio	**15.6%**	**15.3%**	**15.6%**	**15.3%**
T1 ratio	15.6%	15.3%	15.6%	15.3%
Own funds ratio	22.1%	21.6%	22.2%	21.8%

Any differences in totals are due to rounding effects.

1) Figures taking account of the phase-in and phase-out provisions of the CRR/CRR II; the CET 1 ratios have been calculated in accordance with the current version of CRR/CRR II as of 30 June 2021 and 31 December 2020, respectively, and the interpretations published by the regulatory authorities. The possibility that future EBA/ECB standards and interpretations or other supervisory actions will lead to a retrospective change in the CET 1 ratio cannot be ruled out.
2) IKB has already anticipated the planned payout equalling IKB AG's net profit for the year in its regulatory capital by recognising a correction item.
3) The provisions of CRR II were applied for the first time from 30 June 2021.
4) Figures after approval of the accounts

At 14.8% for the Group and 15.3% for the Bank, IKB's CET 1 ratios (fully phased-in) 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). An adjustment item of €152 million for foreseeable distributions from CET 1 has already been taken into account in the calculation of the ratios. On the other hand, interim profits in the current financial year have not been included.

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 2021		
Ratios (%)	**Common Equity Tier 1 capital**	**Tier 1 capital**	**Total equity and liabilities**
Capital requirement			
Pillar I requirements (Art. 92 CRR)	4.50	6.00	8.00
Pillar II requirements (SREP)	1.13	1.50	2.00
Capital conservation buffer (CCB)	2.50	2.50	2.50
Countercyclical capital buffer (CCyB)	0.02	0.02	0.02
Total	**8.15**	**10.02**	**12.52**
For information purposes: net target own funds indicator	0.90	0.90	0.90
Capital ratios – IKB AG			
Current capital ratio (transitional)	15.63	15.63	22.15
MDA surplus	749 bps	561 bps	963 bps
Capital ratios – IKB Group			
Current capital ratio (transitional)	15.12	15.21	22.57
MDA surplus	697 bps	518 bps	1,005 bps

The MDA (maximum distributable amount) surplus is therefore 518 bps in the IKB Group's Core 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

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

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

In addition to the plan scenario, bank planning must include at least one adverse scenario that ensures compliance with the increased capital requirements in accordance with section 10 (3) or (4) KWG.

The IKB scenario of a "severe economic downturn" with its consequences for capital planning has been defined as an adverse scenario for the normative perspective and can be regarded as an extreme stress scenario with respect to economic growth with a low probability of occurrence.

All regulatory requirements for the normative perspective are met in both the plan scenario and this adverse scenario as of 30 June 2021.

In addition to the normative perspective, the Bank also analyses its overall risk position and the risk-covering equity from an economic perspective and monitors it on a daily basis.

Risk-covering equity in the economic perspective is derived from all capital components used by the Bank including the fund for general banking risks (§ 340g HGB) and subordinate capital less deferred tax assets and intangible assets. At the same time, hidden liabilities/reserves from loans, securities, derivatives and pensions obligations are taken into account.

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-covering equity that will be available in the next twelve months.

Table: Capital requirements – economic perspective

	30 June 2021 in € million	30 June 2021 in %	31 Dec. 2020 in € million	31 Dec. 2020 in %
Counterparty default risk	499	55%	529	45%
Market price risk	286	31%	524	44%
Operational risk	59	7%	59	5%
Business risk	60	7%	69	6%
Total	**905**	**100%**	**1,181**	**100%**
less diversification effects	-105		-136	
Overall risk position	**799**		**1,045**	
Risk-covering equity	**1,816**		**1,767**	

Any differences in totals are due to rounding effects.

The risk-bearing capacity over the next twelve months is unchanged.

Forecast calculations and stress tests

To allow for overall economic 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 with respect to the macroeconomic effects of the coronavirus pandemic. 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. The outcome is that, assuming the plan scenario occurs in reality, all regulatory requirements will be complied with in the normative perspective and the risk-covering equity will exceed the capital requirements for unexpected risks in the economic perspective.

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

Risk strategy

The overall risk strategy is a component of the integrated business and risk strategy and covers all key risk types (counterparty default risks, market price risks, liquidity risks, non-financial risks in various forms, business risks and strategic risks) and risk concentrations to which the Bank is exposed. Further detail is added to the overall risk strategy in the form of sub-risk strategies for the key risk types. This also defines the risk strategy guidelines for IKB's business activities. No material adjustments were necessary in the first half of 2021.

Counterparty default risks

IKB's annual report for 2020 (pages 32 and 33) 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 2021 breaks down as follows:

Table: Credit volume – Group

in € million	30 June 2021	31 Dec. 2020	Change	30 September 2020	Change
Balances with central banks	367	2,313	-1,946	1[3)]	366
Receivables from banks	2,911	2,044	867	4,855	-1,944
Receivables from customers	9,136	8,774	362	8,889	247
Bonds and other fixed-income securities not including own bonds	3,115	3,187	-72	3,417	-302
Equities and other non-fixed-income securities	304	304	-	304	-
Subtotal: balance sheet assets	**15,834**	**16,622**	**-788**	**17,466**	**-1,998**
Contingent liabilities[1)]	1,429	1,488	-59	1,616	-187
Positive fair values of derivatives in the non-trading book[2)]	308	445	-137	453	-145
Write-downs	163	164	-1	166	-3
Gross credit volume	**17,734**	**18,719**	**-985**	**19,701**	**-1,967**
for information purposes: other significant counterparty de-fault risks outside the gross credit volume					
Irrevocable loan commitments	1,063	940	123	778	285
Shares in associated and affiliated companies	2	1	1	5	-3

1) Before deducting risk provisions. This item includes the nominal value of all protection seller credit default swaps (CDSs), including as of 30 September 2020 a nominal amount of €9 million, which is treated as derivatives business for accounting purposes (30 June 2021 and 31 December 2020: €0 million).
2) Including €31 million (31 December 2020: €35 million) in positive fair values from protection seller CDSs whose nominals are treated as contingent liabilities for accounting purposes.
3) Details of balances held with central banks have been added.

All in all, the IKG Group's gross credit volume declined by €1.0 billion as of 30 June 2021 compared with 31 December 2020. The change is due to a decline in balances held with central banks. At the same time, there was an increase in receivables from banks and customers. The portfolio of bonds and other fixed-income securities, the positive fair values in the non-trading derivatives book and contingent liabilities were moderately lower.

Segment structure

Table: Credit volume by segment – Group

	30 June 2021 in € million	30 June 2021 in %	31 Dec. 2020 in € million	31 Dec. 2020 in %
loan book	**9,662**	**54%**	**9,417**	**50%**
of which Corporate Bank	4,250	24%	4,013	21%
of which public programme loans	5,413	31%	5,404	29%
Corporate Center	**8,071**	**46%**	**9,302**	**50%**
of which liquidity book[1)]	3,331	19%	3,342	18%
of which protection seller CDSs[2)]	1,115	6%	1,114	6%
of which money market products[3)]	3,625	20%	4,846	26%
of which balances with central banks[4)]	1,867	11%	2,313	12%
Total	**17,734**	**100%**	**18,719**	**100%**

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, adjustments
4) Balances with central banks includes the item "Balances with central banks" as well as overnight transactions reported under "Receivables from banks".

Within the loan book, corporate loans (Corporate Bank) were up as of 30 June 2021. The credit volume within the Corporate Center declined due to lower holdings of money market products.

Geographical structure

Table: Credit volume by region – Group

	30 June 2021				31 Dec. 2020			
	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	11,992	68%	7,335	76%	12,802	68%	6,980	74%
Outside Germany	4,727	27%	1,313	14%	5,030	27%	1,550	16%
Western Europe	3,286	19%	1,047	11%	3,614	19%	1,190	13%
of which: France	817	5%	176	2%	762	4%	201	2%
of which EU[1)]	459	3%	0	0%	399	2%	0	0%
of which Spain	347	2%	67	1%	355	2%	83	1%
of which Belgium	301	2%	25	0%	318	2%	42	0%
of which the Netherlands	273	2%	135	1%	290	2%	163	2%
Eastern Europe	583	3%	63	1%	621	3%	138	1%
of which Poland	178	1%	37	0%	217	1%	39	0%
of which Romania	151	1%	0	0%	103	1%	0	0%
of which Slovenia	102	1%	0	0%	101	1%	0	0%
North America	772	4%	180	2%	705	4%	194	2%
Other countries	86	0%	22	0%	90	0%	28	0%
Subtotal	**16,719**	**94%**	**8,647**	**90%**	**17,832**	**95%**	**8,530**	**91%**
Risk transferred to third parties[2)]	1,015	6%	1,015	10%	887	5%	887	9%
Total	**17,734**	**100%**	**9,662**	**100%**	**18,719**	**100%**	**9,417**	**100%**

1) European Commission, ESM, Council of Europe Development and European Investment Bank
2) Hermes guarantees, indemnifications, risk transferred to third parties

The decline in the Group credit volume is reflected in both German and non-German business. The proportion of German business in the loan book continued to rise; there was also an increase in risk transferred to third parties.

There were no loans outstanding to the public sector of the GIIPS nations (Greece, Ireland, Italy, Portugal and Spain) as of 30 June 2021 (31 December 2020: €59 million).

Sector structure

Table: Credit volume by sector – Group

	30 June 2021				31 Dec. 2020			
	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	7,981	45%	7,909	82%	7,871	42%	7,778	83%
Energy supply	731	4%	729	8%	676	4%	673	7%
Chemical and pharmaceutical industry	632	4%	606	6%	722	4%	677	7%
Automotive	626	4%	626	6%	690	4%	690	7%
Mechanical engineering	577	3%	571	6%	564	3%	557	6%
Food industry	553	3%	550	6%	574	3%	570	6%
Paper industry	454	3%	454	5%	396	2%	396	4%
Metal production and proces-sing	432	2%	432	4%	424	2%	424	4%
Retailers (excluding automo-tive, filling stations)	406	2%	398	4%	248	1%	238	3%
Metal products	351	2%	349	4%	347	2%	345	4%
Medical, measurement, con-trol and regulation technology, optics	342	2%	340	4%	232	1%	229	2%
Other industrial sectors	2,876	16%	2,854	30%	2,998	16%	2,979	32%
Real estate	607	3%	594	6%	611	3%	596	6%
Financial services	446	3%	129	1%	500	3%	138	1%
Banks	4,947	28%	11	0%	6,027	32%	13	0%
Public sector	2,738	15%	4	0%	2,823	15%	5	0%
Subtotal	**16,719**	**94%**	**8,647**	**90%**	**17,832**	**95%**	**8,530**	**91%**
Risk transferred to third parties[1)]	1,015	6%	1,015	10%	887	5%	887	9%
Total	**17,734**	**100%**	**9,662**	**100%**	**18,719**	**100%**	**9,417**	**100%**

1) Hermes guarantees, indemnifications, risk transferred to third parties

The degree of diversification in the industrial sectors remained high – no single industrial sector accounts for more than 4% of the portfolio. The other industrial sectors are composed of 27 other industry clusters. IKB has only minor exposure totalling €161 million (31 December 2020: €183 million) to sectors particularly affected by the pandemic, e.g. culture, sports and entertainment, textiles and clothing, hospitality, shipping and aviation.

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 2021				31 Dec. 2020			
	in € million	in %	in € million of which loan book	in % of which loan book	in € million	in %	in € million of which loan book	in % of which loan book
1-4	8,056	45%	1,159	12%	8,929	48%	908	10%
5-7	4,453	25%	3,567	37%	4,194	22%	3,150	33%
8-10	2,893	16%	2,610	27%	3,124	17%	2,894	31%
11-13	963	5%	959	10%	1,151	6%	1,146	12%
14-15	177	1%	175	2%	290	2%	287	3%
Non-performing assets[2)	177	1%	177	2%	144	1%	144	2%
Subtotal	**16,719**	**94%**	**8,647**	**90%**	**17,832**	**95%**	**8,530**	**91%**
Risk transferred to third parties[3)	1,015	6%	1,015	10%	887	5%	887	9%
Total	**17,734**	**100%**	**9,662**	**100%**	**18,719**	**100%**	**9,417**	**100%**

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

The decline in bank balances is reflected in a reduction of the very good ratings (1-4) The increase in the loan book was accompanied by higher proportions of good and very good ratings in classes 1-7; at the same time, the positive migrations in rating classes 8-15 led to lower proportions in the portfolio and, hence, an improved credit rating structure, which is also reflected in lower portfolio loan loss allowances (see below).

Non-performing assets

Table: Non-performing assets[1) – Group

	30 June 2021 in € million	31 Dec. 2020 in € million	Change in € million	Change in %
Assets with single loan loss allowances	158	122	36	30%
Non-impaired	19	22	-3	-14%
Total	**177**	**144**	**33**	**23%**
Percentage of total loans	1.0%	0.8%		
Percentage of total loans to companies	1.8%	1.5%		
For information purposes: NPL ratio in accordance with EBA definition[2)	1.8%	1.6%		

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:
- €9 million (31 December 2020: €9 million) in risks transferred to third parties for non-performing assets that have been assumed by other banks or public sector entities and are therefore assigned to the party assuming liability (change in credit rating).
- €0.2 million (31 December 2020: €2 million) in unutilised commitments for borrowers whose residual exposure is classified as a non-performing asset.

2) Receivables classified as non-performing/total receivables in accordance with Annex V of Commission Implementing Regulation (EU) 680/2014

The volume of non-performing assets increased as of the reporting date but remains at a low level. The share of non-performing loans in accordance with the EBA definition rose slightly from 1.6% as of 31 December 2020 to 1.8% as of 30 June 2021. Overall, the portfolio of non-performing assets and other exposures managed by the restructuring units amounted to €0.6 billion as of 30 June 2021 (31 December 2020: €0.5 billion).

The coverage ratio of non-performing assets subject to single loan loss allowances, provisions and portfolio loan loss allowances attributable to non-performing assets has barely changed and stands at 46% (31 December 2020: 47%).

Provisions for possible loan losses

Table: Provisions for possible loan losses – Group

	30 June 2021 in € million	30 Sept. 2020[3] in € million	Change in %	31 Dec. 2020[4] in € million
Changes in single loan loss allowances/provisions[1]				
Opening balance	65.6	65.7	0%	65.7
Utilisation	-3.1	-25.4	-88%	-35.9
Reversal	-2.0	-6.9	-71%	-6.9
Unwinding	-0.9	-0.8	13%	-1.2
Additions to single loan loss allowances/provisions	18.5	39.3	-53%	44.0
Effect of changes in exchange rates	0.0	-0.1	-100%	-0.1
Total single loan loss valuation allowances/provisions	**78.1**	**71.8**	**9%**	**65.6**
Portfolio loan loss allowances[2]				
Opening balance	103.0	118.8	-13%	118.8
Addition/reversal	-15.2	-19.0	-20%	-15.8
Total portfolio loan loss allowances	**87.8**	**99.8**	**-12%**	**103.0**
Total provisions for possible loan losses (including provisions)	**165.9**	**171.6**	**-3%**	**168.6**

1) Not including portfolio loss allowance for contingent liabilities recognised as provisions
2) Including portfolio loss allowance for contingent liabilities recognised as provisions
3) Period from 1 April until 30 September 2020
4) Period from 1 April until 31 December 2020

The impact of the coronavirus pandemic did not result in any above-average additions to provisions for possible loan losses in the first half of 2021. Additions were down more than 50% compared with the first half of the previous year (1 April - 30 September 2020). Single loan loss allowances and provisions rose over 31 December 2020 as both reversals and drawdowns were down.

The decrease in portfolio loan loss allowances is chiefly due to the improved credit ratings for the portfolio. The Bank recognised an additional portfolio loan loss allowance of €27 million (31 December 2020: €29 million) in the loan book to cover above-average risks from acquisition financing and corporate financing business in connection with the coronavirus pandemic.

Annualised net risk provisioning as a portion of the loan book stood at -4 basis points in the period under review (shortened financial year 2020: +27 basis points).

Liquidity book by asset structure

Table: Volume by assets – Group

	30 June 2021 in € million	30 June 2021 in %	31 Dec. 2020 in € million	31 Dec. 2020 in %
Sovereign bonds	2,010	60%	2,181	65%
Covered bonds	201	6%	251	8%
Financial senior unsecured bonds	391	12%	207	6%
EU and supras	459	14%	399	12%
Corporate bonds	112	3%	146	4%
Agencies and government-guaranteed bonds	158	5%	158	5%
Total	**3,331**	**100%**	**3,342**	**100%**

Liquidity book by geographical structure

Table: Volume by countries – Group

	30 June 2021 in € million	30 June 2021 in %	31 Dec. 2020 in € million	31 Dec. 2020 in %
Germany	1,156	35%	1,288	39%
EU[1)]	459	14%	399	12%
France	322	10%	248	7%
Belgium	235	7%	235	7%
Romania	151	5%	103	3%
Other countries	1,008	30%	1,069	30%
Total	**3,331**	**100%**	**3,342**	**100%**

1) European Commission, ESM, Council of Europe Development and European Investment Bank

Liquidity book by credit rating structure

Table: Volume by credit ratings – Group

	30 June 2021 in € million	30 June 2021 in %	31 Dec. 2020 in € million	31 Dec. 2020 in %
1-4	2,870	86%	2,953	88%
5-7	202	6%	179	5%
8-10	258	8%	210	6%
11-13	0	0%	0	0%
14-15	0	0%	0	0%
Non-performing assets	0	0%	0	0%
Total	**3,331**	**100%**	**3,342**	**100%**

Liquidity risk

Liquidity situation

Depending on its new business and taking into account credit facilities and liquidity commitments not yet utilised by customers, the Bank expects its liquidity requirements to amount to around €0.5 billion over the next 12 months.

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

As of 30 June 2021, the minimum liquidity balance is roughly €0.9 billion above the liquidity limit. Taking into account the legal maturities of the Bank’s asset and liability positions, its scope for raising funds from the central bank and on the secured interbank market and excluding planned new lending business, the Bank is fully financed for a period of 12 months and has a free liquidity reserve of €2.0 billion, all other things being equal (assuming unchanged market values).

The minimum liquidity coverage ratio is 100%. The minimum requirements were complied with at all times in the 2021 financial year. The LCR stood at 205% for the IKB Group as of 30 June 2021 (IKB AG: 193%). Observance of the net stable funding ratio (NSFR) is mandatory for the first time from 30 June 2021. The minimum requirement for this long-term liquidity ratio also stands at 100%. The NSFR equalled 109% as of 30 June 2021.

Funding situation

The key elements of IKB's funding operations include secured financing on the interbank market (Eurex Repo/bilateral repo transactions), funding via the ECB, and business with corporate customers, retail customers and institutional investors involving deposits and promissory note loans covered by the Deposit Protection Fund. With a ratio of 89% as of 30 June 2021 (31 December 2020: 70%), IKB has a solid loan-to-deposit ratio – calculated as the loan book excluding public programme loans relative to the total of retail and business customer deposits and promissory note loans.

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

Details are shown in the following table:

Funding source (HGB book values including deferred interest)	30 June 2021 in € million	31 Dec. 2020 in € million
Customer deposits	**4,373**	**5,316**
Retail customer deposits	2,602	2,785
Business customer deposits	1,771	2,531
Secured funding	**8,695**	**8,499**
Development loans	5,426	5,407
Interbank market	-	100
of which Eurex	-	100
of which other	-	-
ECB	3,269	2,992
of which TLTRO	3,269	2,992
of which open market	-	-
Unsecured funding	**463**	**550**
of which bearer bonds (including buybacks)	91	139
of which senior preferred	-	-
of which senior non-preferred	91	139
of which promissory note loans	372	412
of which senior preferred	-	-
of which senior non-preferred	372	412
of which other	-	0
Subordinated/hybrid funding	**781**	**807**
of which subordinated	706	732
of which hybrid (funding trust)	75	75
Equity	**1,485**	**1,447**
of which own funds	900	862
of which fund for general banking risks	585	585

Market price risk

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

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

IKB's credit spread risk, which is identified and quantified on the basis of market price risk, arises from securities and credit derivatives. The credit spread risks arising from securities are managed/hedged selectively on the basis of the prevailing market conditions by specifically running off positions or taking out risk-mitigating derivatives.

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

Year-on-year comparison of market price risk profile

The following table shows the year-on-year development of the market risk profile at the level of the risk consolidation group in terms of the interest rate basis point value, the credit spread basis point value and the value at risk at a 99% confidence level, applying a holding period of one day. The reduction in value at risk is primarily due to the fact that heavy market volatility in connection with the coronavirus pandemic is outside the observation period.

Table: Market price risk profile

in € million	Value at 30 June 2021	Value at 31 December 2020
Interest rate basis point value (BPV)	**-0.1**	**-1.1**
Credit spread BPV	**-7.4**	**-8.9**
VaR – interest rate and volatility	-9.5	-22.1
VaR – credit spread	-8.3	-52.2
VaR – FX and volatility	-1.5	-2.6
VaR – other	-3.1	-7.0
Correlation effect	11.7	19.3
Total VaR	**-10.7**	**-64.7**

Any differences in totals are due to rounding effects.

Nonfinancial risks

Operational risks

The gross loss identified in the first half of 2021 amounted to a total of €1.2 million at the Group level (previous year: €1.5 million[1]). In individual cases, the loss amounts are based on estimates, and in some cases it may not be possible to obtain accurate figures on the basis of updated information for these until later.

There are currently still no significant specific loss reports due to the current coronavirus pandemic.

Legal risk

Derivatives trading

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

Disputes relating to subordinated securities

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

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

1) Figure for the previous year restated to reflect updated information.

Three cases were still pending as of 30 June 2021. All other actions have either become final after a ruling in IKB's favour or have been withdrawn. One lawsuit with an aggregate amount in dispute of around €4.7 million is pending before the Düsseldorf Regional Court, while two actions against the denial of leave to appeal with an aggregate value in dispute of around €24.4 million are pending before the Federal Court of Justice. IKB considers the claims that have been asserted to be without merit and assumes that they will be dismissed. This assessment was confirmed on 24 September 2020 by three second-instance rulings of the Düsseldorf Higher Regional Court, which were clearly in IKB's favour. Some of the lawsuits were inadmissible and all the other lawsuits were completely dismissed. The higher regional court did not permit an appeal in any of the cases. On the basis of the present judgments, IKB expects the legal disputes to be concluded successfully in 2022.

US litigation

Capitalized expected proceeds from pending litigation in the United States are subject to significant fluctuations due, among other things, to new findings on the facts in dispute and their legal assessment by the respective court. Because of their subordinate ranking relative to cost reimbursement claims, they also drop if litigation costs increase while expected proceeds remain constant.

Differing opinion of the tax authorities

Aleanta GmbH (a wholly owned subsidiary of IKB AG with which no profit and loss transfer agreement has been entered into) had received initial written notification that, as part of the tax audit of a company of which it is the universal successor (Olessa GmbH), the tax authorities were intending to treat the retroactive merger of Olessa GmbH with Aleanta GmbH in the 2010/11 financial year as a case covered by section 42 of the German Tax Code (Abgabenordnung – AO). Aleanta GmbH had issued a statement on the matter and on the tax audit assessment at that time. In a similar case, the German Federal Fiscal Court (Bundesfinanzhof, BFH) recently ruled again in favour of the taxpayer with regard to the tax treatment of retroactive mergers of acquired companies. Following the announced publication of this judgment of the Federal Fiscal Court in the Federal Tax Gazette by the tax authorities, the tax authorities will be instructed to apply the decision in general. IKB therefore expects a final and positive decision in its favour in the short term.

Other risks

IKB's Group management report for the year ending 31 December 2020 (pages 48 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 number of resignations by employees does not currently represent an additional personnel risk, as these can be compensated for internally or temporarily through an external service provider, or the vacancies can be filled through recruitment. Due to the coronavirus pandemic, the Group allowed employees to work from home as far as possible. In addition, greater flexibility was provided with regard to working hours, meaning that it is possible for staff to work outside of core hours and employees with children can ensure their care. IKB does not currently see elevated personnel risks in this respect. There is no increased danger of staff leaving. The Group's stable IT systems mean all employees can work from home.

For information on IKB's remuneration system, please refer to the Disclosure Report for 2020.

4. Report on opportunities

Details of the opportunities available to IKB can be found on pages 51 and 52 of the annual report for 2020. The following changes arose in the period under review:

The special loan programmes offered by the KfW Banking Group since the end of March 2020 to address the effects of the coronavirus pandemic have been extended until December 2021 (previous expiry date June 2021) and the Bank has continued to support its customers.

In addition to the adverse impacts of the generally high degree of regulation, IKB also sees an opportunity for a reduction of the RWA burden on lending business in the imminent regulatory adjustments under Basel IV. This results from the further development of existing IRBA rating systems as well as from the planned changes to the regulatory standard parameters set for the IRB approach.

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

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

This pro-forma analysis resulted in the following figures:

Capital ratios as of 30 June 2021 (IKB Group), fully phased	**Forecast (Basel IV)**	**Comparative figures in line with CRR II**
CET 1 ratio	**15.9%**	**14.8%**
T1 ratio	15.9%	14.8%
Own funds ratio	23.6%	22.0%
Total risk-weighted assets (RWA)	**€8.0 billion**	**€8.6 billion**

The expected positive impact compared to the current rules results largely from the “Revised IRB approach for credit risk” caused by a reduction in standard LGD (loss given default) from 45% to 40% in the basic IRB approach 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 subject to the inclusion of a PD markup for the requested model change for the IRBA “Corporate Rating” system. IKB expects further potential for reducing RWAs in future financial years from a reduction in the PD surcharge imposed as a condition for approval of the change.

The potential sale of IKB by Lone Star could have a positive impact on the Bank’s future economic development. IKB’s Board of Managing Directors remains open to supporting these plans. This includes the gaining of further investors.

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

5. Outlook

Future general economic conditions

The outlook hinges on the future course of the pandemic. Thus, in its June 2021 forecast, the Bundesbank expects the pandemic to be gradually overcome, resulting in a recovery of economic activity. The US economy will be buoyed significantly by the extensive stimulus programme, while China will remain on the growth trajectory that emerged last year. However, the outlook for growth in many countries is fairly heterogeneous depending on the course of the pandemic. In the case of many emerging markets, rising or still high infection numbers and only slow vaccination progress point to a rather subdued recovery process.

In the Eurozone, the Bundesbank expects a sharp recovery in the second half of this year on the strength of the ongoing vaccination campaign and the gradual easing of the restrictions to contain the spread of the virus. Consumer spending in particular should recover swiftly as the pandemic restrictions are increasingly lifted.

The German economy is also expected to grow swiftly. It is assumed that the pandemic will continue to be contained permanently particularly thanks to the successful vaccination campaign. The easing of the containment measures should in particular trigger a strong rebound in the service sector, which was severely hit, and, thus, in consumer spending. Driven by continued buoyant foreign demand, exports should also pick up sharply.

The expected economic recovery should also cause corporate capital spending to rise significantly. Moreover, growing capacity utilisation in the industrial sector should trigger replacement and expansion spending. Looking further down the road, corporate spending will initially continue to expand sharply in view of the post-pandemic catch-up effects, dynamic exports and high capacity utilisation. This should lead to heightened requirements for external financing and, related to this, rising demand for corporate loans.

Fears of a severe wave of insolvencies so far appear to be unfounded – particularly as far as the German manufacturing sector is concerned. Although the number of insolvencies is expected to increase, this is likely to be a process that continues over several months, not least of all thanks to the extensive and still ongoing stabilisation measures. Thus, the KfW pandemic support and the German Federal Government's "Überbrückungshilfe III" support package have been extended until the end of 2021.

German banks' earnings have been under pressure from low interest rates for more than a decade and there is no sign of any swift turnaround. In fact, the ECB loosened its expansionary monetary policy even further with the introduction of the PEPP asset-buying programme in December 2020 in order to contain the effects of the COVID-19 pandemic. Accordingly, German banks' net interest income is likely to remain under pressure.

The outlook continues to be characterised by uncertainty; in particular, it is difficult to estimate the future course of the pandemic. The forecast is subject to risks in both directions with respect to the pandemic and its impact on the economy. The possibility of setbacks as a result of virus mutations cannot be ruled out. However, the forecast risk is considered to be balanced not least of all due to the broad-based vaccination campaigns in all major economies, which are increasingly pointing to some degree of macroeconomic normalisation.

General information on forecast

The following forecasts refer to the end of the financial year (31 December 2021). Detailed information can be found on page 54 of IKB's annual report for 2020.

Asset position

IKB expects to reach a new business volume of at least €2.5 billion. With respect to the forecast concerning its other net assets, the Bank refers to the statement on page 54 of “Section 5. Outlook” in the annual report for 2020 and reaffirms this forecast for 31 December 2021.

Financial situation

With regard to the forecast concerning its financial situation, the Bank refers to the statement on page 54 of “Section 5. Outlook” in the annual report for 2020 and reaffirms this forecast for 31 December 2021.

In accordance with an agreement signed in March 2021, IKB and LSF6 Europe Financial Holdings, L.P. (“LSF6”) declared their intention to hold another (extraordinary) shareholder meeting in the course of the 2021 financial year or in 2022 pending the adoption of the annual financial statements for the 2021 financial year in order to pass a resolution on further profit distributions. In this connection, LSF6 has undertaken towards IKB to pass a resolution to distribute a dividend only if this is not in conflict with the regulatory recommendations issued by BaFin or the ECB concerning the distribution of dividends during the coronavirus pandemic.

Results of operations

Due to the continuing uncertainties with regard to the economic impact of the coronavirus pandemic, it is still difficult to issue any forecast on the results of operations.

With regard to the forecast of its results of operations, the Bank refers to the statement on page 55 of “Section 5. Outlook” in the annual report for 2020 and reaffirms this forecast for 31 December 2021. In view of the strong uncertainty over the impact of the pandemic, the Bank reaffirms the net risk provisioning of €-25 million forecast in the annual report for 2020 for reasons of caution despite the positive net risk provisioning reported as of 30 June 2021.

Overall assessment

On the basis of the first six months of the financial year, IKB continues to project net income after taxes of close to €100 million.

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

Consolidated balance sheet as of 30 June 2021

in € million	30 June 2021	31 Dec. 2020
Assets		
Cash reserve	**366.7**	**2,312.7**
a) Cash on hand	-	-
b) Balances with central banks	366.7	2,312.7
thereof: with Deutsche Bundesbank	366.7	2,312.7
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	**2,911.1**	**2,044.0**
a) Repayable on demand	2,127.8	1,066.7
b) Other receivables	783.3	977.3
Receivables from customers	**9,136.2**	**8,773.7**
thereof: mortgage loans	628.0	632.6
thereof: public sector loans	874.2	775.3
thereof: cash collateral	5.0	6.1
Bonds and other fixed-income securities	**3,207.0**	**3,202.2**
a) Money market securities	-	-
b) Bonds and notes	3,114.7	3,186.6
ba) Public sector issuers	2,370.7	2,481.4
thereof: eligible as collateral for Deutsche Bundesbank	2,370.7	2,481.4
bb) Other issuers	744.0	705.2
thereof: eligible as collateral for Deutsche Bundesbank	592.0	651.9
c) Own bonds	92.3	15.6
Nominal amount	92.1	15.4
Equities and other non-fixed-income securities	**304.0**	**304.0**
Equity investments	**0.6**	**0.3**
thereof: banks	0.2	0.2
thereof: financial services institutions	-	-
Shares in associated companies	**-**	**-**
thereof: banks	-	-
thereof: financial services institutions	-	-
Shares in affiliated companies	**1.5**	**1.0**
thereof: banks	-	-
thereof: financial services institutions	-	-
Assets held in trust	**-**	**-**
Compensation receivables from the public sector including debt securities arising from their exchange	**-**	**-**
Intangible assets	**0.9**	**0.6**
a) Internally generated industrial and similar rights and assets	-	-
b) Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	0.6	0.6
c) Goodwill	-	-
d) Advance payments made	0.3	0.1
Tangible assets	**3.6**	**3.9**
Called unpaid capital	**-**	**-**
Other assets	**45.8**	**82.1**
Prepaid expenses	**55.6**	**63.8**
Deferred tax assets	**137.0**	**136.0**
Excess of plan assets over post-employment benefit liability	**5.6**	**4.5**
Total assets	**16,175.6**	**16,928.8**

in € million			30 June 2021	31 Dec. 2020
Equity and liabilities				
Liabilities to banks			**8,714.8**	**8,527.7**
a)	Repayable on demand		14.9	16.6
b)	With agreed term or notice period		8,700.0	8,511.2
Liabilities to customers			**4,774.9**	**5,757.6**
a)	Savings deposits		-	-
b)	Other liabilities		4,774.9	5,757.6
	ba)	Repayable on demand	1,139.7	1,145.4
	bb)	With agreed term or notice period	3,635.2	4,612.2
Securitised liabilities			**186.3**	**154.4**
a)	Bonds issued		186.3	154.4
b)	Other securitised liabilities		-	-
Liabilities held in trust			-	-
Other liabilities			**40.7**	**48.6**
Deferred income			**43.4**	**48.9**
Deferred tax liabilities			-	-
Provisions			**165.3**	**156.4**
a)	Provisions for pensions and similar obligations		97.6	82.9
b)	Tax provisions		19.4	19.9
c)	Other provisions		48.4	53.7
Subordinated liabilities			**764.7**	**788.6**
	thereof: due within two years		202.8	194.8
Profit participation capital			-	-
	thereof: due within two years		-	-
Fund for general banking risks			**585.0**	**585.0**
	thereof: trading-related special reserve in accordance with section 340e (4) HGB		-	-
Equity			**900.4**	**861.5**
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		2.4	2.4
	ca)	Legal reserve	2.4	2.4
	cb)	Reserve for shares in a parent or majority investor	-	-
	cc)	Reserves provided for by the articles of association	-	-
	cd)	Other revenue reserves	0.0	0.0
d)	Difference in equity from currency translation		-	-
e)	Net retained profits/net accumulated losses		150.0	115.5
f)	Non-controlling interests		0.2	-4.3
Negative goodwill from capital consolidation			-	-
Total equity and liabilities			**16,175.6**	**16,928.8**
Contingent liabilities			**1,429.1**	**1,488.2**
a)	Contingent liabilities from rediscounted and settled bills of exchange		-	-
b)	Liabilities from guarantees and indemnity agreements		1,429.1	1,488.2
c)	Liability arising from the provision of collateral for third-party liabilities		-	-
Other obligations			**1,063.3**	**939.6**
a)	Repurchase obligations from non-genuine repurchase agreements		-	-
b)	Placement and underwriting obligations		-	-
c)	Irrevocable loan commitments		1,063.3	939.6

Balance sheet of IKB Deutsche Industriebank AG as of 30 June 2021

in € million	30 June 2021	31 Dec. 2020
Assets		
Cash reserve	**366.7**	**2,312.7**
a) Cash on hand	-	-
b) Balances with central banks	366.7	2,312.7
thereof: with Deutsche Bundesbank	366.7	2,312.7
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	**2,909.7**	**2,041.7**
a) Repayable on demand	2,126.4	1,064.4
b) Other receivables	783.3	977.3
Receivables from customers	**9,421.0**	**9,163.4**
thereof: mortgage loans	628.0	636.1
thereof: public sector loans	874.2	775.3
thereof: cash collateral	5.0	6.1
Bonds and other fixed-income securities	**3,217.2**	**3,210.7**
a) Money market securities	-	-
b) Bonds and notes	3,122.4	3,195.1
ba) Public sector issuers	2,371.3	2,482.0
thereof: eligible as collateral for Deutsche Bundesbank	2,371.3	2,482.0
bb) Other issuers	751.2	713.2
thereof: eligible as collateral for Deutsche Bundesbank	599.2	659.8
c) Own bonds	94.7	15.6
Nominal amount	92.1	15.4
Equities and other non-fixed-income securities	**0.0**	**0.0**
Equity investments	**0.2**	**0.2**
thereof: banks	0.2	0.2
thereof: financial services institutions	-	-
Shares in affiliated companies	**118.1**	**127.6**
thereof: banks	-	-
Assets held in trust	**-**	**-**
Compensation receivables from the public sector including debt securities arising from their exchange	**-**	**-**
Intangible assets	**0.9**	**0.6**
a) Internally generated industrial and similar rights and assets	-	-
b) Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	0.6	0.6
c) Goodwill	-	-
d) Advance payments made	0.3	0.1
Tangible assets	**3.6**	**3.9**
Called unpaid capital	**-**	**-**
Other assets	**76.1**	**209.9**
Prepayed expenses	**54.9**	**62.9**
Deferred tax assets	**137.0**	**137.0**
Excess of plan assets over post-employment benefit liability	**5.6**	**4.5**
Total assets	**16,311.0**	**17,275.2**

in € million	30 June 2021	31 Dec. 2020
Equity and liabilities		
Liabilities to banks	**8,714.8**	**8,525.4**
a) Repayable on demand	14.9	16.3
b) With agreed term or notice period	8,700.0	8,509.0
Liabilities to customers	**4,875.1**	**5,979.2**
a) Savings deposits	-	-
b) Other liabilities	4,875.1	5,979.2
ba) Repayable on demand	1,163.2	1,223.0
bb) With agreed term or notice period	3,711.9	4,756.2
Securitised liabilities	**186.3**	**234.4**
a) Bonds issued	186.3	234.4
b) Other securitised liabilities	-	-
Liabilities held in trust	**-**	**-**
Other liabilities	**40.7**	**47.6**
Deferred income	**43.4**	**48.5**
Deferred tax liabilities	**-**	**-**
Provisions	**172.5**	**151.9**
a) Provisions for pensions and similar obligations	95.2	80.5
b) Tax provisions	19.2	19.7
c) Other provisions	58.1	51.7
Subordinated liabilities	**764.8**	**788.6**
thereof: due within two years	202.8	194.8
Profit participation capital	**-**	**-**
Fund for general banking risks	**585.0**	**585.0**
thereof: trading-related special reserve in accordance with section 340e (4) HGB	-	-
Equity	**928.4**	**914.6**
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	2.4	2.4
ca) Legal reserve	2.4	2.4
cb) Reserve for shares in a parent or majority investor	-	-
cc) Reserves provided for by the articles of association	-	-
cd) Other revenue reserves	-	-
e) Net retained profits/net accumulated losses	178.1	164.3
Total equity and liabilities	**16,311.0**	**17,275.2**
Contingent liabilities	**1,504.2**	**1,563.3**
a) Contingent liabilities from rediscounted and settled bills of exchange	-	-
b) Liabilities from guarantees and indemnity agreements	1,504.2	1,563.3
c) Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations	**1,202.8**	**1,080.4**
a) Repurchase obligations from non-genuine repurchase agreements	-	-
b) Placement and underwriting obligations	-	-
c) Irrevocable loan commitments	1,202.8	1,080.4

Consolidated income statement for the period from 1 January to 30 June 2021

in € million	2021	2020
Expenses		
Interest expenses	**-26.1**	**-58.0**
thereof: positive interest	33.8	12.2
Commission expenses	**-1.1**	**-1.5**
Net trading result	**-**	**-**
General administrative expenses	**-72.6**	**-66.7**
a) Personnel expenses	-40.9	-40.2
aa) Wages and salaries	-32.3	-33.1
ab) Social security, post-employment and other employee benefit costs	-8.6	-7.1
thereof: for pensions	-4.2	-2.5
b) Other administrative expenses	-31.7	-26.5
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	**-0.6**	**-0.8**
a) On lease assets	-	-
b) On intangible and tangible assets	-0.6	-0.8
Other operating expenses	**-156.2**	**-210.1**
Write-downs of receivables and certain securities and additions to loan loss provisions	**-**	**-13.1**
Write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**-1.8**	**-3.9**
Costs of loss absorption	**0.0**	**-**
Extraordinary expenses	**-0.7**	**-4.4**
Income taxes	**-1.4**	**-0.4**
Other taxes not reported under "Other operating expenses"	**-0.1**	**0.1**
Net income for the year	**-46.6**	**-42.4**
Total expenses	**-307.2**	**-401.2**

in € million	2021	2020
Income		
Interest income from	**116.4**	**136.2**
a) Lending and money market transactions	100.7	114.7
thereof: negative interest	-21.3	-16.5
b) Fixed-income securities and government-inscribed debts	15.7	21.5
thereof: negative interest	-	-
Current income from	**18.0**	**29.1**
a) Equities and other non-fixed-income securities	18.0	29.0
b) Equity investments	0.0	-
c) Shares in associated companies	-	-
d) Shares in affiliated companies	-	0.1
Income from profit pooling, profit-transfer and partial profit-transfer agreements	**-**	**-**
Commission income	**15.0**	**15.8**
Net trading result	**-**	**-**
Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions	**1.9**	**-**
Income from reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**78.0**	**137.6**
Other operating income	**77.8**	**82.5**
Extraordinary income	**-**	**-**
Income from assumption of losses	**-**	**-**
Net loss for the year	**-**	**-**
Total income	**307.2**	**401.2**
Net income/loss for the year[1)]	**46.6**	**42.4**
Non-controlling interests[1)]	**-0.1**	**1.2**
Profit carryforward from the previous year[2)]	**103.5**	**40.8**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 1 to no. 3 HGB	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 4 HGB	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net retained profits/net accumulated losses	**150.0**	**84.4**

1) Unlike in previous years, net income/loss for the year was reported after adjustments for non-controlling interests. Net profit/loss attributable to non-controlling interests is from now on presented with the sign reversed. This produces as a total the net income/loss for the year attributable to treasury shares.

2) As a result of a distribution of €12 million to the shareholder, the profit carryforward in the Group declined to €103.5 million.

Income statement of IKB Deutsche Industriebank AG for the period from 1 January to 30 June 2021

in € million	2021	2020
Expenses		
Interest expenses	**-26.4**	**-59.4**
thereof: positive interest	33.9	12.2
Commission expenses	**-1.1**	**-1.3**
Net trading result	**-**	**-**
General administrative expenses	**-72.3**	**-66.3**
a) Personnel expenses	-40.9	-40.2
aa) Wages and salaries	-32.3	-33.0
ab Social security, post-employment and other employee benefit costs	-8.6	-7.1
thereof: for pensions	-4.2	-2.5
b) Other administrative expenses	-31.4	-26.1
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	**-0.6**	**-0.8**
Other operating expenses	**-156.9**	**-206.4**
Write-downs of receivables and certain securities and additions to loan loss provisions	**-**	**-12.1**
Write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**-1.8**	**-3.9**
Costs of loss absorption	**-10.2**	**-6.5**
Extraordinary expenses	**-0.5**	**-4.3**
Income taxes	**-1.7**	**0.2**
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	**-25.8**	**-12.6**
Total expenses	**-297.3**	**-373.4**

in € million	2021	2020
Income		
Interest income from	**119.0**	**136.2**
a) Lending and money market transactions	104.2	116.2
thereof: negative interest	-21.3	-16.5
b) Fixed-income securities and government-inscribed debts	14.9	20.0
thereof: negative interest	-	-
Current income from	**0.0**	**0.0**
a) Equities and other non-fixed-income securities	-	0.0
b) Equity investments	0.0	-
c) Shares in affiliated companies	-	-
Income from profit pooling, profit-transfer and partial profit-transfer agreements	**7.4**	**-**
Commission income	**15.1**	**15.9**
Net trading result	**-**	**-**
Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions	**2.2**	**-**
Income from reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**77.9**	**139.9**
Other operating income	**75.7**	**81.4**
Extraordinary income	**-**	**-**
Income from assumption of losses	**-**	**-**
Net loss for the year	**-**	**-**
Total income	**297.3**	**373.4**
Net income/loss for the year	**25.8**	**12.6**
Profit carryforward from the previous year[1)]	**152.3**	**-**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 1 to no. 3 HGB	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 4 HGB	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net retained profits/net accumulated losses	**178.1**	**12.6**

1) As a result of a distribution of €12 million to the shareholder, the profit carryforward in of IKB AG declined to €152.3 million.

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 2021 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 2020, which were audited and certified by Ernst & Young.

The 2021 6-month report of IKB AG as at 30 June 2021 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 General Meeting on 3 September 2020 resolved that IKB AG's financial year would in future begin on 1 January of each year and end on 31 December of the year. As a result, the reporting period in these condensed interim financial statements (1 January to 30 June 2021) differs from the comparative period (1 April to 30 September 2020), and consequently there is only limited comparability.

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

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

The condensed notes to the consolidated interim financial statements and the 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 one exception, 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 at 31 December 2020.

(2) Changes in presentation and measurement

As at 30 June 2021, the measurement of sub-interests in proceeds from US lawsuits by an external consulting firm resulted in, among other things, changes in the way the expected cash flows are calculated and discounted. The re-measurement resulted in a total write-down of the sub-interest by €13.5 million at IKB AG.

(3) Consolidated group

In addition to IKB AG, 14 (31 December 2020: 16) subsidiaries were consolidated in the consolidated financial statements for the period ended 30 June 2021. 14 (31 December 2020: 13) 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.

HIMERA Grundstücks-Vermietungsgesellschaft mbH, Pullach i. Isartal, was sold by the previous non-Group owners to non-Group third parties under a share purchase agreement in May 2021. As part of the sale, the loan granted by IKB AG was repaid. This means that IKB AG is no longer exposed or entitled to the majority of opportunities and risks in accordance with section 290 (2) no. 4 HGB. No material effects resulted from this deconsolidation.

In June 2021, all forfaited receivables and other financial assets of IKB Beteiligungsgesellschaft 5 mbH, Düsseldorf, were sold. After the sale, the corresponding refinancing and distributable capital reserves were largely repaid, with the result that the company was deconsolidated due to being of only minor importance to the net assets, financial position and results of operations of the Group. The deconsolidation resulted in an expense of €1.9 million, which is reported in other operating expenses.

For further information, please see note (26).

(4) Consolidation principles

The consolidated interim financial statements were prepared in accordance with the uniform accounting policies applicable to IKB AG. The annual financial statements of the subsidiaries included that are neither banks nor financial services institutions have been reconciled to the structure of the RechKredV forms. Interim financial statements as at 30 June 2021 were prepared for IKB Beteiligungen GmbH (see note 27).

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 2020.

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

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

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

(5) Provisions for possible loan losses

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

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 75 of IKB's 2020 annual report.

There are no longer any assets purchased by companies of the IKB Leasing Group or non-recourse financing of lease assets. As a result, there is no longer any need to recognise general valuation allowances for these portfolios.

Notes to the balance sheet

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

	Group		IKB AG	
in € million	**30 June 2021**	**31 Dec. 2020**	**30 June 2021**	**31 Dec. 2020**
Receivables from banks[1)]	**783.3**	**977.3**	**783.3**	**977.3**
remaining term				
up to 3 months	20.8	678.3	20.8	678.3
more than 3 months up to 1 year	762.5	272.3	762.5	272.3
more than 1 year up to 5 years	-	26.8	-	26.7
more than 5 years	-	-	-	-
Receivables from customers	**9,136.2**	**8,773.7**	**9,421.0**	**9,163.4**
remaining term				
up to 3 months	571.8	463.9	571.9	465.4
more than 3 months up to 1 year	1,660.4	1,379.4	1,945.2	1,684.4
more than 1 year up to 5 years	5,774.9	5,652.8	5,774.9	5,656.0
more than 5 years	1,129.1	1,277.6	1,129.1	1,357.6
Liabilities to banks[1)]	**8,700.0**	**8,511.2**	**8,700.0**	**8,509.0**
remaining term				
up to 3 months	211.4	328.1	211.4	328.1
more than 3 months up to 1 year	770.6	722.7	770.6	720.5
more than 1 year up to 5 years	6,668.3	6,292.7	6,668.3	6,292.7
more than 5 years	1,049.6	1,167.8	1,049.6	1,167.8
Liabilities to customers[1)]	**3,635.2**	**4,612.2**	**3,711.9**	**4,756.2**
remaining term				
up to 3 months	708.9	1,112.4	709.0	1,112.4
more than 3 months up to 1 year	1,232.8	1,489.5	1,309.5	1,633.5
more than 1 year up to 5 years	1,450.2	1,732.7	1,450.2	1,732.7
more than 5 years	243.2	277.6	243.2	277.6

1) not including receivables or liabilities repayable on demand

Of the bonds and other fixed-income securities, €36.2 million (31 December 2020: €47.6 million) have a remaining term of up to one year in the Group and €38.7 million (31 December 2020: €47.6 million) have a remaining term of up to one year in IKB AG. Of the bonds issued that are reported as securitised liabilities, €53.2 million (31 December 2020: €83.0 million) have a remaining term of up to one year in the Group and €53.2 million (31 December 2020: €83.0 million) have a remaining term of up to one year in IKB AG.

(7) Repurchase agreements

As at the reporting date, no assets recognised in the balance sheet in genuine repurchase agreements had been transferred as collateral in either the Group or IKB AG (31 December 2020: Group and IKB AG €10.9 million).

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

	Group			
	30 June 2021		31 Dec. 2020	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	-	-	-	-
Other assets	-	-	-	-

	IKB AG			
	30 June 2021		31 Dec. 2020	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	284.8	-	437.7	-
Other assets	30.6	-	147.1	-

The decrease in receivables from customers in IKB AG is due to the further reduction of internal refinancing as part of the reduction of the investment portfolio's complexity. The decrease in other assets in IKB AG results from the settlement of receivables from profit transfer and from a write-down recognised through profit or loss on an intragroup sub-interest in expected compensation payments of pending lawsuits.

(9) Fixed assets

Group:

in € million	Intangible assets	Tangible assets	Equity investments	Investments in affiliated companies	Bonds and other fixed-income securities	Equities and other non-fixed-income securities	Total
Cost as at 31 Dec. 2020	**26.0**	**7.6**	**0.3**	**1.0**	**3,187.8**	**305.6**	**3,528.3**
Additions to the consolidated group	-	-	-	-	-	-	-
Additions	0.5	0.1	0.3	0.0	440.7	-	441.6
Reclassifications	-	-	-	0.6	-	-	0.6
Effects of currency translation	-	-	-	-	-0.3	-	-0.3
Disposals	-	-	0.0	0.0	-512.3	-0.1	-512.4
Cost as at 30 June 2021	**26.5**	**7.7**	**0.6**	**1.6**	**3,115.9**	**305.5**	**3,457.8**
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 31 Dec. 2020	**-25.3**	**-3.7**	**-**	**0.0**	**-1.2**	**-1.6**	**-31.8**
Reversal of write-downs	-	-	-	-	0.2	0.2	0.4
Depreciation/amortisation and write-downs	-0.3	-0.3	-	-	-0.3	0.0	-0.9
Reclassifications	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-	-	-
Disposals from the consolidated group	-	-	-	0.0	-	-	0.0
Disposals	-	-	-	0.0	-	-	0.0
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 30 June 2021	**-25.6**	**-4.0**	**-**	**0.0**	**-1.3**	**-1.5**	**-32.4**
Net carrying amount as at 31 June 2021	**0.9**	**3.6**	**0.6**	**1.5**	**3,114.7**	**304.0**	**3,425.3**
Net carrying amount as at 31 Dec. 2020	**0.6**	**3.9**	**0.3**	**1.0**	**3,186.6**	**304.0**	**3,496.4**

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

IKB AG:

in € million	Intangible assets	Tangible assets	Equity investments	Investments in affiliated companies	Bonds and other fixed-income securities	Total
Cost as at 31 Dec. 2020	**25.9**	**7.6**	**0.2**	**690.3**	**3,196.4**	**3,920.4**
Additions	0.5	0.1	-	-	440.7	441.3
Reclassifications	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-0.3	-0.3
Disposals	-	-	0.0	-9.5	-513.1	-522.6
Cost as at 30 June 2021	**26.4**	**7.7**	**0.2**	**680.8**	**3,123.7**	**3,838.8**
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 31 Dec. 2020	**-25.3**	**-3.7**	**-**	**-562.7**	**-1.2**	**-592.9**
Reversal of write-downs	-	-	-	-	0.2	0.2
Depreciation/amortisation and write-downs	-0.3	-0.3	-	-	-0.3	-0.9
Reclassifications	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 30 June 2021	**-25.6**	**-4.0**	**-**	**-562.7**	**-1.3**	**-593.6**
Net carrying amount as at 31 June 2021	**0.9**	**3.6**	**0.2**	**118.1**	**3,122.4**	**3,245.2**
Net carrying amount as at 31 Dec. 2020	**0.6**	**3.9**	**0.2**	**127.6**	**3,195.2**	**3,327.5**

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

Tangible assets relate exclusively to operating and office equipment of €3.6 million (31 December 2020: €3.9 million) in the Group and €3.6 million (31 December 2020: €3.9 million) in IKB AG.

The disposals of shares in affiliated companies at IKB AG are attributable to the repayment of a significant proportion of the distributable capital reserves of IKB Beteiligungsgesellschaft 5 mbH.

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

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

The Group’s unrealised losses from securities held as fixed assets total €82.2 million (31 December 2020: €1.4 million). This is based on carrying amounts of €1,478.0 million (31 December 2020: €122.5 million) and fair values of €1,395.8 million (31 December 2020: €121.1 million). IKB AG’s unrealised losses from securities held as fixed assets total €82.2 million (31 December 2020: €1.4 million). This is based on carrying amounts of €1,478.0 million (31 December 2020: €122.5 million) and fair values of €1,395.8 million (31 December 2020: €121.1 million).

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

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

The amounts stated do not include accrued interest.

(10) Subordinated assets

	Group		IKB AG	
in € million	**30 June 2021**	**31 Dec. 2020**	**30 June 2021**	**31 Dec. 2020**
Receivables from customers	25.5	37.3	25.5	37.3
Total	**25.5**	**37.3**	**25.5**	**37.3**

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

(11) Disclosures on investment funds

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

	Group			
in € million	**Carrying amount 30 June 2021**	**Fair value 30 June 2021**	**Difference to carrying amount 30 June 2021**	**Distribution 2021**
Mixed funds	247.8	247.8	-	-
Other special funds	304.0	331.8	27.8	18.0
Total	**551.8**	**579.6**	**27.8**	**18.0**

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

Furthermore, CTA assets were invested in a German special fund. If the offsetting of CTA assets against pension obligations (for each pension plan) results in an excess of CTA assets, this is reported under "Excess of plan assets over post-employment benefit liability". If the offsetting results in an excess pension obligation, this is recognised as a pension provision. Due to the planned realignment of the investment policy for CTA assets, the fund was mainly invested in bank deposits and to a small extent in fixed-income securities as at the reporting date.

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:

in € million	Group 30 June 2021	Group 31 Dec. 2020	IKB AG 30 June 2021	IKB AG 31 Dec. 2020
Foreign currency adjustment asset	7.8	9.6	7.8	9.6
Receivables from tax authorities	17.3	20.0	17.2	19.9
Receivables from derivatives	-	-	-	-
Deferred interest on derivatives	11.7	19.0	11.7	19.0
Assets held for sale	-	19.0	-	-
Trade receivables	2.2	3.0	2.2	2.8
Receivables from affiliated companies	0.0	0.0	30.6	147.1
Miscellaneous assets	6.8	11.6	6.7	11.5
Total	**45.8**	**82.1**	**76.1**	**209.9**

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

Assets held for sale in the Group as at 31 December 2020 included a building that was used by a third party and was for sale. The decrease in receivables from affiliated companies in IKB AG results from the settlement of receivables from profit transfer as well as from a write-down recognised through profit or loss on an intragroup sub-interest in expected compensation payments of pending lawsuits.

(13) Prepaid expenses

Prepaid expenses primarily comprise discounts on liabilities recognised at their nominal value totalling €0.7 million (31 December 2020: €0.8 million) in the Group and €0.7 million (31 December 2020: €0.8 million) in IKB AG and prepaid expenses for the derivatives business and for credit default swaps accounted for as guarantees totalling €40.2 million (31 December 2020: €49.4 million) in the Group and €40.2 million (31 December 2020: €49.4 million) in IKB AG. In addition, prepaid expenses were recognised for invoices paid in advance in the amount of €14.7 million (31 December 2020: €13.5 million) in the Group and €14.0 million (31 December 2020: €12.6 million) in IKB AG.

(14) Deferred tax assets

in € million	Group 30 June 2021	Group 31 Dec. 2020	IKB AG 30 June 2021	IKB AG 31 Dec. 2020
Excess deferred tax assets	137.0	136.0	137.0	137.0

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

	Group			
	30 June 2021		31 Dec. 2020	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Liabilities to customers	3.1	0.0	0.7	0.0
Other liabilities	-	-	-	-

	IKB AG			
	30 June 2021		31 Dec. 2020	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Liabilities to customers	103.4	0.0	229.1	0.0
Securitised liabilities	-	-	80.0	-
Other liabilities	-	-	0.0	-
Subordinated liabilities	75.1	-	75.1	-

(16) Other liabilities

The “Other liabilities” item breaks down as follows:

	Group		IKB AG	
in € million	30 June 2021	31 Dec. 2020	30 June 2021	31 Dec. 2020
Obligations from derivatives	2.0	2.0	2.0	2.0
Deferred interest on derivatives	15.8	14.7	15.8	14.7
Liabilities to tax authorities	2.0	0.4	1.9	0.4
Deferred income for subordinated liabilities	16.0	18.5	16.0	18.5
Trade payables	1.6	4.8	1.6	4.6
Miscellaneous liabilities	3.4	8.1	3.3	7.4
Total	**40.7**	**48.6**	**40.7**	**47.6**

(17) Deferred income

Deferred income primarily comprises discounts and fees from the lending business with a nature similar to interest from receivables recognised at nominal value totalling €6.3 million (31 December 2020: €7.7 million) in the Group and €6.3 million (31 December 2020: €7.7 million) in IKB AG and deferred income for the derivatives business and for credit default swaps accounted for like guarantees totalling €37.0 million (31 December 2020: €40.7 million) in the Group and €37.0 million (31 December 2020: €40.7 million) in IKB AG.

(18) Pension provisions

The pension provisions recognised total €97.6 million (31 December 2020: €82.9 million) in the Group and €95.2 million (31 December 2020: €80.5 million) in IKB AG. The rise in pension obligations is mainly attributable to the decline in the discount rate, which pursuant to section 253 HGB equals the average market interest rate of the past ten years.

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

30 June 2021 in € million	Group	IKB AG
Measurement of obligation using the ten-year average market interest rate	380.3	378.0
Measurement of obligation using the seven-year average market interest rate	417.6	415.0
Difference in accordance with section 253 (6) HGB	**37.3**	**37.0**

(19) Other financial obligations

As at the reporting date, “Other financial obligations” amounted to €70.9 million (31 December 2020: €79.3 million) in the Group and €70.9 million (31 December 2020: €79.3 million) in IKB AG. The decrease results in particular from the fact that obligations from IT services declined to €40.0 million (31 December 2020: €43.8 million) and lease obligations for properties fell to €15.6 million (31 December 2020: €20.7 million). The payment obligations to national and international banking system guarantee schemes increased to €9.0 million (31 December 2020: €7.4 million).

The tax risk associated with Aleanta GmbH is unchanged and amounts to taxes of around €26.7 million plus interest (calculated as approximately €14.4 million up to and including 30 June 2021) and Chamber of Commerce and Industry contributions of €0.2 million. Based on a comparable judgement handed down by the German Federal Tax Court on 17 November 2020 (I R 2/18), IKB expects that the tax risk will be resolved quickly.

Notes to the income statement

(20) Extraordinary income and expenses

The net extraordinary expense was €0.7 million (previous year: net expense of €4.4 million) in the Group and €0.5 million (previous year: net expense of €4.3 million) in IKB AG. It solely concerned extraordinary expenses and was attributable to business restructuring measures in both the Group and IKB AG.

(21) Other operating expenses

The “Other operating expenses” item largely includes:

	Group		IKB AG	
in € million	**2021**	**2020**	**2021**	**2020**
Expenses from derivatives in the non-trading book	-120.1	-197.6	-120.1	-197.6
Expenses from additions to provisions	-0.5	-1.1	-0.4	-1.1
Expense from unwinding of discount on pension obligation	-15.2	-	-15.2	-
Expense from recognising CTA assets at fair value	-0.7	-	-0.7	-
Other expenses	-19.7	-11.4	-20.5	-7.7

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.

(22) Costs of loss absorption

Costs of loss absorption in IKB AG of €10.2 million (previous year: €6.5 million) relate to the recognition of a provision for loss absorption obligations under the profit and loss transfer agreement with the subsidiary IKB Beteiligungen GmbH.

(23) 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).

(24) Income from profit and loss transfer agreements

The income from profit and loss transfer agreements in IKB AG of €7.4 (previous year: €0.0 million) in the reporting period is attributable to the profit transferred by IKB Beteiligungen GmbH.

(25) Other operating income

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

	Group		IKB AG	
in € million	**2021**	**2020**	**2021**	**2020**
Income from derivatives in the non-trading book	72.9	73.0	72.9	73.0
Income from currency translation	0.2	0.1	0.1	0.1
Income from the release of provisions	3.0	3.7	1.8	3.5
Expense from unwinding of discount on pension obligation	-	-14.5	-	-14.5
Income from recognising CTA assets at fair value	-	18.4	-	18.4
Income from compensation payments	0.0	0.2	0.0	0.1

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

Other disclosures

(26) Consolidated group as at 30 June 2021

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

1) Indirect investment 2) in liquidation

(27) List of shareholdings as at 30 June 2021

30 June 2021		Financial year	Equity interest in %
1. German subsidiaries (consolidated)			
Aleanta GmbH, Düsseldorf		1 Jan. - 31 Dec.	100.00
IKB Beteiligungen GmbH, Düsseldorf	2)5)	1 Jan. - 31 Dec.	100.00
IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
IKB Beteiligungsgesellschaft 3 mbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
IKB Invest GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
Istop 1 GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
Istop 2 GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
Istop 4 GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
Istop 6 GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
2. Foreign subsidiaries (consolidated)			
IKB Finance B.V., Amsterdam, Netherlands		1 Jan. - 31 Dec.	100.00
IKB Funding LLC I, Wilmington, United States of America		1 Jan. - 31 Dec.	100.00
IKB International S.A. i.L., Munsbach, Luxembourg	3)	1 Jan. - 31 Dec.	100.00
3. Special-purpose vehicles (special-purpose vehicles included in the consolidated financial statements in line with section 290 (2) no. 4 HGB)			
Capital Raising GmbH, Norderfriedrichskoog			
Hybrid Raising GmbH, Norderfriedrichskoog			
4. German subsidiaries (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
FRANA Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf		1 Jan. - 31 Dec.	100.00
IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
IKB Beteiligungsgesellschaft 5 mbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
IKB NewCo 3 GmbH, Düsseldorf		1 Jan. - 31 Dec.	100.00
IKB NewCo 5 GmbH, Düsseldorf		1 Apr. - 31 Mar.	100.00
IKB Projektentwicklungsverwaltungsgesellschaft mbH i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	100.00
IKB Real Estate GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
IKB Struktur GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
ISTOS Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	100.00
Restruktur 2 GmbH i.L., Düsseldorf	3)	1 Apr. - 31 Mar.	100.00
Restruktur 3 GmbH, Düsseldorf		1 Apr. - 31 Mar.	100.00
5. Foreign subsidiaries (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
IKB Funding Trust I, Wilmington, United States of America		1 Jan. - 31 Dec.	100.00
6. Special-purpose vehicles (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
Rosaria Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Heimstetten KG, Grünwald			
7. German associates/joint ventures (not accounted for using the equity method on the basis of section 311 (2) HGB[4])	1)		
FUNDINGPORT GmbH, Hamburg		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.
5) in 2021 short financial year from 1 April to 31 December

(28) Related-party transactions

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

(29) Derivative financial instruments not recognised at fair value

Group:

	Nominal	Fair value		Carrying amount	
30 June 2021 in € million		**Positive**	**Negative**	**Assets**	**Equity and liabilities**
Interest-related derivatives	12,013.9	252.0	745.1	30.5	45.6
Credit-related derivatives	-	-	-	-	-
Currency-related derivatives	289.7	3.0	1.6	2.9	1.6
Derivatives assigned to several categories	118.7	21.6	3.0	10.7	2.9
Total	**12,422.3**	**276.6**	**749.7**	**44.1**	**50.1**

AG:

	Nominal	Fair value		Carrying amount	
30 June 2021 in € million		**Positive**	**Negative**	**Assets**	**Equity and liabilities**
Interest-related derivatives	12,013.9	252.0	745.1	30.5	45.6
Credit-related derivatives	-	-	-	-	-
Currency-related derivatives	289.7	3.0	1.6	2.9	1.6
Derivatives assigned to several categories	118.7	21.6	3.0	10.7	2.9
Total	**12,422.3**	**276.6**	**749.7**	**44.1**	**50.1**

(30) Unrealised gains and losses

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

Group	30 June 2021			31 Dec. 2020		
in € million	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference[1)]
Receivables from banks	2,911.1	2,911.3	0.2	2,044.0	2,041.5	-2.5
Receivables from customers	9,136.2	9,525.6	389.4	8,773.7	9,211.2	437.5
Bonds and other fixed-income securities	3,207.0	3,266.0	59.0	3,202.2	3,602.6	400.4
Equities and other non-fixed-income securities	304.0	332.0	28.0	304.0	375.6	71.6
Derivative financial instruments not recognised at fair value	44.1	276.7	232.6	58.2	410.3	352.1
Credit default swaps recognised as loan collateral	15.7	31.1	15.4	19.8	35.1	15.3
Subtotal	**15,618.1**	**16,342.7**	**724.6**	**14,401.9**	**15,676.3**	**1,274.4**
Liabilities to banks	8,714.8	8,783.9	-69.1	8,527.7	8,640.5	-112.8
Liabilities to customers	4,774.9	4,814.8	-39.9	5,757.6	5,803.6	-46.0
Securitised liabilities	186.3	189.2	-2.9	154.4	154.8	-0.4
Subordinated liabilities	764.7	773.3	-8.6	788.6	757.6	31.0
Derivative financial instruments not recognised at fair value	50.0	749.6	-699.6	52.1	1,255.9	-1,203.8
Credit default swaps recognised as loan collateral	5.7	0.1	5.6	6.8	1.4	5.4
Subtotal	**14,496.4**	**15,310.9**	**-814.5**	**15,287.2**	**16,613.8**	**-1,326.6**
Total			**-89.9**			**-52.2**

1) In May 2021, the method for measuring promissory note loans granted was switched to a model that uses internally determined default probabilities. This means that they are now measured in the same way as in the other lending business. The switchover resulted in a loss of €8.6 million as at the switchover date and of €7.7 million as at 31 December 2020.

The unrealised gain or loss is calculated by comparing net carrying amount and 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 carrying amount is treated as being equal to fair value for receivables and liabilities repayable on demand and prepaid expenses/deferred income.

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

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

Securities (including securitised subordinated liabilities) are measured at the exchange or market price on the reporting date if a liquid price is available. An 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 exchange prices or price information from contractual providers is 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 time-adjusted measurement models and available 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, changes in 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 of liabilities to customers and banks, the contractual cash flows are discounted using a swap rate with a matching maturity plus the funding costs specific to IKB. The funding costs are derived from the costs of comparable issues.

(31) Significant events after 30 June 2021

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 2021:

Withdrawal from CTA assets

For employee pension entitlements, assets were transferred to a CTA (contractual trust arrangement) as security for the obligations. When employee pension entitlements are extinguished as a result of payments by the bank to employees, the bank can withdraw the equivalent amount from the CTA. In this context, an amount of €16 million was withdrawn on 2 July 2021 for the pension payments made for pension plans 79 and 94 in the shortened financial year 2020 as well as for settlement payments for offers accepted by employees for the early settlement of pension entitlements, reducing CTA assets by €16 million. If this transaction had had to be recognised as at 30 June 2021, pension provisions would have amounted to €111.2 million

Entry into a purchase and transfer agreement for a portfolio of non-performing loans

On 6 July 2021, IKB AG and LSF6 Rio (Ireland) DAC entered into an agreement for the purchase of a portfolio of non-performing loans. The portfolio has 25 exposures, all of which are already being serviced by IKB AG. The purchase will be consummated on 20 August 2021.

Entry into a contingent purchase agreement for the acquisition of proceeds from lawsuits

On 6 July 2021, IKB AG and LSF Aggregated Lendings S.à.r.l. entered into a contingent purchase agreement for the acquisition of a 20% share in potential proceeds from lawsuits pending in the United States, which were brought against arrangers and trustees of structured credit products. The value was ascertained on external information by independent experts. 80% of the claims for recovery of the proceeds are already held by IKB AG.

(32) Exekutive bodies

Board of Managing Directors

Dr Michael H. Wiedmann (Chairman)

Claus Momburg

Dr Ralph Müller

Dr Patrick Alfred Trutwein

Supervisory Board

Dr Karl-Gerhard Eick (Chairman), management consultant

Dr Claus Nolting (Deputy Chairman), lawyer

Sven Boysen1), employee representative

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

Benjamin Dickgießer, Managing Director of Hudson Advisors Portugal, LDA

Dr Lutz-Christian Funke, Director of KfW

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

Nicole Riggers1), employee representative

Susanne Eger1), employee representative (since 18 March 2021)

Jörn Walde1), employee representative (until 18 March 2021)

1) Elected by the employees

Düsseldorf, 11 June 2021

IKB Deutsche Industriebank AG

The Board of Managing Directors

Dr Michael H. Wiedmann

Claus Momburg

Dr Ralph Müller

Dr Patrick Trutwein

Notes on segment reporting

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

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

Segmentation

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

- Public Programme Loans
- Corporate Bank
- Corporate Centre.

The Public Programme Loans segment includes income and expenses from development loans granted to SME 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 Center segment and the Corporate Bank segment. The return on allocated own funds is also transferred from the Corporate Center and distributed across the Public Programmes Loans segment and the Corporate Bank segment. The interest margin is the ratio of net interest income and risk costs in the Public Programme Loans and Corporate Bank segments to the corresponding volumes of the loan book. Risk costs equal the quotient of net risk provisioning and the applicable average value of the loan book. The figures for the first half of the year were extrapolated to twelve months to determine the key figures.

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

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 Center.

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

Segment report

Table: Segment reporting – Group

in € million	Public Programme Loans	Corporate Bank	Corporate Center	IKB
	1 Jan. - 30 June 2021			
Net interest income	43	44	21	108
Net fee and commission income	2	9	3	14
Gross income	**45**	**53**	**25**	**122**
Administrative expenses	-21	-20	-32	-73
Operating profit before risk provisions	**24**	**32**	**-7**	**49**
Provisions for possible loan losses	3	-3	2	2
Operating profit	**26**	**30**	**-5**	**51**
Net other income	-	1	-4	-3
Earnings before tax	**26**	**31**	**-9**	**48**
Tax expense/income	-3	-4	6	-1
Net profit after tax	**23**	**27**	**-3**	**47**
New business	612	1,081	-	1,693
Loans outstanding as of the reporting date	5,413	4,250	8,071	17,734
Risk-weighted assets	3,115	3,836	1,639	8,590
Average CET 1 capital at 12%	391	471	203	1,065
Interest margin (%)	1.55	2.04		1.77
Cost/income ratio (%)	47.2	38.3		59.9
Risk costs (%)	-0.09	0.12		-0.04
Return on equity (%)	11.9	11.4		8.8

Any differences in totals are due to rounding effects.

Performance of the segments

The Public Programme Loans segment, which includes income and expenses from IKB's activities in connection with the grant of public programme loans to mid-cap customers and the provision of advice on obtaining and applying for such loans, generated net profit after tax of €23 million in the period under review. The volume of new business comes to €612 million. The segment's return on equity is 11.9%; the cost/income ratio is 47.2%.

The Corporate Bank segment, which combines our financing and advisory services in traditional lending business with support for our customers in capital market activities, generated net profit after tax of €27 million. The risk-related reduction of parts of our corporate investment portfolio resulted in net other income of €1 million. The volume of new business comes to €1,081 million. The segment's return on equity is 11.4%; the cost/income ratio is 38.3%.

The Corporate Center, 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 before tax of €-9 million (net loss after tax of €-3 million).

Note on forward-looking statements

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

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

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