
PROFESSIONAL
COMMITTED
RELIABLE
Financial Year 2023 Results
IKB Deutsche Industriebank AG
15 March 2024, Düsseldorf
IKB
Deutsche Industriebank

Positive Business Development in FY 2023

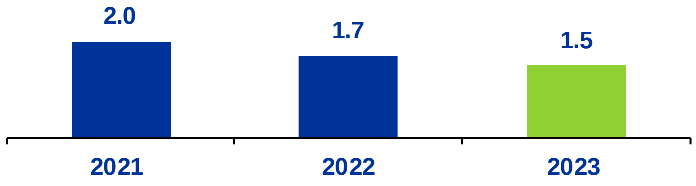
	2023 Guidance	2023 Achievements	✓ met/overachieved	
Net Interest Income	▪ Significant increase in comparison to the FY 2022 (+20%)	▪ **FY 2023: €224 million** ▪ FY 2022: €188 million	✓	▪ Supported by higher interest rates and ability to fund below market rates. ▪ Reduced rates sensitivity going forward.
New Business Volume	▪ €2.7 billion	▪ **FY 2023: €2.7 billion** ▪ FY 2022: €2.7 billion	✓	▪ Selective lending with focus on good credit ratings with 85% of new origination being investment grade.
Cost/income Ratio	▪ Slightly above 60%	▪ **FY 2023: 60%, normalised 52%** ▪ FY 2022: 69%, normalised 60%	✓	▪ Cost inflation contained with new investments made to optimize efficiency.
Risk Provisioning	▪ €-35 million	▪ **FY 2023: €-34 million** ▪ FY 2022: €-19 million	✓	▪ Conservative risk provisioning reflecting current macro risks.
Net Income before Tax	▪ €60 million	▪ **FY 2023: €63 million** ▪ FY 2022: €61 million	✓	▪ Slight outperformance of guidance.
CET 1 Ratio	▪ 13% - 14%	▪ **FY 2023: 16.8%** ▪ FY 2022: 14.5%	✓	▪ CET 1 significantly higher reflecting capital generation capacity of IKB.

Strong 2023 results, outperforming guidance, on track to reach mid-term targets.

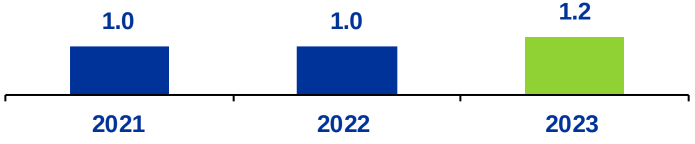
2023: normalised for inflation-induced pension plan expenses (€10 million) and one-off project expense (€9 million).

€2.7 Billion of New Business in 2023 – 85% Investment Grade

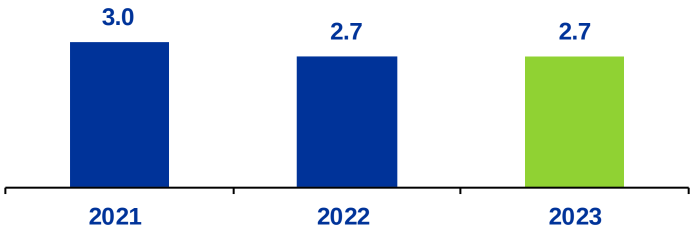
Commercial Lending New Business Volume
(€ billion)



Public Programme Loans New Business Volume
(€ billion)



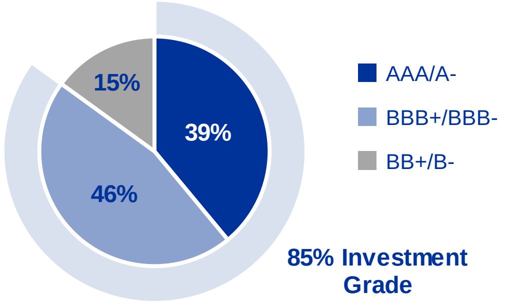
Total New Business Volume
(€ billion)



Summary

- New business volume at previous year's level of €2.7 billion despite challenging macro environment.
  - Slight shift in the product mix towards PPL, utilising IKB's market-leading position and extensive expertise.
  - Public programme loan volume origination increased to €1.2 billion (2022: €1.0 billion).
  - Slightly decreased commercial loan origination of €1.5 billion (2022: €1.7 billion).
- Focused lending approach results in 85% investment grade new business.
- Increased new business margin of 1.7% (2022: 1.6%), with commercial lending 2.2% (2022: 1.8%).
- IKB’s total lending volumes at €9.0 billion (2022: €9.3 billion) due to a selective approach in the current macro environment.

New lending by rating (2023)[1)]



Note: Differences of sums to total numbers may occur due to rounding.
1) S&P equivalent to internal ratings

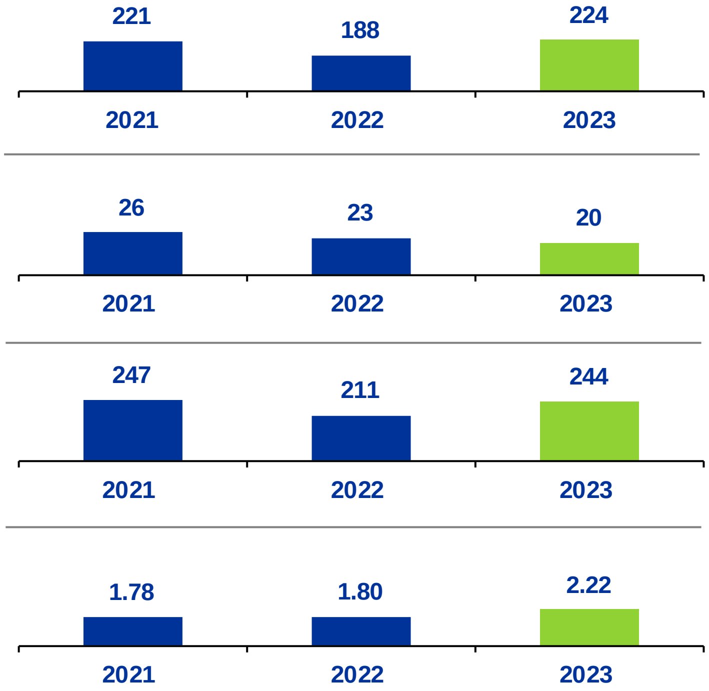
Underlying Banking Revenue Expansion Mainly Driven by Interest Rate Tailwinds in 2023

Net Interest Income
(€ million)

Net Fee and Commission Income
(€ million)

Total Banking Revenues
(€ million)

Core Business NIM[1)]
(in %)



Summary

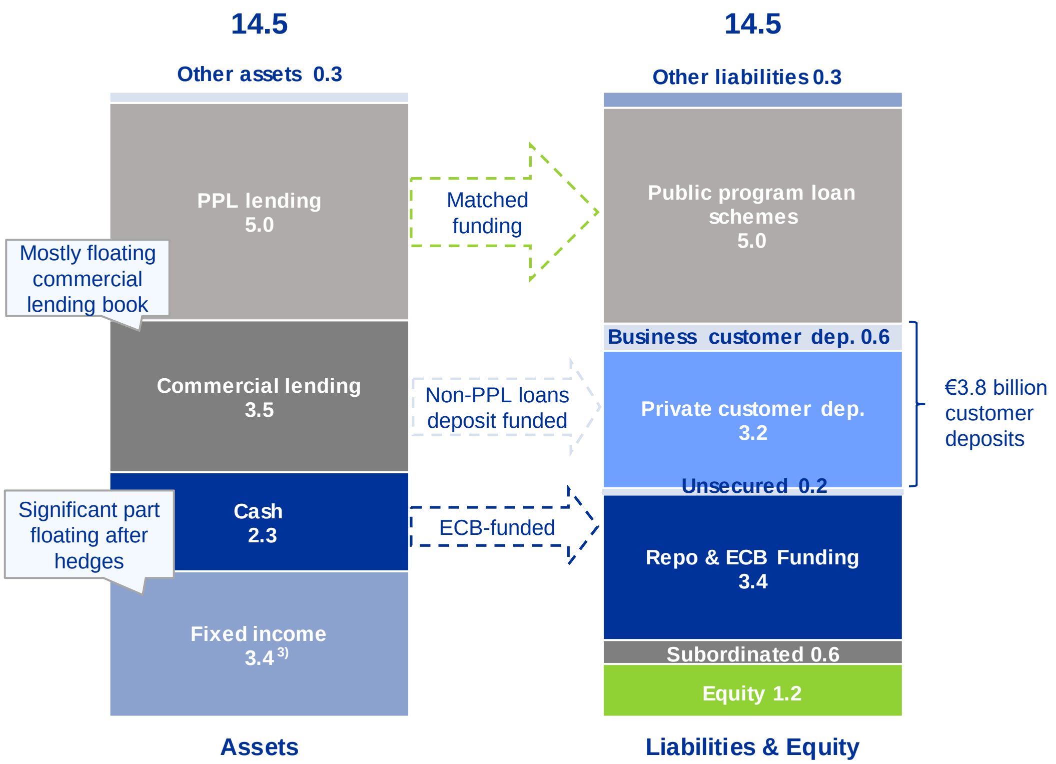
- Net interest income increased by €36 million from €188 million to €224 million supported by higher interest rates. Increase stems mainly from repricing of commercial lending while deposit beta remained at <100%.
- Net fee and commission income decreased to €20 million (2022: €23 million) due to lower debt capital markets activity. IKB expects higher commission income due to catch-up effects from increasing investment activity and from advisory on ESG.
- Total banking revenues increased by €33 million due to increase in net interest income.
- As a result, the NIM increased by c.42bps reaching 2.22% in 2023.

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

1) Core Business NIM based on group Net interest income of segments Public Programme Loans and Corporate Bank.

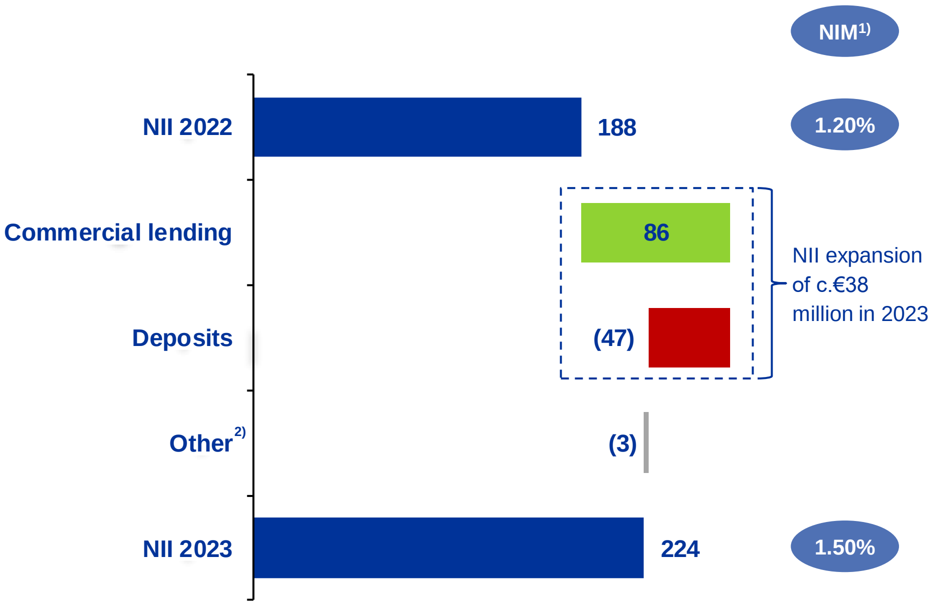
Balance Sheet Positioning Has Allowed to Benefit From Higher Interest Rates, Albeit Reducing Rates Sensitivity Going Forward

Balance sheet summary 2023 (€ billion)



Interest rate sensitivity and evolution 2023 (€ million)

- Net interest income expansion in commercial lending supported by higher rates while deposit beta remained <100%.
- Interest rate sensitivity reduced in anticipation of decreasing rates.

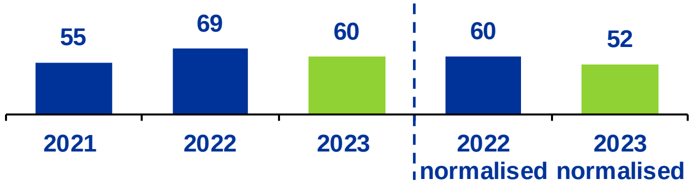


Note: Differences of sums to total numbers may occur due to rounding.

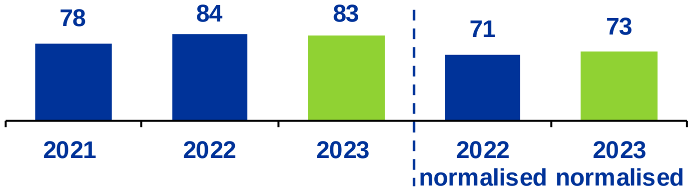
1) NIM based on group net interest income divided by average balance sheet total. 2) including treasury 3) thereof €3.2 billion ALCO portfolio

Strict Cost Control – Structural Cost Reductions on Track

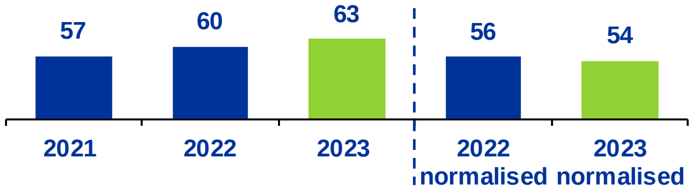
Cost/Income Ratio
(in %)



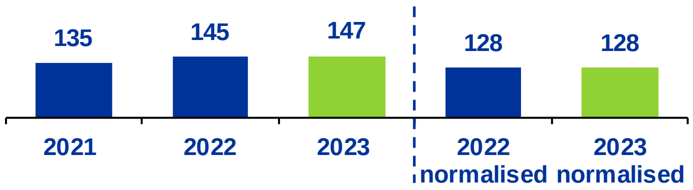
Personnel Expenses
(€ million)



Other Administrative Expenses
(€ million)



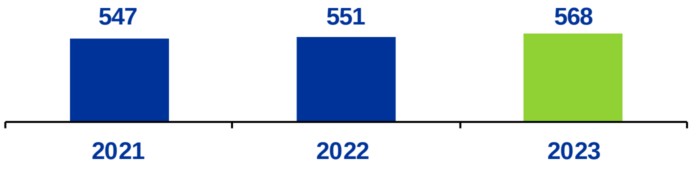
Total Administrative Expenses
(€ million)



Summary

- Continued focus on operating expense reduction; headcount slightly increased to 568 (2022: 551) due to more junior hires and temporary FTE related to regulatory projects.
- Total administrative expenses of €147 million (normalised at €128 million) slightly higher than in the prior year (€145 million) and in line with the forecast for 2023.
- Normalised Cost/income Ratio of 52% (2022: 60%), decline driven by higher revenues.
- **In the medium term, further reductions in administrative expense and expansion in total income are expected to translate into a Cost/income Ratio of around 40%.**

FTE

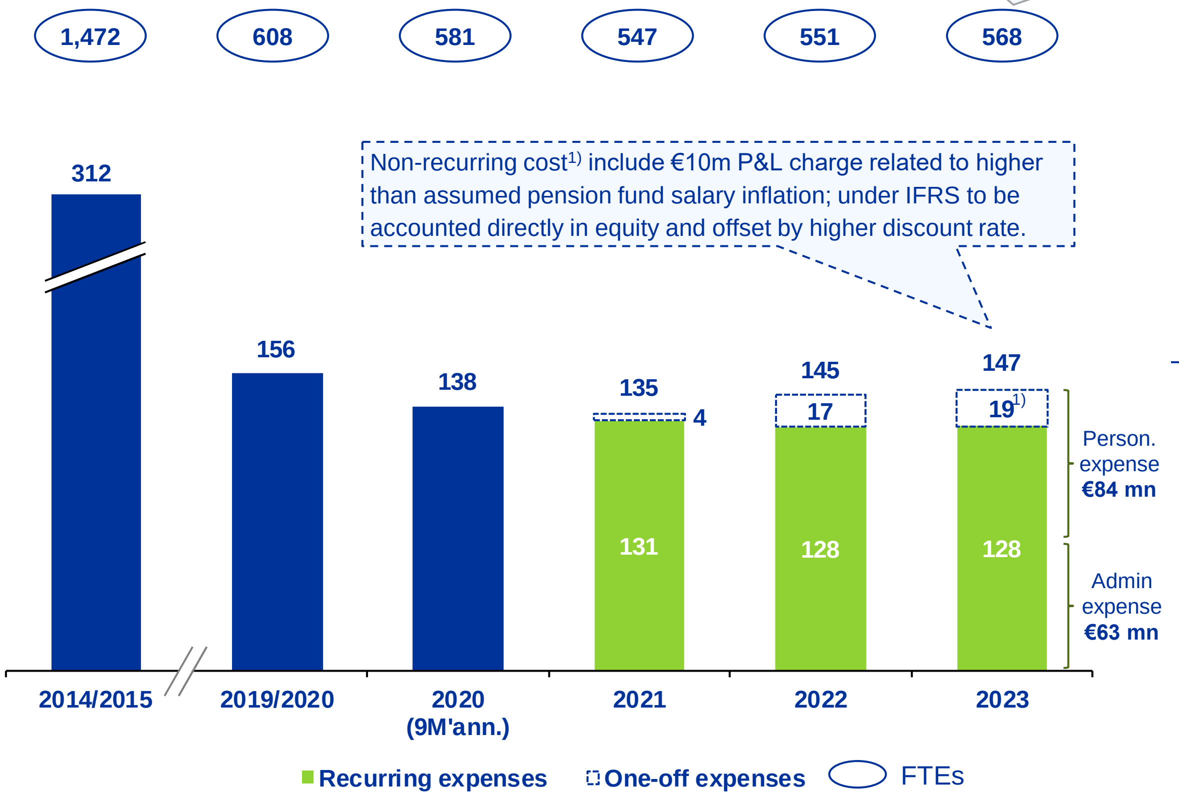


Normalised figures adjusted for inflation-related pension fund expenses (2023: €10 million; 2022: €13 million) and one-offs, mainly project costs (2023: €9 million; 2022: €4 million).

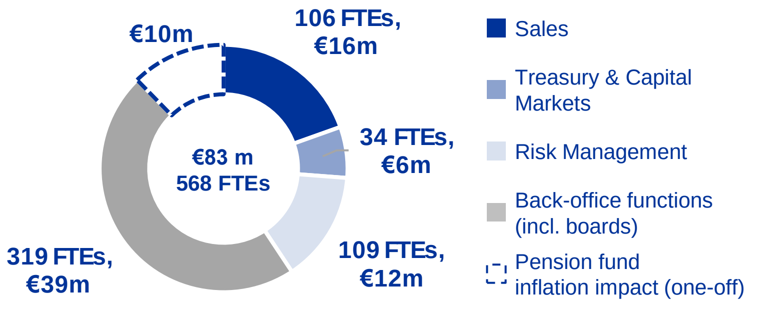
Cost Base Already Significantly Reduced

Total administrative expenses (€ million)

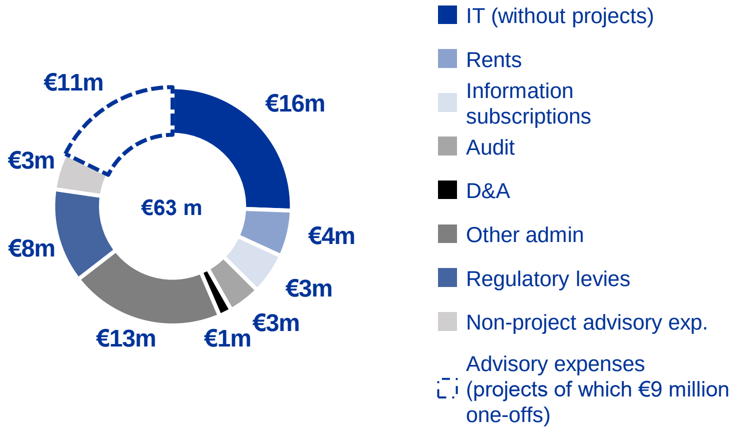
Reflects HR strategy of attracting entry-level employees as well as resources dedicated to strategic projects (e.g. ESG, IFRS conversion).



Personnel expenses (€ million in 2023)



Other administrative expenses (€ million in 2023)



1) Including inflation-related adjustment of pension payments (€3 million in 2021, €13 million in 2022, €10 million in 2023) and one-offs, mainly for projects (€1 million in FY 2021, €4 million in FY 2022, €9 million in FY 2023).

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

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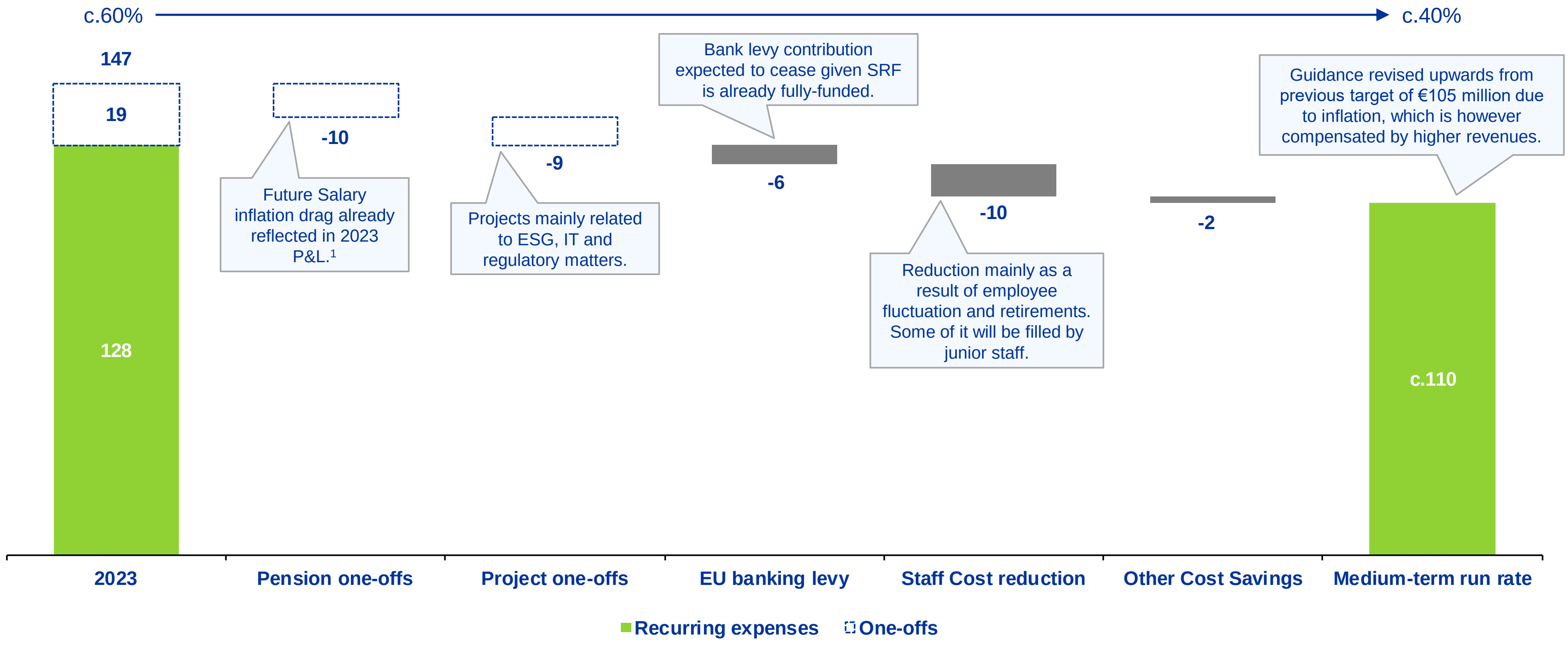
Normalisation of Expenses And Further Cost Take-Out Will Lead to Best In Class Profitability

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

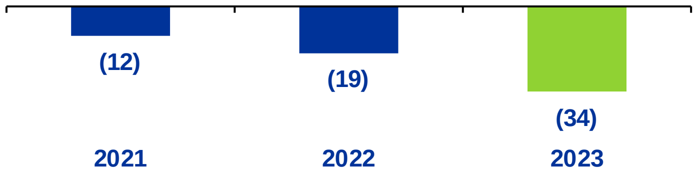


Note: Differences of sums to total numbers may occur due to rounding.

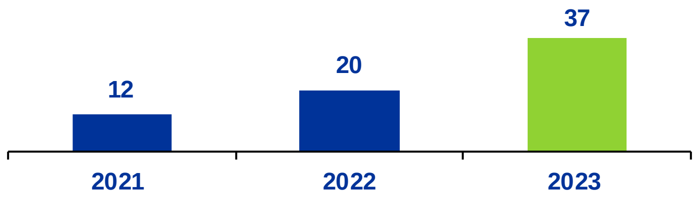
1) Inflation drag is part of HGB administrative expenses (IFRS: other comprehensive income).

Risk Provisioning in Line With Guidance

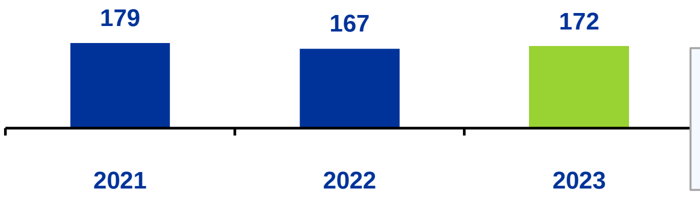
Net Risk Provisioning
(€ million)



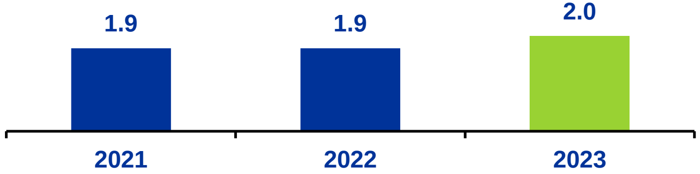
Cost of risk
(bps)



Non-performing Assets
(€ million)



NPL Ratio
(in %)[1)]

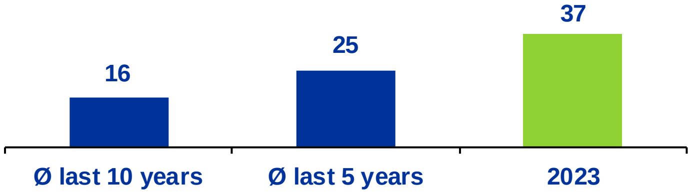


Only **0.1%** increase in NPL ratio YoY vs. **c.1.0%** increase for German peers[(3)]

Summary

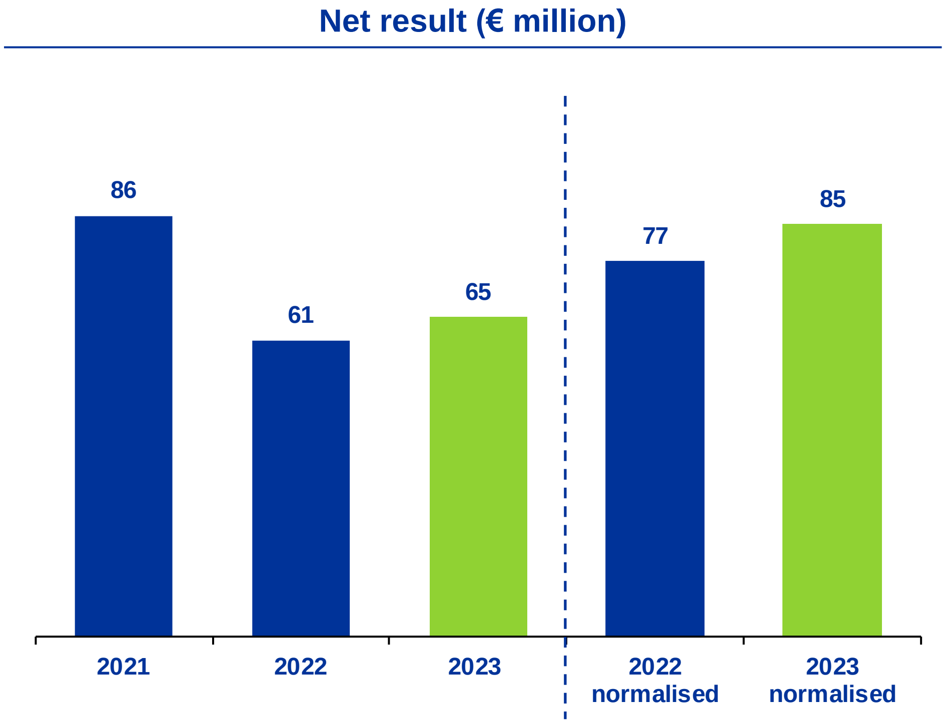
- Net risk provisioning result at €-34 million (guidance 2023: € -35 million) (2022: €-19 million) including additional €6 million of general loan loss provisions for increased latent risks.
- Cost of risk at 37bps reflective of conservative provisioning amid macro uncertainties. Cost of risk in 2024 expected to remain elevated in line with 2023 before normalising towards c.20 bps in the mid-term.
- Non-performing assets amount to €172 million and remained stable in comparison to 2022 (€167 million), demonstrating IKB's resilient asset quality. Low NPL ratio (EBA definition) of 2.0% (2022: 1.9%).
- IKB is maintaining its high lending standards in an economic environment characterised by protracted uncertainty.

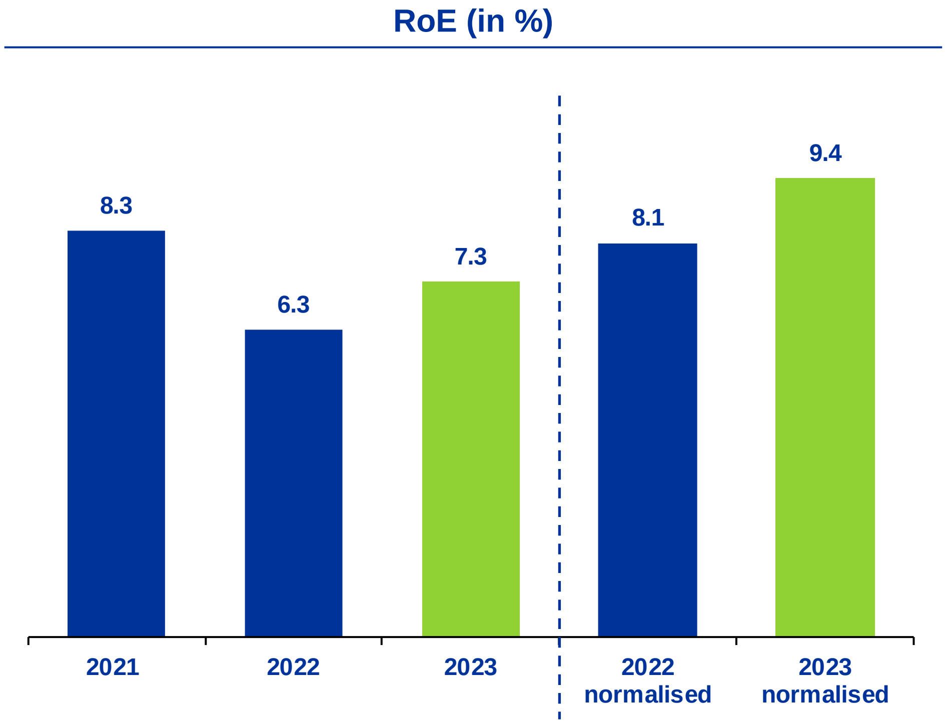
Average cost of risk in bps[2)]



1) NPL ratio according to EBA definition. 2) Core business lending – 10-year figures excluding Leasing activities (improvement vs. H1 2023 driven by rolling average calculation).
3) Peers include HCOB, PBB, Aareal, DZ Bank, Unicredit German segment, OLB; NPL ratio estimated as NPLs / Gross loans

Medium Term Goal to Increase RoE to Above 10%



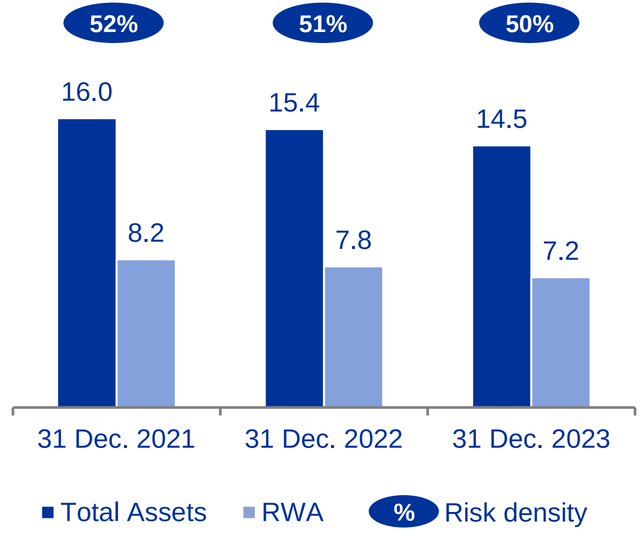


- **In the 2023 financial year, IKB reached a net result of €65 million (circa €85 million normalised for one-offs) in line with the target.**
- **Medium term objective to increase RoE after taxes to more than 10%.**

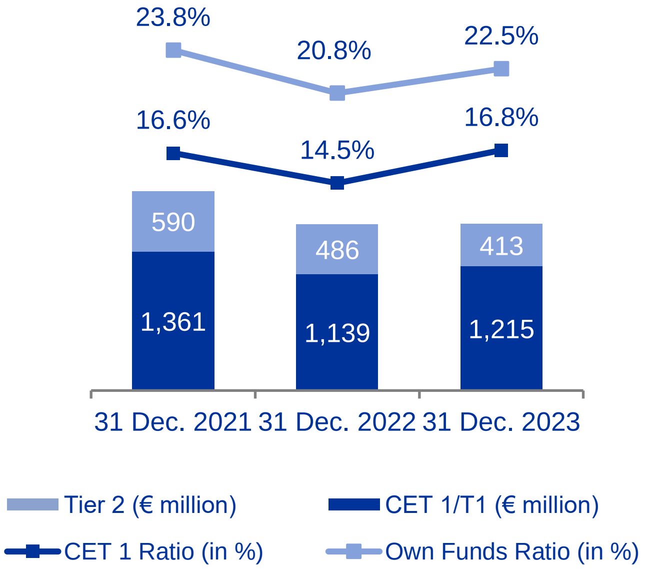
2023: normalised for inflation-induced pension plan expenses (€10 million) and one-off project expense (€9 million).

Organic Capital Generation of c. 230bps Further Strengthens Solid Capital Position

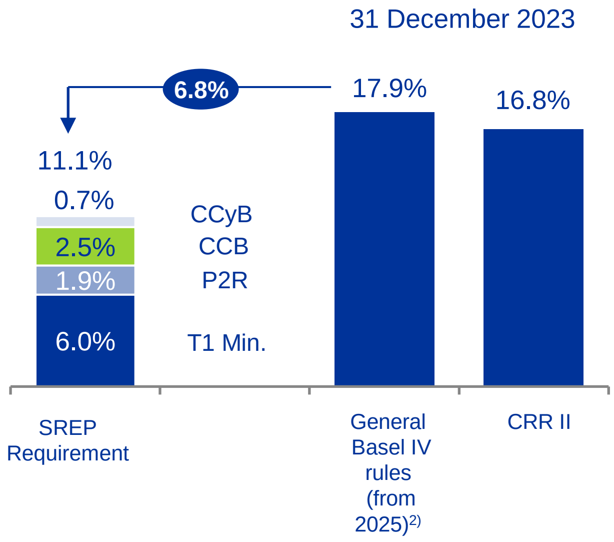
Total Assets and Risk-weighted Assets[1] (fully phased) (€ billion)



Capital Ratios[1] (fully phased)



T1 Position and Capital Requirements (transitional)[1]



Key RWA measures

- RWAs decreased to €7.2 billion in FY 2023 as a result of improving asset mix and asset quality of the book.
- Leverage Ratio as of December 2023 at 7.2%.

Improvement of Capital Position

- CET 1 / T 1 ratio amounted to 16.8%.
- c.230bps of organic capital generation in FY 2023 driven by c.100bps of profit generation and c.130bps RWA reduction.

Buffers to regulatory requirement

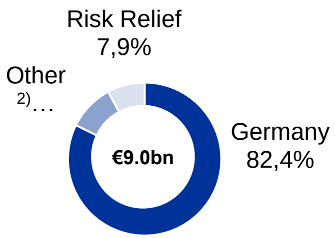
- T1 capital requirements of 11.1%.
- As of 31 December 2023, IKB Group holds a comfortable buffer to T1 requirements of 6.8 pp. pro-forma Basel IV.

1) IKB Group consolidated; on AG level, IKB is subject to temporary capital add-ons of 200bps on total capital basis.
2) "General Basel IV rules" include the core requirements of the Basel IV framework without the "CRR III specific transitional rules".

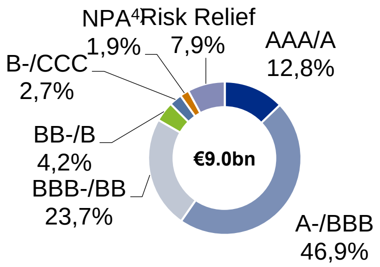
Resilient Lending Book With a Strong Customer Base

Portfolio Volume and 12M New Business Volume[1] (€ billion)

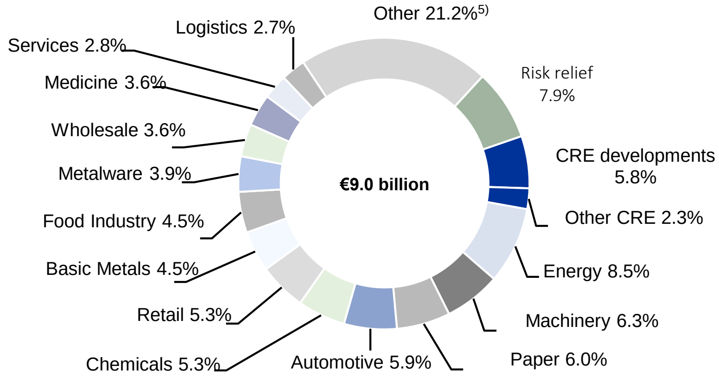
Portfolio by Geography (in %)



Portfolio by Rating[2] (in %)



Portfolio by sector (in %)



Commercial Real Estate (CRE)

- No US exposure; 99% of total exposure in Germany
- Loans for CRE developments of €524 million focused on projects in tier 1 cities ("A-Cities")
- Other CRE exposures of €204 million comprise:
  - Loans to CRE developers of €102 million, of which €80 million loan to a subsidiary of a European large cap insurance company with A+ S&P rating
  - Loans to Real Estate investment companies of € 102 million, of which Residential €52 million and Retail €50 million

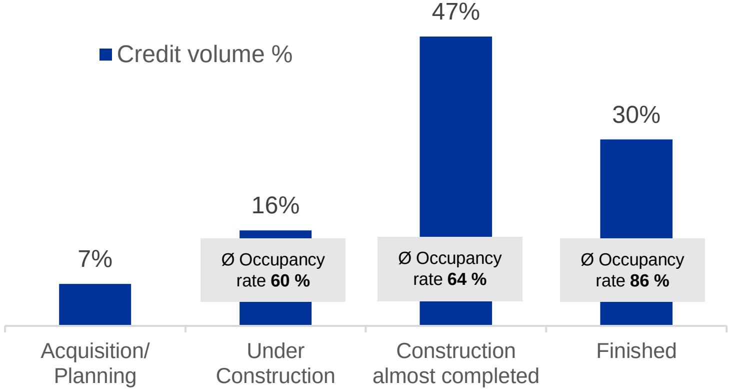
Note: All figures including risk relief (Hermes guarantees, indemnifications, risk transferred). 1) Includes also revolving credit facilities volumes in € billion: 0.3 (2021), 0.2 (2022), 0.2 (2023).
2) Mapped to internal ratings. 3) Major countries: Austria, UK, USA, Netherland, Switzerland 4) NPL-Ratio (EBA definition) 2.0% 5) Consists of 27 different industries each below 2.7%

Deep Dive CRE Development Loans

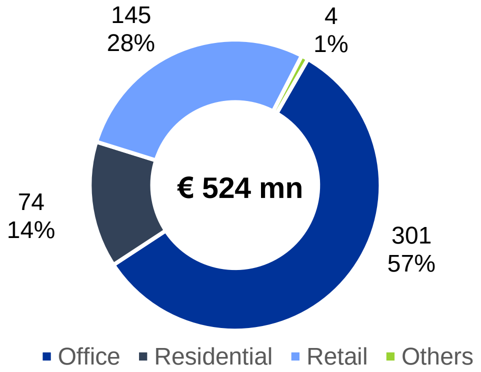
Overview

- CRE development loans comprising only senior secured loans
- Average Loan to Value (LtV) of 76%, average debt yield of 6.5%, LtV based on current valuations
- High occupancy rate with tier 1 tenants
- NPL ratio of 7.6% with coverage of 24% (3 non-performing loans)
- Reduction of CRE related loans since 31 December 2022: €137 million; in 2024 further portfolio reduction expected

Construction Phase



CRE developments by asset class (€ million)

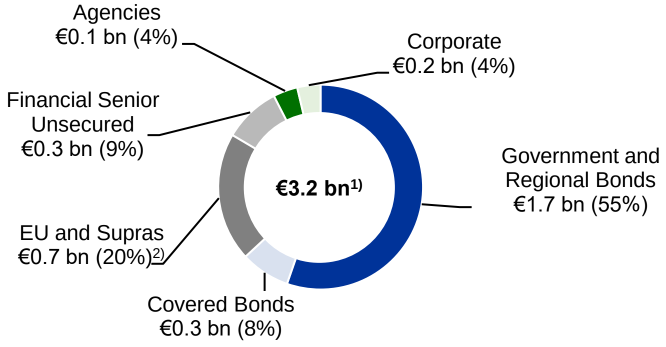


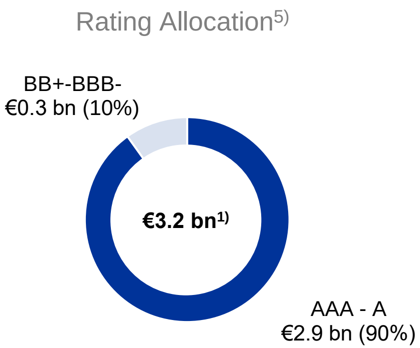
Developments by Property type

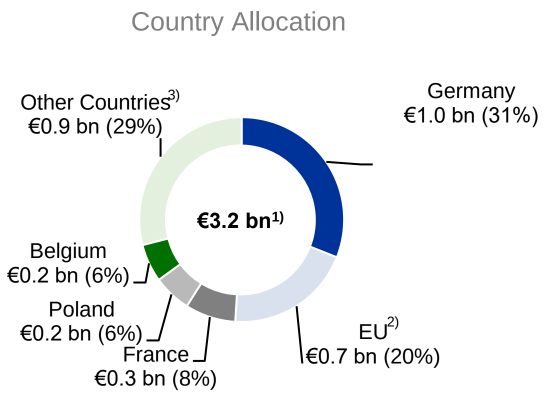
Asset class	Comments
Office	• LTV 74% • 57% average occupancy rate • New construction / refurbished
Retail	• LTV 78% • 91% average occupancy rate • Staple retail exposures (no luxury retail)
Residential	• LTV 63% • 56% average occupancy rate

Well Diversified Liquidity Portfolio

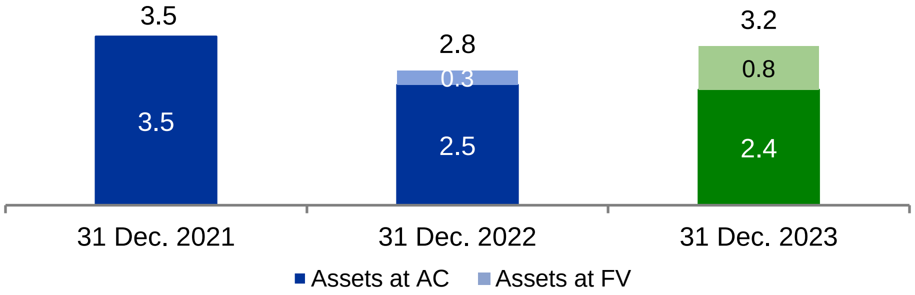
Structure of the Liquidity Portfolio (in %)



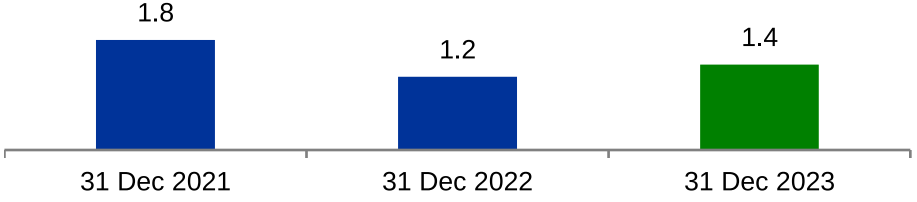




Credit Volumes of Liquidity Portfolio (€ billion)



Unencumbered Liquidity Reserve4) (€ billion)



1) Fixed income, excluding bonds in loan book and non consolidated IKB balances in non-fixed income securities. 2) European Investment Bank and European Financial Stability Facility SA 3) Other countries including Netherlands, USA, Norway, Romania, Hungary 4) Including cash held with ECB and ECB-eligible loans.
5) Based on mapped internal ratings.

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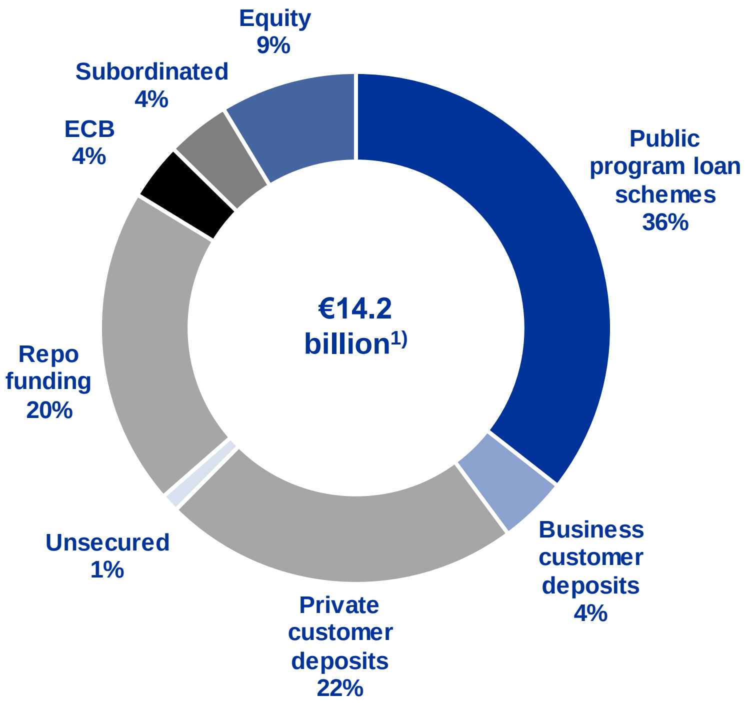
Diversified Funding

Funding Sources Breakdown



Funding position

Public Programme Loan Schemes	▪ Channeling loans from KfW and regional development banks. ▪ Volume of €5.0 billion.
Deposits	▪ Stable and cost-efficient private customer deposits: €3.2 billion. ▪ Decreasing business customer deposits: €0.6 billion. ▪ Promissory note loans: €0.2 billion.
Secured funding/ ECB	▪ Financing of liquidity portfolio. ▪ Portfolio serves as collateral. ▪ Only €0.5 billion remaining ECB's TLTRO III funding.

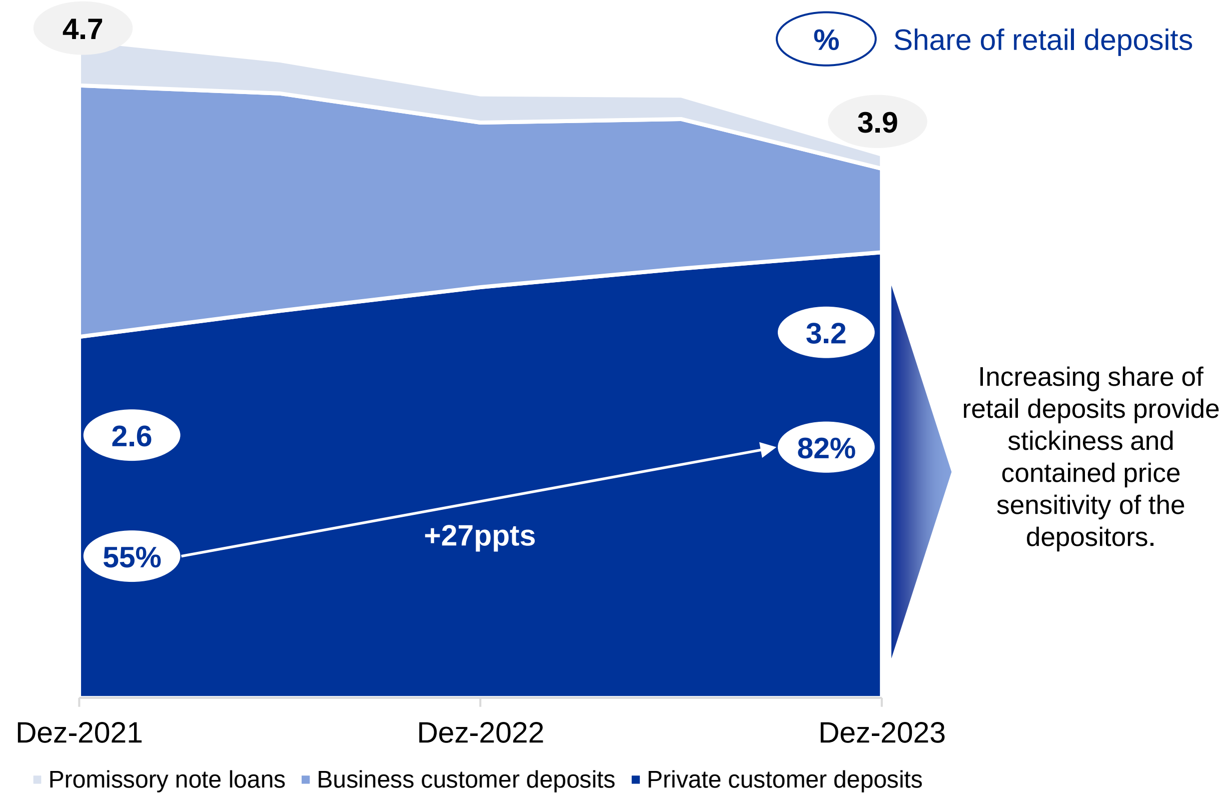
Liquidity Position

Liquidity Coverage Ratio	▪ Group LCR with 249% well above target, slightly below 31 December 2022 (257%).
Net Stable Funding Ratio	▪ Group NSFR with 115.6% well above minimum requirement, slightly below 31 December 2022 (117.2%).
Liquidity Reserve	▪ Approx. €1.4 billion free and unencumbered available liquidity reserve (€1.2 billion as of 31 December 2022).

1) Equity and interest-bearing liabilities; €0.3 billion other liabilities (prepaid expenses, pension provisions, etc.) not included.

IKB Has Established a Granular Retail Deposit Base Contributing to Its Diversified Funding

Deposit base evolution (€ billion)



Comments

- Since pivoting into retail refinancing, IKB has experienced strong client retention and has successfully attracted €3.2 billion in retail deposit inflows.
- Retail funding increased by c.€300 million since December 2022.
- Well diversified customer group with c.81k accounts and an average account balance of c.€50k.

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

Three pillars drive the Bank‘s ESG ambitions …

ESG Steering Committee[1)]

ESG Strategy

ESG Regulation & Risk

Product Initiatives

Member of the „United Nations Envoronment Programme“

Signee of the „Charta der Vielfalt e.V.“

Member of ODI‘s „Cluster Decarbonisation in Industries“ programme

Handelsblatt „Fair Company 2022“

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

- ✓ Implementation of a Sustainable Finance Framework in March 2023, external second party opinion of ISS ESG.
  - Target by end of 2025: Sustainable credit products of €3 billion to €4 billion.
  - In 2023, sustainable financial products with a total volume of circa €0.9 billion were financed and a total of circa €1.7 billion was mobilized in connection with the IKB Sustainable Finance Framework.
  - Start launching new ESG products.
- ✓ Target 2025 in comparison to 2021 for IKB emissions Scope 1, 2 and 3-upstream: Further savings of circa 15% to 25%.
- ✓ UN Principles for Responsible Banking singed.
- ✓ Project established to ensure compliance with ESG risks and regulatory requirements.
- ✓ Publication of Non-Financial Report 2023 (including EU Taxonomy Regulation) in April 2024.

1) with permanent participation of Board of Directors

Outlook And Targets

1	Clear Profile as MidCap Specialist	▪ Focus on core products commercial lending and PPL with new business volume to be expected moderately higher than in the previous year.
2	Profitability before Growth	▪ Slight increase in net interest and commission income.
3	Cost Reduction	▪ Administrative expenses in 2024 to be moderately lower than in 2023.
4	Loan Losses	▪ Budgeting net risk provisioning in lending business at the previous year's level €-35 million.
5	Profitabiltiy	▪ Income before taxes of about €70 million.
6	Capitalisation	▪ Stabilisation of CET 1 ratio at 2023 level ▪ Leverage Ratio of around 8%

Appendix

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Segmental Reporting of IKB Group

in € million	PPI		Corporate Bank		Corporate Center		IKB	
	1 Jan. to 31 Dec. 2023	1 Jan. to 31 Dec. 2022	1 Jan. to 31 Dec. 2023	1 Jan. to 31 Dec. 2022	1 Jan. to 31 Dec. 2023	1 Jan. to 31 Dec. 2022	1 Jan. to 31 Dec. 2023	1 Jan. to 31 Dec. 2022
Net interest income	78	79	128	89	18	20	224	188
Net fee and comission income	5	5	10	13	5	5	20	23
Gross income	**83**	**85**	**138**	**101**	**23**	**25**	**244**	**211**
Administrative expenses	(44)	(43)	(42)	(41)	(60)	(60)	(147)	(145)
Pre-provision income	**39**	**41**	**96**	**60**	**(38)**	**(35)**	**97**	**66**
Provisions for possible loan losses	8	9	(42)	(27)	(1)	(1)	(34)	(19)
Operating profit	**48**	**50**	**54**	**33**	**(38)**	**(35)**	**63**	**48**
Net other income	0	0	0	1	(0)	13	(0)	13
Income before taxes	**48**	**50**	**54**	**33**	**(38)**	**(23)**	**63**	**61**
Tax income/expenses	(6)	(6)	(7)	(4)	15	10	3	0
Consolidated net result	**42**	**44**	**47**	**29**	**(23)**	**(12)**	**65**	**61**
New business volume	1,188	1,014	1,546	1,660	0	0	2,734	2,674
Loans outstanding (end of period)	5,044	4,957	3,975	4,293	6,892	8,319	15,911	17,570
Risk weighted assets	2,644	2,562	3,055	3,497	1,551	1,771	7,250	7,830
Average CET 1 capital at 12%	308	329	387	428	204	208	900	965
Core business NIM (in %)	1.55	1.55	3.02	2.11			2.22	1.80
Cost/income ratio (in %)	53.0	51.4	30.6	40.8			60.1	68.5
Cost of risk (in %)	(0.17)	(0.18)	1.00	0.65			0.37	0.20
Return on Equity (in %)	13.5	13.3	12.1	6.8			7.3	6.3

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

Consolidated Income Statement of IKB Group

in € million	1 Jan. to 31 Dec. 2023	1 Jan. to 31 Dec. 2023 normalised[1)]	1 Jan. to 31 Dec. 2022
Net interest income	224	224	188
Net fee and comission income	20	20	23
Total net banking income	**244**	**244**	**211**
Administrative expenses	(147)	(128)	(145)
Personnel expenses	(83)	(73)	(84)
Other administrative expenses	(63)	(54)	(60)
Pre-provision income	**97**	**116**	**66**
Net risk provisioning	(34)	(34)	(19)
Operating profit	**63**	**82**	**48**
Net other income	(0)	(0)	13
Income before taxes	**63**	**82**	**61**
Tax income/expenses	3	0	0
Consolidated net result	**65**	**85**	**61**

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

1) Normalised for inflation-induced pension plan expenses (€10 million), one-off project expense (€9 million).

Consolidated Balance Sheet of IKB Group

ASSETS in € million	31 Dec. 2023	31 Dec. 2022
Cash reserve	30	36
Receivables from banks	2,255	3,313
Receivables from customers	8,562	8,810
Bonds and other fixed-income securities	3,098	2,421
Equities and other non-fixed-income securities	302	601
Equity investments	0	0
Investments in affiliated companies	0	1
Intangible assets	1	1
Tangible assets	2	2
Other assets	89	77
Prepaid expenses	34	40
Deferred tax assets	119	129
Excess of plan assets over post-employment benefit liability	7	3
Total assets	**14,498**	**15,434**

EQUITY AND LIABILITIES in € million	31 Dec. 2023	31 Dec. 2022
Liabilities to banks	8,508	9,061
Liabilities to customers	3,947	4,335
Securitised liabilities	19	31
Other liabilities	74	58
Deferred income	23	38
Provisions	155	168
Subordinated liabilities	546	583
Fund for general banking risks[1)]	159	159
Equity	1,066	1,001
Subcribed Capital	100	100
Capital reserves	648	648
Revenue reserves[2)]	164	111
Net accumulated losses/gains	154	142
Non-controlling interests	0	0
Total equity and liabilities	**14,498**	**15,434**

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

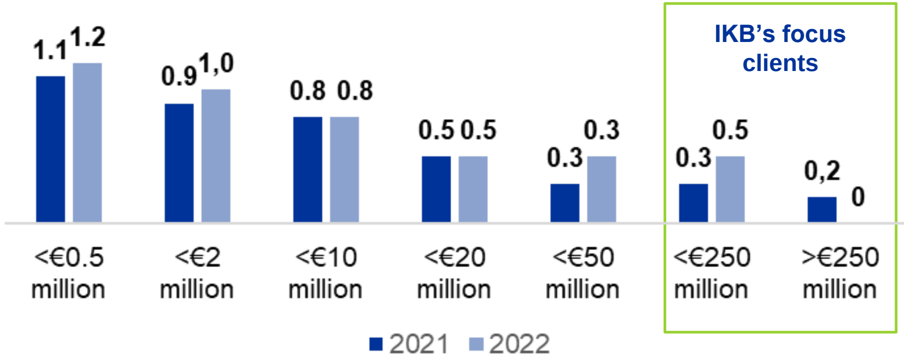
1) treated as CET 1 capital for regulatory purposes

2) Revenue reserves comprises the legal reserves and other revenue reserves

IKB Deutsche Industriebank

Significant Growth Potential in Corporate Credit Expected from the Transformation of the Economy

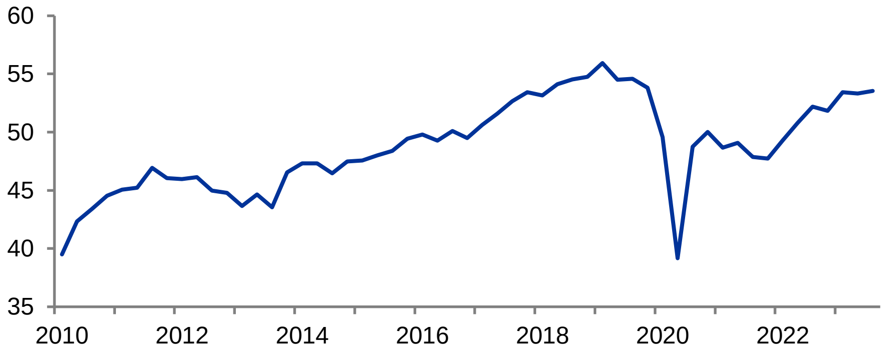
Credit default rates of German companies by revenue segment (in %)[1)]



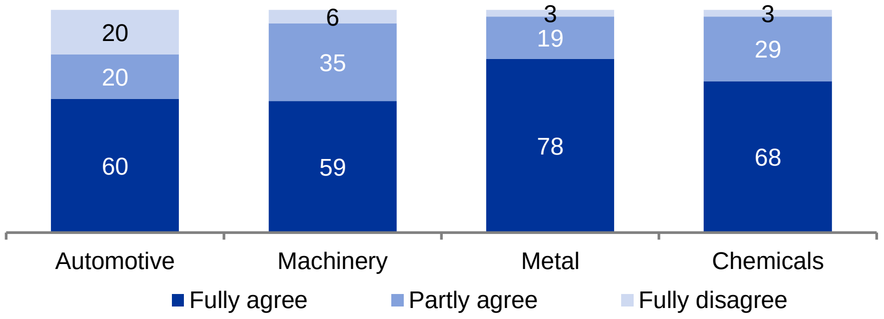
Summary

- There are almost 7,600 companies in Germany with a turnover of over €100 million each. These companies have shown remarkably low and stable default rates.
- As the transformation and economic recovery gains momentum, investment spending is expected to increase sizeably. Demand for loans will benefit from an increase in capital expenditure.
- Funding programmes, for example from KfW, will become increasingly important to achieve the EU's climate goals.
- An IKB survey among its clients has shown that Germany remains an important location for production and investment spending.

Real private investment in machinery and equipment (€ bn)[2)]



IKB client survey for production and investment spending: Germany remains important location (in %)[3)]

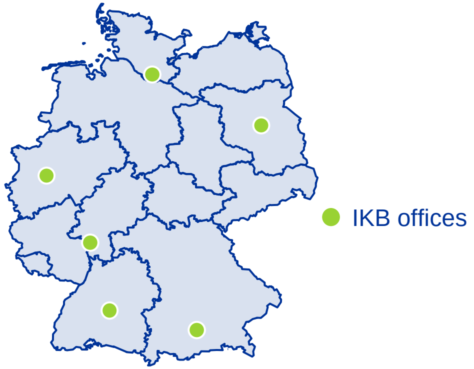


1) Source: Creditreform 2) Source: German Federal Statistical Office 3) Source: IKB client survey 2023

Very Well Positioned in The German Mittelstand – Focused Business Model And Profitable Products

1	Client Focus	▪ Focus on high end Mittelstand companies, i.e. internationally successful companies, 'backbone' of the German economy. ▪ Clearly defined customers with annual turnover above €100 million. ▪ Diversified client base across industries. ▪ Investment demand driven by high level of innovation.
2	Product Focus	▪ Strong commercial lending expertise. ▪ Long-standing experience in public programme loans. ▪ 8.9% market share of the public programme loans by KfW Bankengruppe in new business.
3	Low Risk	▪ Long-standing client relationships, profound market knowledge and deep insight in industry sectors. ▪ Favourable risk profile: German MidCaps have relatively stable and conservative balance sheets with global diversification on the demand and supply side.
4	Profitable	▪ Focus on profit ahead of growth. ▪ Outstanding expertise in tailor-made solutions driving higher margins. ▪ Lending business with strict price and risk discipline.
5	Solid	▪ Very solid capital position, diversified funding.
6	Lean	▪ Strict cost control, further improvement of Cost/income ratio.

Key Facts[1)]



Based in Düsseldorf with 6 branches across Germany

Headcount: 568

Financing partner for almost 100 years

1) as of 31 December 2023

Rating Review of Moody's And Fitch

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

- IKB has been assigned an investment grade rating from rating agencies Moody's and Fitch on 14/15 January 2021.
- In September 2023, Moody's confirmed the Baa1 deposit and issuer rating, while the outlook was changed to negative. From Moody's perspective, the negative outlook reflects potential downwards pressure on the bank´s intrinsic strength and a possible sustained increase in the loss severity in these instrument classes. The change in the outlook is, inter alia, attributable to a repurchase of subordinated liabilities.
- Moody's highlighted in particular IKB's good asset quality, as well as its strong market position with German mid-cap clients.
- Fitch confirmed its BBB- deposit and issuer rating with a stable outlook.

How The Public Programme Loan Business Works

Overview

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

Application and Funding

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

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

Credit Risk

Ordinary Programmes

- ✓ In general, PPL credit risk does not differ from commercial loans as PPL does not include risk mitigation and on-lending banks bear the full credit risk
- ✓ However, some promotional programmes offer optional risk mitigation or partial subordination of up to 50%
  - IKB rarely uses this option as the application process is quite complicated and the on-lending margin is significantly reduced

COVID-19 KfW Special Programmes

- ✓ In response to COVID-19, KfW set up special programs to provide additional liquidity to German corporates
- ✓ These programs offer standardized non-optional risk mitigation between 80% and 100%
- ✓ IKB mainly accesses the KfW Corporate loan:
  - Limited to €100 million per company
  - Standardized term loan (fixed interest, amortizing) with maturities up to 6 years
  - Fully refinanced by KfW
  - 80% covered by state guarantee
  - 2% and 2.12% interest rate according to KfW pricing grid

Glossary

Key parameter	Explanation
Banking Revenues	Net interest income plus net fee and commission income
CAGR	Compound Annual Growth Rate
Net Stable Funding Ratio (NSFR)	Medium to long-term liquidity
Total administrative expenses	Personnel expenses plus other administrative expenses (incl. levy) plus D&A
Commercial lending	Loans and bonds in segment Corporate Bank
Corporate Loans	Public Programme Loans and Commercial lending

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

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