IKB
Deutsche Industriebank

IKB Deutsche Industriebank AG

18 August 2023, Düsseldorf

First Half Year 2023 Results

Positive Business Development in HY1 2023

1. Consistent profitability	✓ Consolidated net result before tax of €36 million and in line with 2023 forecast of €60 million. ✓ Return on equity of 7.9% (HY1 2022: 6.2%) and normalised return on equity of 8.7%.[1)]
2. Cost Control	✓ Administrative expenses of €77 million (HY1 2022: €80 million), normalised at €66 million (HY 1 2022: €68 million), resulting in a Cost/income Ratio of 66% (HY1 2022: 72%) , normalised 57% (HY 1 2022: 62%) ✓ Headcount slightly increased to 566 FTE (FY 2022: 551).
3. Focused Core Business	✓ Resilient lending book at €9.3 billion, core business generating a core business net interest margin of 2.13%. ✓ New business volume at €1.6 billion (HY1 2022: €1.2 billion). In light of the deteriorating macroeconomic environment, new business was characterised by highly selective lending criteria and an increased focus on good credit ratings with 80% of new business with investment grade equivalent rating. ✓ Consolidated net interest income at €107 million (HY1 2022: €98 million). ✓ Net fee and commission income amounted to €9 million (HY1 2022: €13 million); y-o-y reduction due to lower debt capital markets activity.
4. Low Risk Profile	✓ Non-performing assets at €158 million (31 December 2022: €167 million) at a low level with an NPL ratio (EBA definition) of 1.8%. ✓ Low net risk provisions of €-12 million (FY 2022: €-19 million) before utilisation of €12 million of general loan loss provisions booked in 2022 to cover potential negative ratings migrations of borrowers.
5. Adequate Capital Position	✓ CET 1 (fully phased) of 15.7%[2)] (31 December 2022: 14.5%). ✓ c.120bps of organic capital generation in HY 2023 driven by c.50bps of profit generation and c.70bps RWA reduction as a result of improving asset mix and asset quality of the book. ✓ Leverage ratio (fully phased) at 6.4% (31 December 2022: 6.0%).
6. Ample Liquidity	✓ Liquidity Coverage ratio at 267% (31 December 2022: 257%). ✓ 85% of the deposits are covered by deposit protection schemes (EdB and ESF). ✓ Net stable funding ratio at 114%.

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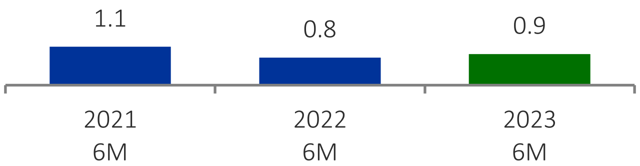
Note: All figures as of 30 June 2023 unless otherwise stated.

1) Normalised for inflation-induced pension plan expenses (€9 million), one-off project expense (€2 million) and non-recurring items in net other income (-€7million).

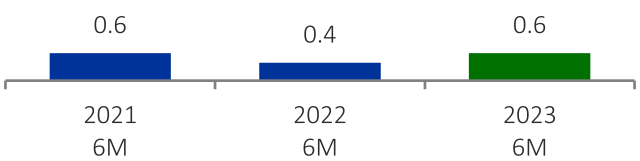
2) Including interim results.

€1.6 billion of New Business at High Ratings in HY1 2023

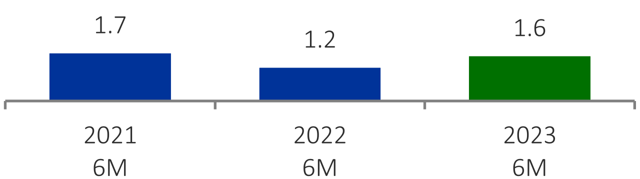
Commercial Lending New Business Volume (€ billion)



Public Programme Loans New Business Volume (€ billion)

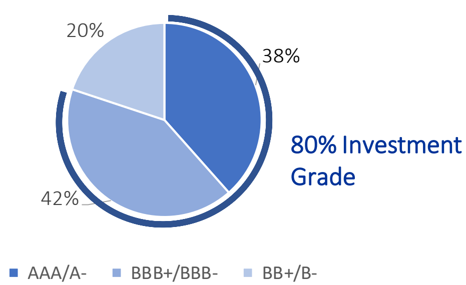


Total New Business Volume (€ billion)



New lending by rating (2023 6M)

New business Volumes by Ratings[1)]



Summary

- ✓ Increase of new business volume to €1.6 billion from €1.2 billion (HY1 2022).
  - – Demand for corporate loans nearly stable with volume of €0.9 billion (HY1 2022: €0.8 billion).
  - – Public programme loan volume amounted to €0.6 billion (HY1 2022: €0.4 billion).
- ✓ Focused lending approach, in light of macro uncertainty, with strict credit pricing policy maintained.
- ✓ IKB's total lending volumes stable at €9.3 billion (HY1 2022: €9.2 billion).
- ✓ **In 2023, IKB expects to generate a total new business volume of c.€2.7 billion in line with prior guidance.**

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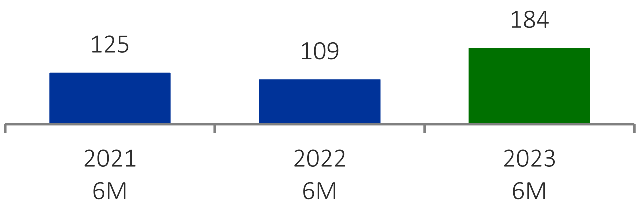
Note: Differences of sums to total numbers may occur due to rounding.

1) S&P equivalent to internal ratings.

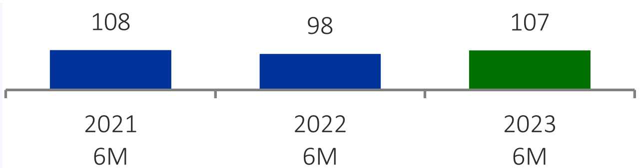
Underlying Banking Revenues Expansion Mainly Driven by Interest Rate Tailwinds

Interest Income (€ million)[1)]

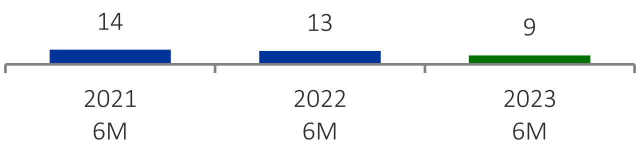


Interest Expense (€ million)[1)]

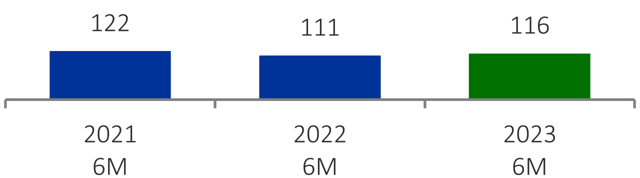
Net Interest Income (€ million)



Net Fee and Commission Income (€ million)



Total Banking Revenues (€ million)

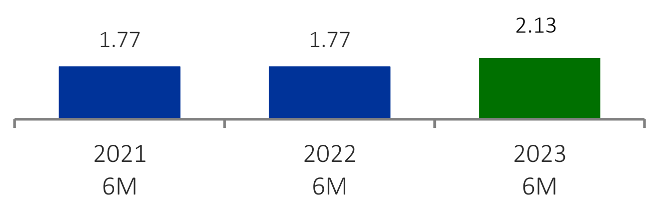


Summary

- Net interest income increased by €9 million from €98 million to €107 million due to higher interest rates.
- Adjusted for one-off TLTRO profits NII increased by €22 million (+26%).
- As a result, the NIM increased by c.33bps reaching 2.13% in HY1 2023.
- Spread on new business volumes of c.1.7%, of which commercial lending new business volumes spread of c.2.2%.
- Net fee and commission income decreased to €9 million (prior year: €13 million) due to lower debt capital markets activity.

- **IKB confirms the forecast of a year-on-year increase in net interest and commission income for the 2023 financial year.**

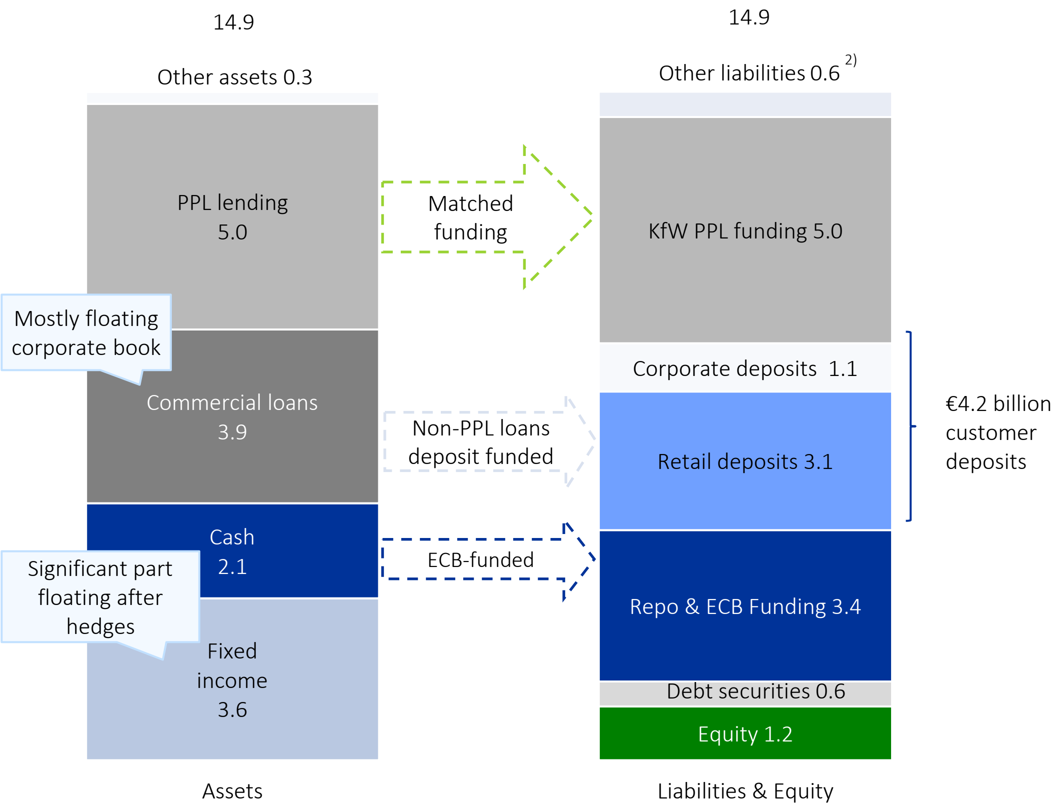
Core Business NIM (in %)



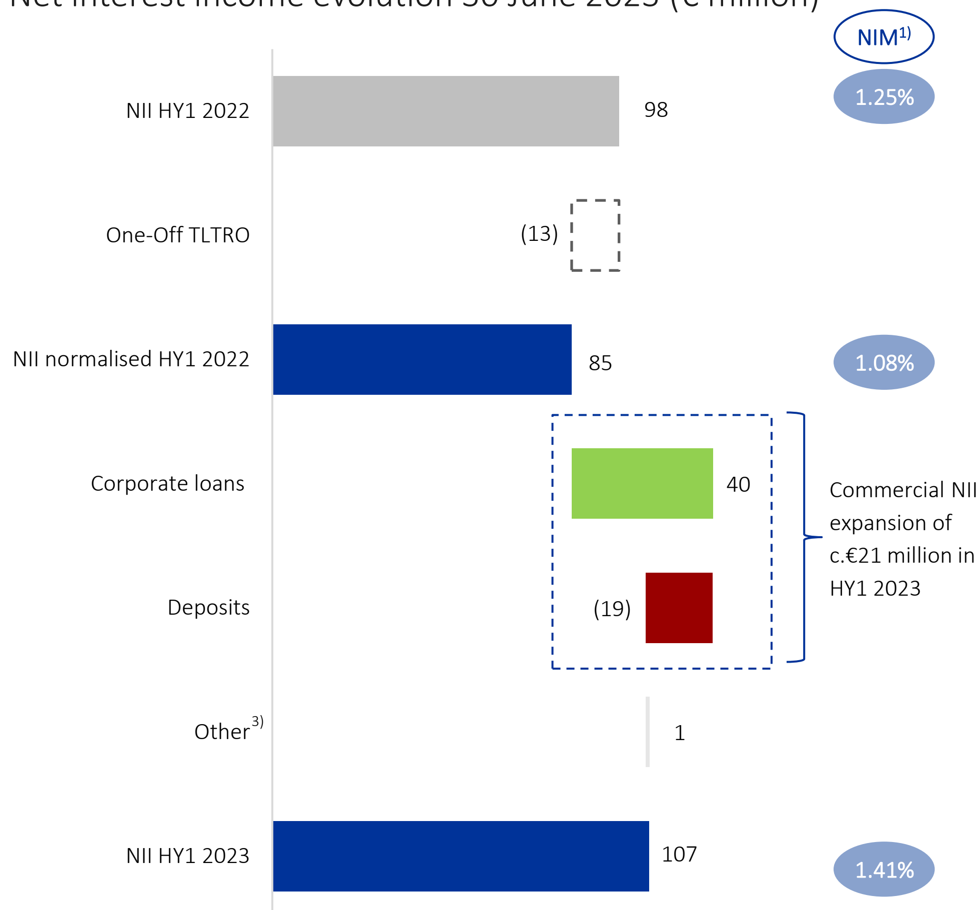
1) Excluding derivatives; for the definition of interest income please refer to IKB's first half year report as of 30 June 2022.

Well-positioned Balance Sheet in Current Rate Environment Drives Expansion of Core Net Interest Income

Balance sheet summary 30 June 2023 (€ billion)



Net interest income evolution 30 June 2023 (€ million)



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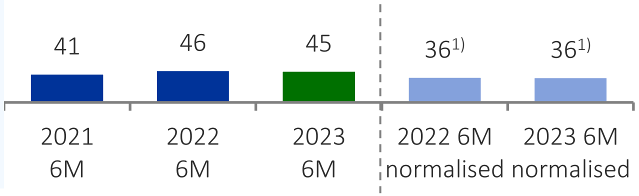
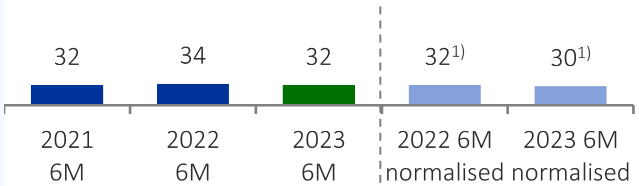
1) NIM based on group net interest income divided by average balance sheet total.
2) Including €0.2 billion promissory note loans.
3) Including treasury.

Strict Cost Control – Structural Cost Reductions on Track

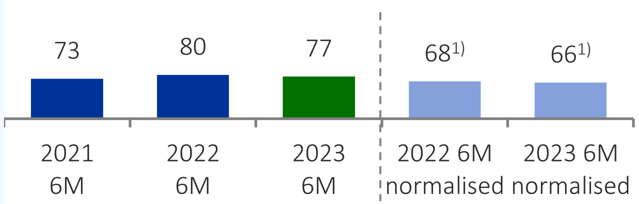
Personnel Expenses (€ million)



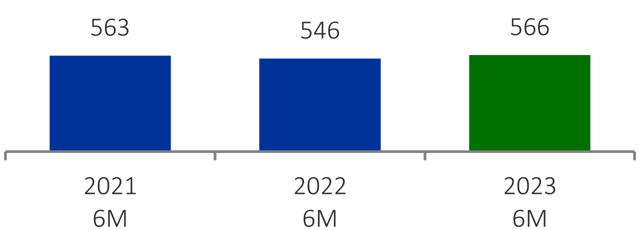
Other Administrative Expenses (€ million)



Total Administrative Expenses (€ million)



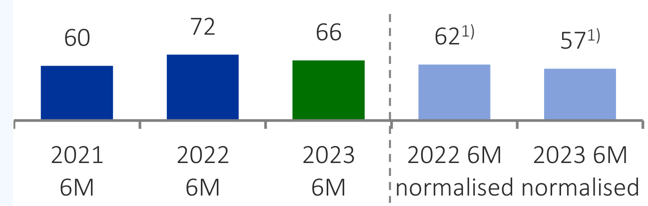
FTE



Summary

- Continued focus on operating expense reductions; headcount slightly increased to 566 (FY 2022: 551) due to more junior hires and temporary FTE related to regulatory projects.
- Total administrative expenses of €77 million (normalised at €66 million) slightly lower than in the prior year (€80 million) and in line with the forecast 2023.
  - Mainly driven by lower other administrative expenses due to reduced EU bank levy (SRF) which are expected to further decline as the SRF is fully-funded.
- Normalised Cost/income Ratio of 57% (HY1 2022: 62%) declined vs. forecast driven by lower EU bank levy and higher net interest income.
- IKB expects total administrative costs in 2023 including non-recurring items to be slightly higher than in 2022 as anticipated, albeit reaching a normalised Cost/income Ratio around 55% driven by a well contained recurring cost base despite inflation, coupled with increasing total income.
- **In the medium term, further reductions in admin. expense and expansion in total income are expected to translate to a Cost/income Ratio of around 40%.**

Cost/income Ratio (in %)

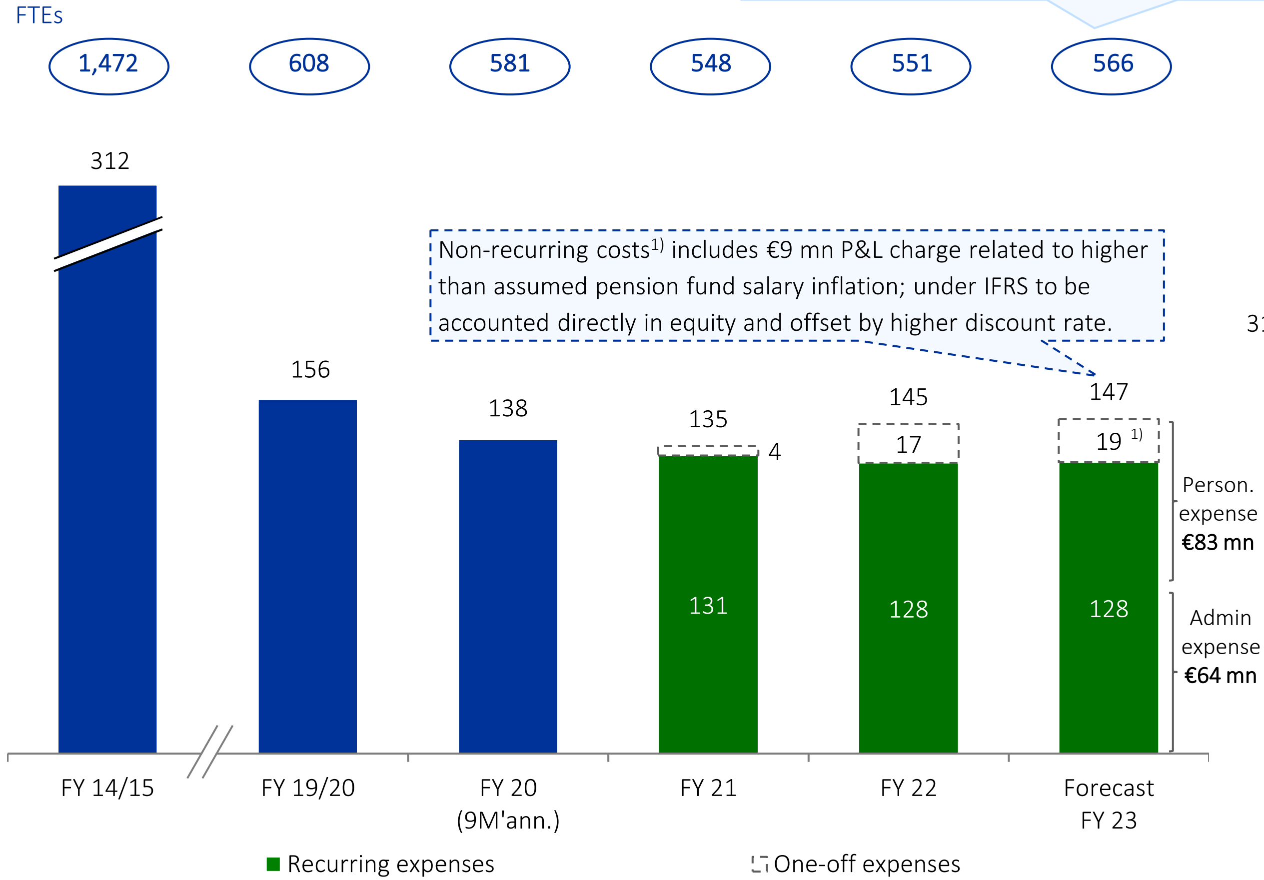


1) Adjusted for inflation-related pension fund expenses (€9 million p.a.) and one-off project costs (€2 million p.a.).

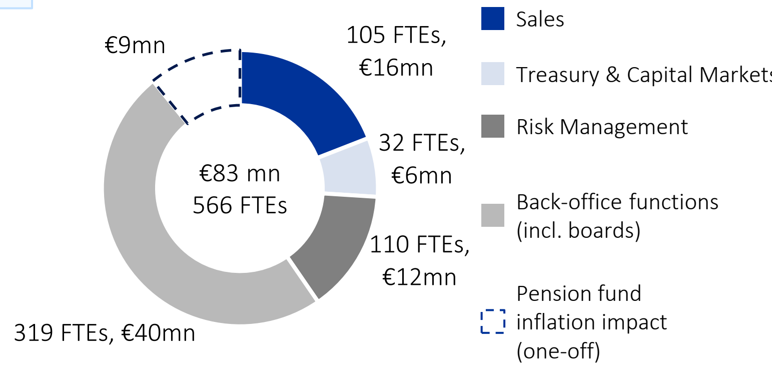
Cost Base Already Significantly Reduced

Total administrative expenses (€ million)

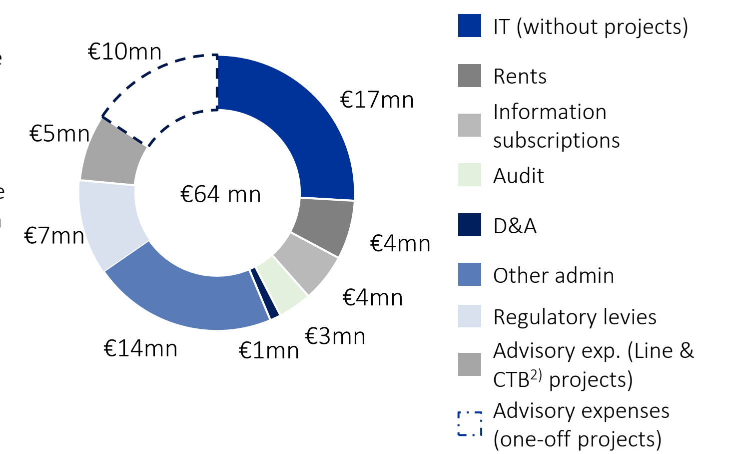
Reflects HR strategy of attracting entry-level employees as well as resources dedicated to strategic projects (e.g. ESG, IFRS conversion).



Personnel expenses (€ million in Forecast FY 23)



Other admin. exp. (€ million in Forecast FY 23)



1) Including inflation-related adjustment of pension payments (€3 million in FY 21, €13 million in FY 22, €9 million in FY 23) and one-offs for projects (€1 million in FY 21, €4 million in FY 22, €10 million in FY 23)

2) "Change the bank" relates to project costs that are considered recurring in nature.

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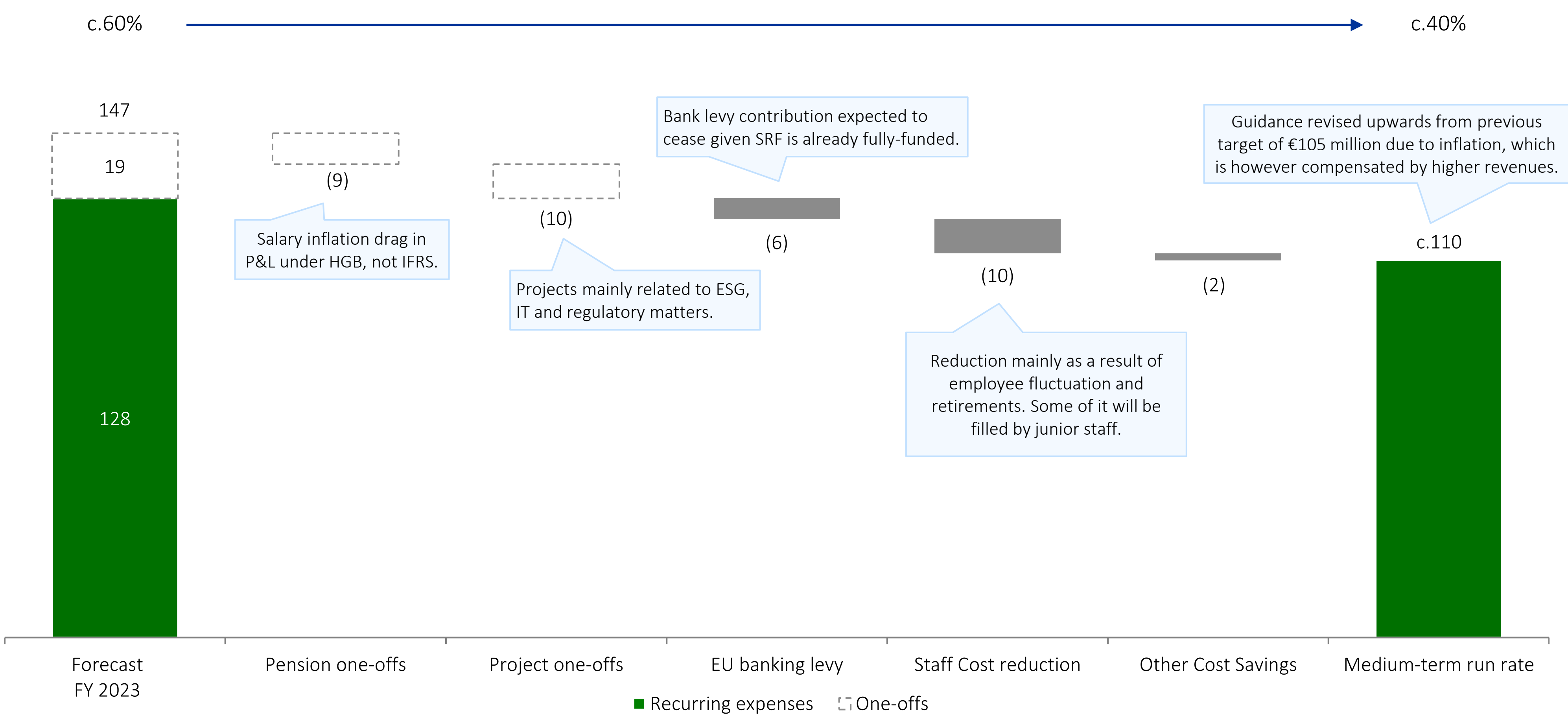
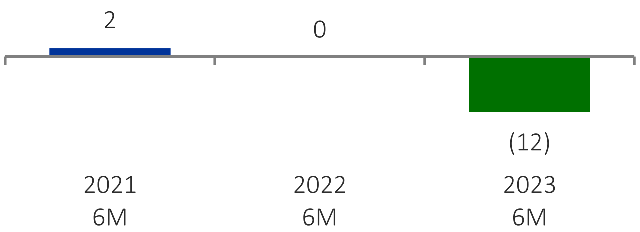
Normalisation of Expenses and Further Cost Take-Out Will Lead to Best-In-Class Profitability

Total administrative expenses (€ million) and Cost/income Ratio (in %)

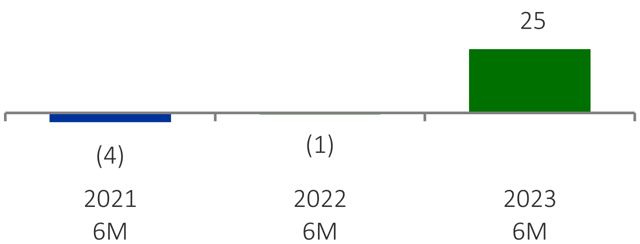


Low Risk Provisioning

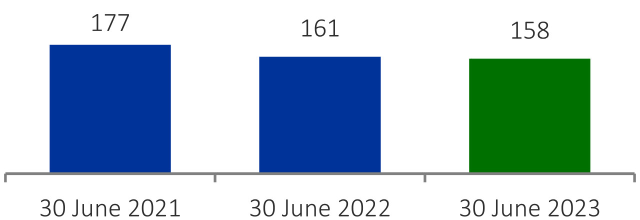
Net Risk Provisioning (€ million)



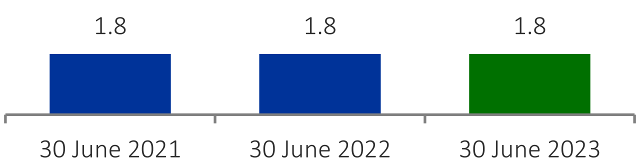
Cost of risk (bps)



Non-performing Assets (€ million)



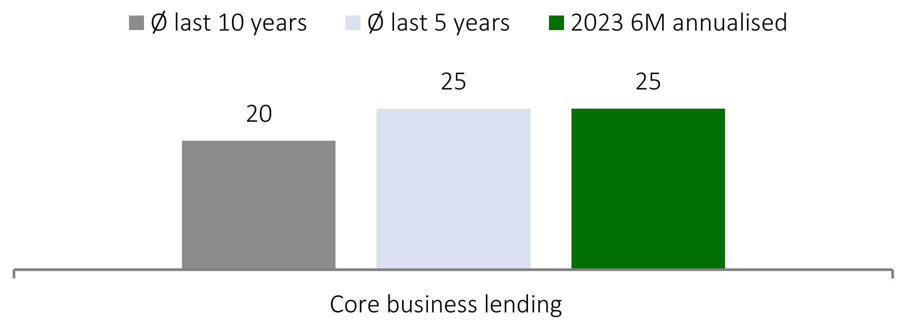
NPL Ratio (in %)[1)]



Summary

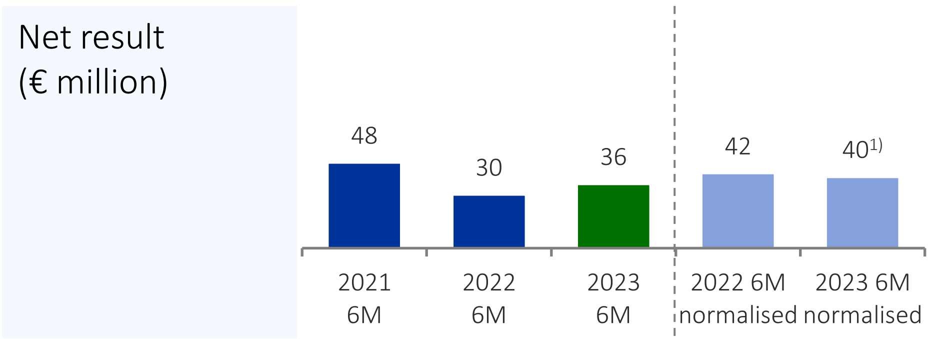
- ✓ Low net risk provisioning result at €-12 million (HY1 2022: €0 million) demonstrating IKB's resilient asset quality.
  - – €12 million general loan loss provisions were recognised in 2022 for potential negative credit rating migrations which have not been utilised yet.
- ✓ Cost of risk at 25bps.
- ✓ Non-performing assets amount to €158 million (31 December 2022: €167 million) and remained stable in comparison to HY1 2022 (€161 million).
  - – Low NPL ratio (EBA definition) of 1.8% (31 December 2022: 1.9%).
- ✓ IKB is maintaining its high lending standards in the market situation characterised by protracted uncertainty.
- ✓ **IKB expects loan loss provisions up to €35 million for 2023.**

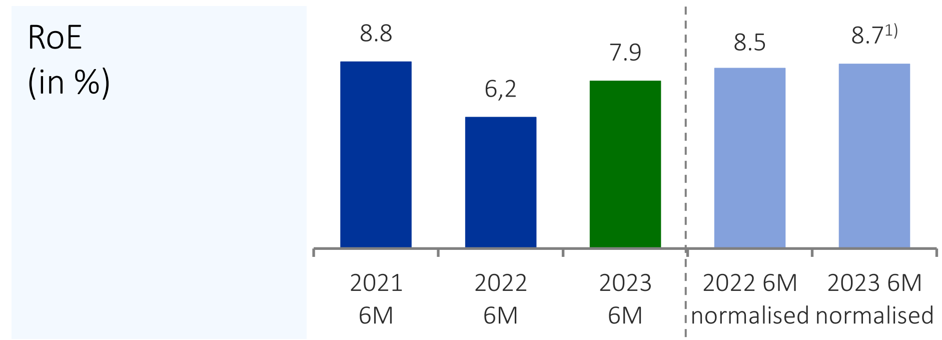
Average cost of risk in bps[2)]



1) NPL ratio according to EBA definition.
2) Core business lending – 10-year figures excluding Leasing activities.

Medium Term Goal to Increase RoE to Above 10%



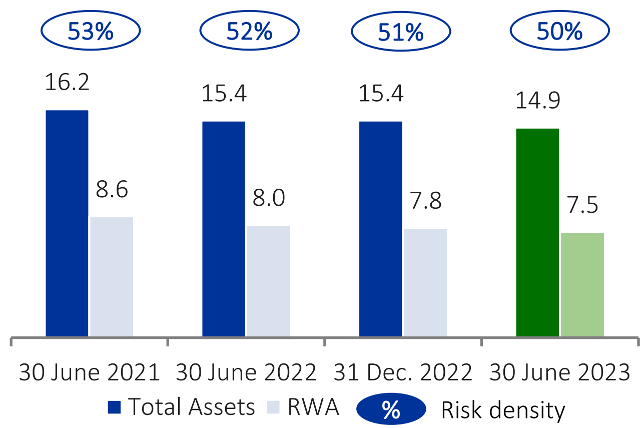


- For the 2023 financial year, IKB expects a net result pre-tax of around €60 million (around €80 mn normalised for one-offs).
- Medium term objective to increase RoE after taxes to more than 10%.

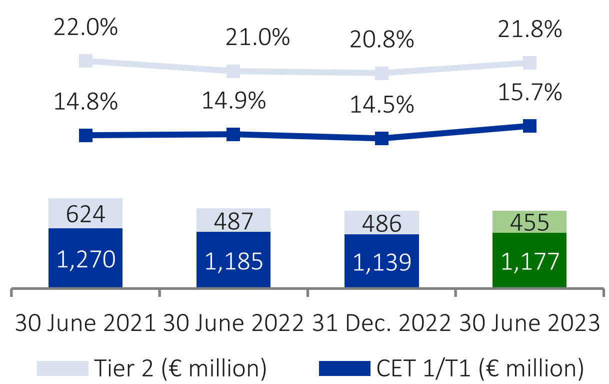
1) HY 1 2023: normalised for inflation-induced pension plan expenses (€9 million), one-off project expense (€2 million) and non-recurring items in net other income (-€7million).

c.120bps Organic Capital Generation Supports Already Strong Capital Position

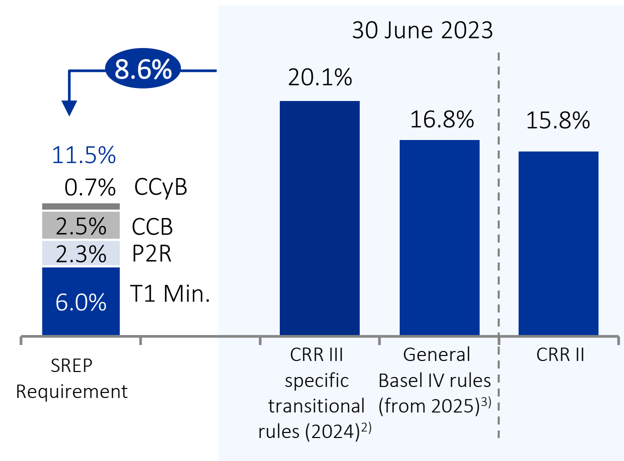
Total Assets and Risk-weighted Assets[1)] (fully phased) (€ billion)



Capital Ratios[1)] (fully phased)



T1 Position and Capital Requirements (transitional)[1)]



Key RWA measures

- RWAs decreased to €7.5 billion in HY1 2023 as a result of improving asset mix and asset quality of the book.
- Leverage Ratio as of June 2023 at 6.4%.

Improvement of Capital Position

- CET1 / T 1 ratio amounted to 15.7%.
- c.120bps of organic capital generation in HY1 2023 driven by c.50bps of profit generation and c.70bps RWA reduction.

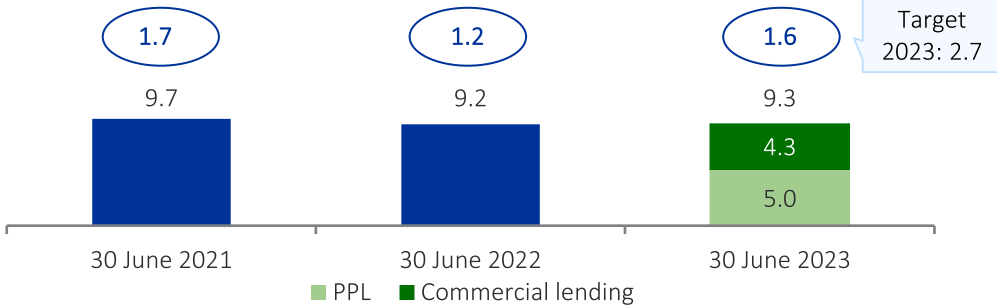
Buffers to regulatory requirement

- T1 capital requirements of 11.5%
- As of 30 June 2023, IKB Group holds a buffer to T1 requirements of 8.6% short term pro-forma CRR III.

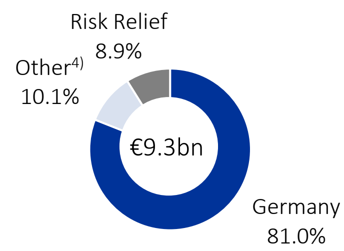
1) IKB Group consolidated; on AG level, IKB is subject to temporary capital add-ons of 300bps on total capital basis.
2) "CRR III specific transitional rules" include transitional arrangements of Art. 500a CRR III in 2024 and Art. 468 CRR III in 2024/25.
3) "General Basel IV rules" include only core requirements of the Basel IV framework without the "CRR III specific transitional rules".

Resilient Lending Book with a Strong Customer Base

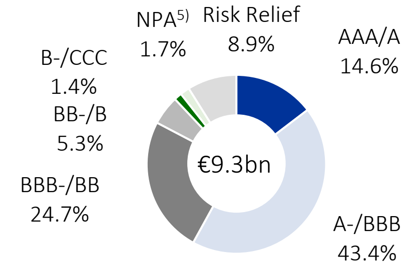
Portfolio Volume [1] and 6M New Business Volume[2] (€ billion)



Portfolio by Geography (in %)

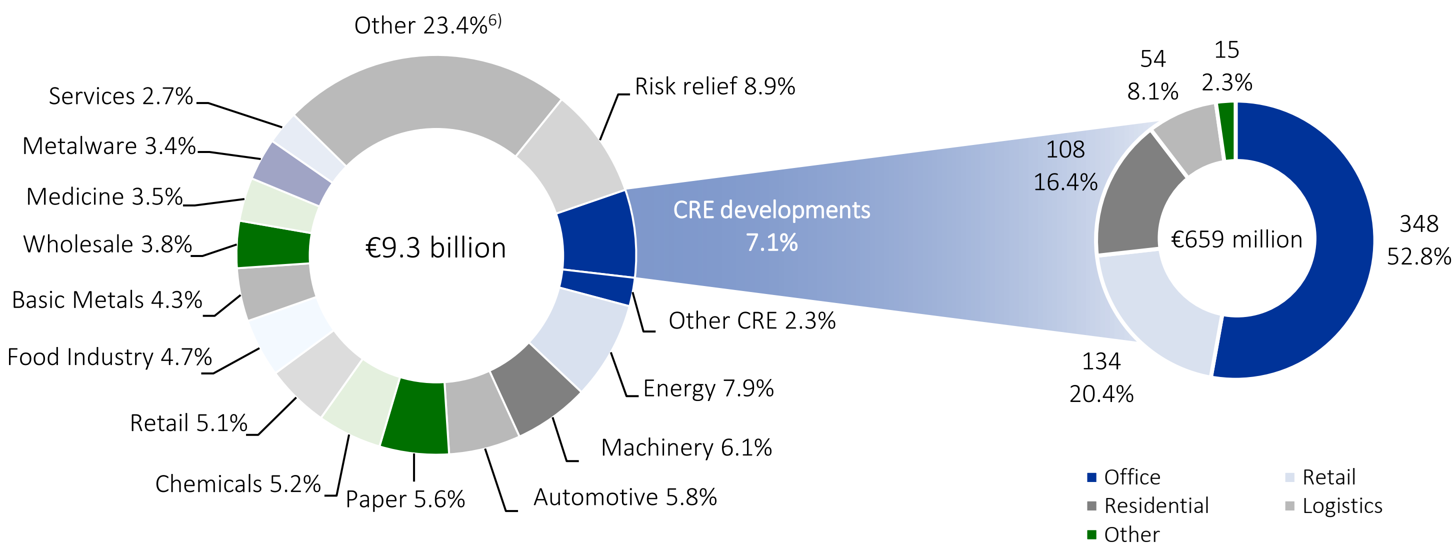


Portfolio by Rating[3] (in %)



Portfolio by Sector (in %)

CRE developments overview



- ✓ Total CRE development loans of €659 million focused on projects in top cities ("A-Cities")
- ✓ Average loan ticket size of €28 million
- ✓ Average remaining term of 1.8 years
- ✓ NPL ratio of 0.5% with coverage of 43%

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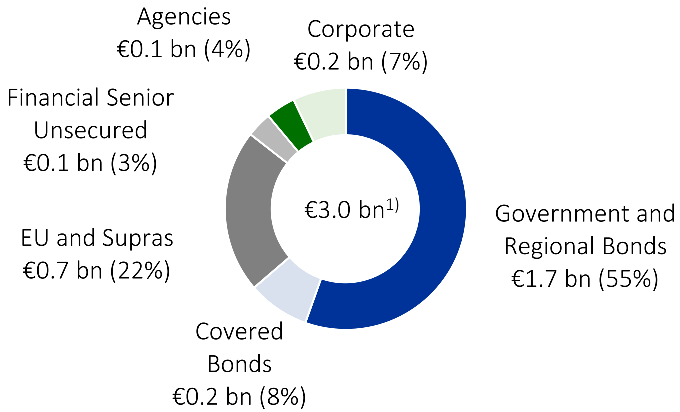
Note: All figures including risk relief (Hermes guarantees, indemnifications, risk transferred). 1) Includes net loan volume of €8.9 billion and contingent liabilities (€0.2 billion), corporate bonds (€0.1 billion) and allowances (€0.1 billion). 2) Includes also revolving credit facilities volumes in € billion: 0.3 (2021), 0.2 (2022), 0.1 (2023). 3) Mapped to internal ratings. 4) Major countries: Austria, UK, USA, Switzerland, Poland. 5) NPL-Ratio (EBA definition) 1.8%. 6) Consists of 28 different industries each below 2.7%.

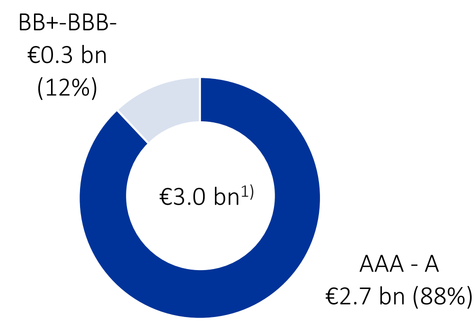
Well Diversified and Growing Liquidity Portfolio

Structure of the Liquidity Portfolio (in %)

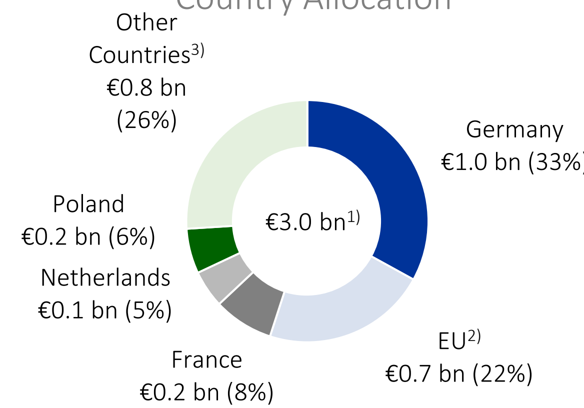
Bond Class Allocation



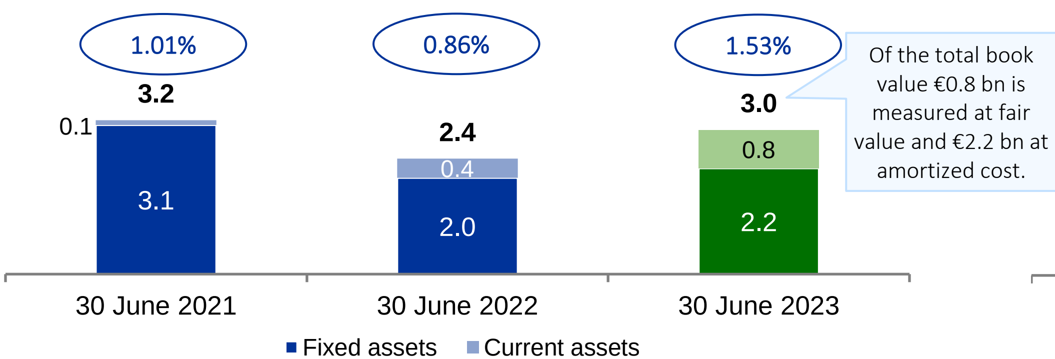
Rating Allocation[6]



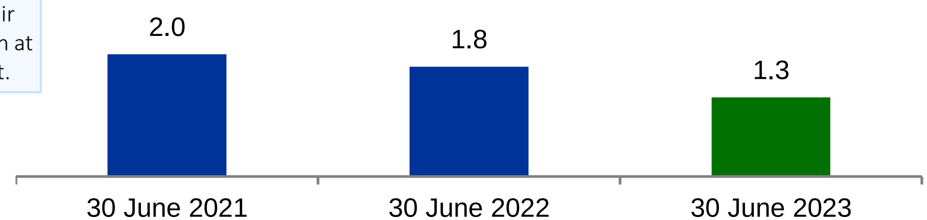
Country Allocation



Book Values of Liquidity Portfolio and yield[4] (€ billion)



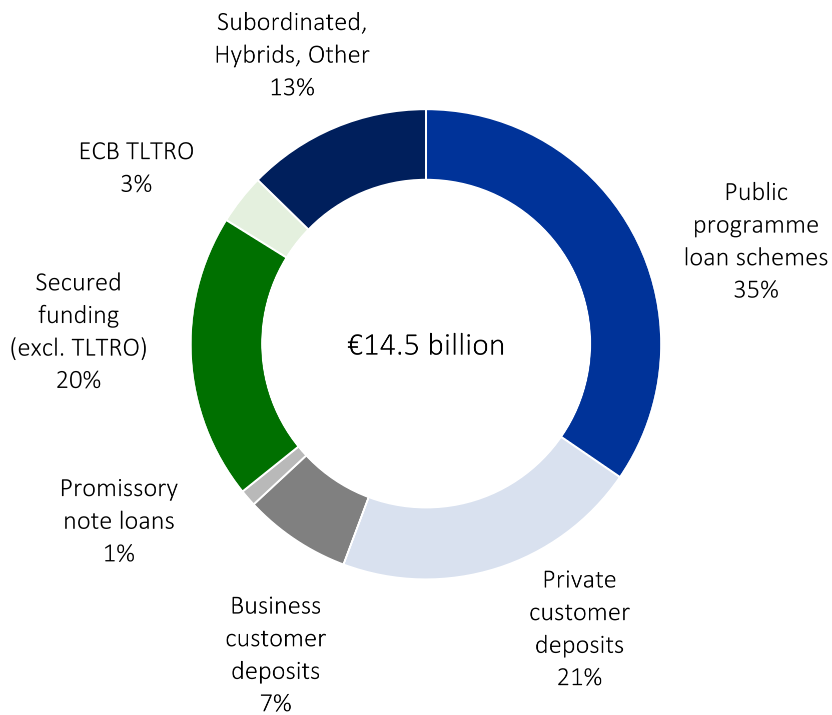
Unencumbered Liquidity Reserve[5] (€ billion)



1) Book Values, only including own Bonds. Partnerfunds are not included.
2) European Investment Bank and European Financial Stability Facility SA.
3) Other countries including Romania, Bulgaria, Hungary, Belgium.
4) Yield at inception, securities only excluding derivatives.
5) Including cash held with ECB and ECB-eligible loans.
6) Based on mapped internal ratings.

Diversified Funding

Funding Sources



Funding Sources

Public Programme Loan Schemes	✓ Channelling loans from KfW and regional development banks ✓ Volume of €5.0 billion
Deposits	✓ Stable and cost-efficient private customer deposits: €3.1 billion ✓ Decreasing Business customer deposits: €1.1 billion ✓ Promissory note loans: €0.2 billion
Secured funding / ECB	✓ Financing of liquidity portfolio ✓ Portfolio serves as collateral ✓ Only €0.5 billion remaining ECB TLTRO III funding

Liquidity Position

Liquidity Coverage Ratio	✓ Group LCR with 267% well above target, slightly above 31 December 2022 (257%)
Liquidity Reserve	✓ Approx. €1.3 billion free and unencumbered available liquidity reserve (€1.2 billion as of 31 December 2022)

- Stable and efficient liquidity position
- BaFin has not set an MREL requirement for IKB beyond the existing minimum capital requirements

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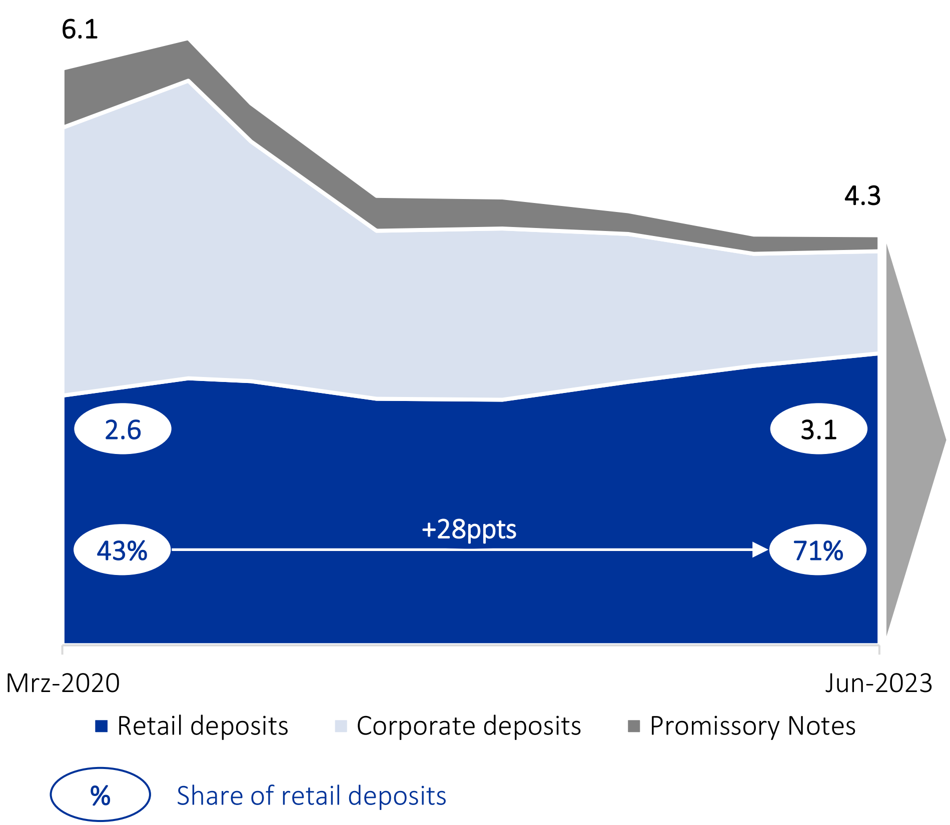
Note: as of 30 June 2023

IKB has Established a Granular Retail Deposit Base Contributing to its Diversified Funding

Deposit base evolution (€ billion)



Increasing share of retail deposits provide stickiness and contained price sensitivity of the depositors

Comments

- ✓ Since pivoting into retail refinancing, IKB has experienced strong client retention and has successfully attracted €3.1bn in retail deposit inflows. Retail funding increased +4% since December 2022.
- ✓ Well diversified customer group with c.67k accounts and an average account balance of c.€46k.
- ✓ Already high share of term deposits (69% of retail deposits) to lead to limited migration to term going forward.

Note: as of 30 June 2023

Sustainability is an Integral Part of IKB‘s Governance & Business Strategy

Three pillars drive the Bank's ESG ambitions…

…to become one of the relevant, sustainable financers for mid-caps in Germany

- ✓ Implementation of a Sustainable Finance Framework in March 2023, external second party opinion of ISS ESG.
  - Target by 2025: New business volume of sustainable credit products of €3 to €4 billion.
- ✓ Start launching new ESG products.
- ✓ Reduction of IKB emissions Scope 1, 2 and 3-upstream 2019-2021 by a total of -38%.
  - Target until 2025: further savings of -15-25%.
- ✓ UN Principles for Responsible Banking singed.
- ✓ Project established to ensure compliance with ESG risks and regulatory requirements.
- ✓ Publication of Non-Financial Report 2022 (including EU Taxonomy Regulation) in April 2023.
- ✓ Launch of the new ESG section of the IKB website in March 2023.

1) with permanent participation of Board of Directors

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Outlook and Targets

1. Clear Profile as MidCap Specialist	✓ Leverage strong position in the German Mittelstand sector. ✓ Focus on core products commercial lending and PPL with new business volume in 2023 expected at about €2.7 billion.
2. Profitability before Growth	✓ New business only taken at an appropriate risk/return profile: every new loan must be profitable in its own right. ✓ IKB forecasts a significant increase in net interest and commission income in the 2023 financial year.
3. Cost Reduction	✓ IKB expects administrative expenses in 2023 to be slightly higher than in 2022 (€145 million). ✓ In the medium term, IKB aims to reduce its cost basis to €110 million and a Cost/income Ratio of about 40%.
4. Loan Losses	✓ IKB is budgeting higher net risk provisioning in its lending business of around €-35 million for 2023. ✓ Moreover, a general loan loss provision of €12 million was recognised in 2022 for potential negative credit rating migrations.
5. Profitability	✓ Net result of about €60 million targeted for 2023. ✓ Medium term objective to increase RoE after tax to more than 10%.
6. Capitalisation	✓ Medium term CET1 target ratio of 12%. ✓ Leverage Ratio of around 6%.
7. Liquidity Position	✓ Liquidity Coverage Ratio of over 100% on a sustainable basis. ✓ NSFR will remain above 100% in the 2023 financial year.

Appendix

Segmental Reporting of IKB Group

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

Note: Differences of sums to total numbers may occur due to rounding; All ratios without adjustments.

Consolidated Income Statement of IKB Group

in € million	1 January to 30 June 2023	1 January to 30 June 2023 normalised[1)]	1 January to 30 June 2022
Net interest income	107	107	98
Net fee and commission income	9	9	13
Total net banking income	**116**	**116**	**111**
Administrative expenses	(77)	(66)	(80)
Personnel expenses	*(45)*	(36)	*(46)*
Other administrative expenses	*(32)*	(30)	*(34)*
Pre-provision income	**39**	**50**	**31**
Net risk provisioning	(12)	(12)	0
Operating profit	**28**	**38**	**32**
Net other income	9	2	(1)
Income before taxes	**36**	**40**	**30**
Tax income/expenses	0	0	0
Consolidated net result	**36**	**40**	**30**

Note: Differences of sums to total numbers may occur due to rounding.

1) Normalised for inflation-induced pension plan expenses (€9 million), one-off project expense (€2 million) and non recurring items in net other income (-€7million).

Consolidated Balance Sheet of IKB Group

ASSETS in € million	30 Jun. 2023	31 Dec. 2022
Cash reserve	22	36
Receivables from banks	2,095	3,313
Receivables from customers	8,885	8,810
Bonds and other fixed-income securities	3,003	2,421
Equities and other non-fixed-income securities	600	601
Equity investments	0	0
Investments in affiliated companies	0	1
Intangible assets	1	1
Tangible assets	2	2
Other assets	90	77
Prepaid expenses	41	40
Deferred tax assets	129	129
Excess of plan assets over post-employment benefit liability	3	3
Total assets	**14,872**	**15,434**

EQUITY AND LIABILITIES in € million	30 Jun. 2023	31 Dec. 2022
Liabilities to banks	8,503	9,061
Liabilities to customers	4,329	4,335
Securitised liabilities	24	31
Other liabilities	68	58
Deferred income	35	38
Provisions	172	168
Subordinated liabilities	546	583
Fund for general banking risks[1)]	159	159
Equity	1,037	1,001
Subscribed capital	100	100
Capital reserves	648	648
Revenue reserves[2)]	142	111
Net accumulated losses/gains	147	142
Non-controlling interests	0	0
Total equity and liabilities	**14,872**	**15,434**

IKB Deutsche Industriebank

Note: Differences of sums to total numbers may occur due to rounding.
1) Treated as CET 1 capital for regulatory purposes.
2) Revenue reserves comprises the legal reserves and other revenue reserves.

Update on IKB Pension Plans

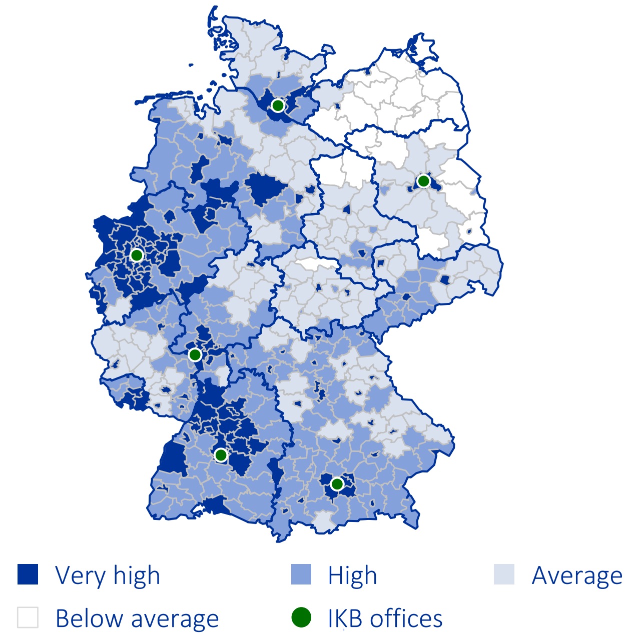
Extraordinary Pension Costs on Legacy Pension Plans

- The recent increase in inflation has led to increases in pension payments on some of IKB‘s legacy pension plans in HY1 2023.
- Based on both legal and contractual requirements, IKB is adjusting certain pension payments for higher inflation. These adjustments apply only to employees which entered into pension plans prior to April 2006. The adjustments are made annually over the course of 3 years for a third of the total respective former employees which are currently entitled to these pension payments.
  - Basis for the adjustments are average inflation figures over a period of 3 years prior to the adjustment date.
  - The recent development in inflation trends has hence led to the requirement for additional provisions for future payments in the amount of €9 million in HY1 2023.
  - It is expected that such charges, albeit lower, will be incurred in HY1 2024 and HY1 2025 given that the annual adjustment is made for a third of the legacy pension population each year.
- Legacy pension plans from April 2006 to August 2015 only contain very limited inflation adjustment mechanisms capped at 1%.
- Furthermore, following changes to IKB‘s pension arrangements in 2015, IKB employees which entered the workforce from August 2015 only participate in defined contribution pension plans offered by the German Banking Association (BVV) and hence IKB does not accrue any potential pension liabilities from that point onwards.

Very Well Positioned in the German Mittelstand – Focused Business Model and Profitable Products

1. Client Focus	✓ Focus on high-end Mittelstand companies, i.e. internationally successful companies, 'backbone' of the German economy ✓ Clearly defined customers with annual turnover above €100 million ✓ Access to c.2,400 focus clients of which 450 are customers ✓ Diversified client base across industries ✓ Investment demand driven by high level of innovation
2. Product Focus	✓ Strong commercial lending expertise ✓ Long-standing experience in public programme loans
3. Low Risk	✓ Long-standing client relationships, profound market knowledge and deep insight in industry sectors ✓ Favourable risk profile: German MidCaps have relatively stable and conservative balance sheets with global diversification on the demand and supply side
4. Profitable	✓ Focus on profit ahead of growth ✓ Outstanding expertise in tailor-made solutions driving higher margins ✓ Lending business with strict price and risk discipline
5. Solid	✓ Solid capital position, diversified funding
6. Lean	✓ Strict cost control, further improvement of Cost/income Ratio

Revenue Potential German MidCaps



Key Facts

- ✓ Financing partner for MidCaps for more than 90 years
- ✓ Based in Düsseldorf with 5 branches across Germany
- ✓ 566 FTE
- ✓ Total assets: €14.9 billion
- ✓ CET 1 ratio: 15.7% (fully phased)
- ✓ Shareholder: Lone Star 100%

Note: as of 30 June 2023

Rating Opinion of Moody's and Fitch

Bank Ratings		Moody's	Fitch
Counterparty Risk Rating	Long-term	A3	NR
	Short-term	P-2	NR
Issuer Credit Rating	Long-term	Baa1 (outlook: stable)	BBB- (outlook: stable)
	Short-term	P-2	F3
Deposit Rating	Long-term	Baa1 (outlook: stable)	BBB- (outlook: stable)
	Short-term	P-2	F3
Stand-alone Rating		baa3	bbb-

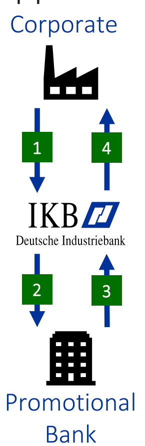
- ✓ In December 2022, Moody's confirmed the Baa1 deposit and issuer rating with a stable outlook. Moody's highlighted in particular IKB's solid capital position in addition to its good asset quality, as well as its strong market position with German mid-cap clients.
- ✓ Fitch lowered its deposit and issuer rating from BBB to BBB- but retained its stable outlook
- ✓ IKB has been assigned an investment grade ratings from rating agencies Moody's and Fitch on 14/15 January 2021.

How the Public Programme Loan Business works

Overview

- ✓ Multiple promotional banks such as KfW, the 16 German regional state-owned promotional banks or European promotional banks offer funding at favourable conditions for investments eligible to public programme loan schemes, transmitting their lower funding costs to borrowers
  - KfW is the most significant provider of PPL funding and MidCaps represent a key public policy area for the German government
- ✓ Typical uses of PPL funding include long-term investments or specialty funding, particularly in environmental sustainability and energy
- ✓ Such funding is attractive for borrowers as it allows them to lock in long term funding at favourable terms and conditions with no possibility that it can be withdrawn during the lifetime of the loan against the objection of the borrower
  - Borrowers need to make sure that investment is in adherence with the strict requirements of the programme loan schemes
- ✓ Promotional banks rely on commercial on-lending banks such as IKB for origination, application, risk taking and administration and provide matched funding
- ✓ IKB has a strong competitive advantage in PPL lending as a top 3 provider in Germany
  - In-depth knowledge of all available programs, thorough understanding of the application processes, established relationships with the promotional banks, dedicated structuring teams and fast and reliable processes are key competitive advantages for IKB

Application and Funding



1. Client Credit Application	✓ IKB advises the client on how to make the project eligible for public promotion and the client submits the credit application ("Kreditantrag") to IKB
2. Transfer to the Promo-tional Bank	✓ IKB forwards a request for refinancing ("Refinanzierungsantrag") to the promotional bank
3. Refinancing Commitment	✓ The promotional bank reviews the request for refinancing and gives approval after possible inquiries have been answered
4. Loan Agreement	✓ On the basis of the approval, IKB signs a loan agreement with its client reflecting terms and conditions of the promotional bank

- ✓ No liquidity risk as payments are not pre-funded at both ends
- ✓ No funding risk as all PPL loans are back-to-back match funded

Credit Risk

Ordinary Programmes	✓ In general, PPL credit risk does not differ from commercial loans as PPL does not include risk mitigation and on-lending banks bear the full credit risk ✓ However, some promotional programmes offer optional risk mitigation or partial subordination of up to 50% – IKB rarely uses this option as the application process is quite complicated and the on-lending margin is significantly reduced
KfW Special Programmes	✓ In addition to its regular programmes, KfW regularly launches special programmes to provide German companies with additional liquidity. ✓ These programmes are based on specific conditions and a different degree of risk reduction. ✓ Recent/current special programmes include: - Special programme Ukraine, Belarus,Russia - Special programmes climate change/energy transition - Special programmes for building insulation

Glossary

Key parameter	Explanation
Banking Revenues	Net interest income plus net fee and commission income
CAGR	Compound Annual Growth Rate
Net Stable Funding Ratio (NSFR)	Medium to long-term liquidity
Total administrative expenses	Personnel expense plus other administrative expense (incl. levy) plus D&A

Key ratio	Numerator	Denominator
CET 1 Ratio	Regulatory Common Equity Tier 1 capital (CET 1)	Regulatory risk-weighted assets
Core Business NIM	Net interest income of segments Public Programme Loans and Corporate Bank	Average segmental Public Programme Loans and Corporate Bank loans outstanding
Cost/income Ratio	Total administrative expenses (incl. D&A and levy)	Banking revenues
Cost of Risk	Net risk provisioning	Average value of the loan book
Leverage Ratio	Largely unweighted sum of on-balance-sheet and off-balance-sheet transactions	Regulatory Common Equity Tier 1 capital
Liquidity Coverage Ratio	Highly liquid assets (liquidity buffer)	Short-term net liquidity requirements, quantified as the net amount of all weighted cash inflows and outflows in the next 30 calendar days
Loan to Value	Loan amount	Market value or fair value of an asset
NIM	Group Net Interest Income	Average balance sheet total
Return on Equity (RoE)	Consolidated net result	Equity derived from a 12-percent imputed capital charge for risk-weighted assets in accordance with the CRR
Risk Density	Risk-weighted assets	Total assets

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