Annual Report 2019/2020

IKB
Deutsche Industriebank

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Letter from the Chairman of the Board of Managing Directors

Ladies and Gentlemen,

At the end of the financial year 2019/20, we achieved an important goal: IKB once again has the option to issue tier 1 instruments thereby completing its transformation towards a regular bank. This was made possible by the completion of the liability restructuring. IKB has terminated the silent participations (Capital Raising and Hybrid Raising) of € 200 million each, generating a non-recurring expense of € 48 million at Group level. Accumulated losses were also eliminated. To this end, the share capital of IKB AG was decreased to € 100 million through a capital reduction. The share capital for the financial year comprises of 100,000,000 no-par value shares with a notional value of € 1.- per share. Available distributable items amount to € 460 million. This provides the bank with flexibility for future distributions.

Having achieved net consolidated income of € 8 million, we have fulfilled our full-year forecast, as announced in our 6-month report for 2019/20. Adjusted for extraordinary expenses of € 48 million from the termination of the silent participations, € 21 million from restructuring measures and € 2 million from advisory and transaction fees relating to the capital reduction as well as the termination of silent participations, we generated a net consolidated income of € 80 million. Pre-provision income (net interest income, fee and commission income less administrative expenses) more than doubled from € 37 million to € 85 million. Assuming a common equity tier 1 ratio of 12%, this results in a return on equity of approximately 6%, calculated on RWAs of € 11.4 billion.

We are also well on track in terms of cost reduction and decreased our cost-base from € 192 million to € 156 million. As a result we achieved a reduction of the cost income ratio from 84 % in the previous year to 65 % for the financial year 2019/20. Further improvements are expected by the current cost-cutting and optimisation measures. Consequently, the bank anticipates administrative expenses at a lower level of approx. € 140 million in the financial year 2020/21 and to below € 110 million in the medium-term. Our target level for the medium term is a cost to income ratio of below 50%.

The economic consequences of the coronavirus crisis will likely be significantly more severe than those of the financial crisis of 2008 and 2009, as the entire world economy experienced a simultaneous shock of unprecedented magnitude. We hope for the best but we nevertheless prepare ourselves for escalating economic risks and position the bank accordingly. Operational risks are well controlled. Since March, and thanks to stable IT-systems, 90 % of our staff operates from home offices, while flexible worktime allows working at off-peak times for employees with children. In accordance with supervisory requirements, market-price risk is managed in an economically effective way. We have sufficient liquidity, our liquidity reserves amount to € 1.8 billion. As far as corporate default risk is concerned, we have adequate specific provision allowances and general provision allowances to address initial corona risks. Future risks, following some delay, will be reflected in the key credit risk metrics of the forthcoming quarters.

Since March, we have seen some stabilisation in the financial markets. However, we do not expect the crisis to be over. The short-term support measures taken by central banks and fiscal authorities have greatly helped to calm the markets. We are in a good position to utilise recently initiated KfW public programmes, aimed at assisting German mid-cap companies through the crisis by way of liability exempted loans.

The effects of the COVID-19 pandemic and onset of the economic downturn in Q 4 of the financial year have led to first additional provision in the amount of € 32 million. IKB expects an increase in risk provisioning in the following financial year, the exact amount cannot be estimated at this point in time. The size of our loan book, approx. € 10 billion, is in comparison to the previous year stable. New business volume with our mid-cap corporate clients was € 2.8 billion; due to the difficult economic environment we consciously kept it on a lower level. We also increased the percentage of PPLs in our total disbursements to 43%.

Net risk provisioning in the financial year 2019/20 is at a moderate level. The ratio of non-performing loans in the past financial year is nearly constant at a very low level of 1.3%. IKB maintains its high lending standards even in the current crisis.

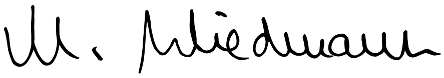
Our equity position remains stable at a high level. On March 31st 2020, the CET 1 ratio for the IKB Group was 12.0% on a fully-loaded basis. Under the Basel IV regulations, the CET 1 ratio would even be 12.8%. The leverage ratio, also on a fully loaded basis, reached 7.1%. The loan to deposit ratio (excluding public programme loans) was 75%. Therefore, the Bank has a solid tier 1 capital base. All capital ratios are above the capital requirements arising from the Supervisory Review and Evaluation Process (SREP).

Despite the introduction of the IRBA on 31 March 2019, which achieved a reduction of € 1 billion RWAs, the RWA density (risk-weighted assets/total assets) of IKB remains at a high level of approx. 70%. Furthermore, IKB expects to be in a position in the financial year 2020/21 to submit an application to the supervisory authority for the complete abolishment of the PD increase for impaired loans, which was an initial condition for the IRBA approval. Even though these positive effects might be mitigated by negative rating migrations, a considerable increase in the common equity tier 1 ratio is expected.

IKB's business model of close and trustworthy relationships with its corporate clients is paying off in the current challenging economic environment. Our customers can rely on IKB's flexibility and speediness. This expertise is an important success factor for state issued PPLs. We pro-actively approach all our clients and advise them on potential liquidity shortages. In this way, we contribute to the stabilisation of mid-cap companies in Germany.

The corona-pandemic poses a major challenge to our social and economic lives. We at IKB would like to do our part in navigating mid-cap companies through this difficult environment. Given these extraordinary times we all face, I would like to express my sincere gratitude to all our employees and their families for their loyalty, flexibility and commitment to the bank.

Düsseldorf, May 2020



Dr Michael H. Wiedmann

Report of the Supervisory Board

In the financial year 2019/20, the Supervisory Board fulfilled the duties and obligations incumbent upon it in accordance with law, regulations, Articles of Association and its by-laws. The Supervisory Board supervised management by the Board of Managing Directors and advised it on the management of the company. The Supervisory Board was involved in all decisions of fundamental importance to the bank.

Overview

In its supervisory and advisory activities, the Supervisory Board received regular, timely and comprehensive reports from the Board of Managing Directors, in both oral and written form. The Board of Managing Directors informed the Supervisory Board of the business operations and the economic and financial development of the IKB Group and IKB AG. Other focal points of regular reporting were the general development of IKB and the development of the Group's risk situation. Furthermore, the Supervisory Board addressed Group planning and the actual development of business in the financial year 2019/20.

Reports by the Board of Managing Directors on the business situation and on specific issues were supplemented by written presentations and documentation which each member of the Supervisory Board received prior to the meeting for preparation purposes. The members of the Supervisory Board were also provided with the annual financial statements and consolidated financial statements, the combined management report, the dependent company report and the auditors' reports in due time prior to the meeting convened to review the annual financial statements; the same applies to the separate the non-financial report. The members of the Risk and Audit Committee and the Supervisory Board plenary meeting also received the half yearly financial report and quarterly reports in due time for preparation purposes.

A total of 28 meetings of the Supervisory Board and its committees were held. Where necessary, individual resolutions were passed by circular between meetings. The Chairmen of the Supervisory Board and the Board of Managing Directors also consulted regularly on key developments and decisions. If members of the Supervisory Board were unable to attend the meetings, they were absent with valid excuse.

Topics of the Supervisory Board plenary meeting

The Supervisory Board held seven meetings in the financial year 2019/20. Regular meetings were held in June, September, November and March. The Supervisory Board also convened in September, following the Annual General Meeting for the financial year 2018/19, for a constitutive meeting. The Supervisory Board also held two extraordinary meetings in January 2020.

At all regular Supervisory Board meetings in the financial year 2019/20, the Supervisory Board was able to form a detailed opinion on the general development of the bank based on written and oral reporting by the Board of Managing Directors. In this respect, the Board of Managing Directors also provided the Supervisory Board with explanations concerning the development of business volume and result of the Group. Furthermore, the Board of Managing Directors examined in detail the development in the individual business segments and reported on the capital position, financial situation including taxes and Group risk. The Supervisory Board was continuously informed by the Board of Managing Directors about the regulatory capital position of the IKB Group and the status of material legal disputes.

At its meeting convened to review the annual financial statements in June 2019, the Supervisory Board examined inter alia the annual financial statements and consolidated financial statements, the combined management report and the dependent company report and the non-financial report prepared by the Board of

Managing Directors for the past financial year 2018/19. The Board of Managing Directors also gave a comprehensive written and oral explanation of the risk situation of the IKB Group including the recovery indicators defined in the recovery plan. Group Internal Audit and the Chief Compliance Officer gave their respective annual reports for the 2018/19 financial year. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("EY"), Stuttgart, reported on the audit findings, and the Chairman of the Risk and Audit Committee on preparations for the auditing of the annual financial statements and consolidated financial statements as of 31 March 2019 with the combined management report and dependent company report, and the combined non-financial report for the financial year 2018/19. The annual financial statements and consolidated financial statements were adopted resp. approved by the Supervisory Board. No objections were raised to the declaration of the Board of Managing Directors in the closing statement of the dependent company report and against the combined non-financial report. The report of the Supervisory Board for the financial year 2018/19 was also approved. Further topics included the verification of target achievement and corresponding determination of the variable remuneration for the individual members of the Board of Managing Directors for the financial year 2018/19, as well as the verification and decision on the granting of the retained variable remuneration for the members of the Board of Managing Directors for past financial years.

At its following quarterly meetings, the Supervisory Board deliberated respectively on the business development and Group risk including the recovery indicators stipulated in the recovery plan and also addressed in this context the regulatory capital position, especially with respect to the further supervisory requirements. The meetings in each case also addressed the quarterly Group Internal Audit report. The Board of Managing Directors informed the Supervisory Board on all these topics both in written and oral form.

The Board of Managing Directors provided timely comprehensive information to the Supervisory Board in written and oral form on the business policy and fundamental management questions including the strategic further development of IKB and presented the Group planning to the Supervisory Board. In addition to the business and risk strategy, the IT strategy was also discussed separately by the Supervisory Board in this financial year.

The Supervisory Board took note of the Report of the Remuneration Officer, dealt with the remuneration systems of the Bank and determined the total amount of variable remuneration, considering Section 7 of the InstitutsVergV. It had the personnel development as well as the quantitative and qualitative medium-term personnel planning explained to it and concluded the target agreements with the members of the Board of Management Directors for the coming financial year.

In addition, the Supervisory Board dealt with the Annual General Meeting of IKB in September 2019 and two extraordinary general meetings in January and February 2020 and adopted the respective resolution proposals of the Supervisory Board to the Annual General Meeting. The Supervisory Board dealt in particular with the proposed resolutions for the forthcoming elections to the Supervisory Board and the resolutions to be adopted in connection with the optimisation of the capital structure.

As a result of organisational restructuring at the Bank's headquarters and the reduction in the size of the Board of Managing Directors from four to two members during the financial year, the Supervisory Board also discussed and passed resolutions on the adjustment of the schedule of responsibilities and the rules of procedure for the Board of Managing Directors.

The Supervisory Board also dealt with the non-financial statement to be submitted by the Board of Managing Directors and decided not to have a voluntary external audit of the non-financial report for the 2019/20 financial year carried out.

Finally, the Board of Managing Directors also informed the Supervisory Board about the economic development in the wake of the Corona pandemic and, in particular, about the effects on the Bank's liquidity and risk situation and maintained an intensive exchange of information with the Chairman of the Supervisory Board on specific occasions.

Activities of the Committees

To ensure that the Supervisory Board exercises its functions efficiently, the Supervisory Board has set up different committees: The Supervisory Board Executive Committee, the Risk and Audit Committee, the Remuneration Control Committee and the Nomination Committee. The Committees prepare the deliberations and resolutions for approval in the plenary meeting. Furthermore, the authority to approve resolutions has also been delegated to the Committees themselves. The Supervisory Board Executive Committee held ten meetings, the Risk and Audit Committee held four meetings, the Remuneration Control Committee held four meetings, and the Nomination Committee also held four meetings in the 2019/20 financial year, one of which was held in each case jointly by the Remuneration Control Committee and the Nomination Committee.

The Supervisory Board Executive Committee essentially prepared the meetings of the Supervisory Board and focused on business development and the strategic orientation of the bank and the Group. In addition, several meetings focused on the further optimisation of the capital structure of the Bank, which the Supervisory Board Executive Committee dealt with intensively before resolutions were passed. The two Extraordinary General Meetings required to implement the optimisation measures were also prepared by the Executive Committee of the Supervisory Board; the same applies to the Annual General Meeting held during the financial year. The Supervisory Board Executive Committee also discussed and passed resolutions on other management measures requiring approval, such as various resolutions on large exposures.

The activities of the Risk and Audit Committee focused on monitoring accounting procedures, the efficiency of the internal control system, risk management, the internal audit system, risk strategy and compliance as well as the audit of the financial statements. The Committee deliberated on the preparation of the annual financial statements and the consolidated financial statements with the non-financial report and the appointment of the auditor. The Risk and Audit Committee commissioned the auditor to carry out the audit and concluded the fee agreement with him. One focus was on reviewing the independence of the auditor in the course of which the Committee reviewed the audit fees and decided on a catalogue of permissible non-audit services (pre-approval catalogue) valid for one year, the provision of which by the auditor is possible without the further prior consent of the Risk and Audit Committee. The Risk and Audit Committee also dealt intensively with the report of the Data Protection Officer.

The Remuneration Control Committee addressed the bank's remuneration systems, especially that of the Board of Managing Directors and reviewed their principles for adequacy. The Remuneration Control Committee also prepared the resolutions of the Supervisory Board relating to remuneration and had the Remuneration Officer explain the Remuneration Control Report.

The Nomination Committee discussed the proposals to the Supervisory Board regarding the election of Supervisory Board members by the Annual General Meeting on 4 September 2019. In addition, as part of the annual evaluation of the Board of Managing Directors and Supervisory Board, it also dealt with the relevant legal requirements and the joint guidelines of the EBA and ESMA on the assessment of the suitability of management body members and key function holders. The Nomination Committee furthermore fulfilled the duties incumbent upon it according to Section 25 d (11) *KWG* [German Banking Act].

The members of the Committees engaged in deliberations among themselves outside the meetings as well and maintained contact with the Board of Managing Directors.

The plenary meetings were regularly provided with accounts of the activities of the Committees.

Audit of the annual financial statements and consolidated financial statements

Acting on the proposal of the Supervisory Board, the Annual General Meeting appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditors for the annual financial statements and the consolidated financial statements and for any reviews or any audits of the interim financial statements resp. interim consolidated financial statements and the interim management report resp. interim Group management report for the first half of the financial year 2019/20 and all other interim financial statements resp. interim consolidated financial statements and interim management reports resp. interim Group management reports which are prepared prior to the Annual General Meeting 2020. EY audited the annual financial statements of IKB AG and the Group and the combined management report for IKB AG and the Group and issued unqualified audit opinions. Examination of and deliberation on the annual financial statements, the consolidated financial statements and the relevant combined management report and the related written audit reports of EY for the financial year 2019/20 by the Risk and Audit Committee and the plenary meeting of the Supervisory Board took place on 18 May 2020. The auditors participated in these deliberations. At the meeting of the Supervisory Board on 18 May 2020, they reported on the key findings of their audit, including findings in respect of the internal control and risk management system relating to the accounting process of the bank, answered questions and provided additional information. There were no circumstances which gave reason to doubt the impartiality of the auditors. The auditors furthermore informed the Supervisory Board of all additional services provided by them in connection with the audit.

The Supervisory Board approved the result of the audit of the financial statements at its meeting held on 18 May 2020. According to the result of the Supervisory Board's own reviews of the annual financial statements and the consolidated financial statements and the combined management report, no objections were raised. The Supervisory Board approved the annual financial statements and the consolidated financial statements of 8 May 2020, prepared by the Board of Managing Directors, at its meeting on 18 May 2020. The annual financial statements have, therefore, been adopted.

Review and approval of the dependent company report

The report on business relationships with affiliated companies for the financial year 2019/20 (dependent company report) which was presented by the Board of Managing Directors was also examined by the auditors. The dependent company report was issued with the following unqualified audit opinion: "Having duly examined and assessed this report, we confirm that the factual statements made in the report are correct, the company's consideration with respect to the legal transactions listed in the report was not inappropriately high, and there are no circumstances that indicate a materially different assessment of the measures listed in the report from that given by the Board of Managing Directors."

At the meetings held on 18 May 2020, first the Risk and Audit Committee and then the Supervisory Board also deliberated on and reviewed the dependent company report. The members of the Supervisory Board resp. Committees received both the dependent company report and the related audit report of the auditors in good time before the respective meeting, enabling them to address the respective contents intensively. The auditors also participated in the deliberations on the dependent company report of the Supervisory Board and the Risk and Audit Committee. At the meeting of the Supervisory Board on 18 May 2020, they reported on the result of their audit and were available to answer questions. The Supervisory Board approved the result of the dependent company report at its meeting on 18 May 2020.

In accordance with the result of its own review by the Supervisory Board, no objections were raised against the declaration of the Board of Managing Directors at the end of the dependent company report.

Review of the combined separate non-financial report

At the meetings on 18 May 2020, the members of the Risk and Audit Committee and the Supervisory Board also discussed and reviewed the combined separate non-financial report for the 2019/20 financial year, which was prepared by the Board of Managing Directors. They received the report in good time before the respective meeting. Based on the final result of the Supervisory Board's own examination of the combined separate non-financial report for the 2019/20 financial year, no objections were raised.

Personalia – Supervisory Board

On the side of the shareholder representatives, Dr Karl-Gerhard Eick and Dr Lutz-Christian Funke, whose terms of office each ended at the close of the Annual General Meeting on 4 September 2019 were re-elected to the Supervisory Board by resolutions of the Annual General Meeting on 4 September 2019. Dr Eick was re-elected as Chairman of the Supervisory Board in the constituent meeting of the Supervisory Board following the Annual General Meeting and also re-elected as member of the Risk and Audit Committee. As Chairman of the Supervisory Board, Dr Eick is again a member of the Supervisory Board Executive Committee, the Nomination Committee and the Remuneration Control Committee.

There were no changes to the employee representatives in the period under review.

Personalia – Board of Managing Directors

At its meeting on 13 June 2019, the Supervisory Board extended the term of office of Mr 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; he continues to serve as 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 left the Bank's Board of Managing Directors by best mutual agreement on 30 November 2019 and 31 January 2020, respectively, at the end of their terms of office. The Supervisory Board expressly thanked Mr Volz and Dr Oliveri-Schulz for their contributions to the restructuring and further development of the Bank in recent years. With their successful work, they have laid the foundations for making the Bank significantly more efficient in the next phase of its development.

In addition, the Supervisory Board also thanked the acting members of the Board of Managing Directors and all employees of the IKB Group for their personal commitment and contributions in the past financial year.

Düsseldorf, 18 May 2020

The Supervisory Board

Dr Karl-Gerhard Eick

Chairman

Combined Management Report for the Financial Year 2019/20

1. Basic information on the Group

The business model of IKB Deutsche Industriebank AG ("IKB" as a synonym for the Group and "IKB AG" for the individual company) is focused on German medium-sized companies, which it supports by loans and offering capital market and advisory services. In addition to providing financing from its own resources, IKB specialises in giving customers access to public programme loan schemes and to bank-independent refinancing via the capital markets. Since its formation in 1924, IKB has close relationships with German companies and entrepreneurs as an independent private bank with a particular focus on long-term financing for companies and projects. The Bank's business model is built upon these long-standing, stable customer relationships and a pronounced understanding of the topics that matter to medium-sized companies. IKB has a sales network of locations that covers all regions of Germany.

IKB is an institution with a solid tier 1 capital base. The Bank has a stable and diversified deposit base for refinancing. It also makes use of public programme loan schemes for medium-sized companies. IKB is largely independent of the capital markets.

In its customer business, IKB concentrates on credit and structuring advisory services (including capital market products). The integrated business strategy of regional sales, industry groups and product groups ensures solutions-oriented, high-quality support for customers. IKB's target customers predominantly come from the German upper midmarket.

IKB held a share of the market for long-term corporate loans to the German manufacturing industry of 3.2% as of 31 December 2019. IKB's market share for relevant KfW loan schemes was 9.2% as of the same date. IKB's competitors are the major universal banks and selected larger institutions from the public banking sector.

IKB also develops financing solutions for its customers that do not affect its balance sheet. This firstly includes guiding companies onto the capital market, for example by issuing promissory notes or bonds.

IKB is subject to the supervision of the German regulators, i.e. the German Federal Financial Supervisory Authority (BaFin) and Deutsche Bundesbank. IKB is not currently classified as potentially posing a risk to the banking system.

This regulation is giving rise to a burden that can also affect banks' business models. One example is the complex target system for overall bank management that has arisen and will continue to arise from the various regulations. Regulatory requirements now affect almost all areas and processes, and are interwoven throughout the entire structural and procedural organisation. Accordingly, the Bank's business model will depend to a large extent on a high degree of cost discipline, particularly when it comes to implementing regulatory provisions, the optimisation of risk-weighted assets and the anticipation of potential future regulations. Other important factors include IT security and the establishment of an IT architecture that is suitable to ensure flexible and timely reporting.

2. Economic report

Macroeconomic and industry-specific conditions

Even before the coronavirus outbreak, the global economy was showing no signs of significant growth stimulus and slowed over the course of 2019. The trend in US gross domestic product (GDP) was relatively solid, with quarterly growth stable at 0.5% quarter-on-quarter in the past three quarters. The US generated GDP growth of 2.3% for the year as a whole. The growth of the Chinese economy was also relatively stable at 6.1% in 2019 despite a slowdown. However, momentum in the euro area slowed significantly towards the end of the year, and GDP rose by 1.2% year-on-year. Developments in the UK were also more restrained. Its volatile economic performance was held back by uncertainty over when and how it might leave the EU. GDP growth for 2019 as a whole amounted to 1.4%.

The German economy was characterised by a weak economic performance before the coronavirus outbreak. GDP rose by just 0.6% in 2019. The industrial sectors in particular experienced a distinct, prolonged period of weakness, while the domestic service sectors and the construction industry were affected less by the downturn. Private consumer spending and government spending both developed positively. Construction investment increased strongly as well. While investment in machinery and equipment was up year-on-year by 0.6% in 2019 thanks to the positive first half of the year, the momentum of corporate investment in machinery and equipment dropped off significantly. Figures were down by 1.4% over the course of 2019, with a quarter-on-quarter slide of 0.8% in the fourth quarter. The weak trend in investment was due to lower capacity utilisation, declining profitability and softer business prospects. The trade conflicts and the threat of a no-deal Brexit likely also played a part. The external economic environment was caught up in this as well, resulting in negative net exports and another blow to overall economic momentum. The situation eased somewhat in autumn 2019. Sentiment brightened to the end of 2019, and there were initial indications that German industry was bottoming out. However, this was undone relatively quickly by the emerging coronavirus crisis in China.

The situation has changed significantly as a result of the global spread of coronavirus since the middle of March. Many countries took far-reaching health policy countermeasures to contain the virus. Disrupted supply chains, the closure of production facilities and the strict restrictions on public life massively impacted economic performance in Germany and the rest of the world. In support of their economies, many governments have taken extensive measures to secure corporate liquidity, bridge the loss of sales and save jobs.

Even before the coronavirus pandemic, the slower economic momentum and subdued inflation forecasts prompted a number of central banks to ease their monetary policies in the second half of 2019. The short phase of monetary policy tightening that preceded this thus came to an abrupt end. In three steps, the Fed lowered its target corridor for the Federal Funds Rate by a total of 0.75 percentage points, from 2.25% to 2.50% in July to 1.50% to 1.75% at the end of October. In the euro area, the European Central Bank (ECB) lowered the interest rate on the deposit facility by 10 basis points to -0.50% in September and restarted its net asset purchases from November.

As the coronavirus outbreak and uncertainty on the financial markets continued to spread, many central banks took further extensive measures. At unscheduled meetings in March 2020, the Fed lowered its interest rate corridor in two steps to between 0% and 0.25%, and announced a comprehensive package of liquidity measures.

The ECB also responded. After risk premiums on the government bonds of individual euro countries, Italy especially, came under pressure, the ECB resolved a Pandemic Emergency Purchase Programme (PEPP) at a crisis meeting just one week after adopting a broad package of measures at a regular meeting. The ECB can purchase € 750 billion of public and private bonds in the current year under this programme. More flexible country-specific shares and more flexible shares of the individual asset classes are now possible as compared to the original programme. The ECB can now purchase government bonds of a potential crisis country more selectively.

Although investment activity in Germany was restrained and the industrial economy weak, demand for long-term loans of companies in the manufacturing industry continued to rise in 2019. The low interest rate environment and narrower options for internal financing played a part in this.

Despite the challenging economic environment, company insolvencies declined by 2.9% in 2019. The effects of the pronounced weak phase were clearly felt in the industrial sector, where the number of insolvencies rose again for the first time in 2019 by a relatively significant 7.1%.

Intensive competition continued in the banking sector. In conjunction with the low interest rate environment, pressure on banks' margins and net interest income steadily increased and thereby influenced lending policy beyond the lower lending rates. In search of more profitable investments, banks attempted firstly to boost maturity transformations and secondly to increase credit volumes in order to stabilise their income. Margin pressure continued unabated as a result of the competitive situation.

Significant events in the period under review

Changes in the Group

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

- In two stages effective 30 September 2019 and 7 October 2019, IKB AG acquired all shares in the fund companies Valin Funds S.A., SICAV-SIF, Luxembourg, and Valin Mittelstand Senior Debt Fund S.A., SICAV-SIF, Luxembourg, and dissolved them by way of simplified liquidation effective 27 December 2019 and 30 December 2019.
- Effective from the end of 31 December 2019, IKB Struktur GmbH sold all its shares in Istop 1 GmbH, Istop 2 GmbH, Istop 4 GmbH and Istop 6 GmbH (jointly referred to below as the "Istop companies") to IKB Beteiligungsgesellschaft 2 mbH. The control and profit transfer agreements between IKB Struktur GmbH and the Istop companies were terminated early from the end of 31 December 2019. Control and profit transfer agreements between IKB Beteiligungsgesellschaft 2 mbH and the Istop companies were entered into on 12 March 2020. The profit transfer agreements are effective retroactively as of 1 January 2020.
- The liquidation of AXA Immoselect Hauptverwaltungsgebäude GmbH & Co. Objekt Düsseldorf Uerdinger Straße KG was completed in December 2019 with the final deletion of the company from the commercial register.
- The liquidation of Argantis Beteiligungs-Holding GmbH was completed in November 2019 with the final deletion of the company from the commercial register.

Cancellation of silent participations

Effective 31 March 2020, IKB cancelled the silent participations with Capital Raising GmbH and Hybrid Raising GmbH (collectively referred to as the "silent partners") established on the basis of the respective agreements on the creation of a silent partnership concluded in 2002 and 2004 (collectively referred to as the "investment agreements") in accordance with section 6 (3) sentence 3 of the investment agreements. As a result of these cancellations, in accordance with the contractual provisions, IKB is required to pay a repayment amount of € 200,000,000 each, i.e. € 400,000,000 in total, to the payment office of the bonds issued by the silent partners (ISIN DE0007490724/ISIN DE000A0AMCG6) ("bonds") for the account of the silent partners in July 2020. In accordance with the terms and conditions of the bonds, the silent partners must use the redemption amount to repay the bonds on 15 July 2020.

Capital reduction and reclassification of share capital (share split)

The General Meeting of IKB AG resolved on 18 February 2020 to reduce the share capital of IKB AG by € 1,521,465,402.88 from 1,621,465,402.88 to € 100,000,000 by retiring treasury shares by simplified procedure in accordance with section 237 (3) no. 1 Aktiengesetz (German Stock Corporation Act) in order to (partially) offset the losses incurred by the end of the 2019/20 financial year. The General Meeting also resolved to reclassify the remaining share capital of € 100,000,000, replacing each no-par-value share with a notional share of capital of € 2.56 with 2.56 no-par-value shares with a notional share of capital of € 1.00 (1:2.56 share split).

On 21 February 2020, LSF6 Europe Financial Holdings, L.P., Delaware, Dallas, USA, provided IKB AG with 594,322,423 fully paid-in no-par-value shares for retirement free of charge to implement the capital reduction resolution. The capital reduction became effective on retirement of the shares and subsequent entry in the commercial register on 9 March 2020.

The reclassification of the share capital (share split) was entered in the commercial register on 20 March 2020 and thereby became effective.

The share capital thus consists of 100,000,000 shares with a notional value of € 1 per share as of the end of the reporting period. The share capital amounts to € 100,000,000.

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, stepped 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.

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.

Net assets, financial position and results of operations

Unless noted otherwise, the comments below apply to both the Group management report (Group) and the management report of IKB AG (IKB AG).

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, in the financial year 2019/20 IKB's new business volume at € 2.8 billion was down on the previous year, contrary to the forecast. The proportion of business with public programme loans increased by two percentage points to 43%.

Results of operations

IKB generated consolidated net income after taxes of € 8 million in the financial year 2019/20 (previous year: consolidated net loss of € 41 million). In this financial year, the consolidated result is negatively impacted by high non-recurring effects. In the context of ending the silent participations with Capital Raising GmbH and Hybrid Raising GmbH expenses of € 48 million were incurred. As part of the ongoing cost optimisation at the Bank, an additional € 21 million in restructuring expenses occured. Additional expenses of € 2 million are due primarily to transaction costs and consultancy fees in connection with the capital reduction and ending the silent participations. Adjusted for these extraordinary expenses totalling € 71 million, a consolidated result of €+80 million was generated.

IKB AG reported a net loss for the year after taxes of € 116 million (previous year: net loss for the year of € 44 million). In contrast to the Group and deviating from the forecast of the 2018/19 annual report, IKB AG did not generate a positive result. This was due in particular to non-recurring expenses of € 120 million from terminating the silent participations and the above described restructuring expenses of € 21 million and € 2 million transaction costs and consultancy fees which were also generated at IKB AG. Without these expenses, IKB AG would have generated a net result for the year of €+27 million.

Thus the consolidated result was in line with the forecast published in the 2018/19 annual report which was maintained during the year.

In the past financial year, an operating result before risk provisions, which is composed of net interest income, net fee and commission income and administrative expenses for the Group of € 85 million (previous year: € 37 million) was achieved and at IKB AG € 78 million (previous year: € 98 million). The increase in the Group is primarily attributable to a further reduction of administrative expenses to € 156 million (previous year: € 192 million). In the Group there was a positive impact from the increase in net interest income to € 201 million (previous year: € 193 million) and net fee and commission income to € 40 million (previous year: € 37 million). The lower operating result before risk provisions at IKB AG is due primarily to the decline in net interest income to € 190 million (previous year: € 247 million), which included high non-recurring income from subsidiaries in the previous year, especially from the sale of the office building of the IKB headquarters in Düsseldorf. At IKB AG there was a positive impact on the operating result before risk provisions due to the reduction of administrative expenses to € 153 million (previous year: € 187 million) and the rise in net fee and commission income to € 41 million (previous year: € 38 million).

Net interest income

Net interest income includes interest income and expenses, current income from financial instruments, equity investments, investments in affiliated companies as well as income from profit-pooling, profit transfer and partial profit transfer agreements.

The Group’s net interest income was € 201 million in the period under review. As expected this was higher than the previous year figure of € 193 million. In the reporting period, IKB AG reported net interest income of

€ 190 million (previous year: € 247 million). The equivalent IKB AG figure in the previous year was positively impacted by high non-recurring income from subsidiaries (€ 65 million), in particular from the sale of the office building in Düsseldorf. Adjusted for this income, the net interest income trend is also stable at IKB AG. Key reasons for this were that at both the Group and at IKB AG lower refinancing expenses and higher interest from securities largely compensated for the net interest expenses from derivatives.

Net fee and commission income

As forecast, net fee and commission income in the Group and IKB AG was increased to € 40 million and € 41 million respectively (previous year: Group € 37 million and IKB AG € 38 million). This increase is due to higher commission from lending business, particularly from arrangement mandates in the syndicate business and from the issue business.

Administrative expenses

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

Administrative expenses were reduced more strongly than planned, by € 37 million in the Group to € 156 million and by € 34 million to € 153 million at IKB AG.

On the back of continued cost-cutting and optimisation measures, personnel expenses were reduced further (Group: by € 18 million to € 81 million; IKB AG: by € 16 million to € 81 million).

Other administrative expenses and depreciation and write-downs of intangible and tangible assets decreased by € 19 million to € 75 million at Group level (IKB AG: by € 18 million to € 72 million). In addition to lower building and renovation costs, there was also a further reduction in advisory costs due to project portfolio optimisation.

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 net expense in net other income declined by € 59 million to € 47 million (IKB AG: decline by € 8 million to € 164 million). This is due to the following factors:

In the Group the extraordinary result totalled € 71 million in expenses. Of this, after consolidation differences recognised in profit or loss, there was a net expense of € 48 million from the termination of the silent participations. Restructuring expenses resulted in extraordinary expenses of € 21 million (previous year: € 4 million). Further other extraordinary expenses of € 2 million related primarily to costs in connection with terminating the silent participations and the capital reduction.

In IKB AG, the termination of the silent partnerships resulted in expenses of € 120 million. Of this, € 400 million were extraordinary expenses relating to the cancellation of the silent participations of Capital Raising GmbH and Hybrid Raising GmbH and the related agreement to pay them back at the nominal amount.

IKB AG generated income of € 280 million from the reversal of a write-down on IKB Lux Beteiligungen S.á.r.l. The reversal was possible as a result of income of € 280 million from the sale of the bonds issued by the IKB AG silent partnerships from IKB Lux Beteiligungen S.á.r.l to IKB AG.

In the past financial year, at IKB AG the restructuring expenses resulted in extraordinary expenses of € 21 million (previous year: € 4 million). In addition, at IKB AG there were further other extraordinary expenses of € 2 million primarily in connection with terminating the silent participations and the capital reduction.

Mainly due to closing out payments from interest swaps from derivative transactions in the banking book there were net expenses of € 346 million (IKB AG: € 346 million net expenses) after expenses of € 152 million in the previous year (IKB AG: € 152 million net expenses).

In long-term financial investments, particularly from sales and from the measurement of bonds, there was net income of € 367 million (IKB AG: € 368 million) after net income of € 134 million (IKB AG: € 127 million income) in the previous year.

Interest on pension obligations resulted in expenses of € 33 million (IKB AG: € 33 million) in the reporting period after expenses of € 35 million in the previous year (IKB AG: € 35 million).

The lower performance of the assets outsourced under contractual trust arrangements (CTA) resulted in net expenses of € 12 million (IKB AG: expenses of € 12 million) in the reporting period after net income of € 4 million in the previous year (IKB AG: net income of € 4 million).

Within the Group the return of special fund units resulted in income of € 43 million.

Net risk provisioning

Net risk provisioning comprises depreciation and write-downs of receivables, specific securities and additions to loan loss provisions. Within the Group net risk provisioning declined by € 6 million from € 36 million to an expense of € 30 million compared to the 2018/19 financial year (IKB AG: by € 6 million from € 35 million to an expense of € 29 million).

The lower net risk provisioning is due primarily to lower depreciation and write-downs of receivables and specific securities and loan loss provisions of € 28 million (previous year: € 54 million) in the Group and of € 27 million (previous year: € 52 million) at IKB AG. On the other hand there were expenses of € 1 million from additions to the general valuation allowances of (previous year: € 19 million income) in the Group and expenses of € 2 million (previous year: € 17 million income) at IKB AG. Additional information on risk provisioning can be found in the “Provisions for possible loan losses” table in “section 3. Risk report”.

Taxes

Tax expense amounted to € 1 million (IKB AG: € 1 million) in the reporting period after € 64 million tax income (IKB AG: € 65 million) in the previous year. Tax income in the previous year resulted from the refund of taxes due to the recognition by the tax authorities of the retroactive reinstatement of the restructuring clause of section 8c German Corporate Income Tax Act (KStG) (€ 112 million), which was partially offset by the write-down on deferred tax assets in profit or loss of € 44 million.

Net income

In line with the forecast in the IKB 2018/19 annual report, a consolidated net income of € 8 million (previous year: € 41 million consolidated net loss) was generated. Adjusted for the extraordinary result, a consolidated result of €+80 million was generated.

Deviating from the forecast of the 2018/19 annual report and contrary to the Group, IKB AG did not generate net income for the year, but a net loss for the year of € 116 million (previous year: € 44 million net loss for the year). With the non-recurring expenses in connection with terminating the silent participations, restructuring expenses as well as transaction costs and advisory fees in connection with the capital reduction and terminating the silent participations, IKB AG generated a net result for the year of €+27 million.

Net assets

The Group's total assets rose by € 0.5 billion in the period under review, amounting to € 16.6 billion on the reporting date (IKB AG: increase by € 1.0 billion to € 17.7 billion).

The Group's gross credit volume, which also includes off-balance sheet business (see also section 3. "Risk report"), fell from € 19.0 billion to € 18.3 billion (IKB AG: from € 19.4 billion to € 19.3 billion) as of the reporting date, and essentially comprises medium-term and long-term loans to banks, loans to customers, bonds, asset derivatives in the non-trading book and guarantees.

Assets

In the Group receivables from banks increased by € 0.9 billion to € 2.2 billion at the reporting date (IKB AG: from € 1.3 billion to € 2.2 billion), largely as a result of granting cash collateral.

Deviating from the forecast, the Group's receivables from customers amounted to € 9.5 billion, lower than the previous year's figure of € 9.8 billion. Due to the ongoing muted demand for credit on the market combined with selective lending by IKB and an ongoing tough competitive situation, new business volume did not compensate for the repayment effects. Thus IKB AG's receivables from customers decreased correspondingly by € 0.2 billion to € 10.4 billion.

In the context of ongoing portfolio management, bonds and other fixed-income securities declined from € 4.0 billion to € 3.8 billion (IKB AG: from € 4.0 billion to € 3.8 billion).

At IKB AG due to the acquisition of the Group internal bonds issued by the silent partners of the Capital Raising and Hybrid Raising, equities and other non-fixed-income securities rose to € 0.4 billion (previous year: € 0.0 million).

Due in particular to the simplified liquidation and subsequent accrual of Valin Mittelstand Senior Debt Fund S.A., SICAV-SIF to IKB AG investments in affiliated companies at IKB AG declined to € 0.2 billion (previous year: € 0.3 billion).

Liabilities

Due particularly to higher refinancing via the Eurex, liabilities to banks in the Group increased by € 0.3 billion to € 7.7 billion (IKB AG: by € 0.3 billion to € 7.7 billion).

Due primarily to higher business customer deposits and a decline in the promissory note loans issued, liabilities to customers rose by € 0.4 billion to € 6.1 billion (IKB AG: by € 0.6 billion to € 6.5 billion).

Securitised liabilities in the Group declined by € 0.1 billion year-on-year to € 0.3 billion. The figure for IKB AG decreased by € 0.2 billion to € 0.7 billion.

Other liabilities at IKB AG moved up by € 0.4 billion to € 0.5 billion (previous year: € 0.1 billion) due primarily to internal payment obligations as a result of terminating the silent partnerships with Capital Raising GmbH and Hybrid Raising GmbH.

Subordinated liabilities were stable year-on-year at € 0.8 billion in the Group and € 0.8 billion at IKB AG.

The fund for general banking risks remained unchanged year-on-year at € 0.6 billion.

Equity

Despite the consolidated net income, the Group's equity declined by € 41 million from € 830 million to € 789 million in the wake of the disposal of minority interests on account of the deconsolidation of Valin Mittelstand Senior Debt Fund S.A., Luxembourg (IKB AG: reduction in equity by € 116 million from € 866 million to € 750 million due to the net loss for the year).

Effective 9 March 2020, in the framework of a simplified capital reduction by the withdrawal of own shares previously provided free of charge, IKB AG share capital was reduced by € 1,521 million to € 100 million and the released funds transferred to the statutory reserve fund. Subsequently when preparing the annual financial statements, the statutory reserve fund of € 2,113 million and the free capital reserves of € 511 million were reversed to offset the loss carryforward from the previous years (€ 2,508 million) and the net loss for the year generated in financial year 2019/20 (€ 116 million). As of 31 March 2020, IKB AG report net retained profits of € 0. Due to the deviating loss carryforward from previous years (€ 2,592 million) and the consolidated net income generated in financial year 2019/20 (€ 8 million), as of 31 March 2020 the Group reported net retained profits of € 41 million.

Thus, the share capital consists of 100 million shares with a notional value of € 1.00 per share as of the end of the reporting period. The share capital amounts to € 100 million.

After deduction of the payout block of almost € 180 million, on the basis of the free capital reserves there are available distributable items amounting to more than € 460 million.

As result of the termination of the silent participation as of 31 March 2020, the silent partners of the silent participations Capital Raising GmbH and Hybrid Raising GmbH in IKB AG, which were recognized in equity with a carrying amount of € 0 due to the previous loss participation, have been derecognised.

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 past financial year and 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 31 March 2020.

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

Adjusted for the extraordinary result, the Group generated a result of €+80 million, IKB AG of €+27 million. The result of operations is thus satisfactory for the Bank. Net assets and the financial position are in order.

From the Bank's perspective, its business performance 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/common equity tier 1 ratio is calculated as the ratio of tier 1 capital/CET 1 to regulatory risk-weighted assets. Details of the reconciliation of regulatory CET 1 and risk-weighted assets can be found in the information on the regulatory capital situation in “section 3. Risk report".

As of 31 March 2020, the CET 1 ratio amounted to 12.0% for the IKB Group and 11.9% 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 solely for monitoring purposes and in line with CRR II will become binding only from 30 June 2021.

In line with the transitional provisions and applying the terms 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: 6.8%) as of 31 March 2020. 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 result was in line with the forecast published in the 2018/19 annual report which was confirmed during the year. In contrast to the Group and deviating from the forecast of the 2018/19 annual report, IKB AG did not generate a positive result. This was due in particular to expenses in connection with terminating the silent participations and the addition to restructuring expenses.

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 64.6% at Group level in the financial year 2019/20 (previous year: 83.8%), thereby being within the range of the forecast 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 235% at IKB Group level as of 31 March 2020 (IKB AG: 225%) and, as forecast, 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.

Combined separate non-financial report

The non-financial Group statement for the financial year 2019/20 in accordance with section 340i (5) in conjunction with section 315b of the German Commercial Code (HGB), which has been combined with the non-financial statement of the parent company in accordance with section 340a (1a) in conjunction with section 289 HGB, has been published at https://www.ikb.de/en/investor-relations/financial-reports.

3. Risk report

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. Special committees assist the Board of Managing Directors in risk management and decision-making. The Board of Managing Directors discusses the risk situation, business and risk strategy and the risk management of the Bank in detail at quarterly 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. Mr Momburg is responsible for the independent, portfolio-based monitoring of default, market and liquidity risks and non-financial risks by risk controlling and bears departmental responsibility for the compliance functions. Dr Wiedmann is responsible for the monitoring of earnings management and capital resources. 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. The Internal Audit department is an independent, process-independent and neutral monitoring unit within the IKB Group. Internal Audit 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 Internal Audit at the outsourcing companies. Using quarterly reports and an annual report, 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 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 has received approval to apply the IRB approach for counterparty default risk. The Bank uses the standardised approach to calculate the credit valuation adjustment charge, the base indicator approach for operational risk and the prescribed standard 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 as applicable on approval of the accounts.

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

Figures in € million	**31 Mar. 2020[2)]**	**31 Mar. 2019[2)]**
Counterparty default risk (including CVA charge € 34 million; previous year: € 155 million)	10,237	10,393
Market risk equivalent	559	193
Operational risk	609	686
Total risk-weighted assets (RWA)	**11,405**	**11,272**
Common equity tier 1 (CET 1)	1,368	1,360
Additional tier 1 (AT 1)	15	23
Total Tier 1 (T 1)	**1,383**	**1,383**
Tier 2 (T 2)	693	738
Own funds	**2,076**	**2,121**
CET 1 ratio	**12.0%**	**12.1%**
T 1 ratio	12.1%	12.3%
Own funds ratio	18.2%	18.8%
Capital ratios (fully phased)		
CET 1 ratio	**12.0%**	**12.1%**
T 1 ratio	12.0%	12.1%
Own funds ratio	18.1%	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 31 March 2020 and 31 March 2019 respectively, including transitional provisions and the interpretations published by the regulatory authorities. The possibility that future EBA/ECB standards and interpretations or other supervisory actions will lead to a retrospective change in the CET 1 ratio cannot be ruled out.

2) Figures after approval of the accounts

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

Figures in € million	31 Mar. 2020[2)]	31 Mar. 2019[2)]
Counterparty default risk (including CVA charge € 34 million; previous year: € 155 million)	10,196	10,238
Market risk equivalent	411	45
Operational risk	479	510
Total risk-weighted assets (RWA)	**11,085**	**10,793**
Common equity tier 1 (CET 1)	1,324	1,445
Additional tier 1 (AT 1)	0	0
Total Tier 1 (T 1)	**1,324**	**1,445**
Tier 2 (T 2)	633	685
Own funds	**1,957**	**2,130**
CET 1 ratio	**11.9%**	**13.4%**
T 1 ratio	11.9%	13.4%
Own funds ratio	17.7%	19.7%
Capital ratios (fully phased)		
CET 1 ratio	**11.9%**	**13.4%**
T 1 ratio	11.9%	13.4%
Own funds ratio	17.6%	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 31 March 2020 and 31 March 2019 respectively, including transitional provisions and the interpretations published by the regulatory authorities. The possibility that future EBA/ECB standards and interpretations or other supervisory actions will lead to a retrospective change in the CET 1 ratio cannot be ruled out.

2) Figures after approval of the accounts

At 12.0% at Group level and 11.9% 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).

Minimum Requirements for Eligible Liabilities (MREL)

The BaFin has not obligated IKB to requirements relating to a MREL ratio beyond the existing pillar 1 requirements, i.e. no recapitalisation amount within the meaning of Article 2 Delegated Regulation (EU) 2016/1450 has been determined.

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.

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, hidden liabilities/reserves from loans, securities, derivatives and pension obligations are included.

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

	31.3. 2020 in € million	31 Mar. 2020 in %	31 Mar. 2019 in € million	31 Mar. 2019 in %
Counterparty default risk	531	32%	630	41%
Market price risk	658	40%	397	26%
Operational risk	394	24%	424	28%
Business risk	76	4%	78	5%
Total	**1,660**	**100%**	**1,530**	**100%**
less diversification effects	-175		-177	
Overall risk position	**1,485**		**1,352**	
Risk coverage potential	**1,849**		**1,899**	

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

Risk coverage potential in the economic perspective declined by € 50 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 € 133 million to € 1,485 million. The negative impact on the risk coverage potential and the increase of the risk position is due primarily to the COVID-19 pandemic. Taking diversification effects into account, risk coverage potential therefore exceeds the overall risk position. Utilisation of the risk coverage potential increased to 80% in comparison to 31 March 2019 (31 March 2019: 71%). Even excluding diversification effects, the risk coverage potential still exceeds the overall risk position with utilisation of 90% (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 with different levels of severity on a quarterly basis and as required. The outcome is that, assuming the plan scenario occurs in reality, in the normative perspective all regulatory requirements will be complied with and in the economic perspective the risk coverage potential will exceed the capital requirements for unexpected risks.

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

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 (counterparty default risks, market price risks, liquidity risks, non-financial risks with various sub-risk types, business risks and strategic 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. All risk sub-strategies were reviewed in the financial year 2019/20 and revised to reflect the current business focus and the economic situation as required.

Credit risk strategy

In its lending business, the Bank intends to limit its overall risk and thereby its allowances for losses on loans and advances in the coming financial years as well. In addition to restricting new business to good credit standings to improve or stabilise the average credit rating over time, this also includes limiting concentration risks at individual borrower and borrower group levels.

Given its core business, the regional focus of IKB's corporate financing business will remain on Germany in future. The concentration of risk this entails is accepted in pursuing the Bank's business objectives.

With regard to its target customers in the high-end midmarket segment, industry diversification is also significant. In assessing its limits, the Bank looks at both the significance of the industry to the German economy and an analysis of the industry in terms of its forecast development. Sustainability aspects are taken into account in the assessment of forecast industry development.

The portion of the credit portfolio relating to foreign obligors is predominantly bonds and receivables from finance and public sector obligors that the Bank holds in its investment portfolio for diversification purposes and as a cash investment.

Market price risk strategy

The market price risk strategy describes the risk profile IKB is prepared to accept when entering into market price risk and what measures are taken to prevent undesirable risks. Above all, the main risk drivers are credit spread risks and interest rate risks, which the Bank will continue to focus on with a view to its forecast net interest income in light of the continued expected low level of interest rates in the financial year 2020/21.

Liquidity strategy

The current liquidity protection is primarily based on the acceptance of customer deposits guaranteed by the Deposit Protection Fund, secured borrowing on the interbank market and participation in the ECB tender procedure. In addition to ensuring that the Bank is able to meet its payment commitments at all times, the aim of liquidity management is to ensure permanent access to affordable, diversified refinancing options. A diversified portfolio of ECB-eligible liquid securities serves as a liquidity reserve.

Non-financial risk strategy

The aim of non-financial risk management is to strike a balance between risk acceptance and the costs entailed by risk reduction or avoidance, and to reduce the losses resulting from non-financial loss events. Based on data from the business impact analysis, which tracks and assesses the non-financial risks that are inherent to IKB's business, processes and systems, contingency plans are prepared for all risks classified as "critical".

Counterparty default risk

Within counterparty default risk, IKB distinguishes between credit risk and counterparty risk.

Credit approval process and individual exposure monitoring

Key tasks within the scope of the credit approval process (front office-independent credit analysis, cash flow analysis, loan approval) and exposure monitoring (including intensive support and problem exposure processing) are carried out by the front office-independent Credit Risk and Contract Management central division and are thereby separated from front office functions (acquisition and business initiation) in accordance with regulatory requirements.

Loan and collateral agreements and subsequent adjustments are prepared by lawyers from the same division. Collateral agreements are prepared on the basis of unchanged templates by Operations, Programme and Transformation Management employees who work independently of front office, and in more complex individual cases with the involvement of lawyers in the Credit Risk and Contract Management division. Every credit decision is based on a detailed credit analysis that shows and assesses the information necessary and available for the decision and comprehensively documents this in a decision paper. In addition to the analysis of the economic circumstances of borrowers based on annual financial statements, forecasts and liquidity planning, credit analysis places a considerable focus on the sales and procurement markets of the respective borrowers, their positioning in the relevant markets, their prospects for the future and an exit scenario. At the same time, importance is attached to the mobility of loans, i.e. their eligibility for transfer or syndication.

Existing credit exposures are reviewed by Credit Risk Management every twelve months using the appropriate processes and approval procedures. Furthermore, individual sub-portfolios and key individual exposures are analysed with regard to their risk situation and exposure strategies derived on an annual basis.

Rating process and systems

IKB uses rating systems tailored to the respective customer segment or the specific finance type to carry out credit assessments. The development, maintenance and operation of some of these rating systems have been outsourced to external service providers. The individual rating classes are assigned probabilities of default based on historical defaults. Since 21 March 2019, the “Corporate Rating” rating system has been approved to apply the IRB approach to the internal corporate rating.

Quantifying credit risk

The quantification of the counterparty default risk is based on a portfolio model. This model takes into account individual aspects of each loan or investment (amount, collateralisation, term, sector, group affiliation, rating) plus a large number of other variables, for example default probability, spreads in statistical default probability, collateral realisation quotas, sector/asset correlations based on the Bank’s experience or on external reference sources.

Systems for preparing internal credit assessments and those for approval, monitoring and management processes in the lending business are tested at least once a year in the context of validation and benchmarking processes.

Portfolio monitoring and management

When monitoring portfolios, the central focus is on examining the entire credit portfolio. Industry and market changes are monitored by back office units specialising in industry risks. Front office portfolio management experts were also consulted to round off the overall picture. The aim is to recognise and limit sector risks in lending business, taking expected developments into account.

Structure of counterparty default risk

The credit volume as of 31 March 2020 was composed as follows:

Table: Credit volume

	Group			IKB AG		
in € million	**31 Mar. 2020**	**31 Mar. 2019**	**Change**	**31 Mar. 2020**	**31 Mar. 2019**	**Change**
Receivables from banks	2,199	1,268	931	2,194	1,264	930
Receivables from customers	9,530	9,823	-293	10,433	10,652	-219
Bonds and other fixed-income securities not including own bonds	3,811	3,937	-126	3,820	3,947	-127
Equities and other non-fixed-income securities	304	463	-159	351	-	351
Equity investments[1)]	0	1	-1	-	-	-
Subtotal: Balance sheet assets	**15,844**	**15,492**	**352**	**16,798**	**15,863**	**935**
Contingent liabilities[2)]	1,807	2,268	-461	1,883	2,326	-443
Asset derivatives in the non-trading book[3)]	459	977	-518	459	977	-518
Write-downs	179	189	-10	176	185	-9
Securities lending	-	50	-50	-	50	-50
Gross credit volume	**18,289**	**18,976**	**-687**	**19,316**	**19,401**	**-85**
For information purposes: other significant counter-party default risks outside the gross credit volume						
Irrevocable loan commitments	762	1,488	-726	868	1,488	-620
Investments in associated and affiliated companies[4)]	8	6	2	168	259	-91

1) In the Group, investments after consolidation are part of the gross credit volume, at IKB AG they are outside the gross credit volume
2) Before deducting risk provisions
3) Including € 14 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
4) IKB AG: including equity investments

All in all, the IKB Group's gross credit volume decreased by € 0.7 billion between 31 March 2019 and 31 March 2020. The change results primarily from a reduction of receivables from customers, contingent liabilities and asset derivatives in the non-trading book. On the other hand there is an increase of short-term deposits with banks with extremely good credit ratings. In the past financial year, restrained credit demand is shown in a decline of the irrevocable loan commitments by € 0.7 billion. Furthermore, as of 31 March 2020, the coronavirus crisis had not yet had any significant impact on the portfolio structure of the counterparty default risk.

At IKB AG, there is a similar picture. The additions of € 351 million under “Equities and other non-fixed-income securities” at IKB AG are due to the fact that IKB AG acquired bonds of the fully consolidated issuers Capital Raising GmbH and Hybrid Raising GmbH from IKB Lux Beteiligungen S.à.r.l., Munsbach, Luxembourg.

Size category structure

Table: Credit volume by size – Group

	31 Mar. 2020 in € million	31 Mar. 2020 in %	31 Mar. 2020 Number[1)]	31 Mar. 2019 in € million	31 Mar. 2019 in %
Under € 5 million	770	4%	1,847	752	4%
Between € 5 million and € 10 million	997	5%	137	1,121	6%
Between € 10 million and € 20 million	2,563	14%	179	2,493	13%
Between € 20 million and € 50 million	4,194	23%	141	4,385	23%
Over € 50 million	9,332	51%	64	9,730	51%
Subtotal	**17,856**	**98%**	**2,368**	**18,481**	**97%**
Risk transferred to third parties[2)]	433	2%	-	495	3%
Total	**18,289**	**100%**	**2,368**	**18,976**	**100%**

1) Borrower groups in accordance with section 19 KWG
2) Hermes guarantees, indemnifications, risks transferred

With a largely unchanged overall structure, the reduction of credit volume was evident primarily in the size categories from € 20 million, particularly in the “over € 50 million” size category.

There are no particular discrepancies between IKB AG and the Group regarding the structure of size categories.

Collateral, risk transfer and securitisation

Table: Credit volume by type of collateral – Group

	31 Mar. 2020 in € million	31 Mar. 2020 in %	31 Mar. 2019 in € million	31 Mar. 2019 in %
Property liens and charges[1)]	2,498	14%	2,544	13%
Transfers of ownership and leased assets[1)]	647	4%	735	4%
Other collateral[1) 2)]	4,049	22%	3,940	21%
Collateralised[1)]	392	2%	891	5%
Secured credit volume	**7,586**	**41%**	**8,110**	**43%**
Without collateral[3)]	10,270	56%	10,371	55%
Subtotal	**17,856**	**98%**	**18,481**	**97%**
Risk transferred to third parties[4)]	433	2%	495	3%
Total	**18,289**	**100%**	**18,976**	**100%**

1) Including credit portions beyond collateral value
2) e.g. assignment of receivables, participation rights, assignment of shares, ownership rights, subordinations, positive/negative pledges
3) Including collateral provided by the Bank on the interbank market in the form of term money and call money for derivatives and bonds (including Pfandbriefe)
4) Hermes guarantees, indemnifications, risks transferred

The provision of cover by means of traditional collateral (property liens, transfers of ownership and guarantees) is still of considerable importance for the traditional lending business at IKB. Economic hedges are not established by creating valuation units for accounting purposes in line with section 245 HGB. The credit volume secured in this way amounts to 40% (31 March 2019: 38%). “Without collateral" mostly relates to "banks and the financial sector" (€ 5.2 billion; 31 March 2019: € 4.7 billion) and the public sector (€ 2.3 billion; 31 March 2019: € 2.8 billion). Where the Bank provides collateral in the form of cash and term deposits for derivatives on the interbank market, these are also reported under “Without collateral". € 2.8 billion of "Without collateral" relates to corporate financing (31 March 2019: € 2.9 billion).

53% (31 March 2019: 59%) of risk transfers relate to liability sub-participations by banks. Around 47% (31 March 2019: 41%) of the risks relate to public guarantees (predominantly Hermes cover).

The structure of collateral at IKB AG is comparable to that of the Group.

Geographical structure

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

Table: Credit volume by region – Group

	31 Mar. 2020 in € million	31 Mar. 2020 in %	31 Mar. 2019 in € million	31 Mar. 2019 in %
Germany	11,420	62%	10,449	55%
Outside Germany	6,436	35%	8,032	42%
Western Europe	4,703	26%	5,642	30%
Eastern Europe	692	4%	898	5%
North America	844	5%	1,075	6%
Other	197	1%	417	2%
Subtotal	**17,856**	**98%**	**18,481**	**97%**
Risk transferred to third parties[1)]	433	2%	495	3%
Total	**18,289**	**100%**	**18,976**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

Alongside an increase in Germany, due primarily to higher deposits with banks, there was a decline outside Germany. Western Europe primarily saw a reduction in the derivative volume as well as the bond volume in Great Britain, Portugal, Spain and supranational bonds.

The public-sector credit volume in Western Europe for the GIIPS nations (Greece, Ireland, Italy, Portugal and Spain) totals € 77 million (31 March 2019: € 697 million). As of 31 March 2020, the volume relates entirely to Ireland (31 March 2019: € 156 million), while Spain (31 March 2019: € 349 million) and Portugal (31 March 2019: € 192 million) no longer have any credit volume in this sector. There was no credit volume in Greece or Italy as of 31 March 2019 or 31 March 2020.

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

Developments were the same at IKB AG.

Sector structure

Table: Credit volume by sector – Group

	31 Mar. 2020 in € million	31 Mar. 2020 in %	31 Mar. 2019 in € million	31 Mar. 2019 in %
Industrial sectors	9,349	51%	9,453	50%
Chemical industry	736	4%	825	4%
Energy supply	679	4%	678	4%
Automotive	669	4%	569	3%
Food industry	617	3%	541	3%
Mechanical engineering	586	3%	629	3%
Other industrial sectors	6,062	33%	6,211	33%
Real estate	551	3%	572	3%
Financial sector	519	3%	1,044	6%
Banks	5,087	28%	4,631	24%
Public sector	2,350	13%	2,781	15%
Subtotal	**17,856**	**98%**	**18,481**	**97%**
Risk transferred to third parties[1)]	433	2%	495	3%
Total	**18,289**	**100%**	**18,976**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

The degree of diversification in the industrial sectors remained high, with no single sector accounting for more than 4% of the portfolio.

Credit rating structure

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

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

	31 Mar. 2020 in € million	31 Mar. 2020 in %	31 Mar. 2019 in € million	31 Mar. 2019 in %
1-4	6,951	38%	6,164	32%
5-7	4,388	24%	5,566	29%
8-10	4,710	26%	4,842	26%
11-13	1,365	7%	1,525	8%
14-15	288	2%	232	1%
Non-performing assets[2)]	154	1%	152	1%
Subtotal	**17,856**	**98%**	**18,481**	**97%**
Risk transferred to third parties[3)]	433	2%	495	3%
Total	**18,289**	**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

The higher deposits with banks is shown in the increase of very good (1-4) ratings, while there has been a pro rata reduction of the good (5-7) ratings, primarily as a result of the reduction of bonds and CDS sellers in the public sector as well as in the finance and bank sector.

Otherwise the development of the rating structure was unremarkable.

Non-performing assets

Non-performing assets are credit volumes with debtors that show a debtor default in accordance with Article 178 of the Capital Requirements Regulation (CRR). Debtor default exists if insolvency proceedings have been initiated, interest or redemption payments have been in default for more than 90 consecutive days, specific risk provisions were recognised or there are other clear indications that the debtor cannot fulfil its contractual obligations. Securities are classified as non-performing assets if the Bank considers permanent impairment to be probable.

Exposures without default, which are managed by the Bank's units specialising in restructuring, are not considered non-performing assets, but are subject to intensive monitoring together with non-performing assets. Non-performing assets and other exposures managed by the units specialising in restructuring amounted to € 0.4 billion in total as of 31 March 2020 (31 March 2019: € 0.3 billion).

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

	31 Mar. 2020 in € million	31 Mar. 2019 in € million	Change in € million	Change in %
Assets with specific risk provisioning	134	143	-9	-6%
Non-impaired	20	9	11	122%
Total	**154**	**152**	**2**	**1%**
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)]	1.3%	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:
- € 5 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).
- € 5 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

Even with the outbreak of the COVID-19 pandemic, as of the current reporting date the development of non-performing assets is unremarkable, remaining at a very low level. The increase of unimpaired non-performing assets is due to exposures which after restructuring and specific valuation allowances on the parts which cannot be restructured can recover in the process of time after passing through a good conduct period.

Provisions for possible loan losses

If the Bank's individual reviews establish that the respective contractual obligations are highly unlikely to be fulfilled by way of later payment or the liquidation of collateral, the receivable is classified as permanently impaired and a loss allowance in the form of a provision or specific risk provision is recognised. In determining the amount of the specific risk provisions, IKB takes the liquidation value of the collateral available into account in addition to future debt service payments by borrowers still possible.

In the event of acute risk of default, risk provisions are recognised for possible loan losses in the form of a specific risk provisions. For contingent liabilities, a provision is recognised in the event of threatened utilisation. Risk provisioning is also recognised in the form of a provision for permanent impairment of CDSs. See also the disclosures in the notes under (6) “Provisions for possible loan losses”.

Table: Provisions for possible loan losses – Group

	31 Mar. 2020 in € million	31 Mar. 2019 in € million	Change in %
Development of specific impairment losses/provisions[1]			
Opening balance	76.7	43.4	77%
Utilisation	-31.9	-14.1	>100%
Reversal	-13.6	-30.5	-55%
Reclassification and net interest expense and discounting	-	-5.2	-100%
Unwinding	-1.5	-1.2	25%
Additions to specific risk provisions/provisions	36.0	84.2	-57%
Effect of changes in exchange rates	-	0.1	-100%
Total specific risk provisions/provisions	**65.7**	**76.7**	**-14%**
General valuation allowances[2]			
Opening balance	117.7	137.1	-14%
Addition/reversal	1.1	-18.7	
Reclassification	-	-0.7	-100%
Total general allowances	**118.8**	**117.7**	**1%**
Total provisions for possible loan losses (including provisions)	**184.5**	**194.4**	**-5%**

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

Due to higher utilisation and lower additions, the volume of specific risk provisions and provisions declined in comparison to the previous year.

Total general allowances including country risk provisioning for customer receivables, receivables from banks, contingent liabilities and irrevocable loan commitments in the Group amounted to € 118.8 million (31 March 2019: € 117.7 million), while the figure for IKB AG amounted to € 118.2 million (31 March 2019: € 116.4 million). There were general allowances for securities of € 1.8 million (31 March 2019: € 4.6 million) in the Group and € 1.6 million (31 March 2019: € 4.1 million) at IKB AG.

The increase in general valuation allowances resulted from higher expected losses on receivables.

Risk reporting

All relevant information from lending transactions is prepared in detail by the Risk Controlling division in quarterly Group credit risk reports and presented and explained to the Board of Managing Directors. In addition, the Supervisory Board and the regulatory authorities receive an extensive risk report every quarter containing all key information on the overall risk position in the Group. During the coronavirus pandemic, the Supervisory Board is kept informed on current developments on the basis of ad hoc reports.

Liquidity risk

The identification and analysis of liquidity risk in terms of the insolvency risk are based on the expected cash flows for transactions that have already been contracted, supplemented by modelling, the planning of liquidity measures and new business and the liquidity reserve (options for borrowing with the ECB and cash on hand).

The future liquidity balances calculated in this manner are reduced further via additional stress components (market disruptions, credit disruptions, changes in conditions, etc.) and limited. Liquidity risk monitoring at IKB is also supplemented by an early warning system.

Treasury is responsible for the operational controlling of liquidity risks. The liquidity situation is also presented to the Asset Liability Committee of the Bank on a regular basis.

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 € 5.5 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.

As of 31 March 2020, the fact that the limited minimal liquidity balance is around € 0.7 billion higher than the liquidity limit shows that the liquidity situation is comfortable. 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 (assuming unchanged market values), the Bank is financed for a period of eight months and disposes over a liquidity reserve of € 1.8 billion.

The minimum liquidity coverage ratio is 100%. The minimum requirements were complied with at all times in the financial year 2019/20. The LCR was 235% at IKB Group level as of 31 March 2020 (IKB AG: 225%).

Refinancing situation

In addition to secured financing on the interbank market (especially Eurex Repo/bilateral 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.

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.

The details are shown in the following table:

Refinancing source (HGB book values including deferred interest)	31 Mar. 2020 in € million	31 Mar. 2019 in € million
Customer deposits	**5,461**	**4,703**
Retail customer deposits	2,636	2,560
Business customer deposits	2,825	2,143
Secured refinancing	**7,610**	**7,248**
Promotional loans	5,223	5,327
Interbank market	1,129	285
thereof Eurex	1,129	285
thereof others	-	-
ECB	1,258	1,636
thereof TLTRO	1,235	1,636
thereof open market	**23**	-
Unsecured refinancing	**865**	**1,412**
thereof bearer bonds (including buybacks)	233	429
thereof senior preferred	-	-
thereof senior non-preferred	233	429
thereof promissory note loans	632	983
thereof senior preferred	-	-
thereof senior non-preferred	632	983
thereof others	0	0
Subordinated/hybrid refinancing	**842**	**838**
thereof subordinated	767	762
thereof hybrid (Funding Trust)	75	76
Equity	**1,377**	**1,414**
thereof equity	792	829
thereof fund for general banking risks	585	585

Market price risk

IKB's market price risk comprises the risk factors of interest rates, credit spreads, FX (foreign exchange) rates, gold, stock market indexes and their volatilities. As IKB does not have a trading book, market price risk relates solely to non-trading book positions.

IKB enters into interest rate risk in the form of refinancing and structural risk.

The relevant credit spread risk for IKB results from securities, promissory note loans and credit derivatives. The specific management/hedging of credit spread risk on securities is performed selectively depending on the respective market environment.

IKB essentially only holds currency positions in USD.

Quantification and evaluation of market price risk

To measure market price risk, the Bank applies a value at risk (VaR) approach using a historical simulation based on the last 250 trading days, taking into account all relevant risk factors, i.e. interest rates, credit spreads, FX rates, gold, stock market indexes and their volatilities. All portfolios are valued on a daily basis. Stress tests and scenario analyses are conducted to supplement this.

For the purposes of daily operational risk monitoring, economic VaR is calculated at a 99% confidence level assuming a holding period of one day. In order to determine the Bank's risk-bearing capacity, VaR is also calculated at a confidence level of 99.9% (economic perspective) assuming a holding period of one year.

To support market risk management, risk factor sensitivities are calculated and reported regularly at the level of the individual transactions and on an aggregated portfolio basis.

Daily back testing is carried out in order to test the ability of the models used to make predictions. The Board of Managing Directors is informed of the results of back testing as part of quarterly risk reporting.

Market price risk management and hedging

The main task of market price risk management is the management of the market price-sensitive positions entered into by the individual segments. IKB uses a combination of risk indicators, earnings indicators and other indicators to manage market price risk.

Daily risk reporting to the Board of Managing Directors and Treasury comprises the evaluation of all positions, market price risk, net interest income and limit utilisation. Moreover, the Board of Managing Directors is regularly provided with information on relevant market developments, changes in the portfolio, measurement of the portfolio, earnings development and the market risk profile. The Supervisory Board is informed of market price risks every quarter in the context of overall risk reporting.

Year-on-year comparison of the market price risk profile

The following table shows the year-on-year development of the market risk profile at the level of the risk consolidation group in terms of the interest rate and credit spread basis point value and value at risk at a 99% confidence level and applying a holding period of one day. The increase in the value at risk figures is due primarily to high volatility on financial and capital markets as a result of the COVID-19 pandemic.

Table: Market price risk profile

in € million	**Value at 31 Mar. 2020**	**Value at 31 Mar. 2019**
Interest rate basis point value (BPV)	**-1.0**	**-0.9**
Credit spread BPV	**-8.4**	**-7.4**
VaR – interest rate and volatility	-23.5	-14.5
VaR – credit spread	-47.2	-22.1
VaR – FX and volatility	-2.6	-1.6
VaR – other	-5.1	0.0
Correlation effect	25.0	14.4
VaR (total)	**-53.4**	**-23.8**

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

Non-financial risks[1]

Operational risk

Operational risk describes the risk of a loss resulting from a lack of or failed internal processes, people or systems, or as a result of external events outside the sphere of influence of the Bank.

In addition to the analysis and identification of weaknesses and potential areas for optimisation in business processes, activities therefore also focus on expanding the security organisation and adapting the underlying processes on the basis of annual business impact analyses that look at the specific risk profiles for the individual segments and divisions and derive signals for risk management from this.

[1] Under “non-financial risks” IKB subsumes all risks intrinsically related to business operations, which do not primarily serve income generation such as credit, market and liquidity risks. In addition to operating risks, non-exhaustive examples are reputation, legal and IT risks. They do not include strategic and business risks.

All significant loss events that occur or almost occur are compiled in a central loss database and examined for how they were caused and the impact they had (e.g. impact on the Bank's reputation). The Board of Managing Directors is informed about operational risks in addition to individual losses and how they are distributed among the individual business units on a quarterly basis. In the event of risks or (material) losses which have occurred, an immediate report is submitted to the Chief Risk Officer and, if necessary, to the members of the Board of Managing Directors responsible for the departments which were also affected.

The gross loss volume identified in the financial year amounted to a total of € 1.3 million at Group level (previous year: € 2.7 million[2]). Around € 1.3 million of this figure related to IKB AG (previous year: € 2.7 million[2]). 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.

Currently specific loss reports resulting from the current coronavirus crisis have a non-significant level. At the same time, due to the crisis-driven situation, an increase in loss events cannot be excluded for the coming financial year.

Legal risk

Legal risk is also included in non-financial risk. This constitutes the risk of losses incurred by breaching general statutory conditions, new statutory conditions or changes to or interpretations of existing statutory regulations (e.g. high court decisions) which are unfavourable for the Bank. Liability risk resulting from contractual agreements also forms part of legal risk.

The management of legal risk is the responsibility of the Legal team. The management of tax legal risk is the responsibility of the Taxes team of the Finance division. If necessary, external law firms are brought in for support.

Sample contracts and standard texts are sometimes used in lending and related business. Deviations from these standard/sample texts and individually worded agreements and transactions are examined and approved by the central legal resources in the Legal team or the decentralised legal resources in the Credit Risk and Contract Management division, which fall under the responsibility of the General Council. All sample contracts are reviewed constantly to determine whether adjustments are required as a result of legislative changes or adjudications. When commencing new business, the legal design and assessment of the new products is overseen by the Legal team itself or under its responsibility as part of the new business process.

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

As an additional measure, the Legal team coordinates the Legal Development working group to identify regulatory and banking supervisory developments to synchronise their impact and the resulting implementation requirements for the Bank.

In legal proceedings, the Legal department defends the legal positions of the company and the Group.

With regard to tax law issues, the Taxes team ensures the legally compliant declaration and defence of the Group's tax positions in respect of the tax authorities. External tax advisors are brought in as required. At the level of IKB AG or its subsidiaries, additional tax expenses could arise from assessment periods that have not yet been audited. The last completed tax audit for the domestic consolidated group relates to the assessment periods up to and including 2006 (VAT up to and including 2005). The audit of the assessment periods 2007

2 Prior-period amount restated to reflect updated information.

to 2011 inclusively (VAT 2006 to 2010 inclusively) continued in the current financial year but has not yet been completed in all points. IKB is subject to permanent and consecutive external tax audits.

IKB and Group companies are involved in legal proceedings. The following section contains a summary of the pending proceedings against IKB or Group companies that have a value in dispute of more than € 15 million or that are material for IKB for other reasons. The Bank generally also recognises provisions for identified risks in connection with legal disputes.

Legal disputes

Following the court decisions and written pleadings in the US (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 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 March 2020. 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 of the tax audit at the time. This point still requires final clarification.

Information security risk

IKB's information security is based on the international standard ISO 27001. Protection requirements for all processes at IKB are determined annually on this basis.

The Information Security Management System (ISMS) in place is operated under the responsibility of the Chief Information Security Officer (CISO). ISMS risk management addresses the information security risks of ISO 27001 controls.

IT risk

Activities in the area of handling IT risk are concentrated not only on IT services, products and projects, but also on measures in the area of IT security management. This includes the continuous improvement of the IT security management system as part of IKB's ISO 27001-based ISMS (see also "Information security risk").

The IT security management department is responsible for the Bank's operational IT security. It works with other affected areas to establish measures and support their implementation, continuous improvement and adaptation to reflect current and future IT security and compliance requirements. System and network security are updated on the basis of contractual agreements to reflect changing threats in cooperation with external service providers. The agreements provide for the use of current hardware and software technologies and therefore require service providers to provide proper patch management. Infrastructure availability risks are minimised by dividing the data centres between two separate locations. The ISMS takes account of the risk involved in outsourcing key IT services. Measures for addressing this risk are verified through audits led by the CISO and emergency drills run by central operational risk management.

Compliance risk

As IKB's business activities give rise to legal obligations for the handing of information relevant to compliance trading with financial instruments and rendering investment services and ancillary investment services, IKB is subject to a wide range of statutory and regulatory requirements. Compliance with these requirements is ensured by way of the measures conducted by the compliance functions established for this purpose. The corresponding binding conduct requirements and process instructions are set out in the Bank's written rules. In addition, the principles and values set out in the IKB Code of Conduct include requirements for the conduct of all employees at all locations of the Group. Regular training is provided to ensure that employees are fully aware of all requirements and regulatory developments. Compliance-related technical advisory and support for the divisions and the implementation of monitoring measures are performed preventively and with a view to specific processes by (1) the compliance function in accordance with the Minimum Requirements for the Compliance Function (MaComp), (2) the MaRisk compliance function and (3) the officer for the protection of financial instruments and customer funds.

Reporting by the compliance officer in accordance with WpHG/MaComp and KWG/MaRisk, by the officer for the protection of financial instruments and customer funds and by the anti-money laundering officer/central office takes place on an annual basis and as required to the Board of Managing Directors and for the MaComp and MaRisk compliance functions as well as the officer for the protection of financial instruments and customer funds to the Supervisory Board.

The MaComp and MaRisk compliance functions as well as the officer for the protection of financial instruments and customer funds perform a regular, Group-wide risk analysis (at least once a year).

IKB AG has implemented internal principles, procedures and controls in relation to the requirements for preventing money laundering/terrorist financing, other illegal acts and compliance with financial sanctions. Employees receive regular training in typologies and current methods of money laundering and terrorist financing.

Annually or more frequently if necessary, the money laundering officer/central office prepares a Group-wide risk analysis on the prevention of money laundering/terrorist financing, other illegal acts and compliance with financial sanctions. The risk of money laundering and the risk from other illegal acts and financial sanctions are assessed on the basis of this risk analysis, taking the preventive measures defined into account. The security measures derived from the risk analysis are regularly assessed for effectiveness and revised if necessary.

In connection with the measures to combat the coronavirus crisis, no further material risks were identified from the perspective of the MaComp and MaRisk compliance functions, the anti-money laundering officer or the officer for the protection of financial instruments and customer funds.

Personnel risk

The capacity reductions as part of the reconciliation of interests and redundancy scheme to OpEx progressed 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 maintaining the level of knowledge and experience employees need to carry out their duties and responsibilities. Despite the 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. Smaller teams were dissolved and topics were structured and allocated along the process chain. This was accompanied by a reduction in the number of teams and numerous changes to the organisational structure. HR guided the divisions and teams through the transformation process with 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. Due to the coronavirus crisis the employer created the option of home office working to the greatest possible extent. In addition, greater flexibility was provided for the working time framework. Thus at the present moment in time, we do not see any elevated personnel risks. There is no elevated danger of staff leaving. On the basis of the stable IT systems, all employees can carry out their work at home. As a result of flexible working hour regulations, working in non-core times is possible so that staff with children can ensure adequate care.

Please see the disclosure report for the financial year 2019/20 for information on the remuneration system of IKB.

Reputation risks

Reputation risk is the risk of negative perception of IKB by the Bank's stakeholders (e.g. customers, investors, regulatory authorities) that could affect income, capital or liquidity by, for example, adversely influencing the Bank's ability to conduct existing or new business, maintain customer relationships or utilise sources of refinancing, now or in future.

It is generally not possible to quantify the probability and the consequences of the occurrence of a reputation risk.

Reputation risks at IKB are managed by the Board of Managing Directors. The methodology is largely the same as for non-financial risks. Responsible communications with all stakeholders is a high priority for the management of reputation risks.

Strategic risks

Strategic risks refer to the threat to the long-term successful position of the Bank. These can arise as a result of changes in the legal, regulatory or social environment and as a result of changes in market, competition and refinancing conditions.

As there are no regularities as regards strategic risks, it is difficult to capture these quantitatively as special risks in an integrated system and they are therefore assessed qualitatively. They are therefore continuously monitored by the Board of Managing Directors. This includes the annual and ad hoc review of the business strategy by the Board of Managing Directors, taking into account the implications for the strategic and operational planning process. Business policy objectives, measures and risks are also continuously reviewed by the Strategy and Risk Committee and at the meetings of the Board of Managing Directors. This gives rise to strategic initiatives and optimisation measures.

Business risk

The Bank defines business risk as unexpected negative deviations from planning for interest and fee/commission income and for operating expenses as a consequence of worsened market conditions, changes in the competitive position or customer behaviour, or as a result of changes in economic or statutory conditions.

Business risk is quantified by means of a model based on statistically calculated cost and proceeds volatilities, which calculates historical deviations in actual fee/commission and interest income and operating expenses based on the projected figures. The associated economic capital is incorporated in the regular calculation of the Bank’s risk-bearing capacity.

The operating management of business risk – i.e. reducing the risk of a negative change in earnings performance within the business strategy agreed with the Board of Managing Directors – is the responsibility of each individual segment, central division and subsidiary. The Finance division prepares monthly performance analyses for existing and new business in the context of performance controlling and presents management reports to the Board of Managing Directors on a weekly basis, in which deviations from planning in income and assets are identified and analysed. Thus the Board of Managing Directors regards itself as being able to initiate risk-mitigating measures.

Participation risk

As the material individual counterparty default, market price, liquidity, business and non-financial risks in the investment portfolio are already taken into account for the individual risk types, participation risk (in the sense of dividend suspension, write-downs of carrying amounts, losses on disposal and reductions in hidden reserves) is not classified as a material risk type in its own right.

Overall assessment of the risk situation

In terms of the regulatory capital and liquidity ratios, IKB's overall position remained satisfactory as of the end of the financial year 2019/20. All the capital ratios are in excess of the capital requirements resulting from the banking supervisory review and evaluation process (SREP), meaning IKB has sufficient scope to implement its business activities as planned. Assuming that earnings and the business model develop as forecast, IKB plans to successively strengthen its capital base.

Even if the initial impact of the COVID-19 pandemic was evident on the reporting date, in respect to both the risk coverage potential and also the risk position, the risk-bearing capacity remains secure not only for the next twelve months, but also for a further period of at least two years.

Liquidity is ensured with a buffer both currently and on the basis of planning over the entire planning period.

IKB also selectively enters into market price risks in the form of interest rate and credit spread risks in order to strengthen its net interest income and retain its liquidity with a sufficient buffer. Due to the extreme market turbulence to the end of the financial year as concomitant of the COVID-19 pandemic, the market risk position was considerably higher, even after an overall active risk reduction in financial year 2019/20. In line with regulatory expectations, a further active reduction of market price risks will be implemented only in the context of economically sensible measures. For the financial year 2020/21, the Bank expects the market environment to remain unsettled.

The impact on the lending business of the COVID-19 pandemic and the economic slump which started in the fourth quarter of the financial year are already resulting in initial additional valuation allowances as of the reporting date. At the same time, the recognition of new net provisions is still at the moderate level planned in the 2019/20 financial year. In the past financial year, the ratio of non-performing assets also remained almost constant at an extraordinarily low level. However, the Bank anticipates that the repercussions of the economic trend will be reflected with a time lag in the key credit risk indicators in future quarters and has already recognised a separate general valuation allowance. IKB is maintaining its high lending standards even in the current crisis situation and in the sustained low-interest environment.

The non-financial risk declined slightly compared to the previous year. The main drivers were again the legal risks entailed by the restructuring of equity and liabilities. Due to the stable home office operations, the COVID-19 pandemic had no negative impact on the non-financial risk.

In addition to the existing geopolitical tensions, such as the implementation of Brexit, rising protectionism and the as yet unforeseeable impact of anti-European tendencies in the euro zone, the impact of the COVID-19 pandemic, which currently cannot be assessed with any level of assurance, could have consequences for the Bank's risk situation and future development. In the context, the Bank is tracking and analysing the related economic developments, the reaction in respect to monetary policy by central banks and government reactions to the impact of the low-interest policy and increasing national debt. Here account is taken on the related repercussions on the economic development and the monetary policy of the central banks. In the context of its risk management, the Bank performs very intensive analyses on the impact of the low-interest policy and executes various underlying stress scenarios. In summary, it can be stated that the uncertain macroeconomic impact of the COVID-19 pandemic represents an extreme situation to which IKB will align itself flexibly.

4. Report on opportunities

IKB has focused its business model on services for medium-sized companies with extensive advisory and financing requirements. The strong spread of the coronavirus since the beginning of 2020 will have a strong adverse economic effect on many economies, and thus also impact business performance at IKB. The special development lending programs to combat the coronavirus crisis set up by the KfW Bankengruppe since the end of March 2020 could, depending on the final design, make a positive contribution to new business.

Competition and pressure on margins in lending business continued. A return to more pro-margin pricing on the market could open up additional business opportunities for IKB. IKB will maintain its risk-adequate pricing policy. It also provides various capital market solutions for its customers.

The cost situation will improve further after the implementation of the current cost-cutting and optimisation measures.

Overall, IKB believes that it has the opportunity to generate increases in net income thanks to the growth in its profitable new business, reduced refinancing costs and lower administrative costs. An improved external impression of the Bank’s credit standing as a result could lead to further positive repercussions for business activities as a whole.

In addition to the costs resulting from the generally high level of regulation, IKB also sees the emerging regulatory adjustments included in Basel IV as an opportunity to ease RWA requirements for lending business. This results from both the further development of existing and the introduction of additional IRBA rating systems as well as from the intended changes to the standard parameters set for the IRB approach.

Thus the Bank additionally calculated its capital ratios on a pro forma basis in line with the regulations of Basel IV, i.e. based on the new regulations of the Basel Committee on Banking Supervision (BCBS), which according to the press release dated 27 March 2020 is to be deferred to 1 January 2023, taking additional account of CRR II. In doing so it took account of the following standards[3]:

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

This pro forma calculation resulted in the following figures:

Capital ratios as of 31 March 2020 (IKB Group)	Basel IV (incl. CRR II)	Comparative figures in line with CRR
CET 1 ratio	**12.8%**	**12.0%**
T 1 ratio	12.8%	12.0%
Own funds ratio	18.5%	18.1%
Total risk-weighted assets (RWA)	**€ 10.9 billion**	**€ 11.4 billion**

The anticipated positive impact in comparison to the current regulations results primarily from the “Revised IRB approach for credit risk” due to a reduction of the standard LGD from 45% to 40% in the IRB approach and a reduction of the scale factor in the formula for calculating the RWA in the IRB approach from 1.06 to 1.0.

In addition, for IKB in the short term there is considerable potential totalling up to € 1.5 billion for a reduction of RWA as a result of changes in its IRBA Corporate Rating rating system. This RWA reduction is the result both of applications made to the supervisory authorities for specific model changes which are to be examined in financial year 2020/21 and the intended application for the complete discontinuation of the PD capital charge which was stipulated as a condition when IRB approval was granted.

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.

3 Simplified calculation, ignoring detailed regulations which do not have a material impact on the result.

5. Main features of the internal control system and the risk management system with regard to the accounting process – applicable legal requirements, accounting standards and initial application

According to section 315 (4) HGB, the Group management report must also describe the key characteristics of the internal control and risk management system in respect to the Group accounting process, if a subsidiary included in the consolidated financial statements has a capital market alignment within the meaning of section 264d HGB. Due to the inclusion of Capital Raising GmbH and Hybrid Raising GmbH in the consolidated financial statements of IKB AG, the Bank is subject to such a reporting requirement in the financial year 2019/20.

Definition, objectives and limits of the internal control system for accounting processes

The accounting-related internal controls of the company and the risk management system related to the accounting process have the objective of securing proper and reliable accounting as well as the financial statements and their components for which there are disclosure obligations in accordance with the financial reporting framework.

The internal controls of the company cover such principles and procedures which ensure that

- directories are maintained in which all business transactions of the company are recorded in sufficient detail, accurately and correctly,
- the transactions are recorded, processed, documented and assessed in line with both the statutory regulations and with the Articles of Association and the general or specific regulations of the management and the necessary information is provided in the combined annual financial statements/notes to the consolidated financial statements and management report/Group management report,
- financial statements are prepared in line with the regulations of HGB and published in good time.

In fulfilling these objectives internal controls can secure reasonable, but not absolute assurance. The limits are determined on the basis of the cost/benefit ratio of the controls. There is also the possibility of errors in implementing activities or mistakes in estimates or exercising judgement as well as fraudulent behaviour. Due to these limits, incorrect statements in the financial statements cannot be identified or prevented with absolute certainty.

Responsibility for the Internal Control System with reference to the Consolidated Financial Reporting Process (ICSA)

The IKB Board of Managing Directors is responsible for setting up, developing, adjusting and functioning of accounting-related internal controls and the accounting-related risk management system. The accounting and the preparation of the annual and consolidated financial statements and combined management report/Group management report are the responsibility of the Board of Managing Directors. The task of the Supervisory Board is to monitor the effectiveness of the ICSA. To implement this task the Supervisory Board has established a Risk and Audit Committee. The Risk and Audit Committee assesses regularly and on an ongoing basis the development of the net assets, financial position and results of operations and questions of accounting and supports the Supervisory Board with the examination of the annual financial statements, about which the Chairman of the Risk and Audit Committee reports to the Supervisory Board. It is also incumbent on the Supervisory Board to adopt the annual financial statements/approve the consolidated financial statements, award the engagement to audit the annual and consolidated financial statements and approve the non-audit services of the auditor. In their meetings, the Risk and Audit Committee and the Supervisory Board familiarised themselves with the ICSA on the basis of documents and supplementary explanations from the Board of Managing Directors.

The effectiveness of the ICSA is regularly audited internally by Internal Audit and externally by external auditors. On the basis of a multi-year audit plan, the key audit focus is the functioning, effectiveness and appropriateness of the ICSA, compliance with statutory and regulatory provisions as well as other regulations in relation to the accounting process.

The Supervisory Board mandated Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft with the audit of annual financial statements / consolidated financial statements and the management report/Group management report. The responsibility of the auditor is to express an assessment on these annual financial statements/consolidated financial statements and the management report and Group management report based on its audit.

Organisation of accounting

Accounting at IKB takes place primarily on a central basis at the main location in Düsseldorf in the Finance division. The Finance division is responsible for the preparation of the single-entity and consolidated financial statements. For IKB AG accounts payable and asset accounting are processed by an audit company. Accounting of the subsidiaries included in the consolidated financial statements is also implemented by an audit company and in individual cases centrally in the Finance division. For individual subsidiaries and the special-purpose entities included in the consolidated financial statements, accounting services are provided by external service providers. In the process for preparing the financial statements the Finance division makes a plausibility check on the accounting information provided which is generally audited by the company's local auditor. In the Finance division the implementation of sub-tasks in preparing the annual financial statements is supported by other divisions of the Bank. The Taxes team in the Finance division is responsible for dealing with all tax matters of the Bank, the tax support of the international units (international branches, international subsidiaries, international equity investments) of the Bank and the calculation of deferred taxes. The Risk Controlling division determines the valuation allowances and provisions in connection with the lending business and assesses financial instruments which are not connected with the lending business. The preparation of the management report is headed by the Communication team involving other divisions at the Bank.

Organisation and functioning of the ICSA

The design of the IKB internal control system is aligned to the requirements of the internal control framework approved by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework). The COSO Framework is a recognised guideline for designing an internal control system. In addition, the requirements for the ICSA on the basis of the Minimum Requirements for Risk Management stipulated by the banking supervisory authorities were complied with.

The core element of the ICSA is the control environment. It is shaped by the attitude, problem awareness and behaviour of the management. In the IKB Code of Conduct for employees, the Board of Managing Directors of the Bank has named competency, responsibility and legally compliant and responsible behaviour as essential conditions for the Bank's operating activities. These requirements are supported by internal regulations and organisational measures.

Another element of the ICSA is the risk assessment. In relation to the accounting process and the annual financial statements and consolidated financial statements, the Bank assesses potential risks of error. On the basis of this risk assessment, the scope of control activities and quality assurance measures are determined in respect to individual transactions, balance sheet items or reporting in the notes and the management report.

Controls are methods and measures which are determined in processes to identify errors in accounting. There are positioned before, during or after the work process. The scope of the controls ranges from an analytical review, includes a check on a sample basis and extends to a complete examination of all incidents of a matter. The controls are implemented in the form of automatic (programmed controls) or manual controls.

IT systems in accounting and relevant controls

The accounting-related processes are processes using different IT systems (feeder systems Murex, KreDa, the ERP system SAP-FI and the consolidation software SAP SEM-BCS). The Board of Managing Directors ensures that the IT systems deployed for accounting comply with the statutory provisions and generally accepted rules and are appropriate for the scope of business.

As the accounting-related processes are implemented using different IT systems, the Board of Managing Directors ensures that the structural and procedural organisation in accounting, the scope of the controls and the design of the IT systems are appropriate for the current scope of business. This includes the systematic selection of systems, system adjustments on the basis of clearly defined processes, regular external and internal checks and ensuring an appropriate separation of function on the basis of corresponding authorisation concepts. The dual-control principle is an element of the control system embedded in the application. Proper work with the systems takes place on the basis of comprehensive system documentation and regular training measures.

Internal controls in connection with the accounting process

For accounting there are clear instructions on recognition, measurement and reporting and posting rules for transactions as well as for the necessary disclosures in the notes and the management report. These rules are recorded in accounting manuals, which are accessible to accounting employees. There is a clear process for preparing and updating the accounting manuals. On the basis of the changes of accounting regulations and pronouncements from the German Institute of Public Auditors (IDW - Institut der Wirtschaftsprüfer) and the German Accounting Standards Committee (DRSC - Deutsche Rechnungslegungs Standards Committee e.V.), the impact on IKB is examined on the basis of draft legislation and drafts of accounting standards and integrated into the accounting manuals when they become effective.

The accounting impact of new types of transactions and their proper mapping in accounting is implemented using a new business process. Charts of accounts and workflows in the IKB AG accounting process are regularly modified and optimised to achieve improved transparency and clarity.

Recording all transactions is ensured by clearly defined workflows in the accounting process. The initial recognition and process generally take place on the basis of the dual-control principle (separate entry and approval) which is integrated on a technical basis in the accounting systems and which can thus be clearly tracked.

In the lending business all life cycles of a loan from application, examination, approval right up to repayment together with the liabilities entered into for refinancing are mapped in an IT-based sub-ledger system. Downstream checks of the system entries and the examination of the contract data in the back office ensures that these contract data are correctly and completed recorded in the systems. Valuation allowances are determined by Risk Controlling and recorded in the accounting systems. Transactions are posted on the basis of booking and measurement rules specified for the product type with the transfer to the main ledger taking place on a largely automated basis. This ensures that the transactions are correctly and completely mapped.

Similarly buying and selling securities and similar financial instruments and the management of the relevant portfolio are processed in a similar fashion. The transactions are automatically transferred from the trading systems into the sub-ledger system. Downstream manual and automatic controls ensure that the data are completely and correctly assumed in the sub-ledger system. In addition, the balances of Bank and nostro accounts as well as securities accounts are regularly checked against the accounting positions.

Valuation of the transactions is implemented on the basis of valuation runs executed by the system. In addition, procedures are implemented which can identify financial instruments for which no prices can be derived on active markets. For securities, the Risk Controlling division determines the level of impairment and records it in the systems.

There are defined – sometimes computer-aided – procedures for payment transactions, payroll accounting, asset accounting and the procurement process that ensure that transactions are entered in full (e.g. plausibility testing, adherence to the dual control principle). Asset accounting and accounts payable have been outsourced to an external service provider. The activities to be implemented and the definition of the activity of the service provider and the Bank are regulated in Service Level Agreements.

The transactions are transferred from the sub-ledger systems to the main ledger on a daily basis. The correctness and completeness of the transfer is ensured by precisely defined interfaces and daily reconciliations between the main ledger and the sub-ledgers.

The data required for the preparation of the consolidated financial statements is provided by the Finance division for IKB AG as parent company and the subsidiaries included in the scope of consolidation and transferred into the consolidation system. Data from subsidiaries is generally collected by the external service providers using reporting packages stipulated by the Bank and transferred to Accounting. A check is made using automatic plausibility checks and a critical review by Accounting of the data transferred.

Structural and procedural organisation for the annual/consolidated financial statements process

The tasks and processes in connection with preparing the annual/consolidated financial statements are set down in the relevant organisational directives/manuals with monitoring taking place supported by IT. Information between the persons and organisational units involved in the preparation of the annual/consolidated financial statements and the auditor is exchanged using a SharePoint platform.

In addition to day-to-day work processes, it is ensured that transactions have been recognised in full in particular through analytical control activities, reporting procedures (especially for provisions) and by obtaining balance confirmations. Annual financial statement accounting entries are evidenced by accounting vouchers and the accounting vouchers are formally acknowledged as evidence of being checked. If required, the measurement is made with the involvement of an external expert, e.g. for pension provisions.

On the basis of a specifically defined quality assurance process, annual/consolidated financial statements and management report/Group management reports are checked for plausibility, completeness and consistency. The processes and measures for the preparation and audit of the annual financial statements are used in line with those for the preparation and audit of the consolidated financial statements.

In addition, for the first half-year condensed consolidated interim financial statements and an interim management report are prepared which is subject to an audit review in line with the judgement of the Board of Managing Directors and the Risk and Audit Committee.

6. Outlook

Future general economic conditions

The spread of the coronavirus and the associated restrictions on economic activity will have a highly negative impact on global economic growth. In March 2020, the German Council of Economic Experts published a special report on the economic repercussions of the coronavirus pandemic entitled "The Economic Outlook in the Coronavirus Pandemic". As uncertainty regarding future developments is very high owing to the difficult data situation and the unusual situation, the Council of Economic Experts has presented three scenarios based on different assumptions for the extent and duration of the coronavirus crisis.

In its base scenario, also the most likely scenario, it assumes that the pandemic can be globally contained quickly and that the economic situation will normalise over the summer. In China, following the economic slump in the first quarter of 2020, the economy would rapidly recover and GDP growth would reach 3.8% for 2020 as a whole. Economic output would also decline significantly in the advanced economies that have been hit hard. As developments in these countries are somewhat behind China in terms of the outbreak and containment of the coronavirus pandemic, the impact will be particularly severe in the second quarter of 2020. For the USA, the Council of Economic Experts anticipates that GDP will contract 0.4% in 2020. For the euro area, an even steeper decline of 2.1% is expected. German GDP would decrease by 2.8% in this scenario. Catch-up effects and a large carry-over effect could spur growth to 3.7% in the coming year.

A crucial factor in economic development will likely be whether the spread of coronavirus can be effectively combated, which would allow for the various social and economic restrictions to be lifted sooner so that economies can quickly return to growth. However, if – contrary to the base scenario – production in Germany is shut down on a large scale and the restrictions remain in place longer, the Council of Economic Experts assumes that German economic output would slump by up to 10% in the second quarter, and the yearly GDP growth rate for 2020 could fall to -5.4% (distinct V risk scenario). Catch-up effects would then allow strong momentum with GDP rising by 4.9% in 2021.

A further scenario is if the measures taken to curb the spread of coronavirus last beyond the summer. An economic recovery would then be delayed until 2021. In this long U risk scenario, the political measures taken would not be enough to prevent a far-reaching damage of the economic structure due to insolvencies and layoffs. Deteriorating financing conditions and stronger, more embedded uncertainty would also slow investment and result in restrained household spending. Finally, such a scenario could entail the threat of negative feedback loops through the financial markets or the banking system. Growth in 2020 would amount to -4.5% in such a scenario. Economic output would grow very slowly by just 1.0% in the coming year.

The economic trends described are subject to considerable uncertainty. The downside risks are currently dominant. A return of the euro debt crisis as a result of the coronavirus pandemic cannot be ruled out. Government support measures, the loss of tax revenue and the economic slump are likely to raise national debt levels. The debt sustainability of highly indebted euro countries could be called into question once again. Disturbances and turmoil on financial markets are also not impossible.

A rise in corporate insolvencies as a result of the economic crash would then be inevitable. While more stringent capital and liquidity requirements in Germany have bolstered banks' resilience over recent years, banks could be hit hard if the coronavirus pandemic triggers a significant increase in defaults. Higher net risk provisioning is expected, likely at the expense of banks' capital ratios and profitability.

There is also still the possibility that the trade conflicts will escalate, though the provisional agreement between the US and China has reduced this risk. The exact form of Brexit and thus the nature of future trade relationships between the UK and the EU are also still unclear. The drop in the price of oil since the start of 2020 is likewise a risk for oil-producing countries and companies, though consumers have benefited.

The following forecasts are basis on a forecast horizon of one financial year.

Net assets

For the financial year 2020/21, as a result of changes in its IRBA Corporate Rating rating system IKB anticipates a reduction of RWA of up to € 1.5 billion. This RWA reduction results from a model change for which an application to the supervisory authorities has already been made in the course of implementing the EBA's "Guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures" (EBA/GL/2017/16) and a consequent recalibration of the rating model. In addition, the IKB anticipates that in financial year 2020/21 it will be able to submit the supervisory authorities an application for the complete discontinuation of PD capital charge of 42% which was stipulated as a condition when IRB approval was granted. These effects result in a considerable increase of the common equity tier 1 ratio in comparison to financial year 2019/20.

For the financial year 2020/21, IKB anticipates a slight decline in receivables from customers as the Bank is expecting a moderate decrease in new business volume which will not be compensated for due to the anticipated decline in early repayments by customers. The Bank anticipates a stable securities portfolio for the coming financial year.

The global spread of the SARS-CoV-2 virus and the resulting extensive restrictions of public life in Germany and many other countries make an accurate forecast of the results of operations extremely difficult. Global contraction of economic performance could impact negatively on demand for credit, and thus result in lower new business volume than expected. On the other hand, new business potential opens up from passing on state assistance measures.

Financial position

Deposit-taking business with retail customers, corporate clients and institutional investors and secured financing are key elements of IKB's refinancing. IKB will also continue to actively utilise programme loans and global loans from government development banks for its customers. Thus the equity and liabilities side of the balance sheet will continue to be characterised by a diverse funding mix for asset refinancing. At any time, the Bank also has the option of issuing bearer bonds and subordinated capital. As a result of eliminating net accumulated losses as of 31 March 2020, for the first time since the start of the sub-prime crisis in 2007 IKB can issue tier 1 equity instruments.

Funds thus generated are used to repay refinancing as it matures and to refinance new business. The future liquidity situation is also dependent on the development of new business, the extent to which customers draw on existing loan commitments, the future development of the deposit protection systems and the market value development of collateral and derivatives. In addition, the situation relating to the development of the coronavirus pandemic can impact the investment behaviour of deposit customers as well as the possibilities of secured funding on the interbank market and with the ECB.

The Bank's business planning and all of the associated measures depend on the market environment. IKB's financial position could be affected by significant unexpected losses, market disruptions with the characteristics of a stress scenario, additional regulatory requirements or other forms of state intervention.

IKB has sufficient liquidity even applying the defined stress scenarios. According to the Bank's planning, for the forecast period liquidity is ensured with a sufficient buffer.

IKB performs its regulatory liquidity management using the liquidity coverage ratio (LCR). For the financial year 2020/21, the Bank expects binding compliance with the statutory minimum requirement with an LCR in excess of 100%.

IKB assumes that the leverage ratio of the IKB Group will stay at the level of the current 2019/20 financial year in the 2020/21 financial year.

Results of operations

For the 2020/21 financial year, the Bank anticipates maintaining the interest and commission income stable at the level of the previous year. Interest income will be negatively impacted by the ongoing low level of market interest rates and the anticipated slightly declining lending volume. On the other hand, refinancing expenses are expected to be lower.

In addition to the general valuation allowance for credit risks resulting from the coronavirus pandemic recognised in the 2019/20 financial year, for the following financial year IKB anticipates a slight increase in risk provisioning expenses in comparison to the expenses in the 2019/20 financial year.

Further reductions in administrative costs in the Group are to be achieved through ongoing cost-cutting and optimisation measures. Accordingly, IKB expects its administrative expenses to decline considerably in the financial year 2020/21.

In comparison to the 2019/20 financial year, IKB expects a considerable improvement in its cost-income ratio as the ratio of administrative expenses to total net interest and commission income, as improvements are expected primarily on the costs side.

There are considerable difficulties in providing a forecast on the results of operations caused by the special circumstances of the coronavirus pandemic and the resulting high level of uncertainty about the development of macroeconomic conditions. One the one hand there is increasing lending risk resulting from measures to reduce the number of new infections; on the other hand there is new business potential as a result of fiscal support programmes. Furthermore, the BaFin has initiated some regulatory easing to mitigate the economic repercussions of the coronavirus crisis. If the support programmes fail on a large scale or are not sufficiently dimensioned and this results in a sustained and sharp recession, the Bank’s results of operations can be strongly negatively impacted.

Overall assessment

The net result for the 2019/20 financial year was influenced primarily by non-recurring expenses to terminate the silent participations and restructuring expenses. Thus for the financial year 2020/21, the Bank anticipates consolidated net income after taxes in the upper double digit million euro range and net income for the year for IKB AG slightly higher than the consolidated result. The result for the coming financial year can be considerably lower than expected if impacted by negative economic developments not yet foreseeable due to the coronavirus pandemic at many customers.

7. Disclosures in accordance with section 312 AktG

IKB has prepared a dependent company report in accordance with section 312 of the German Stock Corporation Act (AktG). The dependent company report will not be made public. The closing statement of the Board of Managing Directors of the Bank in the dependent companies report is as follows: “With respect to the transactions and measures listed in the report on relationships with affiliated companies, according to the circumstances known to use at the time in which the transactions were carried out or measures performed or omitted, our company received at least appropriate and hence in no case disadvantageous compensation for every transaction and has therefore not been disadvantaged by any measures performed or omitted.”

8. Corporate Governance Declaration

In the declaration below, the Board of Managing Directors reports – including on behalf of the Supervisory Board – on the determination of target figures for the proportion of women and deadlines for their attainment in the Supervisory Board, the Board of Managing Directors and the first two management levels below the Board of Managing Directors in accordance with section 289f (4) of the German Commercial Code (HGB).

At its meeting on 8 June 2017, the Supervisory Board of IKB determined a target figure of 11.1% (rounded) for the proportion of women in the Supervisory Board and 0% for the Board of Managing Directors as of 31 March 2022.

At its meeting on 27 June 2017, the Board of Managing Directors determined target figures for the proportion of women in the next two management levels below the Board of Managing Directors. The target figure for the proportion of women in the first management level was fixed at ≥ 5% and in the second management level at ≥ 7%, in each case as of 31 March 2022.

Combined Annual Financial Statements of the Group and IKB Deutsche Industriebank AG for the Financial Year 2019/20

Consolidated balance sheet as of 31 March 2020

in € million	31 Mar. 2020	31 Mar. 2019
Assets		
Cash reserve	**344.1**	**24.6**
a) Cash on hand	0.1	0.0
b) Balances with central banks	344.0	24.6
thereof: with Deutsche Bundesbank	344.0	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	**2,198.5**	**1,267.7**
a) Repayable on demand	1,260.8	889.9
b) Other receivables	937.7	377.8
Receivables from customers	**9,529.6**	**9,823.2**
thereof: mortgage loans	649.1	683.7
thereof: public sector loans	291.9	304.1
Bonds and other fixed-income securities	**3,830.1**	**3,953.4**
a) Money market securities	-	-
b) Bonds and notes	3,811.2	3,937.4
ba) Public sector issuers	1,922.7	2,238.0
thereof: eligible as collateral for Deutsche Bundesbank	1,922.7	2,238.0
bb) Other issuers	1,888.4	1,699.4
thereof: eligible as collateral for Deutsche Bundesbank	1,755.6	1,527.6
c) Own bonds	19.0	16.0
Nominal amount	18.4	15.6
Equities and other non-fixed-income securities	**304.0**	**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	**7.4**	**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	**1.5**	**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	1.5	2.6
c) Goodwill	-	-
d) Advance payments made	-	-
Tangible assets	**4.4**	**16.9**
Called unpaid capital	**-**	**-**
Other assets	**149.3**	**329.7**
Deferred income	**108.1**	**101.2**
Deferred tax assets	**137.2**	**136.6**
Excess of plan assets over post-employment benefit liability	**7.4**	**7.7**
Total assets	**16,621.9**	**16,132.4**

in € million		31 Mar. 2020	31 Mar. 2019
Equity and liabilities			
Liabilities to banks		**7,669.6**	**7,351.8**
a)	Repayable on demand	47.4	91.2
b)	With agreed lifetime or notice period	7,622.2	7,260.7
Liabilities to customers		**6,140.2**	**5,749.5**
a)	Savings deposits	-	-
b)	Other liabilities	6,140.2	5,749.5
	ba) Repayable on demand	1,072.7	1,228.3
	bb) With agreed lifetime or notice period	5,067.5	4,521.2
Securitised liabilities		**299.9**	**445.6**
a)	Bonds issued	299.9	445.6
b)	Other securitised liabilities	-	-
Liabilities held for trading		**-**	**-**
Liabilities held in trust		**-**	**-**
Other liabilities		**59.6**	**105.9**
Deferred income		**38.3**	**55.1**
Deferred tax liabilities		**-**	**-**
Provisions		**209.2**	**181.1**
a)	Provisions for pensions and similar obligations	89.1	68.2
b)	Tax provisions	34.5	34.8
c)	Other provisions	85.6	78.1
Subordinated liabilities		**831.2**	**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		**788.9**	**829.7**
a)	Called-up capital	100.0	1,621.5
	Subscribed capital	100.0	1,621.5
	Less uncalled unpaid contributions	-	-
	Contingent capital	800.0	800.0
b)	Capital reserves	647.9	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 retained profits/net accumulated losses	40.8	-2,592.1
f)	Non-controlling interests	-2.5	47.0
Negative goodwill from capital consolidation		-	2.4
Total equity and liabilities		**16,621.9**	**16,132.4**
Contingent liabilities		**1,804.1**	**2,264.9**
a)	Contingent liabilities from rediscounted and settled bills of exchange	-	-
b)	Liabilities from guarantees and indemnity agreements	1,804.1	2,264.9
c)	Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations		**762.1**	**1,488.0**
a)	Repurchase obligations from non-genuine repurchase agreements	-	-
b)	Placement and underwriting obligations	-	-
c)	Irrevocable loan commitments	762.1	1,488.0

Balance sheet of IKB Deutsche Industriebank AG as of 31 March 2020

in € million	31 Mar. 2020	31 Mar. 2019
Assets		
Cash reserve	**344.0**	**24.6**
a) Cash on hand	-	0.0
b) Balances with central banks	344.0	24.6
thereof: with Deutsche Bundesbank	344.0	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	**2,194.0**	**1,263.5**
a) Repayable on demand	1,256.4	885.9
b) Other receivables	937.7	377.6
Receivables from customers	**10,432.6**	**10,651.8**
thereof: mortgage loans	652.4	687.0
thereof: public sector loans	291.9	304.1
Bonds and other fixed-income securities	**3,838.5**	**3,962.8**
a) Money market securities	-	-
b) Bonds and notes	3,819.6	3,946.8
ba) Public sector issuers	1,923.3	2,238.0
thereof: eligible as collateral for Deutsche Bundesbank	1,923.3	2,238.0
bb) Other issuers	1,896.2	1,708.8
thereof: eligible as collateral for Deutsche Bundesbank	1,763.4	1,536.9
c) Own bonds	19.0	16.0
Nominal amount	18.4	15.6
Equities and other non-fixed-income securities	**350.9**	**0.0**
Liabilities held for trading	**-**	**-**
Equity investments	**0.2**	**0.2**
thereof: banks	0.2	0.2
thereof: financial services institutions	-	-
Investments in affiliated companies	**167.9**	**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	**1.5**	**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	1.5	2.6
c) Goodwill	-	-
d) Advance payments made	-	-
Tangible assets	**4.4**	**2.5**
Called unpaid capital	**-**	**-**
Other assets	**135.7**	**317.6**
Deferred income	**70.7**	**81.2**
Deferred tax assets	**137.0**	**137.0**
Excess of plan assets over post-employment benefit liability	**7.1**	**7.5**
Total assets	**17,684.5**	**16,710.2**

in € million			31 Mar. 2020	31 Mar. 2019
Equity and liabilities				
Liabilities to banks			**7,667.3**	**7,349.6**
a)	Repayable on demand		47.2	91.0
b)	With agreed lifetime or notice period		7,620.1	7,258.6
Liabilities to customers			**6,482.8**	**5,884.9**
a)	Savings deposits		-	-
b)	Other liabilities		6,482.8	5,884.9
	ba)	Repayable on demand	1,108.1	1,269.4
	bb)	With agreed lifetime or notice period	5,374.7	4,615.6
Securitised liabilities			**671.9**	**865.9**
a)	Bonds issued		671.9	865.9
b)	Other securitised liabilities		-	-
Liabilities held for trading			**-**	**-**
Liabilities held in trust			**-**	**-**
Other liabilities			**457.6**	**104.4**
Deferred income			**38.3**	**55.1**
Deferred tax liabilities			**-**	**-**
Provisions			**200.2**	**172.5**
a)	Provisions for pensions and similar obligations		83.7	63.1
b)	Tax provisions		33.0	33.6
c)	Other provisions		83.5	75.8
Subordinated liabilities			**831.2**	**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			**750.3**	**866.5**
a)	Called-up capital		100.0	1,621.5
	Subscribed capital		100.0	1,621.5
	Less uncalled unpaid contributions		-	-
		Contingent capital	800.0	800.0
b)	Capital reserves		647.9	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 retained profits/net accumulated losses		-	-2,508.1
Total equity and liabilities			**17,684.5**	**16,710.2**
Contingent liabilities			**1,879.2**	**2,322.9**
a)	Contingent liabilities from rediscounted and settled bills of exchange		-	-
b)	Liabilities from guarantees and indemnity agreements		1,879.2	2,322.9
c)	Liability arising from the provision of collateral for third-party liabilities		-	-
Other obligations			**867.6**	**1,488.0**
a)	Repurchase obligations from non-genuine repurchase agreements		-	-
b)	Placement and underwriting obligations		-	-
c)	Irrevocable loan commitments		867.6	1,488.0

Consolidated income statement for the period from 1 April 2019 to 31 March 2020

in € million	2019/20	2018/19
Expenses		
Lease expenses	**0.0**	**-1.9**
Interest expenses[1)]	**-296.3**	**-247.6**
thereof: positive interest	19.6	41.5
Commission expenses[1)]	**-3.8**	**-3.4**
Net trading results	**-**	**-**
General administrative expenses[1)]	**-152.6**	**-184.2**
a) Personnel expenses	-80.9	-98.6
aa) Wages and salaries	-70.8	-84.9
ab) Social security, post-employment and other employee benefit costs	-10.1	-13.6
thereof: for pensions	-0.7	-3.4
b) Other administrative expenses[1)]	-71.7	-85.7
Amortisation and write-downs on intangible fixed assets and depreciation and write-downs on tangible fixed assets	**-3.2**	**-9.9**
a) On lease assets	-	-1.7
b) On intangible and tangible assets	-3.2	-8.2
Other operating expenses[1)]	**-1,157.1**	**-616.8**
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	**-29.7**	**-35.7**
Depreciation and write-downs of equity investments, investments in affiliated companies and long-term investments	**-17.7**	**-34.6**
Costs of loss absorption	**0.0**	**-0.2**
Extraordinary expenses	**-423.1**	**-191.7**
Income taxes	**0.3**	**64.7**
Other taxes not reported under “Other operating expenses”	**-0.9**	**-0.8**
Net income for the financial year	**-8.3**	**-**
Total expenses	**-2,092.4**	**-1,262.1**

1) Restated due to changes in reporting (see note 2)

in € million	2019/20	2018/19
Income		
Lease income	**-**	**5.6**
Interest income from[1]	**487.3**	**437.8**
a) Lending and money market transactions	424.8	377.4
thereof: negative interest	-24.3	-28.9
b) Fixed-income securities and government-inscribed debts	62.5	60.4
thereof: negative interest	-	-
Current income from	**10.4**	**0.4**
a) Equities and other non-fixed-income securities	10.0	0.2
b) Equity investments	0.4	0.2
c) Investments in associates	-	-
d) Investments in affiliated companies	-	-
Income from profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Commission income[1]	**43.5**	**40.5**
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	**429.7**	**169.8**
Other operating income[1]	**769.7**	**497.4**
Income from the reversal of the fund for general banking risks	**-**	**-**
Extraordinary income	**351.8**	**70.1**
Income from assumption of losses	**-**	**-**
Net loss for the financial year	**-**	**40.5**
Total income	**2,092.4**	**1,262.1**
Net income/loss for the year	**8.7**	**-41.0**
Non-controlling interests	**-0.4**	**0.5**
Loss carryforward from the previous year	**-2,592.1**	**-2,551.1**
Withdrawals from revenue reserves	**-**	**-**
Income from capital reduction (due to retirement of shares)	**1,521.5**	**-**
Transfer to capital reserves in accordance with section 272 (2) no. 1 HGB under section 237 (5) AktG	**-1,521.5**	**-**
Reversal of capital reserves in accordance with section 272 (2) no. 4 HGB	**1,521.5**	**-**
Retirement of own shares provided free of charge	**-1,521.5**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 1 to 3 HGB	**2,113.1**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 4 HGB	**511.2**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net retained profits/net accumulated losses	**40.8**	**-2,592.1**

1) Restated due to changes in reporting (see note 2)

Income statement of IKB Deutsche Industriebank AG for the period from 1 April 2019 to 31 March 2020

in € million	2019/20	2018/19
Expenses		
Interest expenses[1)]	**-300.6**	**-315.3**
thereof: positive interest	19.6	41.5
Commission expenses[1)]	**-3.1**	**-2.6**
Net trading results	**-**	**-**
General administrative expenses[1)]	**-150.9**	**-184.9**
a) Personnel expenses	-80.8	-96.6
aa) Wages and salaries	-70.7	-83.1
ab) Social security, post-employment and other employee benefit costs	-10.1	-13.4
thereof: for pensions	-0.7	-3.3
b) Other administrative expenses[1)]	-70.1	-88.3
Amortisation and write-downs on intangible fixed assets and depreciation and write-downs on tangible fixed assets	**-2.3**	**-2.0**
Other operating expenses[1)]	**-1,149.6**	**-597.9**
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	**-29.4**	**-35.1**
Depreciation and write-downs of equity investments, investments in affiliated companies and long-term investments	**-18.6**	**-49.1**
Costs of loss absorption	**-5.2**	**-4.1**
Extraordinary expenses	**-422.4**	**-176.5**
Income taxes	**-0.5**	**64.9**
Other taxes not reported under "Other operating expenses"	**-0.2**	**-0.2**
Profit transfer on the basis of profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Net income for the financial year	**-**	**-**
Total expenses	**-2,082.6**	**-1,302.8**

1) Restated due to changes in reporting (see note 2)

in € million	2019/20	2018/19
Income		
Interest income from[1)]	**483.7**	**497.2**
a) Lending and money market transactions	423.9	440.6
thereof: negative interest	-24.3	-28.9
b) Fixed-income securities and government-inscribed debts	59.8	56.7
thereof: negative interest	-	-
Current income from	**3.3**	**52.4**
a) Equities and other non-fixed-income securities	-	0.2
b) Equity investments	0.0	0.0
c) Investments in affiliated companies	3.3	52.2
Income from profit-pooling, profit transfer and partial profit transfer agreements	**3.5**	**12.5**
Commission income[1)]	**43.9**	**40.7**
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	**665.6**	**164.9**
Other operating income[1)]	**766.4**	**477.6**
Income from the reversal of the fund for general banking risks	**-**	**-**
Extraordinary income	**-**	**13.1**
Income from assumption of losses	**-**	**-**
Net loss for the financial year	**116.2**	**44.5**
Total income	**2,082.6**	**1,302.8**
Net income/loss for the financial year	**-116.2**	**-44.5**
Loss carryforward from the previous year	**-2,508.1**	**-2,463.6**
Withdrawals from revenue reserves	**-**	**-**
Income from capital reduction (due to retirement of shares)	**1,521.5**	**-**
Transfer to capital reserves in accordance with section 272 (2) no. 1 HGB under section 237 (5) AktG	**-1,521.5**	**-**
Reversal of capital reserves in accordance with section 272 (2) no. 4 HGB	**1,521.5**	**-**
Retirement of own shares provided free of charge	**-1,521.5**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 1 to 3 HGB	**2,113.1**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 4 HGB	**511.2**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net retained profits/net accumulated losses	**-**	**-2,508.1**

1) Restated due to changes in reporting (see note 2)

Consolidated cash flow statement

in € million		2019/20
Net income for the period (consolidated net income/loss for the year including minority interest)		**8.3**
+/-	Amortisation/depreciation, write-downs and reversals thereof on receivables and fixed assets	49.0
+/-	Increase/decrease in provisions	-271.6
+/-	Other non-cash expenses/income	5.4
-/+	Gain/loss on the disposal of fixed assets	-421.7
+/-	Other adjustments (net)	-21.7
+/-	Increase/decrease in receivables from banks	-933.2
+/-	Increase/decrease in receivables from customers	337.3
+/-	Increase/decrease in securities (if not long-term investments)	-3.2
+/-	Increase/decrease in lease assets	-
+	Receipts from disposal	-
-	Payments for acquisition	-
+/-	Increase/decrease in other assets from operating activities	-11.5
+/-	Increase/decrease in liabilities to banks	320.2
+/-	Increase/decrease in liabilities to customers	393.2
+/-	Increase/decrease in securitised liabilities	-192.7
+/-	Increase/decrease in other liabilities from operating activities	-14.9
+/-	Interest expenses/interest income	-201.5
+/-	Lease expenses/lease income	-
+/-	Expenses/income from extraordinary items	71.4
+/-	Income tax expenses/income	-0.3
+	Interest and dividends received	539.0
-	Interest paid	-338.5
+/-	Cash flows received/paid in leasing activities	-
+	Extraordinary receipts	-
-	Extraordinary payments	-1.4
+/-	Income tax payments	160.8
Cash flow from operating activities		**-527.8**
+	Receipts from the disposal of long-term investments	2,568.0
-	Payments for the acquisition of long-term investments	-1,884.1
+	Receipts from the disposal of tangible assets	-0.1
-	Payments for the acquisition of tangible assets	-3.9
+	Receipts from the disposal of intangible assets	0.1
-	Payments for the acquisition of intangible assets	-
+	Receipts from disposals from consolidated group	-
-	Payments for additions to consolidated group	-130.8
+/-	Change in cash funds from other investing activities (net)	300.8
+	Receipts from extraordinary items	-
-	Payment for extraordinary items	-
Cash flow from investing activities		**850.1**

	in € million	2019/20
+	Receipts from equity contributions by shareholders of the parent company	-
+	Receipts from equity contributions by other shareholders	-
-	Payments for equity reductions to shareholders of the parent company	-
-	Payments for equity reductions to other shareholders	-0.8
+	Receipt from extraordinary items	-
-	Payment for extraordinary items	-
-	Dividends paid to shareholders of the parent company	-
-	Dividends paid to other shareholders	-2.4
+/-	Change in cash funds from other capital (net)	0.3
Cash flow from financing activities		**-2.9**
	Net change in cash funds	319.4
+/-	Effect on cash funds of changes in exchange rates and remeasurement	0.1
+/-	Changes in cash funds due to consolidated group	-
+	Cash funds at beginning of period	24.6
Cash funds at end of period		**344.1**

Notes on the consolidated cash flow statement

The consolidated cash flow statement was prepared in accordance with the legal requirements of German Accounting Standard no. 21 (DRS 21) on cash flow statements promulgated by the Federal Ministry of Justice and Consumer Protection. IKB is exercising the option provided under DRS 21.22 to dispense with the disclosure of prior-year figures in the cash flow statement.

The cash funds of the IKB Group match the reported balance sheet item “Cash reserve” and “Debt instruments of public sector entities and bills of exchange eligible for refinancing of central banks”. In the cash flow statement, this item changes from the figure at the start of the year by showing the cash flows from

- operating activities,
- investing activities and
- financing activities

to cash funds at the end of the financial year.

In accordance with DRS 21.A2.14, the cash flow from operating activities is defined by a bank’s operating activities. It is determined using the indirect method by adjusting net income for all non-cash income and expenses.

The consolidated cash flow statement has been supplemented by items specific to the leasing industry. These are the reported lease expenses/income and the cash and non-cash expenses or income from leases. The “Increase/decrease in lease assets” item includes cash receipts from the disposal and cash payments for the acquisition of lease assets. The “Cash flows from/used in leasing activities” item then includes only the cash lease and rental income and other cash expenses and income relating to leases (e.g. from maintenance agreements).

The cash flow from investing activities shows incoming and outgoing payments from positions whose general purpose is a long-term investment or use. For banks, this includes payments from the disposal and acquisition of financial and tangible assets in particular. Additions and disposals resulting from the addition to and disposal from the consolidated group are also taken into account.

The cash flow from financing activities shows cash flows from transactions with owners and other shareholders of consolidated subsidiaries in addition to other capital.

Notes to the combined annual financial statements of the Group and IKB Deutsche Industriebank AG

Applied accounting principles

(1) Preparation of the annual financial statements and consolidated financial statements

IKB Deutsche Industriebank AG, Düsseldorf, entered in the commercial register of the Düsseldorf Local Court under HRB 1130, is required to prepare annual financial statements and a management report in accordance with sections 340a, 242 HGB in conjunction with section 264 HGB and consolidated financial statements and a Group management report in accordance with section 340i (1) HGB in conjunction with section 290 et seq. HGB.

The consolidated financial statements (Group) and the annual financial statements (IKB AG) of IKB Deutsche Industriebank AG (IKB) for the 2019/20 financial year are prepared in line with the provisions of the German Commercial Code (HGB) in conjunction with the *Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* (RechKredV – German Bank Accounting Directive) and in line with the relevant regulations of the *Aktiengesetz* (AktG – German Stock Corporation Act). The consolidated 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.

The comparative figures for the previous year were determined in line with the provisions of German Commercial Code 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 consolidated balance sheet and the consolidated income statement have been supplemented by items specific to the leasing industry. The income statement is structured in account format (format 2 RechKredV).

Disclosures that can be provided either in the (consolidated) balance sheet/ (consolidated) income statement or the (consolidated) notes have largely been provided in the (consolidated) notes in the order of the items concerned. 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 consolidated and annual financial statements of IKB AG as "-".

The notes to the consolidated financial statements and the notes to the annual financial statements of IKB AG have been compiled in accordance with section 298 (2) HGB. Unless noted otherwise, statements made apply to both the Group and IKB AG. The management report and the Group management report have also been combined in accordance with section 315 (5) HGB in conjunction with section 298 (2) HGB.

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

(2) Changes in presentation and measurement

The reporting of future positions was changed in the 2019/20 financial year to achieve greater transparency in presentation. Variation margins to be paid on futures are now reported in the income statement net for each future when realised. The original and the closing transaction are recognised net. If this change had already been applied in the prior-year period, other operating expenses and other operating income would each have been € 66.0 million lower in the previous year.

Since 30 June 2019, where the intention to hold credit derivatives (credit default swaps) recognised as loan collateral provided 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. This harmonises the reporting of the close-out effects of CDSs held as derivatives. Other operating expenses increased by € 1.9 million in the reporting period as a result (previous year: other operating income of € 0.5 million).

Since 1 October 2019, all expenses and income from early swap reversals have been reported in net other operating income to ensure uniform presentation. Net income from early swap reversals of € 11.1 million (previous year: € 1.2 million) was reported by the transition date.

In connection with structured finance products in relation to the 2008 financial crisis, the Bank is asserting claims for damages against third parties. Since 31 December 2019, the expenses for the Bank's pending lawsuits have no longer been recognised as administrative expenses, but in net other operating income. This change in reporting reduced administrative expenses by € 3.5 million in the reporting period (previous year: € 5.4 million). Accordingly, other operating expenses have increased by the same amount.

In conjunction with the loss-free measurement of the banking book in accordance with IDW RS BFA 3, the Bank altered its method of calculating fictitious costs for excess assets and will dispense with the funding benefit of equity moving ahead. Furthermore, the calculation of probabilities of default on long-term investments was adjusted in conjunction with the consideration of risk costs in fair value measurement in accordance with IDW RS BFA 3. Moving ahead, the probability of default will be calculated for terms up to 30 years, and the contingent one-year probability of default will be extrapolated for terms beyond that. Fair value measurement in accordance with IDW RS BFA 3 did not give rise to any provision requirements even applying the new calculation method.

(3) Consolidated group

In addition to IKB AG, 21 (previous year: 22) other subsidiaries have been included in consolidation in the consolidated financial statements as of 31 March 2020. A further 26 (previous year: 27) subsidiaries were not included in consolidation in accordance with section 296 (2)/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, was included consolidation for the first time as of 30 September 2019 as a result of the gradual acquisition of shares by IKB AG. The simplified liquidation under Luxembourg law of the fund was initiated in December 2019, whereby the fund accrued to the sole shareholder IKB AG, and thus all assets and liabilities were transferred.

The simplified liquidation under Luxembourg law of the company Valin Mittelstand Senior Debt S.A., SICAV-SIF, Luxembourg, Luxembourg, which was fully consolidated in the previous year, was also initiated in December 2019, whereby the fund accrued to the sole shareholder IKB AG.

The two special-purpose entities Capital Raising GmbH, Norderfriedrichskoog, and Hybrid Raising GmbH, Norderfriedrichskoog, were included in consolidation in February 2020 as they are no longer insignificant to the consolidated financial statements following the cancellation and winding up of the silent partnerships.

IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG, Düsseldorf, was deconsolidated due to immateriality in March 2020 following payment of a deferred purchase price receivable and a capital repayment. The deconsolidation has not had any material effects.

IKB Struktur GmbH, Düsseldorf, was deconsolidated due to immateriality in March 2020 as a result of the disposal of equity investments. The deconsolidation has not had any material effects.

For further information, please refer to note (51).

(4) Consolidation methods

The consolidated 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 has a reporting date other than 31 March, the material transactions that occur between the balance sheet date and 31 March 2020 are taken into account. Selected companies are included using financial statements updated to the reporting date of the Group.

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.

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.

Increases in shares in subsidiaries are interpreted as capital measures within the meaning of DRS 23 – Acquisition Accounting, 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.

Accounting policies

(5) Receivables

Receivables from customers and banks are recognised at nominal value less specific and general valuation allowances. Differences between the nominal and payment amount (premiums/discounts) are taken to deferred income and prepaid expenses and allocated if the difference is of an interest nature. Purchased receivables with a purchase price discount due to the credit rating are recognised at acquisition cost less specific and global valuation allowances.

Lease receivables were acquired in the context of true forfaiting in connection with the sale of the IKB Leasing Group in the financial year 2017/18. The claims to payment under the leases were transferred to an IKB subsidiary and are reported in the consolidated financial statements as receivables from customers at the amount of the purchase price, taking provisions for possible loan losses into account. Incoming payments on the forfaited receivables are divided into payments of principal and interest with a constant effective interest rate. The incoming payments are not divided into payments of principal and interest if the forfaited receivable was already impaired when purchased. The incoming payments are initially treated as payments of principal. Excess incoming payments are only recognised in the income statement after the principal has been repaid in full.

(6) 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.

If the criteria for the recognition of a valuation allowance or provision are met in the context of the specific risk provision process, their amount is calculated from the difference between the current carrying amount and the present value of the cash flows still expected. The discount factor is based on the original effective interest rate of the receivable.

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 an estimated one-year expected loss on this portfolio.

To reflect latent risks of default on long-term investments, receivables from banks, irrevocable loan commitments and contingent liabilities from protection seller credit default swaps, the Bank also calculated general allowances and generally calculated loan loss provisions for these risks on the basis of the estimated one-year expected loss.

In the absence of available historical loan loss data, latent counterparty risks are also estimated based on the one-year expected loss for assets purchased by IKB Leasing Group companies.

For non-recourse financing of lease assets, there is also default risk for the lessee in addition to the default risk for the leasing company. This double default risk is taken into account when recognising general allowances by recognising general allowances for the default risk of lessees on the basis of the estimated one-year expected loss in addition to calculating the general allowance for the leasing company.

Furthermore, there are general allowances for latent counterparty default risk in connection with the following:

- above-average risks of loss in the area of acquisition financing;
- above-average risks of loss in corporate finance business in connection with the coronavirus crisis;
- impact of more stringent legislation on borrowers in the renewable energies segment in Southern Europe.

The additional, increased latent counterparty risks were quantified on the basis of expert estimates.

With the exception of the risks in connection with the COVID-19 crisis, the Bank believes that the following issues are no longer suject to increased latent counterparty default risks: sales of medium to long-term project financing, impact of EU sanctions against Russia on borrowers and exposures relating to the European steel industry and commodity financing.

To cover country risk, a global valuation allowance was recognised for the credit volume in high-risk countries outside the European Union with internal ratings from class 8 for which the risk has not been placed with third parties. The general valuation allowance for country risk is recognised in the amount of at least the one-year expected loss. The Bank considers whether additional country risk provisioning appears necessary on a case-by-case basis. Accordingly, as in the previous year, country risk provisioning within the tax ranges was recognised for rating classes 13-15 as of 31 March 2019, taking into account risk-mitigating factors for individual exposures.

Bad debts are written off directly. Recoveries on loans previously written off are recognised under “Provisions for possible loan losses” in the income statement.

(7) Securities

Purchased securities are carried at acquisition cost in accordance with section 253 (1) sentence 1 HGB. The differences between the cost and repayment amount (premiums/discounts) are recognised as an adjustment in net interest income pro rata temporis over the remaining term.

Subsequent measurement of long-term investments is in line with the less strict principle of lower of cost or market value under section 340e (1) sentence 1 HGB in conjunction with section 253 (3) sentence 3 HGB. If impairment is expected to be permanent, assets are written down to the lower fair value as of the reporting date.

Securities classified as current assets are measured at the lower of quoted or market price in line with the strict principle of lower of cost or market value in accordance with section 340e (1) sentence 2 HGB in conjunction with section 253 (4) HGB. If there are no market rates, the fair 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 exclusively observed on the market are used for this.

Write-downs are reversed in accordance with section 253 (5) sentence 1 HGB if the reasons for the lower carrying amount no longer apply.

Structured financial instruments are recognised in accordance with the principles of IDW RS HFA 22. The principle of uniform accounting is only deviated from if the structured financial instrument has significantly elevated or additional risks or opportunities compared to the underlying on account of embedded derivatives.

(8) Securities repurchase and lending transactions

In securities repurchase business, the Bank sells securities – as a repo seller – and at the same time agrees a contingent (non-genuine) or non-contingent (genuine) repurchase agreement for these securities with the repo purchaser.

Securities repurchase transactions are recognised in line with the regulations of section 340b HGB. Thus, in genuine securities repurchase transactions, IKB – as the repo seller – still reports the assets sold in its balance sheet and at the same time recognises a corresponding liability to the repo purchaser. If IKB is the repo purchaser, a receivable from the repo seller is recognised.

In securities lending transactions the lender lends securities from its portfolio to the borrower for a set period. The borrower is required to return securities of the same type, amount and quality at the end of the lending period. The lender of the securities remains the beneficial owner of the securities it lends. Accordingly, the securities lent are not reported in the balance sheet of the borrower, rather they are still recognised by the lender on account of its beneficial ownership.

(9) Equity investments and investments in affiliated companies/tangible assets/ intangible assets/other assets

Investments in affiliated companies and investees and investors are carried at the lower of acquisition cost or fair value. They are measured in line with the less strict principle of lower of cost or market value under section 340e (1) sentence 1 HGB in conjunction with section 253 (3) sentence 5 HGB.

Finite-lived tangible and intangible assets are measured at acquisition/production cost less depreciation and amortisation respectively and impairment. Tangible assets are written down on a straight-line basis over their useful life. If the market values of individual fixed assets fall below their carrying amount, they are written down to market value if the impairment is expected to be permanent.

The option to capitalise internally generated intangible fixed assets in accordance with section 248 (2) sentence 1 HGB has not been exercised. Intangible fixed assets purchased from third parties are capitalised at cost and written down pro rata temporis on a straight-line basis over their standard useful life.

Other assets are carried at cost less any depreciation or amortisation.

(10) Deferred taxes

If there are differences between the accounting carrying amounts of assets, liabilities, prepaid expenses and deferred income and their tax carrying amounts that will reverse in subsequent financial years (temporary differences), any net tax expense resulting from this is recognised as a deferred tax liability. Any net tax relief resulting from this is recognised as a deferred tax asset. In calculating deferred tax assets, temporary differences or tax loss carryforwards that are expected to be available for offsetting in the next five years are taken into account in loss offsetting. The option to report deferred tax assets in line with section 274 (1) sentence 2 HGB is exercised. However, the option to report deferred tax assets and liabilities without netting in line with section 274 (1) sentence 3 HGB (gross reporting) is no longer exercised.

The deferred taxes were measured using individual tax rates for each tax entity that were in effect on the balance sheet date or that have already been approved by the legislator and are expected to apply at the time the deferred tax assets and liabilities are realised. In calculating German deferred taxes, a corporation tax rate of 15%, a solidarity surcharge of 5.5% on corporation tax and a trade tax rate in line with the applicable rates of assessment are assumed. Deferred taxes for foreign operations and subsidiaries are measured using the tax rates that apply there.

Owing to the tax entity structures, the deferred tax assets and liabilities resulting from temporary differences at companies within these entities are taken into account in the calculation of the deferred taxes of the parent entity. For tax group parents that are also participating tax entities, temporary differences are taken into account at the level of the top tax group parent.

If consolidation adjustments result in temporary differences in the consolidated financial statements, additional deferred tax assets and liabilities are reported for the future tax income or expenses resulting from these differences respectively. The deferred taxes resulting from consolidation adjustments in accordance with section 306 HGB are offset against the deferred taxes in accordance with section 274 HGB.

(11) Excess of plan assets over post-employment benefit liability

In accordance with section 246 (2) sentence 2 HGB, assets that are inaccessible to all other creditors and that are used solely to satisfy pension or similar long-term liabilities are offset against these liabilities. The procedure is the same for the associated expenses and income from discounting obligations and from the assets offset. The net amount is reported under other operating income.

Assets transferred in contractual trust arrangements (CTA) are measured at fair value. If the fair value of the assets exceeds the amount of the liabilities, this amount is reported under "Excess of plan assets over pension liability".

Accounting for pension liabilities is shown in the accounting policies for provisions (note 13).

(12) Liabilities

Liabilities are reported at their settlement amount. Any negative difference between this and the amount paid in is deferred and allocated in profit or loss as planned.

(13) Provisions

Provisions for pensions and similar obligations

Pension liabilities are carried at the settlement amount necessary in line with prudent business judgement. The 2018 G Heubeck mortality tables are used to calculate the necessary settlement amount. The calculation is performed using the projected unit credit method with the following measurement assumptions:

Measurement factor	**31 Mar. 2020 Assumption**	**31 Mar. 2019 Assumption**
Interest rate (7 or 10-year average)	1.88% / 2.61%	2.24% / 3.07%
Salary increases (Board of Managing Directors/pay-scale/non-pay-scale employees)	0.0% / 1.0% / 1.5%	0.0% / 1.5% / 1.5%
Pension trend	1.50%	1.75%
Fluctuation rate in line with grading by age and sex		
Age up to 35 m/f	6.0% / 6.0%	6.0% / 6.0%
Age from 36 to 45 m/f	4.0% / 4.0%	4.0% / 4.0%
Age over 45 m/f	1.5% / 1.5%	1.5% / 1.5%

In accordance with section 253 HGB, pension provisions are discounted using the average market interest rate for the past ten years for a general remaining term of 15 years (see note (34)). The average market interest rate for the past seven years is still used for discounting similar obligations. The interest rate was announced by the Bundesbank in line with the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung – RückAbzinsV). For securities-linked commitments, provisions are carried in the amount of the fair value of the plan assets if a guaranteed minimum amount is exceeded.

In accordance with section 67 (1) sentence 1 EGHGB, the option was exercised to add at least one fifteenth of the additional provision required on account of the change in the measurement of pension obligations due to BilMoG each financial year. In a departure from this, an additional amount from the transition to BilMoG was recognised as an extraordinary expense in the previous financial year. With this additional expense, the BilMoG transition amount was fully recognised in profit or loss in the previous year (see note (34)). The Bank also exercises the option not to recognise indirect pension obligations (2015 pension fund plan) in its balance sheet.

To hedge the obligations from pension fund plans and similar regulations, the assets necessary to meet pension claims were separated from other company assets and transferred to a trustee. If the fair value of the assets transferred is less than the associated obligations, a provision for pensions and similar obligations is reported in the corresponding amount.

Please see note (11) for information on the offsetting requirement for transferred assets against pension obligations and the recognition of assets.

Tax provisions and other provisions

Provisions for taxes and other provisions are recognised in the settlement amount necessary in line with prudent business judgement. The necessary settlement amount includes future increases in prices and costs. Provisions for expected losses from executory contracts are recognised in the amount of the obligation surplus. Provisions with a remaining term of more than twelve months are discounted in line with section 253 (2) HGB using the matched term interest rates of the RückAbzinsV. The effect of interest on non-banking items in subsequent periods is reported under other operating expenses. The interest effect on provisions in connection with banking items is reported in interest expenses.

Restructuring provisions are also reported under other provisions. These must be recognised when the management plans and controls a programme with the aim of significantly changing either the business area covered by the enterprise or the way it performs this business, thereby leading to an external obligation or expected losses from executory contracts.

(14) Contingent liabilities and other obligations

Contingent liabilities and other obligations are shown as off-balance sheet items at nominal amount less any recognised provisions.

(15) Extraordinary result

In accordance with section 340a (2) HGB, banks must report the expenses they incur and the income they generate outside ordinary business activities under “Extraordinary expenses” and “Extraordinary income”. Accordingly, this item includes expenses resulting from extraordinary measures to simplify the capital structure (including in particular the cancellation and termination of silent participations) or in connection with business restructuring measures (see note (13)).

(16) Derivatives

Derivative financial instruments are accounted for in line with the provisions for executory contracts. Premium payments made and received from contingent forwards are reported in other assets/liabilities respectively. For non-contingent forwards, upfront fees paid or received are reported in prepaid expenses and deferred income respectively and amortised on a straight-line basis over their remaining term in net interest income. On the balance sheet date it is verified whether provisions for expected losses from executory contracts need to be recognised.

For future positions that are not included in a compensatory way, provisions for contingent losses from pending transactions are formed for impending losses in the amount of a possible negative fair value..

For derivative financial instruments included in a hedge in accordance with section 254 HGB, a provision for expected losses resulting from the hedged risk is not recognised if these losses are offset by an unrealised gain in the same amount.

Interest derivatives are measured loss-free at present value together with all other interest-bearing financial instruments in accordance with the principles of IDW RS BFA 3. The present value of the interest-bearing transaction is offset against the corresponding carrying amounts, taking into account administrative and risk costs and anticipated refinancing costs. On the basis of BaFin Circular 9/2018 (BA), future cash flows are also discounted for the purposes of the fair value measurement of the banking book using a uniform yield curve per currency. Loss-free measurement in accordance with IDW RS BFA 3 did not give rise to any provision requirements.

Credit derivatives are accounted for in accordance with IDW RS BFA 1. Accordingly, credit derivatives for which IKB is the protection buyer are treated as loan collateral if the respective credit derivative hedges default risks, IKB intends to hold the derivative on maturity, and the derivative is objectively suitable as a hedging instrument. These credit derivatives are taken into account in the valuation of the hedged transactions. All other credit derivatives for which IKB is the protection buyer are recognised as executory contracts. Provisions for expected losses are recognised in the amount of the respective negative fair values.

Credit derivatives for which IKB is the protection seller are treated as guarantees if the respective derivative only hedges default risk and IKB intends to hold the derivative until maturity or occurrence of the credit event. Provisions are recognised for credit derivatives recognised as guarantees in the amount of the expected utilisation. If the holding intention is abandoned over time, the close-out effect is reported in net other operating income. All other credit derivatives for which IKB is the protection seller are recognised as executory contracts. Provisions for expected losses are recognised in the amount of the respective negative fair values.

(17) Currency translation

The modified closing rate method in accordance with section 308a HGB/DRS 25 – Foreign Currency Translation in the Consolidated Financial Statements is used to translate foreign-currency financial statements in the Group. The asset and liability items, not including equity, of a balance sheet in foreign currency are translated to euro at the middle spot exchange rate on the balance sheet date. Equity is translated into euro at the historic rate. Income statement items are translated into euro at the average rate. Any translation difference is reported in consolidated equity as the “Difference in equity from currency translation”. There were no longer any foreign-currency financial statements in the Group as of 31 March 2020.

At IKB AG and other credit and financial institutions in the Group, assets and liabilities from foreign-currency transactions are translated in line with the principles of section 340h HGB in conjunction with section 256a HGB in the separate financial statements if there is special cover. Thus, foreign currency assets and liabilities are translated at the middle spot exchange rate as of the balance sheet date. If the requirements of special cover are not satisfied, currency translation is performed using the regulations that apply to all traders (section 256a HGB). For a remaining term of one year or less, the unrealised gains on currency translation are recognised in income. If the remaining term exceeds one year, the general measurement provisions apply.

This special cover in accordance with section 340h HGB is considered provided in line with IDW RS BFA 4 if the currency risk is controlled by a currency position and the individual items are aggregated in a currency position. IKB AG allocates foreign currency transactions to the currency position of the respective currency and manages them using approved limits.

In the income statement, income and expenses from currency translation (translation differences) are reported under “Other operating income” and “Other operating expenses”.

If IKB AG uses currency forwards to hedge interest-bearing assets and liabilities, the forward rate is divided and its two elements (spot rate and swap rate) are taken into account separately in the earnings calculation. The mark-ups and mark-downs on the spot rate are offset pro rata temporis in net interest income. For the above transactions, it is verified whether closing the positions with matched terms would result in losses and whether provisions should be recognised for these (measurement of remaining items).

Notes on the balance sheet

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

	Group		IKB AG	
in € million	**31 Mar. 2020**	**31 Mar. 2019**	**31 Mar. 2020**	**31 Mar. 2019**
Receivables from banks[1)]	**937.7**	**377.8**	**937.7**	**377.6**
remaining term				
up to 3 months	2.0	4.0	2.0	3.9
between 3 months and 1 year	921.8	353.7	921.8	353.7
between 1 and 5 years	14.0	20.1	13.9	20.0
more than 5 years	-	-	-	-
indefinite term	-	-	-	-
Receivables from customers	**9,529.6**	**9,823.2**	**10,432.6**	**10,651.8**
remaining term				
up to 3 months	747.4	754.9	757.4	757.7
between 3 months and 1 year	1,275.8	1,210.1	1,727.0	1,616.3
between 1 and 5 years	5,796.9	5,776.0	5,818.7	5,903.3
more than 5 years	1,709.5	2,082.2	2,129.5	2,374.5
indefinite term	-	-	-	-
Liabilities to banks[1)]	**7,622.2**	**7,260.7**	**7,620.1**	**7,258.6**
remaining term				
up to 3 months	885.6	547.3	884.9	546.8
between 3 months and 1 year	2,496.4	681.4	2,496.2	681.3
between 1 and 5 years	2,984.9	4,710.3	2,983.6	4,708.8
more than 5 years	1,255.3	1,321.7	1,255.3	1,321.7
indefinite term	-	-	-	-
Liabilities to customers[1)]	**5,067.5**	**4,521.2**	**5,374.7**	**4,615.6**
remaining term				
up to 3 months	740.9	382.6	925.1	378.7
between 3 months and 1 year	1,960.8	1,539.8	2,085.7	1,639.8
between 1 and 5 years	1,951.3	2,214.1	1,949.5	2,212.3
more than 5 years	414.5	384.8	414.5	384.8

1) not including receivables or liabilities repayable on demand

€ 135.5 million (previous year: € 83.0 million) of bonds and other fixed-income securities are payable in the following year in the Group and € 136.5 million (previous year: € 83.0 million) are payable in the following year at IKB AG. € 129.6 million (previous year: € 195.9 million) of the bonds issued and reported under securitised liabilities are payable in the following year in the Group and € 129.8 million (previous year: € 196.1 million) are payable in the following year at IKB AG.

(19) Foreign-currency assets

The currency volumes translated into euro are shown in the table below:

	Group		IKB AG	
in € million	**31 Mar. 2020**	**31 Mar. 2019**	**31 Mar. 2020**	**31 Mar. 2019**
Assets	429.3	527.1	429.3	527.4

The differences between the assets and the liabilities are largely hedged by currency hedges.

(20) Repurchase agreements

The carrying amount of assets reported in the balance sheet as of the reporting date and transferred in repurchase agreements is € 1,118.6 million (previous year: € 283.6 million) in the Group and € 1,118.6 million (previous year: € 283.6 million) at IKB AG. The increase is due in particular to greater use of secured refinancing sources.

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

	Group			
	31 Mar. 2020		31 Mar. 2019	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	-	-	9.7	0.0
Other assets	0.1	-	-	-

	IKB AG			
	31 Mar. 2020		31 Mar. 2019	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	980.9	-	1,129.2	0.0
Other assets	3.9	-	49.4	-

(22) 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	-	3.9	-	0.1	1,906.1	-	1,910.1
Reclassifications	-	-16.9	-	4.2	-	-4.3	-17.0
Effects of currency translation	-	-	-	-	0.1	-	0.1
Disposals	-0.3	-1.3	-1.5	-2.2	-2,035.0	-155.0	-2,195.3
Acquisition costs as of 31 Mar. 2020	**28.0**	**7.5**	**0.2**	**44.2**	**3,812.7**	**305.6**	**4,198.2**
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	-	-	-	0.0	3.8	0.5	4.3
Depreciation/amortisation and write-downs	-0.9	-2.3	-	-0.1	-14.4	-	-17.7
Reclassifications	-	3.1	-	-	-	-	3.1
Effects of currency translation	-	-	-	-	-	-	-
Disposals from the consolidated group	-	-	-	-	-	-	-
Disposals	0.2	1.0	0.9	-	13.1	-	15.2
Cumulative depreciation/amortisation, write-downs and reversals thereof by 31 Mar. 2020	**-26.4**	**-3.1**	**-**	**-36.8**	**-1.6**	**-1.6**	**-69.5**
Residual carrying amount as of 31 Mar. 2020	**1.5**	**4.4**	**0.2**	**7.4**	**3,811.2**	**304.0**	**4,128.7**
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 investments	Investments in affiliated companies	Bonds and other 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	-	3.6	-	160.3	1,906.5	2,070.4
Reclassifications	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	0.1	0.1
Disposals	-0.3	-1.3	-0.5	-531.1	-2,036.3	-2,569.5
Acquisition costs as of 31 Mar. 2020	**27.9**	**7.5**	**0.2**	**889.1**	**3,821.2**	**4,745.9**
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	-	-	-	280.0	3.8	283.8
Depreciation/amortisation and write-downs	-0.9	-1.4	-	-1.2	-14.4	-17.9
Reclassifications	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-	-
Disposals	0.2	1.0	0.4	0.9	13.1	15.6
Cumulative depreciation/amortisation, write-downs and reversals thereof by 31 Mar. 2020	**-26.4**	**-3.1**	**-**	**-721.2**	**-1.6**	**-752.3**
Residual carrying amount as of 31 Mar. 2020	**1.5**	**4.4**	**0.2**	**167.9**	**3,819.6**	**3,993.6**
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 from tangible assets to other assets for the Group as the building is now marketable and held for sale. The carrying amount was € 13.8 million (31 March 2019: € 14.4 million) with an acquisition cost of € 16.9 million (31 March 2019: € 16.6 million) and cumulative depreciation of € 3.1 million (31 March 2019: € 2.2 million). As a result of this 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 was included in tangible assets at € 4.4 million (previous year: € 2.5 million) in the Group and € 4.4 million (previous year: € 2.5 million) at IKB AG.

Reversals of write-downs on investments in affiliated companies at IKB AG of € 280.0 million relate to the increase of value of shares in IKB Lux Beteiligungen S.à.r.l., Munsbach, Luxembourg. The reversal was recognised due to income from the disposal of bonds to IKB AG.

In this context, there were write-downs on investments in affiliated companies at IKB AG of € 280.0 million due to a capital repayment by IKB Lux Beteiligungen S.à.r.l., Munsbach, Luxembourg.

Other disposals of € 15.6 million under shares in affiliated companies at IKB AG relate to a partial capital repayment by IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG, Düsseldorf.

Furthermore, under shares in affiliated companies at IKB AG, there are additions of € 47.0 million from the acquisition of shares in Valin Mittelstand Senior Debt Fund S.A., SICAV-SIF, Luxembourg, Luxembourg, and disposals of € 147.3 million from the subsequent simplified liquidation of the company and the accrual of its assets to IKB AG. Also under shares in affiliated companies at IKB AG, additions/disposals of € 88.2 million relate to the acquisition during the year of shares in Valin Mittelstand Senior Debt Fund S.A., SICAV-SIF, Ruysdael Fund, Luxembourg, Luxembourg, and its subsequent simplified liquidation of the company and the accrual of its assets to IKB AG.

There are also additions of € 25.0 million under shares in affiliated companies at IKB AG from a contribution to the free capital reserves of IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf.

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. The disposals in this item relate to returned unit certificates in special funds.

The additions under "Equities and other non-fixed-income securities" at IKB AG are due to the fact that IKB AG acquired bonds of the issuers Capital Raising GmbH and Hybrid Raising GmbH from IKB Lux Beteiligungen S.à.r.l., Munsbach, Luxembourg.

In total, there were unrealised losses from long-term investments of € 33.9 million (previous year: € 16.0 million) based on the carrying amounts of € 668.3 million (previous year: € 619.9 million) and the fair values of € 634.4 million (previous year: € 603.9 million). At IKB AG, unrealised losses for long-term investments amounted to a total of € 33.9 million (previous year: € 14.7 million) based on carrying amounts of € 668.3 million (previous year: € 535.4 million) and fair values of € 634.4 million (previous year: € 520.7 million). All unrealised gains and losses on long-term investments are presented in note (59).

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 € 13.2 million (previous year: € 0.7 million) in the Group and € 14.3 million (previous year: € 15.3 million) at IKB AG.

The reported amounts do not include deferred interest.

(23) Subordinated assets

	Group		IKB AG	
in € million	**31 Mar. 2020**	**31 Mar. 2019**	**31 Mar. 2020**	**31 Mar. 2019**
Receivables from customers	64.1	100.3	64.1	100.3
Bonds and other fixed-income securities	17.3	25.4	17.3	25.4
Total	**81.4**	**125.7**	**81.4**	**125.7**

(24) Negotiable securities

The negotiable securities included in the balance sheet items below break down as follows in terms of stock exchange listing:

31 Mar. 2020 in € million	Group Total negotiable	Listed	Not listed	IKB AG Total negotiable	Listed	Not listed
Bonds and other fixed-income securities	3,830.1	3,751.4	78.7	3,838.5	3,759.8	78.7
Equities and other non-fixed-income securities	304.0	-	304.0	350.9	350.9	0.0
Equity investments	0.0	-	0.0	0.0	-	0.0

31 Mar. 2019 in € million	Group Total negotiable	Listed	Not listed	IKB AG Total negotiable	Listed	Not listed
Bonds and other fixed-income securities	3,953.4	3,884.1	69.3	3,962.8	3,893.5	69.3
Equities and other non-fixed-income securities	458.1	-	458.1	0.0	-	0.0
Equity investments	0.0	-	0.0	0.0	-	0.0

The item “Bonds and other fixed-income securities” includes the negotiable securities assigned to fixed assets of € 3,811.2 million (previous year: € 3,937.4 million) in the Group and € 3,819.6 million (previous year: € 3,946.8 million) at IKB AG. The item “Equities and other non-fixed-income securities” includes the negotiable securities assigned to fixed assets of € 304.0 million (previous year: € 458.1 million) in the Group and, as in the previous year, zero at IKB AG.

(25) Disclosures on investment funds

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

in € million	Group Carrying amount 31 Mar. 2020	Fair value 31 Mar. 2020	Difference to carrying amount 31 Mar. 2020	Distribution 2019/20	IKB AG Carrying amount 31 Mar. 2020	Fair value 31 Mar. 2020	Difference to carrying amount 31 Mar. 2020	Distribution 2019/20
Mixed funds	254.1	254.1	-	6.8	253.4	253.4	-	6.8
Other special funds	304.0	408.2	104.2	10.0	-	-	-	-
Total	**558.1**	**662.3**	**104.2**	**16.8**	**253.4**	**253.4**	**-**	**6.8**

in € million	Group Carrying amount 31 Mar. 2019	Group Fair value 31 Mar. 2019	Group Difference to carrying amount 31 Mar. 2019	Group Distribution 2018/19	IKB AG Carrying amount 31 Mar. 2019	IKB AG Fair value 31 Mar. 2019	IKB AG Difference to carrying amount 31 Mar. 2019	IKB AG Distribution 2018/19
Mixed funds	262.7	262.7	-	8.3	262.0	262.0	-	8.3
Other special funds	458.1	492.2	34.1	-	-	-	-	-
Total	**720.8**	**754.9**	**34.1**	**8.3**	**262.0**	**262.0**	**-**	**8.3**

Other special funds in the Group include units in foreign special funds that invest in European, Chinese and North American fixed-income securities.

Furthermore, CTA assets were invested in a German special fund. If the offsetting of CTA assets against pension obligations (depending on the pension plan and company) results in an excess of CTA assets, this is reported under “Excess of plan assets over post-employment benefit liability” (see note (29)). If the offsetting results in an excess pension obligation, this is recognised as a pension provision. The fund predominantly invests in fixed-income securities and investment funds.

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

(26) Other assets

Other assets include the following:

in € million	Group 31 Mar. 2020	Group 31 Mar. 2019	IKB AG 31 Mar. 2020	IKB AG 31 Mar. 2019
Foreign currency adjustment item	22.4	18.9	22.4	18.9
Receivables from tax authorities	19.9	179.3	19.5	178.9
Receivables from derivatives	0.8	1.7	0.8	1.7
Deferred interest on derivatives	19.1	53.7	19.1	53.7
Assets held for sale	15.7	0.3	-	-
Trade receivables	7.1	2.8	6.8	2.7
Receivables from affiliated companies	0.0	-	3.9	49.4
Miscellaneous assets	64.2	72.9	63.1	12.2
Total	**149.3**	**329.7**	**135.7**	**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 in the Group include a building used by a third party that is available for sale. The miscellaneous assets in the Group and at IKB AG essentially relate to variation margins for futures transactions. In the previous year, the Group’s miscellaneous assets primarily comprised a deferred purchase price payment in connection with the acquisition of a building that is secured by a bank guarantee. In the previous year, receivables from tax authorities in the Group and in IKB AG included claims to reimbursement of taxes and interest as a result of the recognition of the retrospective applicability of the restructuring clause provided by section 8c German Corporate Income Tax Act (KStG).

(27) Prepaid expenses

Prepaid expenses are discounts on liabilities recognised at nominal amount and premiums on loans recognised at nominal amount of € 1.4 million (previous year: € 2.3 million) in the Group and € 1.4 million (previous year: € 2.3 million) at IKB AG and pre-paid expenses for derivatives business of € 65.0 million (previous year: € 74.2 million) in the Group and € 65.0 million (previous year: € 74.2 million) at IKB AG. There are also prepaid expenses for invoices paid in advance of € 41.8 million (previous year: € 24.7 million) in the Group and € 4.3 million (previous year: € 4.7 million) at IKB AG.

(28) Deferred tax assets

	Group		IKB AG	
in € million	**31 Mar. 2020**	**31 Mar. 2019**	**31 Mar. 2020**	**31 Mar. 2019**
Excess deferred tax assets	137.2	136.6	137.0	137.0

Loss carryforwards:

	Group		IKB AG	
in € million	**31 Mar. 2020**	**31 Mar. 2019**	**31 Mar. 2020**	**31 Mar. 2019**
Reported corporation tax loss carryforwards	10.7	7.0	-	-
Reported trade tax loss carryforwards	8.2	7.0	-	-

The carrying amount of deferred tax assets is essentially based on the differences between the financial accounts and the tax accounts that will reverse in subsequent years. In particular, the carrying amount relates to investment funds of the domestic tax group and the difference between pension provisions recognised in the financial accounts and the tax accounts. Furthermore, deferred tax assets on tax loss carryforwards are taken into account if the losses are sufficiently likely to be offset within the next five financial years from the next balance sheet date. Local tax rates were used in each case. The resulting tax expenses and income have been reported net.

(29) Excess of plan assets over post-employment benefit liability

31 Mar. 2020 **in € million**	**Group**	**IKB AG**
Offset assets		
Acquisition costs	314.9	314.1
Fair value	305.8	305.1
Offset liabilities		
Settlement amount	-384.8	-381.6
Excess of plan assets over post-employment benefit liability	**7.4**	**7.1**
Expenses and income offset in the reporting year	**2019/20**	**2019/20**
Expenses and income from pension obligations		
Expenses for pension obligations	-33.1	-32.7
Expenses and income from plan assets		
Income from plan assets	7.1	7.1
Expenses of plan assets	-19.0	-19.0
Net income/expense	**-45.0**	**-44.6**

31 Mar. 2019 in € million	Group	IKB AG
Offset assets		
Acquisition costs	300.8	300.1
Fair value	310.8	310.0
Offset liabilities		
Settlement amount	-368.6	-365.6
Excess of plan assets over post-employment benefit liability	**7.7**	**7.5**
Expenses and income offset in the reporting year	**2018/19**	**2018/19**
Expenses and income from pension obligations		
Expenses for pension obligations	-35.1	-34.7
Expenses and income from plan assets		
Income from plan assets	9.5	9.5
Expenses of plan assets	-5.7	-5.7
Net income/expense	**-31.4**	**-31.0**

The fair value of assets transferred in CTAs results from their asset value, which was determined by the investment company as of the balance sheet date.

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

	Group			
	31 Mar. 2020		31 Mar. 2019	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Liabilities to customers	3.8	0.2	0.7	0.2
Other liabilities	0.5	-	-	-

	IKB AG			
	31 Mar. 2020		31 Mar. 2019	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Liabilities to customers	352.8	0.2	141.8	0.2
Securitised liabilities	420.2	-	420.2	-
Other liabilities	405.2	-	4.6	-
Subordinated liabilities	75.1	-	75.1	-

(31) Foreign-currency liabilities

The currency volumes translated into euro are shown in the table below:

	Group		IKB AG	
in € million	31 Mar. 2020	31 Mar. 2019	31 Mar. 2020	31 Mar. 2019
Liabilities	340.3	342.9	340.3	342.9

The differences between the assets and the liabilities are largely hedged by currency hedges.

(32) Other liabilities

Other liabilities break down as follows:

	Group		IKB AG	
in € million	**31 Mar. 2020**	**31 Mar. 2019**	**31 Mar. 2020**	**31 Mar. 2019**
Obligations from derivatives	3.0	4.5	3.0	4.5
Deferred interest on derivatives	19.2	56.4	19.2	56.4
Liabilities to tax authorities	1.2	3.6	1.2	3.5
Deferred income for subordinated liabilities	10.7	10.9	10.7	10.9
Trade payables	15.9	17.7	9.7	17.3
Miscellaneous liabilities	9.6	12.8	413.8	11.7
Total	**59.6**	**105.9**	**457.6**	**104.4**

Miscellaneous liabilities at IKB AG of € 400 million as of the reporting date relate to repayment obligations due to the cancellation of the silent partnerships with Capital Raising GmbH and Hybrid Raising GmbH.

(33) Deferred income

Deferred income primarily includes discounts and fees from lending business with interest-like characteristics in connection with receivables recognised at nominal amount of € 10.7 million (previous year: € 15.8 million) in the Group and € 10.7 million (previous year: € 15.8 million) at IKB AG and deferred income for derivatives business of € 27.5 million (previous year: € 37.7 million) in the Group and € 27.5 million (previous year: € 37.7 million) at IKB AG.

(34) Pension provisions

The reported pension provisions amount to € 89.1 million (previous year: € 68.2 million) in the Group and € 83.7 million (previous year: € 63.1 million) at IKB AG.

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

31 Mar. 2020 **in € million**	**Group**	**IKB AG**
Measurement of obligation using the ten-year average market interest rate	359.2	353.2
Measurement of obligation using the seven-year average market interest rate	400.1	393.3
Difference in accordance with section 253 (6) HGB	**40.9**	**40.1**

(35) Subordinated liabilities

This item includes liabilities whose contractual conditions stipulate that they can only be repaid in the event of insolvency or liquidation after all non-subordinated creditors have been repaid. An early repayment obligation or participation in the losses of operating activities is not intended.

The preferred shares (trust preferred securities) issued by the IKB Funding Trust and defined as hybrid capital instruments are also reported under subordinated liabilities. These are only repaid after all other subordinated liability and any profit participation certificate issues have been served.

In the Group, trust preferred securities were originally issued by two subsidiaries in the US created for this purpose. Unlike German preferred shares, these preferred shares grant no share to the liquidation result of the issuing companies. Perpetual maturity is agreed for the investor for preferred shares.

The carrying amount and nominal amount of the remaining outstanding preferred shares in the Group amounted to € 75.1 million as of 31 March 2020 (previous year: € 75.1 million).

With the exception of the preferred shares issued by IKB Funding Trust I, interest is usually owed and paid regardless of the Bank's net profit or loss for the year. The deferred interest attributable to the subordinated liabilities is reported in other liabilities.

As of the reporting date, subordinated liabilities amounted to € 831.2 million (previous year: € 826.3 million) in the Group and € 831.2 million (previous year: € 826.3 million) at IKB AG. The interest expenses on these amounted to € 30.5 million in the past financial year (previous year: € 30.5 million) in the Group and € 31.8 million (previous year: € 31.8 million) at IKB AG.

Individual items that exceed 10% of the total amount of subordinated liabilities in the Group and at IKB AG:

Group **Year of issue**	**Carrying amount in € million**	**Currency**	**Interest rate in %**	**Maturity**
2005/2006	109.3	JPY	2.76	21 Jul. 2035
2017/2018	160.0	EUR	4.50	23 Jul. 2022
2017/2018	300.0	EUR	4.00	31 Jan. 2028

IKB AG **Year of issue**	**Carrying amount in € million**	**Currency**	**Interest rate in %**	**Maturity**
2005/2006	109.3	JPY	2.76	21 Jul. 2035
2017/2018	160.0	EUR	4.50	23 Jul. 2022
2017/2018	300.0	EUR	4.00	31 Jan. 2028

(36) Fund for general banking risks

The fund for general banking risks in accordance with section 340g HGB, which is eligible as common equity tier 1 capital in accordance with the CRR, amounts to € 585.0 million (previous year: € 585.0 million) for both the Group and IKB AG as of the balance sheet date. Among other things, the fund, which takes into account IKB's general banking risks, is intended to protect the Bank against the risks described in this management report.

(37) Development of capital

Treasury stock

The authorisation to acquire and utilise treasury shares for purposes other than securities trading resolved by the Annual General Meeting on 5 September 2013 was revoked by way of resolution of the Annual General Meeting on 1 September 2016 and replaced by a new authorisation. This was because the authorisation resolved by the Annual General Meeting on 5 September 2013 was still based on the OTC share price on the Frankfurt stock exchange. As the shares of IKB Deutsche Industriebank AG were no longer traded OTC on the Frankfurt stock exchange at the time of the 2016 Annual General Meeting, the authorisation of 5 September 2013 was void. In light of this, the company was authorised by way of resolution of the Annual General

Meeting held on 1 September 2016 to acquire treasury shares of up to 10% of the share capital for purposes other than securities trading up to and including 31 August 2021. The shares must be purchased in line with the principle of equal treatment in accordance with section 53a AktG. If the number of shares offered exceeds the maximum number of shares the company is permitted to buy back, offers will be accepted proportionally. Preferential acceptance of smaller numbers of shares (up to 100 per shareholder) is permitted. The purchase price per share (not including incidental costs of acquisition) must be at least € 0.05 and not more than € 2.00. Together with the treasury shares acquired for other reasons held by the company or assigned to it in accordance with sections 71a et seq. AktG, the treasury shares acquired on the basis of this authorisation must not exceed 10% of the share capital of the company at any time. The acquired shares can be sold by way of an offer to all shareholders or – if stock market trading resumes – on the stock exchange or, in full or in part, called in. This authorisation was not utilised in the financial year 2019/20.

By way of resolution of the General Meeting of 18 February 2020, the share capital was reduced to € 100,000,000 by retiring shares by simplified procedure to (partially) offset the losses incurred by the end of the 2019/20 financial year. To this end, on 21 February 2020, LSF6 Europe Financial Holdings, L.P., Delaware, Dallas, USA, provided IKB AG with 594,322,423 fully paid-in no-par-value shares accounting for share capital of EUR 1,521,465,402.88 free of charge. The shares were retired before the end of February 2020. Aside from this temporary holding of 594,322,423 treasury shares, no other treasury shares were held in 2019/20 financial year, nor were there any additions or disposals of the same.

Equity

By way of resolution of the Annual General Meeting on 4 September 2014, the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to increase the share capital of the company by a total of up to € 250,732,700.16 against cash or non-cash contributions by issuing up to 97,942,461 new no-par-value bearer shares until 3 September 2019. The number of shares must increase by the same pro-portion as the share capital. With the approval of the Supervisory Board, the statutory pre-emption rights of shareholders can be disapplied under this authorisation. The authorised capital was entered in the commercial register on 28 October 2014. This authorisation was not utilised in the financial year 2019/20.

By way of resolution of the Annual General Meeting on 1 September 2016 (thus before implementation of the simplified capital reduction described in more detail below and subsequent reclassification of the share capital), the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to issue bearer option or convertible bonds or combinations of these instruments (referred to together as “bonds” hereafter) with a total nominal value of up to € 1,600,000,000, dated or undated, on one or several occasions, including in various tranches, until 31 August 2021, and to grant the bearers of the bonds option or conversion rights for a total of up to 312,500,000 new no-par value shares with a proportionate interest in the share capital of up to € 800,000,000 in accordance with the terms of issue of the respective bonds. The resolution was entered in the commercial register on 21 October 2016. This authorisation was not utilised in the financial year 2019/20.

As set out in the above section on treasury shares, by way of resolution of the General Meeting of 18 February 2020, the share capital of IKB AG was reduced by € 1,521,465,402.88 from € 1,621,465,402.88 to € 100,000,000 by retiring shares by simplified procedure to offset the losses incurred by the end of the 2019/20 financial year. To this end, on 21 February 2020, LSF6 Europe Financial Holdings, L.P., Delaware, Dallas, USA, provided IKB AG with 594,322,423 fully paid-in no-par-value shares accounting for share capital of EUR 1,521,465,402.88 free of charge. The shares were retired before the end of February 2020. The capital reduction became effective on entry in the commercial register on 9 March 2020. The share capital released by the capital reduction of € 1,521,465,402.88 was added to committed capital reserves in accordance with section 237 (5) AktG. In preparing the annual financial statements, the statutory reserve fund of

€ 2,113,065,171.69 was used to offset the loss carryforward from the previous year. To offset the loss carryforward that still remained afterwards and the net loss incurred in the 2019/20 financial year, the free capital reserves were also reversed in the amount of € 511,210,014.47 in accordance with section 272 (2) no. 4 HGB.

The General Meeting of 18 February 2020 also resolved to reclassify the (reduced) share capital of € 100,000,000 into 100,000,000 shares. This resolution became effective on being entered in the commercial register on 20 March 2020. Thus, the previous notional interest of each share in share capital of € 2.56 was changed to € 1. The Articles of Association were amended accordingly.

The share capital thus consists of 100,000,000 shares with a notional value of € 1 per share as of the end of the reporting period. The share capital amounts to € 100,000,000.

Silent partnership contributions

Cancellation and termination of silent participations

Effective 31 March 2020, IKB AG has cancelled the silent participations with Capital Raising GmbH and Hybrid Raising GmbH (collectively referred to as the "silent partners") established on the basis of the respective agreements on the creation of a silent partnership signed on 9/10 December 2002 and on 30 January/ 2 February 2004 (collectively referred to as the "investment agreements") in accordance with section 6 (3) sentence 3 of the investment agreements.

As a result of these cancellations, in accordance with the contractual provisions IKB AG is required to pay a redemption amount equal to the nominal amount of € 200.0 million each, i.e. € 400.0 million in total, to the payment office of the bonds issued by the silent partners for the account of the silent partners in July 2020.

As of the reporting date, IKB AG recognised a corresponding liability in the amount of the redemption amount of € 400.0 million under other liabilities at the expense of extraordinary expenses. In accordance with the terms and conditions of the bonds, the silent partners must use the redemption amount to repay the bonds on 15 July 2020. € 351.8 million of the redemption amount relates to the bonds held by IKB AG under "Equities and other non-fixed-income securities".

Statement of changes in equity

Group:

in € million	1 Apr. 2019	Purchase of treasury shares	Capital reduction due to retirement of shares	Retirement of shares	Total	Transfers to/withdrawals from reserves	Distribution	Currency translation	Other changes	Changes in the consolidated group	Consolidated net income/loss for the year	31 Mar. 2020
(Corrected) subscribed capital	**1,621.5**	**-1,521.5**	**-1,521.5**	**1,521.5**	**-1,521.5**	**-**	**-**	**-**	**-**	**0.0**	**-**	**100.0**
Subscribed capital (ordinary shares)	**1,621.5**	**-**	**-1,521.5**	**-**	**-1,521.5**	**-**	**-**	**-**	**-**	**0.0**	**-**	**100.0**
Own shares (ordinary shares)	**-**	**-1,521.5**	**-**	**1,521.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Uncalled unpaid contributions (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	**1,753.4**	**1,521.5**	**1,521.5**	**-1,521.5**	**1,521.5**	**-2,624.3**	**-**	**-**	**-**	**-**	**-**	**650.6**
Capital reserves	**1,750.7**	**1,521.5**	**1,521.5**	**-1,521.5**	**1,521.5**	**-2,624.3**	**-**	**-**	**-**	**-**	**-**	**647.9**
in accordance with section 272(2) no. 1 to 3 HGB	599.2	-	1,521.5	-	1,521.5	-2,113.1	-	-	-	-	-	7.6
in accordance with section 272(2) no. 4 HGB	1,151.5	1,521.5	-	-1,521.5	-	-511.2	-	-	-	-	-	640.3
Revenue reserves	**2.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.7**
Legal reserves	2.4	-	-	-	-	-	-	-	-	-	-	2.4
Other revenue reserves	0.3	-	-	-	-	-	-	-	-	-	-	0.3
Difference in equity from currency translation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retained profits/accumulated losses brought forward	**-2,592.1**	**-**	**-**	**-**	**-**	**2,624.3**	**-**	**-**	**-**	**-**	**8.7**	**40.8**
Equity of parent company	**782.7**	**-**	**-**	**-**	**-**	**0.0**	**-**	**-**	**-**	**0.0**	**8.7**	**791.4**
Non-controlling interests before currency translation and net profit/loss for the year	**47.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-48.7**	**-**	**-1.7**
Currency translation attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit/loss for the year attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-0.3**	**-**	**-**	**-**	**-0.4**	**-0.7**
Non-controlling interests	**47.0**	**-**	**-**	**-**	**-**	**-**	**-0.3**	**-**	**-**	**-48.7**	**-0.4**	**-2.5**
Consolidated equity	**829.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.3**	**0.0**	**0.0**	**-48.7**	**8.3**	**788.9**

Group:

in € million	1 Apr. 2018	Purchase of treasury shares	Capital reduction due to retirement of shares	Retirement of shares	Total	Transfers to/withdrawals from reserves	Distribution	Currency translation	Other changes	Changes in the consolidated group	Consolidated net income/loss for the year	31 Mar. 2019
(Corrected) subscribed capital	**1,621.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,621.5**
Subscribed capital (ordinary shares)	**1,621.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,621.5**
Own shares (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Uncalled unpaid contributions (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	**1,749.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.7**	**-**	**1,753.5**
Capital reserves	**1,750.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,750.7**
in accordance with section 272(2) no. 1 to 3 HGB	599.2	-	-	-	-	-	-	-	-	-	-	599.2
in accordance with section 272(2) no. 4 HGB	1,151.5	-	-	-	-	-	-	-	-	-	-	1,151.5
Revenue reserves	**-0.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.7**	**-**	**2.7**
Legal reserves	2.4	-	-	-	-	-	-	-	-	-	-	2.4
Other revenue reserves	-3.3	-	-	-	-	-	-	-	-	3.7	-	0.3
Difference in equity from currency translation	**-0.2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.2**	**-**	**-**
Retained profits/accumulated losses brought forward	**-2,551.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-41.0**	**-2,592.1**
Equity of parent company	**820.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.9**	**-41.0**	**782.7**
Non-controlling interests before currency translation and net profit/loss for the year	**1.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45.3**	**-**	**47.1**
Currency translation attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit/loss for the year attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-0.6**	**-**	**-**	**-**	**0.5**	**-0.1**
Non-controlling interests	**1.8**	**-**	**-**	**-**	**-**	**-**	**-0.6**	**-**	**-**	**45.3**	**0.5**	**47.0**
Consolidated equity	**821.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.6**	**0.0**	**0.0**	**49.2**	**-40.5**	**829.7**

IKB AG:

in € million	1 Apr. 2019	Purchase of treasury shares	Capital reduction due to retirement of shares	Retirement of shares	Total	Transfers to/withdrawals from reserves	Distribution	Other changes	Net income/loss for the year	31 Mar. 2020
(Corrected) subscribed capital	**1,621.5**	**-1,521.5**	**-1,521.5**	**1,521.5**	**-1,521.5**	**-**	**-**	**-**	**-**	**100.0**
Subscribed capital (ordinary shares)	**1,621.5**	**-**	**-1,521.5**	**-**	**-1,521.5**	**-**	**-**	**-**	**-**	**100.0**
Own shares (ordinary shares)	**-**	**-1,521.5**	**-**	**1,521.5**	**-**	**-**	**-**	**-**	**-**	**-**
Uncalled unpaid contributions (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	**1,753.1**	**1,521.5**	**1,521.5**	**-1,521.5**	**1,521.5**	**-2,624.3**	**-**	**-**	**-**	**650.3**
Capital reserves	**1,750.7**	**1,521.5**	**1,521.5**	**-1,521.5**	**1,521.5**	**-2,624.3**	**-**	**-**	**-**	**647.9**
in accordance with section 272(2) no. 1 to 3 HGB	599.2	-	1,521.5	-	1,521.5	-2,113.1	-	-	-	7.6
in accordance with section 272(2) no. 4 HGB	1,151.5	1,521.5	-	-1,521.5	-	-511.2	-	-	-	640.3
Revenue reserves	**2.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.4**
Legal reserves	2.4	-	-	-	-	-	-	-	-	2.4
Other revenue reserves	-	-	-	-	-	-	-	-	-	-
Retained profits/accumulated losses brought forward	**-2,508.1**	**-**	**-**	**-**	**-**	**2,624.3**	**-**	**-**	**-116.2**	**0.0**
Equity	**866.5**	**-**	**-**	**-**	**-**	**0.0**	**-**	**-**	**-116.2**	**750.3**

IKB AG:

in € million	1 Apr. 2018	Purchase of treasury shares	Capital reduction due to retirement of shares	Retirement of shares	Total	Transfers to/withdrawals from reserves	Distribution	Other changes	Net income/loss for the year	31 Mar. 2019
(Corrected) subscribed capital	**1,621.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,621.5**
Subscribed capital (ordinary shares)	**1,621.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,621.5**
Own shares (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Uncalled unpaid contributions (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	**1,753.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,753.1**
Capital reserves	**1,750.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,750.7**
in accordance with section 272(2) no. 1 to 3 HGB	599.2	-	-	-	-	-	-	-	-	599.2
in accordance with section 272(2) no. 4 HGB	1,151.5	-	-	-	-	-	-	-	-	1,151.5
Revenue reserves	**2.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.4**
Legal reserves	2.4	-	-	-	-	-	-	-	-	**2.4**
Other revenue reserves	-	-	-	-	-	-	-	-	-	-
Retained profits/accumulated losses brought forward	**-2,463.6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-44.5**	**-2,508.1**
Equity	**911.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-44.5**	**866.5**

As of the reporting date, the non-controlling interests relate to minority shareholders of the special purpose entity HIMERA Grundstücks-Vermietungsgesellschaft mbH, Pullach i. Isartal. The disposal of minority interests essentially results from the disposal of Valin Mittelstand Senior Debt Fund S.A., SICAF SIF, Luxembourg.

The restricted amounts of distributable profits break down as follows:

Group:

31 Mar. 2020 in € million	Gross income	Restriction on distribution
Unrealised gains on plan assets	2.1	1.4
Recognition of deferred taxes	-	137.9
Difference from the change in the market interest rate for the measurement of pension obligations	40.9	40.9
Total	**43.0**	**180.2**

IKB AG:

31 Mar. 2020 in € million	Gross income	Restriction on distribution
Unrealised gains on plan assets	2.1	1.4
Recognition of deferred taxes	-	137.7
Difference from the change in the market interest rate for the measurement of pension obligations	40.1	40.1
Total	**42.2**	**179.2**

(38) Negative goodwill from capital consolidation

A negative difference from acquisition accounting of an equity nature of € 9.0 million (previous year: € 2.4 million) arose in conjunction with the first-time consolidation of two companies in the 2018/19 financial year and in the reporting period.

This negative difference was fully offset against the expense from the write-down of the companies' receivables to nominal amount in accordance with section 340e (2) HGB in risk provisions as of the reporting date.

(39) Contingent liabilities and other obligations

At the balance sheet date, the guarantees and warranties reported in the "Contingent liabilities" item primarily included CDSs (Bank as protection seller) in the amount of € 1,710.5 million (previous year: € 2,147.8 million) both in the Group and at IKB AG. Here, IKB has assumed the default risk for a pre-defined credit event for specific credit portfolios.

As part of the sale of the shares in IKB Leasing GmbH by IKB Beteiligungen GmbH in the financial year 2017/18, IKB AG jointly and severally assumed warranties and indemnification obligations. These include loan commitments in the context of IKB Leasing's refinancing facilities, guarantees of quality for GmbH interests and assets in addition to the proper settlement of and compliance with past obligations (e.g. issuing tax returns). IKB AG and a further two Group companies also assumed warranties and indemnification obligations in connection with the disposal of IKB Leasing S.A., Bucharest, Romania, and IKB Leasing Finance IFN S.A., Bucharest, Romania, and the sale of the business operations of IKB Leasing SR, s.r.o. v likvidácii, Bratislava, Slovakia.

The item "Other obligations" includes irrevocable loan commitments from unutilised loans and revolving credit facilities.

There are no contingent liabilities or other obligations to associates as of the reporting date.

The risk of the utilisation of contingent liabilities and other obligations is assessed on the basis of parameters from credit risk management. Provisions are recognised if utilisation is expected in full or in part due to the deterioration of the credit standing of a borrower. Details on the process within credit risk management are explained in the risk report of the management report.

(40) Other financial obligations

As of the reporting date, "Other financial obligations" totalled € 95.1 million (previous year: € 265.5 million) in the Group and € 95.1 million (previous year: € 265.2 million) at IKB AG.

In particular, the decline in "Other financial commitments" results from the expiry of a four-year recovery period during which the creditors of a profit participation certificate issue had replenishment rights with a nominal amount of € 150.0 million.

There are payment obligations under long-term rental agreements of € 28.2 million (previous year: € 35.5 million) in the Group and € 28.2 million (previous year: € 35.2 million) at IKB AG. There are still leases for the Bank's branches for properties used for banking purposes. Provisions for expected losses from executory contracts have been recognised for the event that the expenses exceed the benefit of the rental agreement. The risk or opportunity lies in the fact that after the end of a limited rent agreement, the contract can be extended or a follow-up agreement can be concluded at less advantageous or more advantageous conditions.

Both the Group and IKB AG have payment obligations to national and international banking system protection funds of € 5.6 million (previous year: € 3.6 million) as of the reporting date. Corresponding collateral has been provided for the payment obligations.

Furthermore, there are payment obligations from future lease instalments in connection with leases for assets in the area of operating and office equipment. In leases, the right to use an asset is transferred from the lessor to the lessee against regular payments.

Further payment obligations result from purchase commitments in connection with service agreements. There is a risk with service agreements that the terms of the agreement are less favourable than at the time the agreement is fulfilled or that the costs of the agreement exceed the economic benefit.

As of the balance sheet date, the Group and IKB AG had no payment obligations from shares, GmbH shares and shares in non-consolidated subsidiaries not fully paid in, shareholdings held by IKB Invest GmbH or subordinated loans.

As in the previous year, none of the total financial obligations of IKB AG relate to affiliated companies.

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 of the tax audit at the time. This point still requires final clarification. The maximum risk encompasses taxes of approximately € 26.7 million plus interest (calculated as approximately € 12.5 million up to and including 31 March 2020) and additional Chamber of Commerce and Industry contributions of € 0.2 million. An appeal will be lodged if necessary.

(41) Off-balance sheet transactions

Section 285 no. 3 HGB and section 314 (1) no. 2 HGB stipulate the obligation to disclose the nature and purpose of risks and benefits of transactions not shown on the face of the balance sheet in the notes if this is essential in assessing the financial situation. In particular, disclosures on transactions that are expected to have significantly improving or worsening effects on the financial situation or that can be considered unusual with regard to their timing or business partner can be necessary for an assessment of the financial situation.

Forward transactions

As of the balance sheet date there are obligations from contingent and non-contingent forwards. These are essentially for hedging interest and currency risks and lead to future inflows or outflows of cash. Please also see the information on forwards (see note (57)).

Notes on the income statement

(42) Income by geographical market

The total amount of interest income, lease income, current income from equities and other non-fixed-income securities, equity investments and investments in affiliated companies, commission income, net trading results and other operating income breaks down among the different geographical markets as follows:

	Group		IKB AG	
in € million	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Germany	1,298.9	958.8	1,297.3	1,052.9
Europe not including Germany	12.0	22.8	-	14.9
Total	**1,310.9**	**981.6**	**1,297.3**	**1,067.8**

Income is allocated to geographical regions on the basis of the domicile of the company in the Group and the domiciles of the operation facilities at IKB AG.

(43) Income and expenses from leases

	Group	
in € million	**2019/20**	**2018/19**
Depreciation and impairment losses on lease assets	-	-1.7
Other operating income from leases	-	8.6

(44) Extraordinary income and expenses

In the Group the extraordinary result totalled € 71.4 million in expenses (previous year: € 121.6 million in expenses), consisting of extraordinary expenses of € 423.1 million (previous year: € 191.7 million) and extraordinary income of € 351.8 million (previous year: € 70.1 million).

The termination of the silent participations resulted in total expenses of € 48.2 million. € 400.0 million of this relates to repayment obligations due to the cancellation of the silent participations with Capital Raising GmbH and Hybrid Raising GmbH. € 351.8 million of the Group's extraordinary income is due to consolidation differences recognised in profit or loss. These result from the difference between the bonds of the consolidated companies, Capital Raising GmbH and Hybrid Raising GmbH, which are accounted for as liabilities on their balance sheets, and the amortised cost of the bonds originally issued by the above companies in the 2016/17 financial year and acquired by the Group.

Extraordinary expenses for business restructuring measures in the Group amounted to € 20.7 million (previous year: € 3.8 million).

In addition, other extraordinary expenses of € 2.5 million were incurred in the Group. This are due primarily to costs in connection with terminating the silent partnerships and the capital reduction.

At IKB AG the extraordinary result totalled € 422.4 million in expenses (previous year: expenses of € 163.4 million). € 400.0 million of this relates to repayment obligations due to the cancellation of the silent partnerships with Capital Raising GmbH and Hybrid Raising GmbH. Extraordinary expenses for business restructuring measures amounted to € 20.6 million at IKB AG (previous year: € 3.8 million). At IKB AG there were also other extraordinary expenses of € 1.8 million, which were also primarily due to costs in connection with terminating the silent partnerships and the capital reduction.

(45) Other operating expenses

Other operating expenses include essentially:

	Group		IKB AG	
in € million	2019/20	2018/19	2019/20	2018/19
Expenses from derivatives in the non-trading book[1)]	-1,093.0	-545.8	-1,093.0	-545.8
Expenses from currency translation	-0.2	-13.8	-0.1	-0.2
Expenses from additions to provisions	-3.3	-14.4	-3.3	-14.4
Pension scheme expense (CTA-funded)	-45.0	-31.4	-44.6	-31.0

1) Restated due to changes in reporting (see note 2)

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

(46) Costs of loss absorption

Costs of loss absorption at IKB AG in the amount of € 5.2 million (previous year: € 4.1 million) primarily relate to loss absorption obligations in connection with the profit and loss transfer agreement with the subsidiary IKB Beteiligungen GmbH.

(47) Income taxes

The item “Income taxes” includes current taxes of € -0.3 million (previous year: € 108.2 million) in the Group and € -0.5 million (previous year: € 108.9 million) at IKB AG.

This item reports the change in the recognition of deferred tax assets at the level of € 0.6 million (previous year: € -43.6 million) in the Group and € 0.0 million (previous year: € -44.0 million) at IKB AG.

(48) Income from profit transfer agreements

In the reporting period, profit transfer income at IKB AG of € 3.5 million (previous year: € 12.5 million) relates to the profit transfer by IKB Beteiligungsgesellschaft 5 mbH.

(49) Administrative and brokerage services for third parties

IKB essentially performs administrative and brokerage services for credit and fund business. The income from these activities is included in net commission income.

(50) Other operating income

Other operating income is composed primarily as follows:

	Group		IKB AG	
in € million	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Income from derivatives in the non-trading book[1)]	746.4	394.2	746.4	394.2
Income from currency translation	0.2	13.5	0.2	0.1
Income from the reversal of provisions	4.4	16.1	4.2	16.5
Income from compensation payments[1)]	0.7	2.2	0.6	0.7

1) Restated due to changes in reporting (see note 2)

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

Other disclosures

(51) Consolidated group as of 31 March 2020

			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 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
	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
3.	**Special-purpose entities in accordance with section 290 (2) no. 4 HGB**		
	Capital Raising GmbH, Norderfriedrichskoog		
	HIMERA Grundstücks-Vermietungsgesellschaft mbH, Pullach i. Isartal		
	Hybrid Raising GmbH, Norderfriedrichskoog		

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

(52) List of shareholdings as of 31 March 2020

31 Mar. 2020		Financial year	Equity interest in %
1. German subsidiaries (consolidated)			
Aleanta GmbH, Düsseldorf		1.4. – 31.3.	100.00
IKB Beteiligungen GmbH, Düsseldorf	2)	1.4. – 31.3.	100.00
IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf	2)	1.1. - 31.12.	100.00
IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf	2)	1.1. - 31.12.	100.00
IKB Beteiligungsgesellschaft 3 mbH, Düsseldorf	2)	1.1. - 31.12.	100.00
IKB Beteiligungsgesellschaft 5 mbH, Düsseldorf	2)	1.4. - 31.3.	100.00
IKB Grundstücksgesellschaft Düsseldorf GmbH, Düsseldorf		1.4. - 31.3.	100.00
IKB Invest GmbH, Düsseldorf	2)	1.4. - 31.3.	100.00
IKB Projektentwicklung GmbH & Co. KG i.L., Düsseldorf	3)	1.1. - 31.12.	100.00
IKB Real Estate Holding GmbH, Düsseldorf	2)	1.4. - 31.3.	100.00
Istop 1 GmbH, Düsseldorf	2)	1.1. - 31.12.	100.00
Istop 2 GmbH, Düsseldorf	2)	1.1. - 31.12.	100.00
Istop 4 GmbH, Düsseldorf	2)	1.1. - 31.12.	100.00
Istop 6 GmbH, Düsseldorf	2)	1.1. - 31.12.	100.00
2. Foreign subsidiaries (consolidated)			
IKB Finance B.V., Amsterdam, Netherlands		1.4. - 31.3.	100.00
IKB Funding LLC II, Wilmington, United States of America		1.4. - 31.3.	100.00
IKB International S.A. i.L., Munsbach, Luxembourg	3)	1.4. - 31.3.	100.00
IKB Lux Beteiligungen S.à.r.l., Munsbach, Luxembourg		1.4. - 31.3.	100.00
3. Special-purpose entities (special-purpose entities included in the consolidated financial statements in line with section 290 (2) no. 4 HGB)			
Capital Raising GmbH, Norderfriedrichskoog			
HIMERA Grundstücks-Vermietungsgesellschaft mbH, Pullach i. Isartal			
Hybrid Raising GmbH, Norderfriedrichskoog			
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)	1.1. - 31.12.	100.00
FRANA Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf		1.1. - 31.12.	100.00
IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG, Düsseldorf	4)	1.4. - 31.3.	94.90
IKB NewCo 3 GmbH, Düsseldorf		1.1. - 31.12.	100.00
IKB NewCo 5 GmbH, Düsseldorf		1.4. - 31.3.	100.00
IKB Projektentwicklungsverwaltungsgesellschaft mbH i.L., Düsseldorf	3)	1.10. – 30.9.	100.00
IKB Real Estate GmbH, Düsseldorf	2)	1.1. - 31.12.	100.00
IKB Struktur GmbH, Düsseldorf	2)	1.4. - 31.3.	100.00
ISOG Technology Holding GmbH, Weilheim		1.4. - 31.3.	57.70
ISTOS Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH i.L., Düsseldorf	3)	1.1. - 31.12.	100.00
Ligera GmbH, Düsseldorf	2)	1.1. - 31.12.	100.00
MFRSI Beteiligungsholding Verwaltungsgesellschaft mbH, Düsseldorf		1.1. - 31.12.	100.00
Restruktur 2 GmbH i.L., Düsseldorf	3)	30.3. - 29.3.	100.00
Restruktur 3 GmbH, Düsseldorf		1.4. - 31.3.	100.00
Rhodana GmbH, Düsseldorf	2)	1.1. - 31.12.	100.00
Tempelhofer Hafen GmbH & Co. KG i.L., Düsseldorf	3)	1.1. - 31.12.	100.00

31 Mar. 2020		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		1.4. – 31.3.	100.00
IKB Leasing SR, s.r.o. v likvidácii, Bratislava, Slovakia	3)	1.1. – 31.12.	100.00
Valin Asset Management S.à.r.l., Munsbach, Luxembourg		1.4. - 31.3.	100.00
6. Special-purpose entities (not included in consolidation due to section 296 (2) HGB5[5])	1)		
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) HGB5[5])	1)		
Argantis GmbH i.L., Cologne	3)	1.1. - 31.12.	50.00
Dritte Hubschraubertechnologiepark Donauwörth GmbH, Düsseldorf		1.1. - 31.12.	50.00
equiNotes Management GmbH i.L., Düsseldorf	3)	1.1. - 31.12.	50.00
FUNDIS Verwaltungsgesellschaft mbH i.L., Düsseldorf	3)	1.1. - 31.12.	50.00
Hafenspitze Verwaltungsgesellschaft mbH, Hamburg		1.1. - 31.12.	25.00
MFRSI Beteiligungsholding GmbH & Co. KG, Düsseldorf		1.1. - 31.12.	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 subsidiary included in the consolidated financial statements 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.

(53) Significant shares in voting rights

The Bank did not receive any notifications under stock corporation law in accordance with section 20 (1) or (4) AktG in the reporting period. In accordance with section 20 AktG, an enterprise must notify a company in writing as soon as it holds more than 25% (section 20 (1) AktG) or 50% (section 20 (4) AktG) of the shares in a non-listed company based in Germany.

With the entry of the resolution adopted at the extraordinary shareholder meeting of the IKB AG on 2 December 2016 to transfer all shares to the main shareholder against cash compensation (squeeze-out) in the commercial register, LSF6 Europe Financial Holdings, L.P., Dallas, USA, holds 100% of IKB shares.

(54) Disclosure of auditor's fees

	Group		IKB AG	
in € million	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Audit of financial statements	-1.6	-1.9	-1.5	-1.8
Other assurance or valuation services	-0.2	-0.1	-0.2	-0.1
Other services	-	0.0	-	0.0
Total	**-1.8**	**-2.0**	**-1.7**	**-1.9**

Auditor's fees include no expenses for previous financial years (previous year: € 31.0 thousand).

In addition to expenses for the statutory audit of the separate and consolidated financial statements, auditor's fees include expenses for the review of the interim financial statements in the amount of € 0.2 million (previous year: € 0.2 million). In particular, other assurance or valuation services include expenses for the audit in accordance with the German Securities Trading Act (WpHG) in the amount of € 0.1 million (previous year: € 0.1 million).

(55) Related party transactions

Transactions with related parties were conducted at standard market terms. In deviation from this, the sole shareholder transferred shares to IKB AG for retirement free of charge. Please refer to the information on equity in note (37). There were no further 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.

(56) Transfer of collateral for own liabilities and contingent liabilities

Assets were transferred in the amounts shown for the following liabilities:

31 Mar. 2020 **in € million**	**Group**	**IKB AG**
Liabilities to banks	8,752.3	8,759.5
Contingent liabilities	70.3	178.1
Total	**8,822.6**	**8,937.6**

The assets serving as collateral are essentially receivables and securities transferred to third-party banks or clearing houses in open market and securities repurchase transactions and as part of grant transactions.

(57) Forward transactions

The forwards concluded essentially serve to manage and limit interest rate risks and relate in particular to the credit refinancing portfolio and the investment portfolios. The amount of interest rate risk is restricted by a limit system approved by the Board of Managing Directors and monitored on a daily basis in risk management. In addition, the volume of forward and derivative transactions is restricted by counterparty limits.

The interest rate risks of securities, loans and the associated refinancing funds are managed uniformly in the investment portfolios and the credit refinancing portfolio. Derivatives are used to manage interest and exchange rate risks. The derivatives used are predominantly interest derivatives.

Please see note (58) for the fair values of interest-related derivatives in the Group and at IKB AG.

(58) Derivative financial instruments not recognised at fair value

Group:

31 Mar. 2020 in € million	Nominal	Fair value positive	Fair value negative	Carrying amount Assets	Carrying amount Equity and liabilities
Interest-related derivatives	13,300.6	387.3	1,250.3	47.9	32.9
Credit-related derivatives	-	-	-	-	-
Currency-related derivatives	412.3	9.1	5.2	4.7	2.1
Derivatives assigned to several categories	808.0	49.0	22.4	26.3	18.7
Total	**14,520.9**	**445.4**	**1,277.9**	**78.9**	**53.7**

	Carrying amount				
31 Mar. 2020 in € million	Other assets	Prepaid expenses	Provisions	Other liabilities	Deferred income
Interest-related derivatives	15.9	32.0	-	20.2	12.7
Credit-related derivatives	-	-	-	-	-
Currency-related derivatives	4.7	-	0.1	2.0	-
Derivatives assigned to several categories	21.0	5.3	14.1	0.0	4.6
Total	**41.6**	**37.3**	**14.2**	**22.2**	**17.3**

IKB AG:

31 Mar. 2020 in € million	Nominal	Fair value positive	Fair value negative	Carrying amount Assets	Carrying amount Equity and liabilities
Interest-related derivatives	13,300.6	387.3	1,250.3	47.9	32.9
Credit-related derivatives	-	-	-	-	-
Currency-related derivatives	412.3	9.1	5.2	4.7	2.1
Derivatives assigned to several categories	808.0	49.0	22.4	26.3	18.7
Total	**14,520.9**	**445.4**	**1,277.9**	**78.9**	**53.7**

	Carrying amount				
31 Mar. 2020 in € million	Other assets	Prepaid expenses	Provisions	Other liabilities	Deferred income
Interest-related derivatives	15.9	32.0	-	20.2	12.7
Credit-related derivatives	-	-	-	-	-
Currency-related derivatives	4.7	-	0.1	2.0	-
Derivatives assigned to several categories	21.0	5.3	14.1	0.0	4.6
Total	**41.6**	**37.3**	**14.2**	**22.2**	**17.3**

(59) 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	31 Mar. 2020			31 Mar. 2019		
in € million	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference[1]
Receivables from banks	2,198.5	2,193.5	-5.0	1,267.7	1,267.5	-0.2
Receivables from customers	9,529.6	9,852.0	322.4	9,823.2	10,212.5	389.3
Bonds and other fixed-income securities	3,830.1	4,110.1	280.0	3,953.4	4,145.5	192.1
Equities and other non-fixed-income securities	304.0	408.4	104.4	462.7	497.9	35.2
Derivative financial instruments not recognised at fair value	79.0	445.2	366.2	123.9	937.6	813.7
Credit default swaps recognised as loan collateral	28.4	14.1	-14.3	24.7	39.4	14.7
Subtotal	**15,969.6**	**17,023.3**	**1,053.7**	**15,655.6**	**17,100.4**	**1,444.8**
Liabilities to banks	7,669.6	7,744.4	-74.8	7,351.8	7,386.4	-34.6
Liabilities to customers	6,140.2	6,187.9	-47.7	5,749.5	5,830.6	-81.1
Securitised liabilities	299.9	303.1	-3.2	445.6	452.4	-6.8
Subordinated liabilities	831.2	682.3	148.9	826.3	729.3	97.0
Silent partnership contributions	0.0	0.0	0.0	0.0	29.5	-29.5
Derivative financial instruments not recognised at fair value	53.7	1,277.8	-1,224.1	86.4	1,499.8	-1,413.4
Credit default swaps recognised as loan collateral	10.3	38.9	-28.6	13.4	5.0	8.4
Subtotal	**15,004.9**	**16,234.4**	**-1,229.5**	**14,473.0**	**15,933.0**	**-1,460.0**
Total			**-175.8**			**-15.2**

1) The measurement of deposits by business and corporate customer was changed in the current financial year. If the change in measurement had already been implemented in the previous year, the unrealised result would have been € 17.6 million higher as of 31 March 2019.

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 recognised 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.

(60) Remuneration of the Board of Managing Directors

Total remuneration of € 5.2 million (previous year: € 5.8 million) was incurred for members of the Board of Managing Directors in the 2019/20 financial year. This includes fixed salaries, variable performance-based remuneration, severance payments, pension compensation for a pension not agreed, reimbursed moving costs and non-cash remuneration. The Supervisory Board regularly reviews the appropriateness of the respective total remuneration.

Former and retired members of the Board of Managing Directors

The total remuneration for former members of the Board of Managing Directors and their surviving dependents amounted to € 3.5 million (previous year: € 3.5 million). € 45.8 million was recognised for pension obligations to former members of the Board of Managing Directors and their surviving dependants based on an average interest rate of ten years in the 2019/20 financial year (previous year: € 45.7 million).

(61) Remuneration of the Supervisory Board

The total remuneration of the members of the Supervisory Board for the financial year 2019/20 amounted to € 620 thousand (previous year: € 530 thousand). This contains reimbursed expenses of € 120 thousand including the VAT incurred on remuneration (previous year: € 108 thousand).

(62) Remuneration of the Advisory Board

The members of the Advisory Board received € 239 thousand (previous year: € 213 thousand), including VAT.

(63) Loans extended to members of executive bodies and the Advisory Board

No loans were granted to members of the Board of Managing Directors. There are loans to the members of the Supervisory Board totalling € 7.9 thousand (previous year: € 10.8 thousand).

(64) Average number of employees for the year (calculated on the basis of full-time employees)

	Group		IKB AG	
	31 Mar. 2020	31 Mar. 2019	31 Mar. 2020	31 Mar. 2019
Men	423	497	422	492
Women	210	236	210	226
Total	**633**	**733**	**632**	**718**

The reduction in the average number of employees is essentially due to cost reduction and optimisation measures at IKB AG.

(65) Legal disputes

In the unlikely event that claims for damages are still brought against IKB as a result of its activities or the activities of IKB Credit Asset Management GmbH in relation to Rhineland Funding Capital Corporation LLC (RFCC), Delaware, and/or Rhinebridge by parties involved in these transactions, IKB expects any such claims to be unsuccessful.

In an agreement dated 10/16 September 2008, KfW also provided a degree of indemnification to IKB for claims from legal disputes against IKB (including the relevant court costs) in connection with Rhineland Funding Capital Corporation (RFCC), Rhinebridge or the Havenrock entities for events that occurred before 29 October 2008.

Although the indemnification amount is limited, IKB considers it assured that the identifiable legal risks from the transactions covered by the declaration of indemnity are still covered by the indemnification. In this connection, IKB has extensive duties to KfW in respect of information, disclosure, participation and action. If IKB culpably violates a specific obligation in the indemnification agreement in connection with a specific claim covered by the indemnification agreement, under certain circumstances, the indemnification claim to this specific claim may be extinguished. The Board of Managing Directors considers the risk of a violation to be low. The indemnification claims of IKB are also extinguished retroactively if the share sale and transfer agreement or the share transfer in rem between KfW and LSF6 Europe Financial Holdings, L.P., Delaware, Dallas, USA, are zero and void or one of the parties exercises a right to terminate a legal relationship by unilateral declaration which results in the reversal of the performance rendered in the transaction covering the obligation. Furthermore, the claims from the indemnification agreement are extinguished if, also taking into account the claims for the indemnification agreement, there is reason for insolvency at IKB or insolvency proceedings have been instituted against the assets of IKB.

Claims from IKB shareholders of investors in financial instruments linked to the development of IKB shares are not covered by the indemnification.

(66) Significant events after 31 March 2020

There were no significant events after 31 March 2020.

(67) Executive bodies

Board of Managing Directors

Dr Michael H. Wiedmann (Chairman)

Claus Momburg

Dr Jörg Oliveri del Castillo-Schulz (until 31 January 2020)

Dirk Volz (until 30 November 2019)

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

Offices held by employees

As of 31 March 2020, the following employees were represented in the statutory supervisory boards of large corporations:

Dr Reiner Dietrich
Tricor Packaging & Logistics AG

Düsseldorf, 8 May 2020

IKB Deutsche Industriebank AG

The Board of Managing Directors

Dr Michael H. Wiedmann | Claus Momburg

Independent auditor's report

Independent auditor's report

To IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of IKB Deutsche Industriebank AG, Düsseldorf, which comprise the balance sheet as at 31 March 2020, and the income statement for the fiscal year from 1 April 2019 to 31 March 2020, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of IKB Deutsche Industriebank AG for the fiscal year from 1 April 2019 to 31 March 2020. In accordance with the German legal requirements we have not audited the following content of the management report: the Corporate Governance Declaration contained in chapter 8 of the management report and the non-financial statement referred to in chapter 2 of the management report. In addition, other information includes the following information outside the management report: Report of the Supervisory Board and the Letter from the Chairman of the Board of Managing Directors.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to credit institutions and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 March 2020 and of its financial performance for the fiscal year from 1 April 2019 to 31 March 2020 in compliance with German legally required accounting principles, and

- the accompanying management report, as a whole, provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the above listed Corporate Governance Declaration, the non-financial statement, the report of the Supervisory Board and the Letter from the Chairman of the Board of Managing Directors,

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance to Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the annual financial statements and of the management report” section of our auditor’s report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 April 2019 to 31 March 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Recoverability of deferred tax assets

Reasons why the matter was determined to be a key audit matter

If there are differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts, which are expected to reverse in subsequent fiscal years, the resulting tax relief may be recognized in the balance sheet as a (net) deferred tax asset, measured at the entity’s individual tax rate at the time the differences are due to reverse. IKB AG exercised this option and recognized deferred tax assets in the amount of EUR 137m (Previous Year EUR 137m) as of 31 March 2020. The recognized items must be reversed as soon as the tax relief arises or ceases to be expected.

As of 31 March, 2020, IKB AG’s deferred tax assets from temporary differences mainly relate to financial assets, provisions and general bad debt allowances. The temporary differences in financial assets primarily relate to subsidiaries’ investments in investment fund shares.

The amount of the recognized net deferred tax asset derives from the reversal of temporary differences, which will probably lead to a tax relief in subsequent fiscal years.

IKB AG estimates whether differences are likely to reverse in future fiscal years on the basis of a forecast of the taxable results for the next five fiscal years based on internal planning and business plans as of 31 March 2020 which, forming a basis for the recoverability of deferred taxes, are highly dependent on estimates and assumptions made by the managing directors.

In light of use of judgment in relation to the assumptions used in the forecast and in light of the uncertainty inherent in any planning, the assessment of the recoverability of deferred tax assets was a key audit matter.

Auditor’s response and any key observations

We assessed the design of the Bank’s process for recognizing deferred tax assets and assessing the recoverability of deferred tax assets.

We obtained an understanding of the underlying transactions and effects of reversals. We reconciled the Bank’s tax forecasts for subsequent years with internal planning documents in accordance with German commercial law and obtained an understanding of both, the amount and the cause of balance sheet relevant tax differences. We assessed the budgets and forecasts prepared in accordance with German commercial law in terms of the underlying planning parameters, in particular by reference to the planning quality of past budgets and forecasts, and tested their plausibility in light of our knowledge of the Bank’s business activities and the development of the industry. For this purpose, we consulted our own tax, business valuation and mathematical finance specialists.

We examined whether the tax group relationships were properly taken into consideration. In addition, we analyzed whether the underlying tax rates reflect the effective tax burden of the tax group.

We also assessed whether the Bank’s calculation is consistent with the pertinent tax legislation.

Our audit procedures did not lead to any reservations relating to the assessment of the recoverability of deferred tax assets.

Reference to related disclosures

The Bank provides information on deferred taxes in the notes to the combined annual financial statements of the Group and IKB AG as of 31 March 2020 in Notes “(10) Deferred taxes” and “(28) Deferred tax assets.”

2. Presentation of legal risks in the annual financial statements

Reasons why the matter was determined to be a key audit matter:

In its annual financial statements as of 31 March 2020 IKB mentions litigation risks.

Accounting for provisions for litigation entails uncertainty as they often involve complex legal issues and thus require substantial use of judgment by the managing directors. Judgment is used in particular in assessing whether, and if so, in what amount, a provision is required to cover the risk.

Accounting for provisions for litigation was therefore, in our opinion, a key audit matter.

Auditor’s response and any key observations

During our audit of the accounting for litigation, we examined the processes and internal controls established by IKB AG to identify, assess and account for litigation.

In order to identify which potentially significant pending litigation or asserted claims are known and whether the managing directors’ estimates of the expected outflows of funds are appropriate, our audit procedures included making inquiries of the managing directors and other persons charged with these matters within the Bank, obtaining written representations from the in-house legal counsel to assess the estimated outflows of funds and the probability of occurrence, obtaining confirmations from external legal advisors, examining of the first-instance decisions and assessing internal statements.

With regard to alleged or identified non-compliance with legal requirements, we also appraised the performance and results of internal investigations by inspecting internal reports and the action taken to remedy identified weaknesses and assessed whether any risks have to be accounted for in the annual financial statements.

Furthermore, we examined expense accounts for legal counseling for indications of any matters that have not yet been accounted for.

Our procedures did not give rise to any reservations regarding the accounting for provisions for litigation, regulatory proceedings, official investigations and tax matters.

Reference to related disclosures

The Bank provides information on ongoing litigation in the combined management report of IKB AG and the IKB Group as of 31 March 2020 in chapters “3. Risk report” and in the notes to the combined financial statements in Note “(40) Other financial obligations and "(65) Litigation".

3. Valuation of risk-carrying receivables from customers as part of corporate banking

Reasons why the matter was determined to be a key audit matter:

The valuation of risk-carrying receivables from customers as part of corporate banking and the resulting assessment of any necessary individual risk provisions for loans is a significant area in which management makes discretionary decisions. Individual risk provisions and general value adjustments are formed for acute and inherent default risks. The identification of impaired loans as well as the estimation of future cashflows are combined with uncertainties and entails various assumptions and influential factors, in particular of the financial situation of the borrower, of expectations regarding future cashflows, of observable market prices and of the realization of securities. Small changes in these assumptions can lead to significantly different evaluations.

In light of the business profile of IKB AG with the focus on the middle-market corporate banking, which forms by far the largest portion of the bank's assets, the identification and valuation of risk-carrying receivables from customers as part of corporate banking was a key audit matter.

Auditor's response and any key observations:

Within the scope of our audit, we addressed the processes of monitoring the default risk and the impairment calculation as well as randomly tested implemented controls. The focus of our audit was the processes for evaluation the economic conditions of the borrowers, for applying internal risk classification procedures and for monitoring early warning indicators.

Furthermore, we assessed the necessity and appropriateness of the individual risk provisions within the scope of our individual loan assessment by statement related audit procedures based on samples. The sample selection was risk-oriented, in particular based on criteria such as the status of non-performing loan processing, the rating class, the industry, the outstanding payments, the amount of net exposure or the already existing individual risk provisions.

For impaired receivables from customers we retraced the significant assumptions within the scope of the loan loss provision procedure. This involved the testing of assumptions regarding expected future cashflows from customers, cashflows from the realization of collateral held and assumptions regarding the recoverability in case of default.

Our audit procedures did not give rise to any reservations regarding the identification and evaluation of risk-carrying receivables from customers as part of corporate banking.

Reference to related disclosures:

The Bank provides information on the identification and evaluation of risk-bearing receivables from customers in the notes to the combined financial statements in the section "Accounting and Valuation Methods and Note (6) Risk Provisioning" as well as in the combined management report of IKB AG and the IKB Group as of 31 March 2020 in chapter "3. Risk report, section default risks".

Other information

The Supervisory Board is responsible for the “Report of the Supervisory Board.” In all other respects, the managing directors are responsible for the other information.

Other information includes the following sections of the Annual Report 2019/2020 obtained by us before the date of this auditor’s report: the Corporate Governance Declaration contained in chapter 8 of the management report and the non-financial statement referred to in chapter 2 of the management report. In addition, other information includes the following information outside the management report which was provided to us before the date of this auditor’s report: Letter from the Chairman of the Board of Managing Directors. Furthermore, other information includes the following disclosures outside of the management report provided to us after the date of this auditor’s report: Report of the Supervisory Board.

Our opinions on the annual financial statements and on the management report do not cover other information and consequently, we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read other information and, in doing so, to consider whether other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the managing directors for the annual financial statements and the management report

The managing directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the managing directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the managing directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the managing directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the managing directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the managing directors and the reasonableness of estimates made by the managing directors and related disclosures.

- Conclude on the appropriateness of the managing directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the managing directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the managing directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 4 September 2019. We were engaged by the chairman of the audit committee on 11 October 2019. We have been the auditor of IKB Deutsche Industriebank AG continuously since the fiscal year 2017/2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Martin Werthmann.

Düsseldorf, 18 May 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Werthmann Wirtschaftsprüfer	Gundelach Wirtschaftsprüferin

Independent auditor’s report

To IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf

Report on the audit of the consolidated financial statements and of the management report

Opinions

We have audited the consolidated financial statements of IKB Deutsche Industriebank AG, Düsseldorf, which comprise the balance sheet as at 31 March 2020, and the income statement for the fiscal year from 1 April 2019 to 31 March 2020, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of IKB Deutsche Industriebank for the fiscal year from 1 April 2019 to 31 March 2020. In accordance with the German legal requirements we have not audited the following content of the management report: the Corporate Governance Declaration contained in chapter 8 of the management report and the non-financial statement referred to in chapter 2 of the management report. In addition, other information includes the following information outside the management report: Report of the Supervisory Board and the Letter from the Chairman of the Board of Managing Directors.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law applicable to credit institutions and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 March 2020 and of its financial performance for the fiscal year from 1 April 2019 to 31 March 2020 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Company’s position. In all material respects, this management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the above listed Corporate Governance Declaration, the non-financial statement, the report of the Supervisory Board and the Letter from the Chairman of the Board of Managing Directors,

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the management report in accordance to Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 April 2019 to 31 March 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

2. Recoverability of deferred tax assets

Reasons why the matter was determined to be a key audit matter

If there are differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts, which are expected to reverse in subsequent fiscal years, the resulting tax relief may be recognized in the balance sheet as a (net) deferred tax asset, measured at the entity's individual tax rate at the time the differences are due to reverse. IKB exercised this option and recognized deferred tax assets in the amount of EUR 137m (Previous Year EUR 137m) as of 31 March 2020. The recognized items must be reversed as soon as the tax relief arises or ceases to be expected.

As of 31 March, 2020, IKB's deferred tax assets from temporary differences mainly relate to financial assets, provisions and general bad debt allowances. The temporary differences in financial assets primarily relate to subsidiaries' investments in investment fund shares.

The amount of the recognized net deferred tax asset derives from the reversal of temporary differences, which will probably lead to a tax relief in subsequent fiscal years.

IKB estimates whether differences are likely to reverse in future fiscal years on the basis of a forecast of the taxable results for the next five fiscal years based on internal planning and business plans as of 31 March 2020 which, forming a basis for the recoverability of deferred taxes, are highly dependent on estimates and assumptions made by the managing directors.

In light of use of judgment in relation to the assumptions used in the forecast and in light of the uncertainty inherent in any planning, the assessment of the recoverability of deferred tax assets was a key audit matter.

Auditor’s response and any key observations

We assessed the design of the Bank’s process for recognizing deferred tax assets and assessing the recoverability of deferred tax assets.

We obtained an understanding of the underlying transactions and effects of reversals. We reconciled the Bank’s tax forecasts for subsequent years with internal planning documents in accordance with German commercial law and obtained an understanding of both, the amount and the cause of balance sheet relevant tax differences. We assessed the budgets and forecasts prepared in accordance with German commercial law in terms of the underlying planning parameters, in particular by reference to the planning quality of past budgets and forecasts, and tested their plausibility in light of our knowledge of the Bank’s business activities and the development of the industry. For this purpose, we consulted our own tax, business valuation and mathematical finance specialists.

We examined whether the tax group relationships were properly taken into consideration. In addition, we analyzed whether the underlying tax rates reflect the effective tax burden of the tax group.

We also assessed whether the Bank’s calculation is consistent with the pertinent tax legislation.

Our audit procedures did not lead to any reservations relating to the assessment of the recoverability of deferred tax assets.

Reference to related disclosures

The Bank provides information on deferred taxes in the notes to the combined consolidated financial statements of the Group and IKB AG as of 31 March 2020 in Notes “(10) Deferred taxes” and “(28) Deferred tax assets.”

2. Presentation of legal risks in the consolidated financial statements

Reasons why the matter was determined to be a key audit matter:

In its consolidate financial statements as of 31 March 2020 IKB mentions litigation risks.

Accounting for provisions for litigation entails uncertainty as they often involve complex legal issues and thus require substantial use of judgment by the managing directors. Judgment is used in particular in assessing whether, and if so, in what amount, a provision is required to cover the risk.

Accounting for provisions for litigation was therefore, in our opinion, a key audit matter.

Auditor's response and any key observations

During our audit of the accounting for litigation, we examined the processes and internal controls established by IKB to identify, assess and account for litigation.

In order to identify which potentially significant pending litigation or asserted claims are known and whether the managing directors' estimates of the expected outflows of funds are appropriate, our audit procedures included making inquiries of the managing directors and other persons charged with these matters within the Bank, obtaining written representations from the in-house legal counsel to assess the estimated outflows of funds and the probability of occurrence, obtaining confirmations from external legal advisors, examining of the first-instance decisions and assessing internal statements.

With regard to alleged or identified non-compliance with legal requirements, we also appraised the performance and results of internal investigations by inspecting internal reports and the action taken to remedy identified weaknesses and assessed whether any risks have to be accounted for in the consolidated financial statements.

Furthermore, we examined expense accounts for legal counseling for indications of any matters that have not yet been accounted for.

Our procedures did not give rise to any reservations regarding the accounting for provisions for litigation, regulatory proceedings, official investigations and tax matters.

Reference to related disclosures

The Bank provides information on ongoing litigation in the combined management report of IKB AG and the IKB Group as of 31 March 2020 in chapters "3. Risk report" and in the notes to the combined financial statements in Note "(40) Other financial obligations and "(65) Litigation".

3. Valuation of risk-carrying receivables from customers as part of corporate banking

Reasons why the matter was determined to be a key audit matter:

The valuation of risk-carrying receivables from customers as part of corporate banking and the resulting assessment of any necessary individual risk provisions for loans is a significant area in which management makes discretionary decisions. Individual risk provisions and general value adjustments are formed for acute and inherent default risks. The identification of impaired loans as well as the estimation of future cashflows are combined with uncertainties and entails various assumptions and influential factors, in particular of the financial situation of the borrower, of expectations regarding future cashflows, of observable market prices and of the realization of securities. Small changes in these assumptions can lead to significantly different evaluations.

In light of the business profile of IKB with the focus on the middle-market corporate banking, which forms by far the largest portion of the bank's assets, the identification and valuation of risk-carrying receivables from customers as part of corporate banking was a key audit matter.

Auditor's response and any key observations:

Within the scope of our audit, we addressed the processes of monitoring the default risk and the impairment calculation as well as randomly tested implemented controls. The focus of our audit was the processes for evaluation the economic conditions of the borrowers, for applying internal risk classification procedures and for monitoring early warning indicators.

Furthermore, we assessed the necessity and appropriateness of the individual risk provisions within the scope of our individual loan assessment by statement related audit procedures based on samples. The sample selection was risk-oriented, in particular based on criteria such as the status of non-performing loan processing, the rating class, the industry, the outstanding payments, the amount of net exposure or the already existing individual risk provisions.

For impaired receivables from customers we retraced the significant assumptions within the scope of the loan loss provision procedure. This involved the testing of assumptions regarding expected future cashflows from customers, cashflows from the realization of collateral held and assumptions regarding the recoverability in case of default.

Our audit procedures did not give rise to any reservations regarding the identification and evaluation of risk-carrying receivables from customers as part of corporate banking.

Reference to related disclosures:

The Bank provides information on the identification and evaluation of risk-bearing receivables from customers in the notes to the combined financial statements in the section "Accounting and Valuation Methods and Note

(6) Risk Provisioning" as well as in the combined management report of IKB AG and the IKB Group as of 31 March 2020 in chapter "3. Risk report, section default risks".

Other information

The Supervisory Board is responsible for the “Report of the Supervisory Board.” In all other respects, the managing directors are responsible for the other information.

Other information includes the following sections of the Annual Report 2019/2020 obtained by us before the date of this auditor’s report: the Corporate Governance Declaration contained in chapter 8 of the management report and the non-financial statement referred to in chapter 2 of the management report. In addition, other information includes the following information outside the management report which was provided to us before the date of this auditor’s report: Letter from the Chairman of the Board of Managing Directors. Furthermore, other information includes the following disclosures outside of the management report provided to us after the date of this auditor’s report: Report of the Supervisory Board.

Our opinions on the consolidated financial statements and on the management report do not cover other information and consequently, we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read other information and, in doing so, to consider whether other information

- is materially inconsistent with the consolidated financial statements, with the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the managing directors for the consolidated financial statements and the management report

The managing directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the managing directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the managing directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the managing directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the managing directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the consolidated financial statements and of the management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the managing directors and the reasonableness of estimates made by the managing directors and related disclosures.

- Conclude on the appropriateness of the managing directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the consolidated financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the managing directors in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the managing directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 4 September 2019. We were engaged by the chairman of the audit committee on 11 October 2019. We have been the auditor of IKB Deutsche Industriebank AG continuously since the fiscal year 2017/2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Martin Werthmann.

Düsseldorf, 18 May 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Werthmann Wirtschaftsprüfer	Gundelach Wirtschaftsprüferin

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