6-Month Report 2019/2020

(1 April – 30 September 2019)

IKB Deutsche Industriebank

Contents

Interim Group Management Report

1. Basic information on the Group

Comprehensive information on the IKB Group can be found on pages 13 to 14 of the 2018/19 annual report. There were no changes to this information in the period under review.

2. Economic report

Macroeconomic and industry-specific conditions

Following the slowdown in mid-2018, the world economy continued to lack significant growth momentum and the muted sentiment among companies remained intact. The causes included the general economic weakness, which was reflected in industry in particular. Political conflicts, such as the ongoing trade disputes initiated by the US and the possibility of a no-deal Brexit, also continued to take their toll on the confidence of economic players, while sentiment was curbed further by the stable but largely unconvincing economic momentum in China. In light of the various uncertainties, global economic growth appeared relatively fragile on the whole. This applied in particular to industry: Compared with monthly growth rates of around 4% year-on-year at the start of 2018, momentum slowed considerably from autumn 2018 onwards, with growth declining to below 2%.

The US was one of the few major economies where real GDP growth in the first half of 2019 was relatively stable compared with the previous year, coming in at almost 2.5%. This is likely to have been due to the low proportion of value added attributable to US industry in particular. Private consumption was also relatively stable, not least thanks to the sustained robustness of the labour market. Development in the UK was less encouraging. The lack of clarity as to when and how the UK plans to leave the EU had an increasingly negative impact on economic sentiment, with economic output declining by a comparatively substantial 0.2% between the first and second quarters of 2019.

As the economy of the euro area is highly dependent on exports, the downturn in global demand has hit its economic performance particularly hard. GDP growth slowed to 1.1% in the first half of 2019. Here, too, the Brexit process, budget policy and the weak global industrial cycle were key factors. However, the labour market continued to develop positively, with unemployment in the euro area declining in spite of weaker economic momentum.

The German economy in particular felt the impact of the global industrial slowdown. Initial expectations that key industrial sectors like the automotive and chemical industry would recover relatively quickly from negative non-recurring effects in autumn 2018, such as the conversion to the new worldwide harmonised light vehicles test procedure (WLTP) and the extreme low water levels on the Rhine, proved to be incorrect. Industrial production in Germany continued to see a considerable downturn in the first half of 2019. All in all, economic growth declined to 0.6%, with economic output in the second quarter even slipping into slightly negative territory. However, this challenging environment was only reflected in equipment investments to a limited extent. Although growth rates have slowed compared with the previous two boom years, from well in excess of 4% to 2.8% in the first half of 2019, investments in equipment continued to grow in the first two quarters of 2019.

In light of the weaker economy, many central banks have adjusted their monetary policy. The US Federal Reserve (Fed) has already lowered its interest rate corridor by 50 bp to between 1.75% and 2%. In light of economic development and modest inflationary pressure, it has announced that it will now be taking a patient tack.

The European Central Bank (ECB) has also turned its back on any form of monetary policy tightening, announcing fresh stimulus measures in September 2019. The deposit rate should be decreased from -0.4% to -0.5% and the bond-buying programme was reactivated with a monthly purchase volume of € 20 billion from November 2019. The ECB also removed any reference to how long interest rates are expected to remain at the current level or a lower level from its forward guidance. All of the aforementioned measures were anticipated by the markets to an extent. The result has been a significant reduction in yields for German government bonds, leading in turn to negative yields even at the long end of the German yield curve. The ECB also maintained its policy of targeted longer-term refinancing operations. These are intended to help maintain the favourable lending conditions for banks, and will therefore again comprise a subsidy element. At the same time, they make it easier for banks to satisfy their liquidity requirements.

Despite the monetary policy approach and the accompanying announcements, the rate of inflation and money supply growth in the euro area remained comparatively moderate. Monthly inflation averaged 1.3% (January to September 2019), significantly below the ECB target of almost 2%. The average growth in the money supply amounted to 4.7% (January to August 2019); this was considerably more muted than prior to the 2008 financial crisis, when monthly rates exceeded 10% in some cases. In June 2019, the ECB was therefore forced to downwardly revise not only its growth forecasts, but also its inflation forecast. As previously, there were also differences in terms of credit development in the member states: In Italy and Spain, the volume of loans for companies declined compared to the previous year, whereas the volume in Germany and France continued to rise. Despite the challenging economic environment, company insolvencies declined by a further 3.7% in the first half of 2019. The ECB's policy and declining risk-free yields meant that interest rates on new loans remained at a low level, thereby continuing to squeeze banks' profit margins. Restructuring measures, extremely intense competition and regulatory requirements again weighed on banks' results of operations.

Significant events in the period under review

IKB interest rate portal for retail customers

In September 2019, IKB expanded its range of services for retail customers by entering into a partnership with the Berlin-based fintech Raisin GmbH. The jointly developed online interest rate portal for IKB's retail customers allows IKB to offer additional deposit products with attractive interest rates from European partner banks alongside its existing range of products. IKB is one of the first established banks to have fully integrated the conclusion and administration of time deposits from European partner banks into its own online banking offering.

Changes in the Group

There were the following changes to IKB's investment portfolio:

IKB AG acquired all of the shares in the Valin Ruysdael Fund, a sub-fund of Valin Funds S.A., SICAV-SIF, Luxembourg, in two steps and now holds 100% of the shares in this company:

- IKB AG acquired 95% of the shares effective 30 September 2019 and took over the remaining 5% of the shares in the Valin Ruysdael Sub-Fund from IKB Invest GmbH effective 7 October 2019.
- IKB AG acquired 31.66561% of the shares in Valin Mittelstand Senior Debt Fund S.A., SICAV-SIF, Luxembourg, effective 30 September 2019, meaning that IKB AG now holds 100% of the shares in this company as well.

Personnel changes

Supervisory Board

Dr Karl-Gerhard Eick and Dr Lutz-Christian Funke were re-elected to the Supervisory Board as shareholder representatives by resolution of the Annual General Meeting on 4 September 2019.

At the constituent meeting of the Supervisory Board following the Annual General Meeting, Dr Eick was re-elected as Chairman of the Supervisory Board. He was also re-elected as a member of the Risk and Audit Committee.

There were no changes in the employee representatives.

Board of Managing Directors

At its meeting on 13 June 2019, the Supervisory Board extended the term of office of Claus Momburg as a member of the Board of Managing Directors until 31 December 2021. Dr Michael H. Wiedmann was reappointed until 31 January 2023 and remains the Chairman of the Board of Managing Directors. The two other members of the Board of Managing Directors, Dirk Volz and Dr Jörg Oliveri del Castillo-Schulz, will step down from the Bank's Board of Managing Directors by amicable and mutual consent at the end of their terms of office on 30 November 2019 and 31 January 2020 respectively. The Supervisory Board would like to expressly thank them both for their contributions to the restructuring and advancement of the Bank in recent years. Their successful work laid the foundations on which the Bank will enter the next phase of its development considerably more efficiently.

Net assets, financial position and results of operations

Business development

The development of new business is characterised in particular by IKB's high lending standards. Due to consistently muted demand for credit on the market and a tough competitive situation, IKB's new business volume was down on the previous year at € 1.3 billion in the first half of the financial year 2019/20. The proportion of business with public programme loans increased by six percentage points to 41%.

Results of operations

IKB generated consolidated net income after taxes of € 46 million in the first half of the financial year 2019/20. In the same period of the previous year, consolidated net income after taxes amounted to € 18 million.

The positive performance in terms of consolidated net income is due in particular to the slight increase in net interest and net fee and commission income accompanied by a further reduction in administrative expenses and lower risk provisions.

Net interest and lease income

Net interest income includes interest income and expenses, current income from financial instruments, equity investments, investments in affiliated companies, and close-out payments for the early dissolution of derivative transactions in the banking book in connection with ongoing portfolio management. Net lease income consists of lease income, expenses and write-downs. Following the disposal of all of the lease companies remaining in the Group, lease income and expenses are only reported for the comparative prior-year period.

Net interest and lease income in the Group amounted to € 110 million in the period under review (previous year: € 106 million). The decrease in net interest income from derivatives and the discontinuation of net lease income was more than offset by increased interest income from securities. Net interest income from lending business increased as a result of the reduction in refinancing expenses in particular.

Net fee and commission income

The Group recorded net fee and commission income of € 22 million, up on the prior-year figure of € 19 million. This was due in particular to higher commission from lending business.

Administrative expenses

Administrative expenses comprise personnel expenses, other administrative expenses and amortisation, depreciation and write-downs of intangible and tangible assets.

Administrative expenses in the Group decreased by € 10 million in the period under review, from € 94 million in the previous year to € 84 million.

The decline in administrative expenses is primarily due to the € 7 million reduction in personnel expenses to € 45 million on the back of continued cost-cutting and optimisation measures.

Other administrative expenses and depreciation, amortisation and impairment losses also decreased year-on-year to € 39 million (previous year: € 42 million) as a result of lower legal and advisory costs.

Net other income

Net other income comprises other operating and extraordinary income and expenses and write-downs and reversals of write-downs on equity investments, investments in affiliated companies and long-term investments.

The main factors influencing net other income, which increased from € 1 million in the previous year to € 5 million in the period under review, are as follows:

The measurement and sale of long-term investments resulted in net income of € 101 million after net income of € 110 million in the previous year.

The strategic closing-out of derivatives transactions in connection with the reduction of hidden liabilities in the banking book resulted in net expenses of € 105 million after net expenses of € 122 million in the previous year.

Interest on pension obligations resulted in expenses of € 18 million in the reporting period after € 16 million in the previous year.

The performance of the assets outsourced under contractual trust arrangements (CTA) resulted in net income of € 26 million in the reporting period (previous year: € 9 million).

In the previous year, net income of € 15 million was generated at Group level from the sale of an office building in Frankfurt/Main.

Net risk provisioning

(Note: Additional information on risk provisioning can be found in the “Provisions for possible loan losses” table in “section 3. Risk report”.)

Net risk provisioning comprises depreciation and write-downs of receivables, specific securities and additions to loan loss provisions. Net risk provisioning declined from an expense of € 10 million in the first half of the financial year 2018/19 to an expense of € 5 million in the period under review. Net reversals of general allowances in the amount of € 5 million (previous year: € 9 million) were more than offset by net additions to specific valuation allowances in the amount of € 5 million (previous year: € 18 million) and a net expense from write-downs and recoveries on receivables written off in the amount of € 5 million (previous year: € 1 million).

Taxes

The net tax expense amounted to € 2 million in the period under review after € 3 million in the same period of the previous year.

Net income

Consolidated net income for the first half of the financial year 2019/20 amounted to € 46 million compared with € 18 million in the previous year.

Net assets

The Group's total assets were essentially unchanged compared with 31 March 2019 at € 16.2 billion.

The gross credit volume, which also includes off-balance sheet business (see also "section 3. Risk report"), decreased by € 0.7 billion as against 31 March 2019 to € 19.1 billion. This item primarily comprises medium-term and long-term loans to banks, loans to customers, asset derivatives in the non-trading book and guarantees.

Assets

Receivables from banks in the Group increased by € 0.7 billion to € 2.0 billion largely as a result of cash collateral granted.

Receivables from customers declined slightly by € 0.3 billion to € 9.5 billion as new business was not sufficient to fully offset the effect of repayments.

Bonds and other fixed-income securities in the Group decreased by € 0.1 billion to € 3.8 billion, largely as a result of disposals.

Liabilities

Liabilities to banks decreased slightly by € 0.1 billion to € 7.3 billion.

Liabilities to customers increased by € 0.3 billion to € 6.0 billion primarily as a result of increased deposits from business customers accompanied by a reduction in promissory note loans issued.

Equity

Equity declined from € 830 million to € 828 million in the period under review. The consolidated net income attributable to IKB in the amount of € 46 million was not sufficient to offset the reduction in equity in the amount of € 48 million resulting from the disposal of minority interests.

When calculating regulatory own funds, the fund for general banking risks in the amount of € 0.6 billion is taken into account as common equity tier 1 capital.

Unrealised gains and losses have arisen in the period under review and in recent financial years from financial instruments in the banking book in the form of securities, from derivatives and from the refinancing of the credit book without matching maturities as a result of changes in market interest rates, exchange rates and credit ratings. Unrealised losses could lead to a lower level of net interest income or losses on disposal in future financial years. The fair value measurement of the banking book in accordance with IDW RS BFA 3 did not result in any provisioning requirements as of 30 September 2019.

Financial position

The funding mix means that IKB's liquidity position is stable and refinancing is generally achievable at more favourable conditions than in the previous periods. In addition to earmarked and other secured refinancing, IKB is accepting revolving deposits from corporate clients and retail customers and being selective when it comes to new lending business.

Regarding the presentation of the maturities of liabilities, please refer to the breakdown of remaining terms in the notes. Regarding the liquidity and financing situation, please refer to “section 3. Risk report”.

Overall assessment

The results of operations for the first half of the financial year 2019/20 are characterised by a satisfactory earnings situation for the Group. Net assets and the financial position are in order.

From the Group’s perspective, the course of business in the first half of the financial year was positive on the whole.

Financial and non-financial performance indicators

Non-financial performance indicators are of minor importance in terms of management at IKB. In addition to a wide range of management-related sub-indicators, IKB applies the following key financial performance indicators for management purposes.

Regulatory tier 1 ratio

The regulatory tier 1 ratio or common equity tier 1 ratio is calculated as the ratio of tier 1 capital or 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 September 2019, the CET 1 ratio amounted to 12.2% for the IKB Group and 13.4% for IKB AG (for details see “section 3. Risk report”). This meant that, as forecast, IKB maintained its common equity tier 1 ratio at a high level and exceeded the statutory minimum requirement (CRR) of 4.5% for the CET 1 ratio plus a capital conservation buffer of 2.5% and the additional SREP capital requirement.

Leverage ratio

The leverage ratio calculates the relation between the largely unweighted total of balance sheet and off-balance sheet transactions to the regulatory tier 1 capital. At present, this indicator is disclosed for monitoring purposes only and is not expected to become binding until 30 June 2021. On 16 April 2019, the European Parliament adopted the Banking Package, which comprehensively changes the cornerstones of banking regulation. The changes put forward by what is known as CRR2 establish a binding minimum ratio of 3.0%.

Under the transitional arrangements and applying the rules of Delegated Regulation EU 2015/62 of 17 January 2015, the leverage ratio of the IKB Group in accordance with Article 429 CRR was 7.1% (IKB AG: 7.6%) as of 30 September 2019. This means the IKB Group comfortably exceeds the future minimum ratio of 3.0% and, as forecast in its 2018/19 annual report, has maintained its leverage ratio at the level of the previous financial year.

Net income after taxes

The positive consolidated net income for the first half of the financial year 2019/20 is in line with the forecast contained in the annual report for the year ended 31 March 2019.

Cost income ratio

The cost income ratio describes the ratio of administrative expenses to the sum of net interest income and net fee and commission income. It amounted to 63.6% at Group level in the first half of the financial year 2019/20 compared with 75.2% in the same period of the previous year, thereby falling within the range of the forecast moderate improvement.

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 cash inflows and outflows in the next 30 calendar days. The minimum LCR has been the statutory minimum requirement of 100% since 1 January 2018.

IKB performs regulatory liquidity management using the LCR. The LCR amounted to 188% at IKB Group level as of 30 September 2019 (IKB AG: 185%) and, as forecast, comfortably exceeded the minimum of 100% for the full financial year 2019/20 as set out in the annual report for the year ended 31 March 2019 at all times.

3. Risk report

Where the organisation, methods and processes have not changed since 31 March 2019, no detailed presentation is provided in the following section and readers should refer to IKB's 2018/19 annual report (see pages 24 to 44).

Risk management organisation

The Bank operates a comprehensive risk management system covering all material Group companies and risk types in accordance with the Minimum Requirements for Risk Management (MaRisk) and other applicable pronouncements by regulatory authorities. The risk management system, including its tasks and areas of responsibility, are documented in the Bank's written rules.

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

The Board of Managing Directors of IKB AG is responsible for risk management. Based on the strategic business focus and risk-bearing capacity, it determines principles for risk management policy which, together with the limit structure, are established in business and risk strategy and in the limit book. When establishing these principles, the Board of Managing Directors also takes into account the quality of processes and, in particular, that of process-based and non-process-based controls. Special committees assist the Board of Managing Directors in risk management and decision-making. The Board of Managing Directors regularly discusses the risk situation, business and risk strategy and the risk management of the Bank in detail at meetings with the Supervisory Board.

Risk management at IKB is based on the principle of "three lines of defence", whereby each individual unit (front office, back office, central functions and staff departments) forms the "first line of defence" in the context of its operational responsibility.

The "second line of defence" controls and monitors the risk management functions of the "first line of defence". This includes defining the methods and procedures of risk management as well as risk monitoring and reporting to the Board of Managing Directors. Following a change in the responsibilities of the members of the Board of Managing Directors, Dr Wiedmann is responsible for the monitoring of earnings management and capital resources as of 30 September 2019 in deviation from 31 March 2019. Mr Momburg is responsible for the independent, portfolio-based monitoring of default, market and liquidity risks by risk controlling and bears departmental responsibility for the compliance functions and non-financial risks. The Board of Managing Directors as a whole is responsible for managing risks associated with the strategic business focus and reputation risks.

The “third line of defence” of risk management at IKB is Internal Audit. Internal Audit is an independent, process-independent and neutral monitoring unit within the IKB Group. It operates on behalf of the entire Board of Managing Directors with no duty to comply with instructions and reports directly to the Board of Managing Directors. All relevant activities and processes throughout the Group and the functionality of the internal control system (ICS) are examined on the basis of risk-oriented process checks. The processes and activities outsourced by IKB to other service providers are monitored as part of continuous outsourcing controlling and the dedicated audit activities performed by Group Internal Audit at the outsourcing companies. Using quarterly reports and an annual report, Group Internal Audit informs the Board of Managing Directors and the Supervisory Board, among other things, of significant and serious audit findings, the agreed measures and their processing status and, specifically, the audits conducted and compliance with the audit plan in summarised format. Furthermore, the Board of Managing Directors is informed about the respective audit findings continuously and in detail on the basis of the reports prepared for all audits. Independently of this, it is ensured that the Chairman of the Supervisory Board or the Finance and Audit Committee can obtain information directly from the head of Group Internal Audit with the involvement of the Board of Managing Directors.

Regulatory capital resources and risk-bearing capacity

Regulatory capital resources

The Bank calculates its regulatory capital resources in accordance with the provisions of the CRR. The Bank received approval from BaFin to apply the IRB approach for counterparty default risk in the 2018/19 financial year and has been doing so since 31 March 2019. The Bank uses the standardised approach to calculate the credit valuation adjustment charge, the base indicator approach for operational risk and the prescribed standard regulatory 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 items, equity base and ratios.

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

Figures in € million	**30 Sep. 2019**	**31 Mar. 2019[2)]**
Counterparty default risk (including CVA charge € 45 million; 31 March 2019: € 155 million)	10,341	10,393
Market risk equivalent	218	193
Operational risk	609	686
Total risk-weighted assets (RWA)	**11,168**	**11,272**
Common equity tier 1 (CET 1)	1,360	1,360
Additional tier 1 (AT 1)	23	23
Total Tier 1 (T 1)	**1,383**	**1,383**
Tier 2 (T 2)	710	738
Own funds	**2,093**	**2,121**
CET 1 ratio	**12.2%**	**12.1%**
T 1 ratio	12.4%	12.3%
Own funds ratio	18.7%	18.8%
Capital ratios (fully phased)		
CET 1 ratio	**12.2%**	**12.1%**
T 1 ratio	12.2%	12.1%
Own funds ratio	18.7%	18.7%

Some totals may be subject to discrepancies due to rounding differences.

1) Figures taking into consideration the phase-in and phase-out provisions of the CRR. The CET 1 ratios were calculated in accordance with the current legal status of the CRR as of 30 September and 31 March 2019 respectively, including transitional provisions and the interpretations published by the supervisory 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) Figures after approval of the accounts

Table: Regulatory capital situation at individual Bank level in accordance with CRR/CRD IV[1)]

Figures in € million	30 Sep. 2019	31 Mar. 2019[2)]
Counterparty default risk (including CVA charge € 45 million; 31 March 2019: € 155 million)	10,294	10,238
Market risk equivalent	47	45
Operational risk	479	510
Total risk-weighted assets (RWA)	**10,820**	**10,793**
Common equity tier 1 (CET 1)	1,445	1,445
Additional tier 1 (AT 1)	0	0
Total Tier 1 (T 1)	**1,445**	**1,445**
Tier 2 (T 2)	659	685
Own funds	**2,104**	**2,130**
CET 1 ratio	**13.4%**	**13.4%**
T 1 ratio	13.4%	13.4%
Own funds ratio	19.4%	19.7%
Capital ratios (fully phased)		
CET 1 ratio	**13.4%**	**13.4%**
T 1 ratio	13.4%	13.4%
Own funds ratio	19.4%	19.6%

Some totals may be subject to discrepancies due to rounding differences.

1) Figures taking into consideration the phase-in and phase-out provisions of the CRR. The CET 1 ratios were calculated in accordance with the current legal status of the CRR as of 30 September and 31 March 2019 respectively, including transitional provisions and the interpretations published by the supervisory 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) Figures after approval of the accounts

At 12.2% at Group level and 13.4% at individual Bank level, IKB's CET 1 ratios (transitional) are significantly above the minimum legal requirements, including the capital conservation buffer and countercyclical capital buffer, and the SREP capital requirements set by BaFin in the banking supervisory review and evaluation process (SREP).

The Board of Managing Directors expects to meet the statutory minimum requirements in the future (see also “section 5. Outlook”).

Risk-bearing capacity

To ensure its risk-bearing capacity in accordance with the guidelines on the supervisory assessment of internal risk-bearing capacity concepts at institutions, the Bank applies two perspectives: a normative perspective to ensure the institution's 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 process. In particular, this includes the increased capital requirements in accordance with section 10 (3) or (4) 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 in which compliance with the increased capital requirements in accordance with section 10 (3) or (4) KWG is ensured.

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.

From the transition date in May 2018, all regulatory requirements in terms of the normative perspective are complied with in both the plan scenario and this adverse scenario.

In addition to the normative perspective, the Bank analyses the overall risk position and risk coverage potential from an economic perspective.

Risk coverage potential in the economic perspective is calculated as the sum of all the equity components available to the Bank, including subordinated capital. At the same time, all hidden liabilities/reserves from loans, securities, derivatives and pension obligations are included in full.

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 coverage potential that will be available in the next twelve months.

Table: Capital requirements – economic perspective

	30 Sep. 2019 in € million	**30 Sep. 2019 in %**	**31 Mar. 2019 in € million**	**31 Mar. 2019 in %**
Counterparty default risk	631	39%	630	41%
Market price risk	474	30%	397	26%
Operational risk	424	27%	424	28%
Business risk	69	4%	78	5%
Total	**1,598**	**100%**	**1,530**	**100%**
less diversification effects	-202		-177	
Overall risk position	**1,396**		**1,352**	
Risk coverage potential	**2,071**		**1,899**	

Some totals may be subject to discrepancies due to rounding differences.

Risk coverage potential in the economic perspective increased by € 172 million compared to the start of the financial year. At the same time, the overall risk position for all risks classified as significant rose by € 44 million to € 1,396 million. Taking diversification effects into account, risk coverage potential therefore significantly exceeds the overall risk position, with utilisation declining to 67% compared with 31 March 2019. Even excluding diversification effects, the risk coverage potential still clearly exceeds the overall risk position with utilisation of 77% (31 March 2019: 81%).

Risk-bearing capacity remains secure for the next twelve months.

Forecast calculations and stress tests

In light of overall economic developments, the Bank prepares different forecast calculations for the next two financial years in the economic perspective and the next five financial years in the normative perspective. These forecast calculations are based on the Bank's plan scenario. The Bank also performs various stress tests on a regular basis and as required. The outcome is that, assuming the plan scenario occurs in reality, the risk coverage potential will exceed the capital requirements for unexpected risks in both the normative perspective and the economic perspective.

An analysis of the stress tests shows that certain assumptions, such as the collapse of the euro zone with wider economic consequences for the entire European Economic Area, would mean that the reduced risk coverage potential in the economic perspective would no longer be sufficient to fully cover the resulting overall risk position.

Risk strategy

The overall risk strategy is a component of the integrated business and risk strategy and covers all key risk types to which the Bank is exposed (liquidity risks, counterparty default risks, market price risks, non-financial risks with various sub-risk types, strategic risks, reputation risks). Further detail is added to the overall risk strategy in the form of sub-strategies for the key risk types, and it defines the risk strategy guidelines for IKB's business activities. There were no significant adjustments to the risk sub-strategies in the first half of the financial year 2019/20.

Counterparty default risk

Details of the credit approval process and individual exposure monitoring, the rating processes and rating systems, the quantification of credit risk and portfolio monitoring and management can be found in IKB's 2018/19 annual report (see pages 29 and 30).

Structure of counterparty default risk

The credit volume as of 30 September 2019 was composed as follows:

Table: Credit volume – Group

in € million	30 Sep. 2019	31 Mar. 2019	Change	30 Sep. 2018	Change
Receivables from banks	1,957	1,268	689	1,659	298
Receivables from customers	9,541	9,823	-282	9,885	-344
Bonds and other fixed-income securities not including own bonds	3,788	3,937	-149	3,459	329
Equities and other non-fixed-income securities	458	463	-5	395	63
Equity investments	-	1	-1	1	-1
Lease assets	-	-	-	7	-7
Subtotal: Balance sheet assets	**15,744**	**15,492**	**252**	**15,406**	**338**
Contingent liabilities[1)]	2,194	2,268	-74	2,038	156
Asset derivatives in the non-trading book[2)]	1,008	977	31	803	205
Write-downs	181	189	-8	175	6
Securities lending	-	50	-50	315	-315
Gross credit volume	**19,127**	**18,976**	**151**	**18,737**	**390**
For information purposes: other significant counterparty default risks outside the gross credit volume					
Irrevocable loan commitments	1,119	1,488	-369	1,682	-563
Investments in associated and affiliated companies	3	6	-3	1	2

1) Before deducting risk provisions
2) Including € 54 million (31 March 2019: € 39 million) in positive fair values for protection seller CDSs whose nominal values are treated as contingent liabilities for accounting purposes.

All in all, the IKB Group's gross credit volume increased slightly between 31 March 2019 and 30 September 2019. This was primarily due to the higher level of short-term deposits with banks with extremely good credit ratings, whereas receivables from customers and bonds declined slightly.

Geographical structure

The credit volume can be broken down by region as follows:

Table: Credit volume by region – Group

	30 Sep. 2019 in € million	30 Sep. 2019 in %	31 Mar. 2019 in € million	31 Mar. 2019 in %
Germany	11,020	58%	10,449	55%
Outside Germany	7,645	40%	8,032	42%
Western Europe	5,405	28%	5,642	30%
Eastern Europe	900	5%	898	5%
North America	1,162	6%	1,075	6%
Other	178	1%	417	2%
Subtotal	**18,665**	**98%**	**18,481**	**97%**
Risk transferred to third parties[1)]	462	2%	495	3%
Total	**19,127**	**100%**	**18,976**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

The credit volume in Germany increased, while the credit volume outside decreased. Western Europe primarily saw a reduction in the derivative volume as well as the bond volume in Portugal and Spain.

The credit volume in Western Europe as of 30 September 2019 includes a public-sector credit volume for the GIIPS nations (Greece, Ireland, Italy, Portugal and Spain) totalling € 558 million. Of this figure, € 300 million relates to Spain (31 March 2019: € 349 million), € 52 million to Portugal (31 March 2019: € 192 million) and € 205 million to Ireland (31 March 2019: € 156 million). There was no credit volume in Greece or Italy as of 31 March or 30 September 2019.

The reduction in the credit volume attributable to other countries is mainly due to the lower level of protection seller credit default swaps.

Sector structure

Table: Credit volume by sector – Group

	30 Sep. 2019 in € million	30 Sep. 2019 in %	31 Mar. 2019 in € million	31 Mar. 2019 in %
Industrial sectors	9,248	48%	9,453	50%
Chemical industry	783	4%	825	4%
Energy supply	667	3%	678	4%
Mechanical engineering	594	3%	629	3%
Automotive	590	3%	569	3%
Wholesale (not including motor vehicles)	534	3%	555	3%
Other industrial sectors	6,080	32%	6,197	33%
Real estate	577	3%	572	3%
Financial sector	759	4%	1,044	6%
Banks	5,467	29%	4,631	24%
Public sector	2,614	14%	2,781	15%
Subtotal	**18,665**	**98%**	**18,481**	**97%**
Risk transferred to third parties[1)]	462	2%	495	3%
Total	**19,127**	**100%**	**18,976**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

Credit rating structure

The credit volume is assigned to the internal rating classes as follows:

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

	30 Sep. 2019 in € million	30 Sep. 2019 in %	31 Mar. 2019 in € million	31 Mar. 2019 in %
1-4	6,767	35%	6,164	32%
5-7	4,895	26%	5,566	29%
8-10	5,244	27%	4,842	26%
11-13	1,355	7%	1,525	8%
14-15	246	1%	232	1%
Non-performing assets[2]	158	1%	152	1%
Subtotal	**18,665**	**98%**	**18,481**	**97%**
Risk transferred to third parties[3]	462	2%	495	3%
Total	**19,127**	**100%**	**18,976**	**100%**

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

A slight weakening of the credit rating structure in the corporate sector is reflected in the negative migration from good (5-7) to average (8-10) credit ratings. By contrast, the volume in the weak rating classes (11-13) declined as a result of loan repayments.

Non-performing assets

Table: Non-performing assets[1] – Group

	30 Sep. 2019 in € million	31 Mar. 2019 in € million	Change in € million	Change in %
Assets with specific risk provisioning	142	143	-1	-1%
Non-impaired	16	9	7	78%
Total	**158**	**152**	**6**	**4%**
as % of credit volume	0.8%	0.8%		
as % of credit volume with respect to corporates	1.5%	1.4%		
For information purposes: NPL ratio in accordance with EBA definition[2]	1.4%	1.4%		

1) Before specific risk provisions and loan loss provisions, before write-downs of securities to the lower of cost or market

Non-performing assets do not include:

- € 7 million (31 March 2019: € 12 million) in risks transferred to third parties for non-performing assets that have been assumed by other banks, public sector entities or via collateralised loan obligations (CLOs) and hence are assigned to the party assuming liability (change in credit rating).
- € 10 million (31 March 2019: € 9 million) in unutilised commitments for debtors 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 development of non-performing assets remains negligible at a low level.

Provisions for possible loan losses

Table: Provisions for possible loan losses – Group

	30 Sep. 2019 in € million	30 Sep. 2018 in € million	Change in %	31 Mar. 2019 in € million
Development of specific impairment losses/provisions[1)]				
Opening balance	76.7	43.4	77%	43.4
Utilisation	-6.7	-7.0	-4%	-14.1
Reversal	-9.1	-21.3	-57%	-30.5
Reclassification and net interest expense and discounting	-	-		-5.2
Unwinding	-0.6	-0.4	50%	-1.2
Additions to specific risk provisions/provisions	14.2	39.6	-64%	84.2
Effect of changes in exchange rates	-	-		0.1
Total specific risk provisions/provisions	**74.5**	**54.3**	**37%**	**76.7**
Global valuation allowances[2)]				
Opening balance	117.7	137.1	-14%	137.1
Addition/reversal	-5.3	-8.9	-40%	-18.7
Reclassification	-	-		-0.7
Total general allowances	**112.4**	**128.2**	**-12%**	**117.7**
Total provisions for possible loan losses (including provisions)	**186.9**	**182.5**	**2%**	**194.4**

1) Not including general allowance for contingent liabilities recognised as provisions
2) Including general allowance for contingent liabilities recognised as provisions

The volume of specific risk provisions and loan loss provisions has been largely unchanged since the start of the financial year.

General allowances, including country risk provisioning for customer receivables, receivables from banks, contingent liabilities and irrevocable loan commitments, decreased as a result of lower additions to general allowances due to heightened latent counterparty default risk. This effect was partially offset by a slight increase due to expected losses on receivables.

General allowances for securities were recognised in the amount of € 2.7 million in the Group (31 March 2019: € 4.6 million).

Liquidity risk

Liquidity situation

Depending on the development of 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 € 4.1 billion over the next twelve months.

Liquidity planning is based on a range of assumptions as to the above and other factors which can determine liquidity, both on the assets side and the liabilities side. In the event that a number of these assumptions do not come to fruition, this may result in liquidity bottlenecks. For example, this may include market developments that prevent the Bank from extending liabilities guaranteed by the Deposit Protection Fund to a sufficient extent or at all. IKB has a liquidity contingency plan for this eventuality that describes a package of measures and a defined procedure for responding to a liquidity bottleneck.

IKB had secured its liquidity situation for the longer term as of 30 September 2019. The limited minimal liquidity balance is around € 0.3 billion higher than the liquidity limit. The adequate liquidity situation is also underlined by the fact that, taking into account the legal maturities of the Bank's asset and liability positions and its options for borrowing with the ECB and on the secured interbank market and excluding its planned new lending business ceteris paribus (i.e. in particular assuming unchanged market values), IKB is financed for an extended period.

The minimum liquidity coverage ratio is 100%. The Bank's aim is to maintain a ratio significantly in excess of 100%. The minimum requirements were met at all times in the first half of the financial year 2019/20. The LCR was 188% at Group level as of 30 September 2019 (IKB AG: 185%).

Refinancing situation

In addition to secured financing on the interbank market (especially Eurex Repo transactions) and refinancing via the ECB, business involving deposits and promissory note loans with corporate clients, retail customers and institutional investors secured via the Deposit Protection Fund forms a key element of IKB's refinancing.

The secured refinancing volume on the interbank market including refinancing via the ECB amounted to around € 2.0 billion as of 30 September 2019 (31 March 2019: € 1.9 billion).

The volume of refinancing secured by the Deposit Protection Fund amounts to just under € 5.9 billion as of 30 September 2019 (31 March 2019: € 5.7 billion).

The volume of unsecured bearer bonds in the retail customer segment was around € 0.35 billion as of 30 September 2019 (31 March 2019: € 0.4 billion).

In the context of its refinancing mix, the Bank actively utilise programme loans and global loans from government development banks in its customer lending business.

Market price risk

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 and credit spread basis point value and value at risk at a 99% confidence level and applying a holding period of one day.

Table: Market price risk profile

in € million	Value at 30 Sep. 2019	Value at 31 Mar. 2019
Interest rate basis point value (BPV)	**-1.8**	**-0.9**
Credit spread BPV	**-10.1**	**-7.4**
VaR – interest rate and volatility	-21.1	-14.5
VaR – credit spread	-22.4	-22.1
VaR – FX and volatility	-1.9	-1.6
VaR – other	0.0	0.0
Correlation effect	24.9	14.4
VaR (total)	**-20.4**	**-23.8**

Some totals may be subject to discrepancies due to rounding differences.

Non-financial risks

Operational risk

The gross loss volume in the first half of the financial year 2019/20 totalled € 0.7 million at Group level (full prior-year total: € 2.7 million[1]). In individual cases, the loss amounts are based on estimates for which it may not be possible to obtain accurate figures using updated information until later in some cases.

Legal risk

Legal disputes

Following the court decisions and written pleadings in the US (particularly in September 2018 and October 2019), the Bank has changed its assessment concerning the likelihood of the assertion of supposed claims arising from legal disputes in connection with Rhineland Funding, Rhinebridge or the Havenrock companies for events that occurred before 29 October 2008 and now considers this to be extremely unlikely. In the light of this significant further reduction in the risk assessment, IKB will refrain from future reporting on this matter from the financial year 2020/21 until further notice.

Derivatives trading

In individual cases, customers criticised the advisory services provided by the Bank in connection with certain swap products. Three suits are currently pending, two of which relate to the same issue.

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 that 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. In some individual cases, agreements on the suspension of the statute of limitations have been concluded without the acknowledgement of any legal obligation in order to prevent measures suspending the statute of limitations.

Lawsuits with a total value in dispute of € 117 million had been filed against IKB as of the end of September 2019. IKB considers the claims asserted to be unfounded and expects them to be unsuccessful. This assessment was confirmed by three first instance rulings by the Düsseldorf Regional Court.

Dissenting view of the tax authorities

Aleanta GmbH (a wholly owned subsidiary of IKB AG with which no profit and loss transfer agreement has been agreed) 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 are intending to treat the retrospective merger of Olessa GmbH into Aleanta GmbH in the financial year 2010/11 as a case covered by section 42 of the German Tax Code (AO). Aleanta GmbH had commented on the matter and the assessment at the time of the tax audit still pending.

[1] Prior-period amount restated to reflect updated information

Personnel risk

In light of the need to sustainably safeguard its profitability in a market environment that remains challenging, the Bank believes it is necessary to continue to optimise its organisational structure and operational workflows in a targeted manner and, in particular, to reduce complexity within the Group. To implement these measures, a new reconciliation of interests was concluded in June 2018 with a term until 31 March 2020.

The capacity reductions as part of the reconciliation of interests and redundancy scheme are progressing on schedule and as planned.

The management of personnel risks is the responsibility of the individual central and back office divisions and front office units in collaboration with the Human Resources division. This includes not only the need for an adequate workforce to implement operating and strategic requirements, but also maintaining the level of knowledge and experience employees need to carry out their duties and responsibilities. Despite the planned capacity reduction, IKB is therefore pursuing extensive and ongoing training and further training management in order to maintain a high qualification level among its employees.

Following the decision to reduce the size of the Board of Managing Directors and the number of divisional heads, the Bank's transformation process continued with the realignment of its head office as of 1 October 2019. This involves the dissolution of smaller teams and the structuring and allocation of topics along the process chain. This is accompanied by a reduction in the number of team leader positions and various changes to the organisational structure. HR will provide the divisions and teams with support for the transformation process in the form of appropriate staff and organisational development measures.

The number of voluntary redundancies does not currently represent an additional personnel risk, as they are either compatible with the targets of the planned restructuring or can be offset internally or temporarily through an external service provider, or through new appointments.

Please see the disclosure report for the financial year 2018/19 for information on the remuneration system of IKB.

Other risks

Information on risks relating to information security, IT, compliance, business and strategic, reputation and participation risks can be found in IKB's Group management report for the year ended 31 March 2019 (see pages 41 to 44). There have been no significant changes since this date.

4. Report on opportunities

IKB reports on its opportunities in detail on page 45 of its 2018/19 annual report. There have been no changes to this information.

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.

5. Outlook

Future general economic conditions

Although some of the sentiment and leading indicators in key economic regions are starting to send out positive signals, the overall development is not yet sufficiently consistent to justify talk of a sustainable global recovery. This is due in particular to leading indicators from the US, which increasingly suggest a slowdown in the country's economy. Political developments are continuing to cast a shadow over the world economy, particularly the prospect of a further escalation in the trade conflicts between the US and the EU/China. The consequences of a no-deal Brexit for the real economy would also be vast.

The economic development outlined above was confirmed in the autumn joint forecast by the leading research institutes. A downturn in world trade and trade conflicts are having a negative impact on the world economy in general and industrial production in particular, while the pressure on commodity prices is curbing inflation. According to the autumn report, the outlook for the manufacturing industry in particular has deteriorated further as the result of a pronounced recession, thereby requiring forecasts to be revised.

Although the latest leading indicators in China could improve the situation in the short term, structural issues such as the high level of private debt are having an adverse effect on the outlook. The research institutes expect China to see growth of below 6% in 2020. Growth of below 2% is forecast for the US in both 2020 and 2021. This represents a notable slowdown in momentum compared with 2019 and, in particular, 2018. Europe is also expected to see significantly less dynamic economic development in the current year and next year alike. Although the institutes are anticipating a slight recovery on the forecast horizon in 2021, economic growth is still set to remain below 2%. The same applies to world trade, which is not expected to enjoy notable growth until 2021 following a slowdown in 2019. The high level of risk and the fact that economic growth is failing to meet its potential suggest that monetary policy in the euro area will remain extremely expansionary.

The research institutes expect German economic output to decline again in the third quarter of 2019. Weak global industrial production, considerable uncertainty and a slowdown in world trade had a particular impact on the German manufacturing industry, in which the production of capital goods plays a considerable role. As a result, the institutes have downwardly revised their growth forecasts and are now anticipating growth in German GDP of 0.5% in 2019 and 1.1% in 2020. The revision of 0.7 percentage points for 2020 represents a particularly significant change of the expectations. The forecast for 2020 also exaggerates the actual economic momentum, as 0.4 percentage points of the expected growth is attributable to the higher number of working days in 2020. Although an economic crisis in the sense of chronic and sustained underutilisation is not on the cards, the research institutes still consider there to be downside risks even after having significantly revised their forecasts.

Companies' investment activities are likely to come under pressure in light of the reduction in capacity utilisation, although this remains slightly above the historical average and a significant downturn is seen as less likely. The institutes expect the absolute figures to see relatively stable development. The growth contribution in 2019 and 2020 is set to be negligible, meaning that demand for credit among companies will likewise only be moderate. By contrast, exports are expected to make an increasingly positive growth contribution. However, rising import growth in both 2019 and 2020 will lead to a negative trade balance for German growth on the whole.

Banks are still facing considerable challenges. Extensive regulatory requirements, the low-interest environment and intense competition are limiting earnings opportunities. This is made more difficult by the fact that banks have reduced their risk provisions in recent years on account of the good economic performance. An economic slowdown could necessitate adjustments and hence drive up risk provisions. This could further impair the profitability of banks, reduce their equity and limit lending capabilities. Furthermore, Europe still has high levels of non-performing loans (NPL). While the reduction in these loans has been aided by the economic environment in recent years, a deterioration of economic circumstances would likely cause a resurgence in NPL levels. Doubts as to the sustainability of state finances in the euro area could also lead to an abrupt rise in risk premiums, potentially triggering distortion on the financial markets.

Net assets

For a forecast of its net assets, the Bank refers to the information on net assets in “section 5. Outlook” on page 47 of IKB’s 2018/19 annual report and is also maintaining this forecast for the second half of the financial year 2019/20.

Liquidity situation

For a forecast of its liquidity situation, the Bank refers to the information on the liquidity situation in “section 5. Outlook” on pages 47 and 48 of IKB’s 2018/19 annual report and is also maintaining this forecast for the second half of the financial year 2019/20.

Leverage ratio

For a forecast of its leverage ratio, the Bank refers to the information on the leverage ratio in “section 5. Outlook” on page 48 of IKB’s 2018/19 annual report and is also maintaining this forecast for the second half of the financial year 2019/20.

Results of operations

For a forecast of its results of operations, the Bank refers to the information on the results of operations in “section 5. Outlook” on page 48 of IKB’s 2018/19 annual report and is also maintaining this forecast for the second half of the financial year 2019/20.

Overall assessment

IKB reported positive consolidated results in the first half of the financial year. Given this development, the Bank also anticipates clearly positive consolidated net income after taxes for the 2019/20 financial year as a whole, in contrast to the forecast as of 31 March 2019. If strategic options to terminate the silent participations issued by IKB AG arise in the second half of the financial year, the related expenses would result in an approximately balanced Group result for the year.

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

Consolidated balance sheet as of 30 September 2019

in € million			30 Sep. 2019	31 Mar. 2019
Assets				
Cash reserve			**14.9**	**24.6**
a)	Cash on hand		-	-
b)	Balances with central banks		14.9	24.6
		thereof: with Deutsche Bundesbank	14.9	24.6
c)	Balances in postal giro accounts		-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing of central banks			**-**	**-**
Receivables from banks			**1,957.2**	**1,267.7**
a)	Repayable on demand		1,584.3	889.9
b)	Other receivables		372.8	377.8
Receivables from customers			**9,540.9**	**9,823.2**
	thereof: mortgage loans		679.5	683.7
	thereof: public sector loans		296.8	304.1
Bonds and other fixed-income securities			**3,807.1**	**3,953.4**
a)	Money market securities		-	-
b)	Bonds and notes		3,787.6	3,937.4
	ba)	Public sector issuers	2,043.8	2,238.0
		thereof: eligible as collateral for Deutsche Bundesbank	2,043.8	2,238.0
	bb)	Other issuers	1,743.8	1,699.4
		thereof: eligible as collateral for Deutsche Bundesbank	1,554.5	1,527.6
c)	Own bonds		19.5	16.0
		Nominal amount	18.9	15.6
Equities and other non-fixed-income securities			**458.1**	**462.7**
Liabilities held for trading			**-**	**-**
Equity investments			**0.2**	**0.7**
	thereof: banks		0.2	0.2
	thereof: financial services institutions		-	-
Investments in associated companies			**-**	**-**
	thereof: banks		-	-
	thereof: financial services institutions		-	-
Investments in affiliated companies			**3.2**	**5.4**
	thereof: banks		-	-
	thereof: financial services institutions		-	-
Assets held in trust			**-**	**-**
Compensation receivables on the public sector including debt securities arising from their exchange			**-**	**-**
Lease assets			**-**	**-**
Intangible assets			**2.1**	**2.6**
a)	Internally generated industrial and similar rights and assets		-	-
b)	Purchased concessions, industrial and similar rights and assets and licences in such rights and assets		2.1	2.6
c)	Goodwill		-	-
d)	Advance payments made		-	-
Tangible assets			**3.3**	**16.9**
Called unpaid capital			**-**	**-**
Other assets			**144.5**	**329.7**
Deferred income			**100.9**	**101.2**
Deferred tax assets			**136.7**	**136.6**
Excess of plan assets over post-employment benefit liability			**9.1**	**7.7**
Total assets			**16,178.3**	**16,132.4**

in € million			30 Sep. 2019	31 Mar. 2019
Equity and liabilities				
Liabilities to banks			**7,260.5**	**7,351.8**
a)	Repayable on demand		344.4	91.2
b)	With agreed lifetime or notice period		6,916.2	7,260.7
Liabilities to customers			**6,019.0**	**5,749.5**
a)	Savings deposits		-	-
b)	Other liabilities		6,019.0	5,749.5
	ba)	Repayable on demand	1,005.8	1,228.3
	bb)	With agreed lifetime or notice period	5,013.2	4,521.2
Securitised liabilities			**367.1**	**445.6**
a)	Bonds issued		367.1	445.6
b)	Other securitised liabilities		-	-
Liabilities held for trading			**-**	**-**
Liabilities held in trust			**-**	**-**
Other liabilities			**83.6**	**105.9**
Deferred income			**47.0**	**55.1**
Deferred tax liabilities			**-**	**-**
Provisions			**146.2**	**181.1**
a)	Provisions for pensions and similar obligations		56.0	68.2
b)	Tax provisions		33.9	34.8
c)	Other provisions		56.3	78.1
Subordinated liabilities			**832.4**	**826.3**
Profit participation capital			**-**	**-**
	thereof: due within two years		-	-
Fund for general banking risks			**585.0**	**585.0**
	thereof: trading-related special reserve according to section 340e (4) HGB		-	-
Equity			**828.4**	**829.7**
	Called-up capital		1,621.5	1,621.5
	Subscribed capital		1,621.5	1,621.5
	Less uncalled unpaid contributions		-	-
		Contingent capital	800.0	800.0
b)	Capital reserves		1,750.7	1,750.7
c)	Revenue reserves		2.7	2.7
	ca)	Legal reserve	2.4	2.4
	cb)	Reserve for shares in a parent or majority investor	-	-
	cc)	Statutory reserves	-	-
	cd)	Other revenue reserves	0.3	0.3
d)	Difference in equity from currency translation		-	-
e)	Net accumulated losses		-2,545.1	-2,592.1
f)	Non-controlling interests		-1.4	47.0
Negative goodwill from capital consolidation			**9.0**	**2.4**
Total equity and liabilities			**16,178.3**	**16,132.4**
Contingent liabilities			**2,190.4**	**2,264.9**
a)	Contingent liabilities from rediscounted and settled bills of exchange		-	-
b)	Liabilities from guarantees and indemnity agreements		2,190.4	2,264.9
c)	Liability arising from the provision of collateral for third-party liabilities		-	-
Other obligations			**1,119.3**	**1,488.0**
a)	Repurchase obligations from non-genuine repurchase agreements		-	-
b)	Placement and underwriting obligations		-	-
c)	Irrevocable loan commitments		1,119.3	1,488.0

Balance sheet of IKB Deutsche Industriebank AG as of 30 September 2019

in € million	30 Sep. 2019	31 Mar. 2019
Assets		
Cash reserve	**14.9**	**24.6**
a) Cash on hand	-	-
b) Balances with central banks	14.9	24.6
thereof: with Deutsche Bundesbank	14.9	24.6
c) Balances in postal giro accounts	-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing of central banks	**-**	**-**
Receivables from banks	**1,950.7**	**1,263.5**
a) Repayable on demand	1,577.9	885.9
b) Other receivables	372.8	377.6
Receivables from customers	**10,286.4**	**10,651.8**
thereof: mortgage loans	681.4	687.0
thereof: public sector loans	296.8	304.1
Bonds and other fixed-income securities	**3,816.3**	**3,962.8**
a) Money market securities	-	-
b) Bonds and notes	3,796.8	3,946.8
ba) Public sector issuers	2,043.8	2,238.0
thereof: eligible as collateral for Deutsche Bundesbank	2,043.8	2,238.0
bb) Other issuers	1,753.0	1,708.8
thereof: eligible as collateral for Deutsche Bundesbank	1,563.6	1,536.9
c) Own bonds	19.5	16.0
Nominal amount	18.9	15.6
Equities and other non-fixed-income securities	**-**	**-**
Liabilities held for trading	**-**	**-**
Equity investments	**0.2**	**0.2**
thereof: banks	0.2	0.2
thereof: financial services institutions	-	-
Investments in affiliated companies	**389.8**	**259.1**
thereof: banks	-	-
thereof: financial services institutions	-	-
Assets held in trust	**-**	**-**
Compensation receivables on the public sector including debt securities arising from their exchange	**-**	**-**
Intangible assets	**2.1**	**2.6**
a) Internally generated industrial and similar rights and assets	-	-
b) Purchased concessions, industrial and similar rights and assets and licences in such rights and assets	2.1	2.6
c) Goodwill	-	-
d) Advance payments made	-	-
Tangible assets	**3.3**	**2.5**
Called unpaid capital	**-**	**-**
Other assets	**115.2**	**317.6**
Deferred income	**82.9**	**81.2**
Deferred tax assets	**137.0**	**137.0**
Excess of plan assets over post-employment benefit liability	**8.8**	**7.5**
Total assets	**16,807.6**	**16,710.2**

in € million			30 Sep. 2019	31 Mar. 2019
Equity and liabilities				
Liabilities to banks			**7,258.3**	**7,349.6**
a)	Repayable on demand		344.2	91.0
b)	With agreed lifetime or notice period		6,914.1	7,258.6
Liabilities to customers			**6,167.7**	**5,884.9**
a)	Savings deposits		-	-
b)	Other liabilities		6,167.7	5,884.9
	ba)	Repayable on demand	1,028.9	1,269.4
	bb)	With agreed lifetime or notice period	5,138.8	4,615.6
Securitised liabilities			**787.3**	**865.9**
a)	Bonds issued		787.3	865.9
b)	Other securitised liabilities		-	-
Liabilities held for trading			**-**	**-**
Liabilities held in trust			**-**	**-**
Other liabilities			**80.9**	**104.4**
Deferred income			**47.0**	**55.1**
Deferred tax liabilities			**-**	**-**
Provisions			**137.8**	**172.5**
a)	Provisions for pensions and similar obligations		50.8	63.1
b)	Tax provisions		33.1	33.6
c)	Other provisions		53.9	75.8
Subordinated liabilities			**832.4**	**826.3**
Profit participation capital			**-**	**-**
Fund for general banking risks			**585.0**	**585.0**
	thereof: trading-related special reserve according to section 340e (4) HGB		-	-
Equity			**911.4**	**866.5**
a)	Called-up capital		1,621.5	1,621.5
	Subscribed capital		1,621.5	1,621.5
	Less uncalled unpaid contributions		-	-
		Contingent capital	800.0	800.0
b)	Capital reserves		1,750.7	1,750.7
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)	Statutory reserves	-	-
	cd)	Other revenue reserves	-	-
e)	Net accumulated losses		-2,463.2	-2,508.1
Total equity and liabilities			**16,807.6**	**16,710.2**
Contingent liabilities			**2,248.4**	**2,322.9**
a)	Contingent liabilities from rediscounted and settled bills of exchange		-	-
b)	Liabilities from guarantees and indemnity agreements		2,248.4	2,322.9
c)	Liability arising from the provision of collateral for third-party liabilities		-	-
Other obligations			**1,122.3**	**1,488.0**
a)	Repurchase obligations from non-genuine repurchase agreements		-	-
b)	Placement and underwriting obligations		-	-
c)	Irrevocable loan commitments		1,122.3	1,488.0

Consolidated income statement for the period from 1 April 2019 to 30 September 2019

in € million	2019/20	2018/19
Expenses		
Lease expenses	**-**	**-0.9**
Interest expenses	**-212.8**	**-146.3**
thereof: positive interest	9.5	26.4
Commission expenses	**-1.7**	**-1.3**
Net trading results	**-**	**-**
General administrative expenses	**-81.6**	**-89.6**
a) Personnel expenses	-44.9	-52.2
aa) Wages and salaries	-36.9	-45.4
ab) Social security, post-employment and other employee benefit costs	-8.0	-6.8
thereof: for pensions	-3.2	-1.5
b) Other administrative expenses	-36.7	-37.4
Amortisation and write-downs on intangible fixed assets and depreciation and write-downs on tangible fixed assets	**-2.0**	**-5.1**
a) On lease assets	-	-0.9
b) On intangible and tangible assets	-2.0	-4.2
Other operating expenses[1)]	**-326.9**	**-238.3**
Expenses for the addition to the fund for general banking risks	**-**	**-**
Depreciation and write-downs of receivables, specific securities and additions to loan loss provisions	**-4.8**	**-9.6**
Depreciation and write-downs of equity investments, investments in affiliated companies and long-term investments	**-17.4**	**-15.7**
Costs of loss absorption	**-**	**-**
Extraordinary expenses	**-0.6**	**-3.9**
Income taxes	**-1.3**	**-3.1**
Other taxes not reported under "Other operating expenses"	**-0.3**	**-0.4**
Profit transfer on the basis of profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Net income for the financial year	**-46.5**	**-18.4**
Total expenses	**-695.9**	**-532.5**

1) Prior-period figure reduced by € 21.0 million due to change in presentation of variation margins for futures (see note 2).

in € million	2019/20	2018/19
Income		
Lease income	**-**	**2.9**
Interest income from	**322.0**	**251.1**
a) Lending and money market transactions	289.8	221.5
thereof: negative interest	-11.9	-17.5
b) Fixed-income securities and government-inscribed debts	32.1	29.6
thereof: negative interest	-	-
Current income from	**0.3**	**0.1**
a) Equities and other non-fixed-income securities	-	0.1
b) Equity investments	0.3	-
c) Investments in associates	-	-
d) Investments in affiliated companies	-	-
Income from profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Commission income	**23.7**	**20.0**
Net trading results	**-**	**-**
Income from reversals of write-downs on receivables and certain securities and from the reversal of loan loss provisions	**-**	**-**
Income from reversals of write-downs of equity investments, investments in affiliated companies and long-term investment securities	**119.6**	**125.4**
Other operating income[1)]	**230.3**	**117.3**
Income from the reversal of the fund for general banking risks	**-**	**-**
Extraordinary income	**-**	**15.7**
Income from assumption of losses	**-**	**-**
Net loss for the financial year	**-**	**-**
Total income	**695.9**	**532.5**
Net income/loss for the year	**47.0**	**18.9**
Non-controlling interests	**-0.6**	**-0.4**
Loss carryforward from the previous year	**-2,592.1**	**-2,551.1**
Withdrawals from capital reserves	**-**	**-**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net accumulated losses	**-2,545.1**	**-2,532.2**

1) Prior-period figure reduced by € 21.0 million due to change in presentation of variation margins for futures (see note 2).

Income statement of IKB Deutsche Industriebank AG for the period from 1 April 2019 to 30 September 2019

in € million	2019/20	2018/19
Expenses		
Interest expenses	**-215.3**	**-152.8**
thereof: positive interest	9.5	26.4
Commission expenses	**-1.3**	**-1.2**
Net trading results	**-**	**-**
General administrative expenses	**-81.0**	**-91.4**
a) Personnel expenses	-44.9	-51.6
aa) Wages and salaries	-36.9	-44.8
ab) Social security, post-employment and other employee benefit costs	-8.0	-6.8
thereof: for pensions	-3.1	-1.5
b) Other administrative expenses	-36.2	-39.9
Amortisation and write-downs on intangible fixed assets and depreciation and write-downs on tangible fixed assets	**-1.1**	**-0.8**
Other operating expenses[1)]	**-325.0**	**-233.2**
Expenses for the addition to the fund for general banking risks	**-**	**-**
Depreciation and write-downs of receivables and specific securities and additions to loan loss provisions	**-4.3**	**-9.1**
Depreciation and write-downs of equity investments, investments in affiliated companies and long-term investments	**-17.3**	**-30.3**
Costs of loss absorption	**-**	**-3.8**
Extraordinary expenses	**-**	**-2.6**
Income taxes	**-1.4**	**-0.7**
Other taxes not reported under "Other operating expenses"	**-**	**-**
Profit transfer on the basis of profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Net income for the financial year	**-44.9**	**-**
Total expenses	**-691.6**	**-525.9**

1) Prior-period figure reduced by € 21.0 million due to change in presentation of variation margins for futures (see note 2).

in € million		2019/20	2018/19
Income			
Interest income from		**319.3**	**251.5**
a)	Lending and money market transactions	288.6	223.9
	thereof: negative interest	-11.9	-17.5
b)	Fixed-income securities and government-inscribed debts	30.8	27.6
	thereof: negative interest	-	-
Current income from		**1.0**	**15.7**
a)	Equities and other non-fixed-income securities	-	-
b)	Equity investments	-	-
c)	Investments in affiliated companies	1.0	15.7
Income from profit-pooling, profit transfer and partial profit transfer agreements		**-**	**-**
Commission income		**23.9**	**20.1**
Net trading results		**-**	**-**
Income from reversals of write-downs on receivables and certain securities and from the reversal of loan loss provisions		**-**	**-**
Income from reversals of write-downs of equity investments, investments in affiliated companies and long-term investment securities		**118.7**	**128.9**
Other operating income[1)]		**228.7**	**109.7**
Income from the reversal of the fund for general banking risks		**-**	**-**
Extraordinary income		**-**	**-**
Income from assumption of losses		**-**	**-**
Net loss for the financial year		**-**	**-**
Total income		**691.6**	**525.9**
Net income/loss for the financial year		**44.9**	**-**
Loss carryforward from the previous year		**-2,508.1**	**-2,463.6**
Withdrawals from capital reserves		**-**	**-**
Withdrawals from revenue reserves		**-**	**-**
Withdrawals from profit participation capital		**-**	**-**
Withdrawals from silent partnership contributions		**-**	**-**
Allocations to revenue reserves		**-**	**-**
Replenishment of profit participation capital		**-**	**-**
Net accumulated losses		**-2,463.2**	**-2,463.7**

1) Prior-period figure reduced by € 21.0 million due to change in presentation of variation margins for futures (see note 2).

Condensed notes to the combined interim financial statements of IKB Deutsche Industriebank AG and the Group

Applied accounting principles

(1) Preparation of the condensed interim financial statements and consolidated interim 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 the IKB Group (Group) for the period ended 30 September 2019 is prepared in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) in conjunction with the Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute (RechKredV – German Bank Accounting Directive) and taking into account the relevant regulations of the Aktiengesetz (AktG – German Stock Corporation Act). The consolidated interim financial statements also take into account the standards (DRS) promulgated by the German Accounting Standards Committee (DRSC) and endorsed by the Federal Ministry of Justice in accordance with section 342 (2) HGB. These condensed interim financial statements and consolidated interim financial statements should be read together with the annual financial statements and consolidated financial statements of IKB AG for the year ended 31 March 2019 as audited by Ernst & Young.

The interim report 2019/20 of IKB AG as of 30 September 2019 comprises the consolidated balance sheet, the balance sheet, the consolidated income statement, the income statement and selected explanatory disclosures in the condensed notes to the interim financial statements and consolidated interim financial statements in addition to an interim-group management report. It was opted against the voluntary preparation of a (condensed) (consolidated) statement of changes in equity and a (condensed) (consolidated) cash flow statement. With respect to the events and items arising in the current interim reporting period that are relevant for an understanding of the material changes in items of the consolidated balance sheet and the consolidated income statement in comparison to the comparative figures shown, please refer to the information on the results of operations, financial and assets position in the interim group 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 determined in line with the provisions of German commercial law and disclosed in accordance with section 298 (1) in conjunction with section 265 (2) HGB. The balance sheet and the income statement are structured in line with the formats for banks in accordance with section 2 RechKredV. The income statement is structured in account format (format 2 RechKredV).

Amounts are disclosed in millions of euro. Minor deviations can occur in the total figures in the notes due to the rounding of figures. Amounts under € 50 thousand and zero values are shown in the interim financial statements and consolidated interim financial statements of IKB AG as "-".

The condensed notes to the interim consolidated financial statements and the condensed notes to the interim financial statements of IKB AG have been combined. Unless noted otherwise, statements made apply to both the Group and IKB AG.

The financial year of IKB AG begins on 1 April and ends on 31 March.

The same accounting policies were applied in preparing the interim financial statements and consolidated interim financial statements as for the annual financial statements and consolidated financial statements for the year ended 31 March 2019 with the following exceptions:

(2) Changes in presentation and measurement

There has been a change in the presentation of variation margins for futures since 1 April 2019. Starting from this financial year, the gain or loss realised on each future is reported net. If this change had already been applied as of 30 September 2018, other operating expenses and other operating income would each have been € 21.0 million lower.

Since 30 June 2019, where the intention to hold a credit derivative reported as loan collateral provided (CDS) until maturity is abandoned over time, the close-out effect is no longer reported in net commission income but instead is reported in net other operating income. In the period under review, this resulted in a € 1.1 million increase in net other operating income.

In one individual case, interest income was recognised in prior periods instead of as non-recurring income in the current reporting period. The accumulated interest meant that the reported amount for receivables from customers in the comparative prior period was € 1.8 million too high.

(3) Consolidated group

In addition to IKB AG, 23 (31 March 2019: 22) subsidiaries were included in the consolidated interim financial statements as of 30 September 2019. A further 27 (31 March 2019: 27) subsidiaries were excluded from consolidation in accordance with section 296 (2) and section 311 (2) HGB as they were of only minor importance to the net assets, financial position and results of operations of the Group. The non-consolidation of these companies does not result in a significantly different view of the economic position of the Group than if they were included in consolidation.

Valin Funds S.A., SICAV-SIF - Ruysdael Fund, Luxembourg, Luxembourg, is fully consolidated for the first time as a result of the shares acquired by IKB AG effective 30 September 2019.

For further information, please refer to note (24).

(4) Consolidation methods

The consolidated interim financial statements were prepared in accordance with the uniform accounting policies of IKB AG. The annual financial statements of the subsidiaries included that are neither credit nor financial services institutions have been reconciled to the structure of the RechKredV formats. If a Group company does not prepare interim financial statements as of 30 September, the material transactions that have occurred between its balance sheet date and 30 September 2019 are taken into account.

The same principles of consolidation were applied in the consolidated interim financial statements as in the consolidated financial statements as of 31 March 2019.

Since the entry into effect of the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Act to Modernise Accounting Law), capital consolidation for companies included in consolidation for the first time has been in line with the revaluation method in accordance with section 301 HGB. Before the BilMoG came into effect, the book value method was used for companies included in consolidation for the first time.

Increases in shares in subsidiaries are interpreted as capital measures within the meaning of DRS 23, and therefore the assets and liabilities are not remeasured. Instead, the cost of the additional shares is offset against the respective minority interest in the equity of the subsidiary at the date on which the additional shares are acquired. Any difference arising as a result is taken directly to consolidated equity.

Assets, liabilities, deferred income and prepaid expenses and revenue and expenses between the Group companies included are consolidated, provided that there are no industry-specific accounting regulations preventing this. Intercompany profits from internal transactions are eliminated if not immaterial.

(5) Provisions for possible loan losses

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

As a matter of principle, general allowances and generally calculated provisions for customer receivables and contingent liabilities from guarantees are calculated in accordance with the letter from the Federal Ministry of Finance dated 10 January 1994. In so doing, historical credit losses are taken as a basis and multiplied by a cyclical factor in order to accommodate the general economic situation. In order to estimate current latent counterparty risks, however, a general allowance is recognised in at least the amount of the one-year expected loss on this portfolio.

For information on the calculation of general allowances and globally calculated loan loss provisions, please also refer to the information on risk provisioning on page 66 and 67 of IKB's 2018/19 annual report.

Notes on the balance sheet

(6) Structure of maturities of selected balance sheet items by remaining term

	Group		IKB AG	
in € million	**30 Sep. 2019**	**31 Mar. 2019**	**30 Sep. 2019**	**31 Mar. 2019**
Receivables from banks[1)]	**372.8**	**377.8**	**372.8**	**377.6**
remaining term				
up to 3 months	352.2	4.0	352.2	3.9
between 3 months and 1 year	3.7	353.7	3.7	353.7
between 1 and 5 years	16.9	20.1	16.9	20.0
more than 5 years	-	-	-	-
Receivables from customers	**9,540.9**	**9,823.2**	**10,286.4**	**10,651.8**
remaining term				
up to 3 months	667.7	754.9	1,046.8	757.7
between 3 months and 1 year	1,287.1	1,210.1	1,325.2	1,616.3
between 1 and 5 years	5,800.8	5,776.0	5,836.1	5,903.3
more than 5 years	1,785.3	2,082.2	2,078.4	2,374.5
Liabilities to banks[1)]	**6,916.2**	**7,260.7**	**6,914.1**	**7,258.6**
remaining term				
up to 3 months	219.2	547.3	218.6	546.8
between 3 months and 1 year	734.3	681.4	734.2	681.3
between 1 and 5 years	4,684.4	4,710.3	4,683.0	4,708.8
more than 5 years	1,278.2	1,321.7	1,278.2	1,321.7
Liabilities to customers[1)]	**5,013.2**	**4,521.2**	**5,138.8**	**4,615.6**
remaining term				
up to 3 months	912.8	382.6	1,006.9	378.7
between 3 months and 1 year	1,575.2	1,539.8	1,608.3	1,639.8
between 1 and 5 years	2,145.4	2,214.1	2,143.6	2,212.3
more than 5 years	379.9	384.8	379.9	384.8

1) not including receivables or liabilities repayable on demand

€ 82.7 million (31 March 2019: € 83.0 million) of bonds and other fixed-income securities have a remaining term of up to one year in the Group and € 82.7 million (31 March 2019: € 83.0 million) have a remaining term of up to one year at IKB AG. € 179.3 million (31 March 2019: € 195.9 million) of the bonds issued and reported under securitised liabilities have a remaining term of up to one year in the Group and € 179.5 million (31 March 2019: € 196.1 million) have a remaining term of up to one year at IKB AG.

(7) Repurchase agreements

The book value of the assets reported in the balance sheet at the reporting date and transferred in repurchase agreements is € 310.8 million (31 March 2019: € 283.6 million) in the Group and € 310.8 million (31 March 2019: € 283.6 million) at IKB AG.

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

	Group			
	30 Sep. 2019		31 Mar. 2019	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	-	-	9.7	-
Other assets	-	-	-	-

	IKB AG			
	30 Sep. 2019		31 Mar. 2019	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	1,088.8	-	1,129.2	-
Other assets	36.7	-	49.4	-

(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
Acquisition costs as of 31 Mar. 2019	**28.2**	**21.8**	**1.7**	**42.1**	**3,941.5**	**464.9**	**4,500.2**
Additions to the consolidated group	-	-	-	-	-	-	-
Additions	-	1.8	-	-	858.0	-	859.8
Reclassifications	-	-16.9	-	-	-	-4.3	-21.2
Effects of currency translation	-	-	-	-	-0.9	-	-0.9
Disposals	-	-	-1.5	-2.2	-1,008.7	-0.6	-1,013.0
Acquisition costs as of 30 Sep. 2019	**28.2**	**6.7**	**0.2**	**39.9**	**3,789.9**	**460.0**	**4,324.9**
Cumulative depreciation/ amortisation, write-downs and reversals thereof by 31 Mar. 2019	**-25.7**	**-4.9**	**-0.9**	**-36.7**	**-4.1**	**-2.2**	**-74.5**
Reversals of write-downs	-	-	-	-	3.0	-	3.0
Depreciation/amortisation and write-downs	-0.5	-1.5	-	-	-14.3	-	-16.3
Reclassifications	-	3.1	-	-	-	-	3.1
Effects of currency translation	-	-	-	-	-	-	-
Disposals from the consolidated group	-	-	-	-	-	-	-
Disposals	-	-	0.9	-	13.1	0.2	14.2
Cumulative depreciation/ amortisation, write-downs and reversals thereof by 30 Sep. 2019	**-26.2**	**-3.3**	**-**	**-36.8**	**-2.3**	**-1.9**	**-70.5**
Residual book value as of 30 Sep. 2019	**2.1**	**3.3**	**0.2**	**3.2**	**3,787.6**	**458.1**	**4,254.5**
Residual carrying amount as of 31 Mar. 2019	**2.6**	**16.9**	**0.7**	**5.4**	**3,937.4**	**462.7**	**4,425.7**

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

IKB AG:

in € million	Intangible assets	Tangible assets	Equity in-vestments	Investments in affiliated companies	Bonds and other fixed-income securities	Equities and other non-fixed-income securities	Total
Acquisition costs as of 31 Mar. 2019	**28.2**	**5.2**	**0.6**	**1,259.9**	**3,950.9**	**-**	**5,244.8**
Additions	-	1.4	-	130.8	858.2	-	990.4
Reclassifications	-	-	-	-	-	-	-
Effects of currency transla-tion	-	-	-	-	-0.9	-	-0.9
Disposals	-	-	-0.5	-	-1,009.1	-	-1,009.6
Acquisition costs as of 30 Sep. 2019	**28.2**	**6.7**	**0.1**	**1,390.7**	**3,799.1**	**-**	**5,224.8**
Cumulative depreciation/ amortisation, write-downs and reversals thereof by 31 Mar. 2019	**-25.7**	**-2.7**	**-0.4**	**-1,000.9**	**-4.1**	**-**	**-1,033.8**
Reversals of write-downs	-	-	-	-	3.0	-	3.0
Depreciation/amortisation and write-downs	-0.5	-0.6	-	-	-14.3	-	-15.4
Reclassifications	-	-	-	-	-	-	-
Effects of currency transla-tion	-	-	-	-	-	-	-
Disposals	-	-	0.4	-	13.1	-	13.5
Cumulative deprecia-tion/amortisation, write-downs and reversals thereof by 30 Sep. 2019	**-26.1**	**-3.3**	**-**	**-1,000.9**	**-2.3**	**-**	**-1,032.6**
Residual book value as of 30 Sep. 2019	**2.1**	**3.3**	**0.2**	**389.8**	**3,796.8**	**-**	**4,192.2**
Residual carrying amount as of 31 Mar. 2019	**2.6**	**2.5**	**0.2**	**259.1**	**3,946.8**	**-**	**4,211.2**

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

In September 2019, a building used by a third party was reclassified in the Group from tangible assets to other assets in the amount of € 13.8 million (31 March 2019: € 14.4 million) as the building is now marketable and held for sale. This figure is comprised of cost of € 16.9 million (31 March 2019: € 16.6 million) and cumulative depreciation and write-downs of € 3.1 million (31 March 2019: € 2.2 million). Following the reclassification, the Group no longer reports any buildings in tangible assets. As in the previous year, IKB AG had no buildings in its portfolio.

Operating and office equipment is included in tangible assets in the amount of € 3.3 million (31 March 2019: € 2.5 million) in the Group and € 3.3 million (31 March 2019: € 2.5 million) at IKB AG.

The additions to investments in affiliated companies at IKB AG are due to the shares purchased in Valin Mittelstand Senior Debt Fund S.A., SICAV-SIF, Ruysdael Fund, Luxembourg, Luxembourg.

The item “Bonds and other fixed-income securities” predominantly includes European government bonds and bank bonds.

Shares in special funds are in particular assigned to fixed assets in the item "Equities and other non-fixed-income securities" in the Group.

In total, the Group reported unrealised losses from long-term investments of € 2.0 million (31 March 2019: € 16.0 million) based on book values of € 112.2 million (31 March 2019: € 619.9 million) and fair values of € 110.2 million (31 March 2019: € 603.9 million). At IKB AG, unrealised losses from long-term investments totalled € 2.0 million (31 March 2019: € 14.7 million) based on book values of € 112.2 million (31 March 2019: € 535.4 million) and fair values of € 110.2 million (31 March 2019: € 520.7 million).

No write-downs have been recognised for these losses in the Group or at IKB AG as the differences are not expected to be permanent within the meaning of section 253 (3) HGB.

In the current financial year, write-downs on fixed assets for impairment that is expected to be permanent were recognised in the amount of € 13.1 million (previous year: € 0.3 million) in the Group and € 13.1 million (previous year: € 14.9 million) at IKB AG. The write-downs related to a corporate bond.

The reported amounts do not include deferred interest.

(10) Subordinated assets

	Group		IKB AG	
in € million	**30 Sep. 2019**	**31 Mar. 2019**	**30 Sep. 2019**	**31 Mar. 2019**
Receivables from customers	69.2	100.3	69.2	100.3
Bonds and other fixed-income securities	26.1	25.4	26.1	25.4
Total	**95.3**	**125.7**	**95.3**	**125.7**

(11) Other assets

Other assets include the following:

	Group		IKB AG	
in € million	**30 Sep. 2019**	**31 Mar. 2019**	**30 Sep. 2019**	**31 Mar. 2019**
Foreign currency adjustment item	17.5	18.9	17.5	18.9
Receivables from tax authorities	18.0	179.3	17.5	178.9
Receivables from derivatives	1.2	1.7	1.2	1.7
Deferred interest on derivatives	28.2	53.7	28.2	53.7
Assets held for sale	14.4	0.3	-	-
Trade receivables	7.2	2.8	7.1	2.7
Receivables from affiliated companies	-	-	36.7	49.4
Miscellaneous assets	57.9	72.9	6.9	12.2
Total	**144.5**	**329.7**	**115.2**	**317.6**

The foreign currency adjustment item is used to report translation differences on currency derivatives in the non-trading book in accordance with section 340h HGB. Assets held for sale relate to a building used by a third party in the Group which is up for sale. Miscellaneous assets primarily comprise a deferred purchase price payment in connection with the acquisition of a building that is secured by a bank guarantee.

(12) Prepaid expenses

Prepaid expenses primarily include discounts on liabilities recognised at their nominal amount of € 2.0 million (31 March 2019: € 2.3 million) in the Group and € 2.0 million (31 March 2019: € 2.3 million) at IKB AG and prepaid expenses for derivatives business of € 77.6 million (31 March 2019: € 74.2 million) in the Group and € 77.6 million (31 March 2019: € 74.2 million) at IKB AG.

(13) Deferred tax assets

	Group		IKB AG	
in € million	**30 Sep. 2019**	**31 Mar. 2019**	**30 Sep. 2019**	**31 Mar. 2019**
Excess deferred tax assets	136.7	136.6	137.0	137.0

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

	Group			
	30 Sep. 2019		31 Mar. 2019	
in € million	**Affiliated companies**	**Investees and investors**	**Affiliated companies**	**Investees and investors**
Liabilities to customers	0.6	0.2	0.7	0.2
Securitised liabilities	-	-	-	-
Other liabilities	-	-	-	-

	IKB AG			
	30 Sep. 2019		31 Mar. 2019	
in € million	**Affiliated companies**	**Investees and investors**	**Affiliated companies**	**Investees and investors**
Liabilities to customers	154.9	0.2	141.8	0.2
Securitised liabilities	420.2	-	420.2	-
Other liabilities	-	-	4.6	-
Subordinated liabilities	75.1	-	75.1	-

(15) Other liabilities

Other liabilities break down as follows:

	Group		IKB AG	
in € million	**30 Sep. 2019**	**31 Mar. 2019**	**30 Sep. 2019**	**31 Mar. 2019**
Obligations from derivatives	3.6	4.5	3.6	4.5
Deferred interest on derivatives	50.5	56.4	50.5	56.4
Liabilities to tax authorities	1.3	3.6	1.2	3.5
Deferred income for subordinated liabilities	13.7	10.9	13.7	10.9
Trade payables	1.2	17.7	0.9	17.3
Miscellaneous liabilities	13.3	12.8	10.9	11.7
Total	**83.6**	**105.9**	**80.9**	**104.4**

(16) Deferred income

Deferred income primarily includes discounts and fees from lending business with interest-like characteristics in connection with receivables recognised at their nominal amount of € 13.6 million (31 March 2019: € 15.8 million) in the Group and € 13.6 million (31 March 2019: € 15.8 million) at IKB AG and deferred income for derivatives business of € 32.9 million (31 March 2019: € 37.7 million) in the Group and € 32.9 million (31 March 2019: € 37.7 million) at IKB AG.

(17) Pension provisions

The reported pension provisions amount to € 56.0 million (previous year: € 68.2 million) in the Group and € 50.8 million (previous year: € 63.1 million) at IKB AG.

The difference in accordance with section 253 (6) HGB is composed as follows:

30 Sep. 2019 **in € million**	**Group**	**IKB AG**
Measurement of obligation using the ten-year average market interest rate	364.4	358.6
Measurement of obligation using the seven-year average market interest rate	408.2	401.6
Difference in accordance with section 253 (6) HGB	**43.8**	**43.0**

(18) Other financial obligations

As of the reporting date, other financial obligations amounted to € 102.9 million (previous year: € 265.5 million) in the Group and € 102.9 million (previous year: € 265.2 million) at IKB AG. The year-on-year decrease is due in particular to the expiry of a four-year recovery period during which the creditors of a profit participation certificate issue had replenishment rights. The elimination of the replenishment rights led to a reduction in other financial obligations of around € 148.4 million. In addition, obligations for IT services declined by € 9.0 million to € 57.7 million and lease obligations for properties decreased by € 5.1 million to € 30.4 million.

As previously, the tax risk in connection with Aleanta GmbH encompasses taxes of approximately € 26.7 million plus interest (calculated as approximately € 11.7 million up to and including 30 September 2019) and additional Chamber of Commerce and Industry contributions of € 0.2 million.

Notes on the income statement

(19) Extraordinary income and expenses

Extraordinary expenses amounted to € 0.6 million in the Group (previous year: € 3.9 million). The expenses in the period under review related to the spin-off of the former IKB Leasing Group.

(20) Other operating expenses

Other operating expenses primarily include:

	Group		IKB AG	
in € million	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Expenses from derivatives in the non-trading book[1)]	-322.3	-219.1	-322.3	-219.1
Expenses from currency translation	-	-2.9	-	-0.4
Expenses from additions to provisions	-1.2	-5.1	-1.2	-5.1
Pension scheme expense (CTA-funded)	-	-7.1	-	-6.9

1) Prior-period figure reduced by € 21.0 million due to change in presentation of variation margins for futures (see note 2).

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

(21) Costs of loss absorption

There were no costs of loss absorption at IKB AG in the period under review (previous year: € 3.8 million). The prior-year figure primarily related to loss absorption obligations in connection with the profit and loss transfer agreement with the subsidiary IKB Beteiligungen GmbH.

(22) Income taxes

Income taxes are calculated using the expected effective income tax rate for earnings before income taxes (DRS 16.24).

For the German group of IKB AG, income taxes are calculated on the basis of the earnings incurred as of the interim reporting date as a more exact estimate (DRS 16.25).

(23) Other operating income

Other operating income essentially breaks down as follows:

	Group		IKB AG	
in € million	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Income from derivatives in the non-trading book[1)]	217.1	100.1	217.1	100.1
Income from currency translation	0.1	2.6	0.1	-
Income from the reversal of provisions	1.7	3.9	1.7	4.4
Pension scheme income (CTA-funded)	8.1	-	8.2	-
Income from compensation payments[1)]	0.7	1.3	0.6	0.2

1) Prior-period figure reduced by € 21.0 million due to change in presentation of variation margins for futures (see note 2).

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

Other disclosures

(24) Consolidated group as of 30 September 2019

			Equity interest in %
A.	**Consolidated subsidiaries**		
1.	**Domestic companies**		
	Aleanta GmbH, Düsseldorf		100
	IKB Beteiligungen GmbH, Düsseldorf		100
	IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf		100
	IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf		100
	IKB Beteiligungsgesellschaft 3 mbH, Düsseldorf		100
	IKB Beteiligungsgesellschaft 5 mbH, Düsseldorf		100
	IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG, Düsseldorf		94.9
	IKB Grundstücksgesellschaft Düsseldorf GmbH, Düsseldorf	1)	100
	IKB Invest GmbH, Düsseldorf	1)	100
	IKB Projektentwicklung GmbH & Co. KG i.L., Düsseldorf	3)	100
	IKB Real Estate Holding GmbH, Düsseldorf		100
	IKB Struktur 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 II, Wilmington, United States of America		100
	IKB International S.A. i.L., Munsbach, Luxembourg	2)	100
	IKB Lux Beteiligungen S.à.r.l., Munsbach, Luxembourg		100
	Valin Funds S.A., SICAV-SIF - Ruysdael Fund, Luxembourg, Luxembourg		100
	Valin Mittelstand Senior Debt Fund S.A., SICAV-SIF, Luxembourg, Luxembourg		100
3.	**Special-purpose entities in accordance with section 290 (2) no. 4 HGB**		
	HIMERA Grundstücks-Vermietungsgesellschaft mbH, Pullach i. Isartal		

1) Indirect investment 2) In liquidation (banking licence returned) 3) In liquidation

(25) List of shareholdings as of 30 September 2019

30 Sep. 2019		Financial year	Equity interest in %
1. German subsidiaries (consolidated)			
Aleanta GmbH, Düsseldorf		1 Apr. - 31 Mar.	100.00
IKB Beteiligungen GmbH, Düsseldorf	2)	1 Apr. - 31 Mar.	100.00
IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
IKB Beteiligungsgesellschaft 3 mbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
IKB Beteiligungsgesellschaft 5 mbH, Düsseldorf	2)	1 Apr. - 31 Mar.	100.00
IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG, Düsseldorf	4)	1 Apr. - 31 Mar.	94.90
IKB Grundstücksgesellschaft Düsseldorf GmbH, Düsseldorf		1 Apr. - 31 Mar.	100.00
IKB Invest GmbH, Düsseldorf	2)	1 Apr. - 31 Mar.	100.00
IKB Projektentwicklung GmbH & Co. KG i.L., Düsseldorf	3),6)	1 Jan. - 31 Dec.	100.00
IKB Real Estate Holding GmbH, Düsseldorf	2)	1 Apr. - 31 Mar.	100.00
IKB Struktur GmbH, Düsseldorf	2)	1 Apr. - 31 Mar.	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 Apr. - 31 Mar.	100.00
IKB Funding LLC II, Wilmington, United States of America		1 Apr. - 31 Mar.	100.00
IKB International S.A. i.L., Munsbach, Luxembourg	3)	1 Apr. - 31 Mar.	100.00
IKB Lux Beteiligungen S.à.r.l., Munsbach, Luxembourg		1 Apr. - 31 Mar.	100.00
Valin Funds S.A., SICAV-SIF - Ruysdael Fund, Luxembourg, Luxembourg		1 Apr. - 31 Mar.	100.00
Valin Mittelstand Senior Debt Fund S.A., SICAV-SIF, Luxembourg, Luxembourg		1 Jan. - 31 Dec.	100.00
3. Special-purpose entities (special-purpose entities included in the consolidated financial statements in line with section 290 (2) no. 4 HGB)			
HIMERA Grundstücks-Vermietungsgesellschaft mbH, Pullach i. Isartal			
4. German subsidiaries (not included in consolidation due to section 296 (2) HGB[5])	1)		
Brunnenstraße 105-109 Berlin Grundbesitz GmbH i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	100.00
FRANA Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf		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 Oct. - 30 Sep.	100.00
IKB Real Estate GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
ISOG Technology Holding GmbH, Weilheim		1 Apr. - 31 Mar.	57.70
ISTOS Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	100.00
Ligera GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
MFRSI Beteiligungsholding Verwaltungsgesellschaft mbH, Düsseldorf		1 Jan. - 31 Dec.	100.00
Restruktur 2 GmbH i.L., Düsseldorf	3)	30 Mar. - 29 Mar.	100.00
Restruktur 3 GmbH, Düsseldorf		1 Apr. - 31 Mar.	100.00
Rhodana GmbH, Düsseldorf	2)	1 Jan. - 31 Dec.	100.00
Tempelhofer Hafen GmbH & Co. KG i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	100.00

30 Sep. 2019		Financial year	Equity interest in %
5. Foreign subsidiaries (not included in consolidation due to section 296 (2) HGB[5])	1)		
IKB Funding Trust I, Wilmington, United States of America		1 Apr. - 31 Mar.	100.00
IKB Leasing SR, s.r.o. v likvidácii, Bratislava, Slovakia	3)	1 Jan. - 31 Dec.	100.00
Valin Asset Management S.à.r.l., Munsbach, Luxembourg		1 Apr. - 31 Mar.	100.00
6. Special-purpose entities (not included in consolidation due to section 296 (2) HGB[5])	1)		
Capital Raising GmbH, Norderfriedrichskoog			
Hybrid Raising GmbH, Norderfriedrichskoog			
Rosaria Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Heimstetten KG, Grünwald			
7. German associates/joint ventures (not accounted for using the equity method due to section 311 (2) HGB[5])	1)		
Argantis Beteiligungs-Holding GmbH i.L., Cologne	3)	1 Jan. - 31 Dec.	50.00
Argantis GmbH i.L., Cologne	3)	1 Jan. - 31 Dec.	50.00
Dritte Hubschraubertechnologiepark Donauwörth GmbH, Düsseldorf		1 Jan. - 31 Dec.	50.00
equiNotes Management GmbH i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	50.00
FUNDIS Verwaltungsgesellschaft mbH i.L., Düsseldorf	3)	1 Jan. - 31 Dec.	50.00
Hafenspitze Verwaltungsgesellschaft mbH, Hamburg		1 Jan. - 31 Dec.	25.00
MFRSI Beteiligungsholding GmbH & Co. KG, Düsseldorf		1 Jan. - 31 Dec.	50.00

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 transfer agreement
3) In liquidation
4) IKB AG or a Group company is a shareholder with unlimited liability
5) 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.
6) Company exercised exemption under section 264b HGB and did not prepare notes.

(26) Related party transactions

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

(27) Derivative financial instruments not recognised at fair value

Group:

	Nominal	Fair value		Carrying amount	
30 Sep. 2019 in € million		**positive**	**negative**	**Assets**	**Equity and liabilities**
Interest-related derivatives	20,453.9	900.5	1,950.2	62.5	66.3
Credit-related derivatives	-	-	-	-	-
Currency-related derivatives	541.9	5.1	7.7	4.1	3.0
Derivatives assigned to several categories	345.3	48.8	5.2	22.9	5.5
Total	**21,341.1**	**954.4**	**1,963.0**	**89.5**	**74.8**

AG:

	Nominal	Fair value		Carrying amount	
30 Sep. 2019 in € million		**positive**	**negative**	**Assets**	**Equity and liabilities**
Interest-related derivatives	20,453.9	900.5	1,950.2	62.5	66.3
Credit-related derivatives	-	-	-	-	-
Currency-related derivatives	541.9	5.1	7.7	4.1	3.0
Derivatives assigned to several categories	345.3	48.8	5.2	22.9	5.5
Total	**21,341.1**	**954.4**	**1,963.1**	**89.5**	**74.8**

(28) 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. The unrealised gains and losses on credit default swaps recognised as loan collateral are also included.

Group	**30 Sep. 2019**			**31 Mar. 2019**		
in € million	**Carrying amount**	**Fair value**	**Difference**	**Carrying amount**	**Fair value**	**Difference**
Receivables from banks	1,957.2	1,957.4	0.2	1,267.7	1,267.5	-0.2
Receivables from customers	9,540.9	9,976.6	435.7	9,823.2	10,212.5	389.3
Bonds and other fixed-income securities	3,807.1	4,463.3	656.2	3,953.4	4,145.5	192.1
Equities and other non-fixed-income securities	458.1	652.4	194.3	462.7	497.9	35.2
Derivative financial instruments not recognised at fair value	89.5	954.4	864.9	123.9	937.6	813.7
Credit default swaps recognised as loan collateral	35.0	54.2	19.2	24.7	39.4	14.7
Subtotal	**15,887.8**	**18,058.3**	**2,170.5**	**15,655.6**	**17,100.4**	**1,444.8**
Liabilities to banks	7,260.5	7,362.9	-102.4	7,351.8	7,386.4	-34.6
Liabilities to customers	6,019.0	6,090.0	-71.0	5,749.5	5,830.6	-81.1
Securitised liabilities	367.1	373.9	-6.8	445.6	452.4	-6.8
Subordinated liabilities	832.4	744.2	88.2	826.3	729.3	97.0
Silent partnership contributions	0.0	29.1	-29.1	0.0	29.5	-29.5
Derivative financial instruments not recognised at fair value	74.8	1,963.0	-1,888.2	86.4	1,499.8	-1,413.4
Credit default swaps recognised as loan collateral	12.3	9.6	2.7	13.4	5.0	8.4
Subtotal	**14,566.1**	**16,572.7**	**-2,006.6**	**14,473.0**	**15,933.0**	**-1,460.0**
Total			**163.9**			**-15.2**

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

The fair values of receivables as determined for reporting in the notes are calculated on the basis of the discounted cash flow method. Fair value is calculated using assumptions that would arise between independent business partners using similar parameters for their purchase price calculation. The future cash flows of the loans are recognised taking into account value contributions from floor agreements. The measurement model for floating-rate loans takes into account assumptions concerning unscheduled payments. Discounting is carried out using term-differentiated swap rates on the 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. In addition, the pre-tax returns of third parties derived from accounting equity, the administrative expenses of IKB and the funding costs observed on the market of banks with a rating of A or AA are also taken into account.

Receivables from promotional loans offset by individual financing loans under equity and liabilities are measured without taking into account funding costs. The present value of individual financing loans under equity and liabilities is calculated by discounting the interest and principal repayment cash flows using matched-term, risk-free swap rates.

In the case of the receivables purchased and forfaited by IKB as part of the sale of the IKB Leasing Group and the receivables in connection with non-recourse financing of the former IKB Leasing Group the fair values of the receivables are recognized as the carrying amounts.

Securities (including securitised subordinated liabilities and securitised silent partnership contributions) are measured at the quoted or market price on the reporting date if a liquid price is available. A quoted 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 there are no closing rates, the market value is calculated on the basis of price information from market data providers and tested for plausibility using suitable methods. If there are no quoted prices or price information from contractual providers for securities, their value is determined on the basis of measurement models by discounting forecast cash flows. The discounting rate is calculated using the risk profile of similar securities. Parameters not observed on the market are used for this among others. The fair values for fund units recognised in the IKB Group are the total net asset value relating to the units held.

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

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

(29) Significant events after 30 September 2019

There were no significant events after 30 September 2019.

(30) Executive bodies

Board of Managing Directors

Dr Michael H. Wiedmann (Chairman)

Claus Momburg

Dr Jörg Oliveri del Castillo-Schulz

Dirk Volz

Supervisory Board

Dr Karl-Gerhard Eick (Chairman), management consultant

Dr Claus Nolting (Deputy Chairman), lawyer

Sven Boysen[1)], 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, Managing Partner and CEO of KIRCHHOFF Automotive Holding GmbH & Co. KG

Nicole Riggers[1)], employee representative

Jörn Walde[1)], employee representative

1) elected by the employees

Düsseldorf, 14 November 2019

IKB Deutsche Industriebank AG

The Board of Managing Directors

Dr. Michael H. Wiedmann

Claus Momburg

Dr. Jörg Oliveri del Castillo-Schulz

Dirk Volz

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 accepts no obligation to update such statements in light of new information or future events.

Forward-looking statements naturally include risks and uncertainty factors. A large number of important factors can contribute towards actual results deviating considerably from forward-looking statements. Such factors include economic developments, the condition and development of the finance 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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