IKB Deutsche Industriebank

IKB Deutsche Industriebank AG

10 March 2023, Düsseldorf

Financial Year 2022 Results

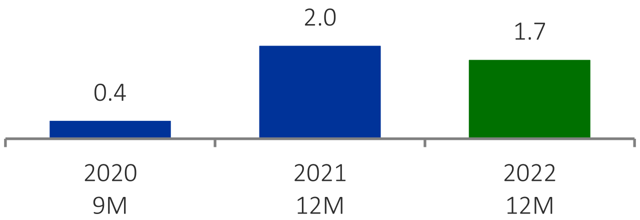
Key Facts of the Financial Year 2022

1. Positive Result	✓ Consolidated net income before tax of €61 million, Consolidated net income after tax of €61 million ✓ Return on equity[1)] 6.3% (FY 2021: 8.3%)
2. Cost Control	✓ Administrative expenses of €145 million (normalised at €128 million), resulting in a cost income ratio of 68.5% (normalised at 60.4%) ✓ 551 FTE broadly in line with prior year (FY 2021: 548)
3. Focused Core Business	✓ Resilient lending book at €9.2 billion, generating a net interest margin of 1.80% ✓ New business volume in line with the updated forecast at €2.7 billion (FY 2021: €3.0 billion). In light of the deteriorating macroeconomic environment, new business was characterised by highly selective lending criteria and an increased focus on good credit ratings; corporate loans accounted for 62% of the total new business volumes (FY 2021: 66%) ✓ Consolidated net interest income at €188 million (FY 2021: €221 million) ✓ Net fee and commission income amounted to €23 million (FY 2021: €26 million)
4. Low Risk Profile	✓ Non-performing assets at €167 million (31 December 2021: €179 million) at a low level with an NPL ratio (EBA definition) of 1.9% ✓ Low net risk provisions of €-19 million (FY 2021: €-12 million); this includes €12 million general loan loss provisions to cover potential negative rating migration of borrowers
5. Adequate Capital Position	✓ CET 1 (fully phased) of 14.5% (FY 2021: 16.6%), CET 1 ratio according to Basel IV of 15.4% ✓ Leverage ratio (fully phased) at 6.0% (31 December 2021: 8.1%)
6. Ample Liquidity	✓ Liquidity Coverage ratio reduced to 257% (31 December 2021: 274%) ✓ Loan to deposit ratio (excluding public programme loans) at 99% (31 December 2021: 70%) ✓ Net stable funding ratio stood at 117%

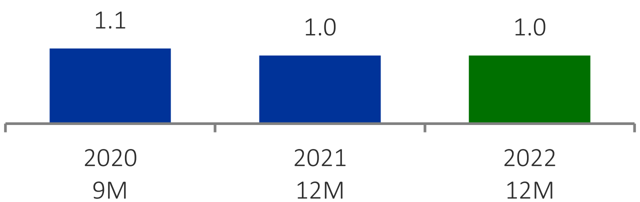
Note: All figures as of 31 December 2022 unless otherwise stated.
1) Calculated on a normalized CET1 ratio of 12% and based on average risk-weighted assets, adjusted for consistent IRBA application

Stable Growth in New Business Volumes

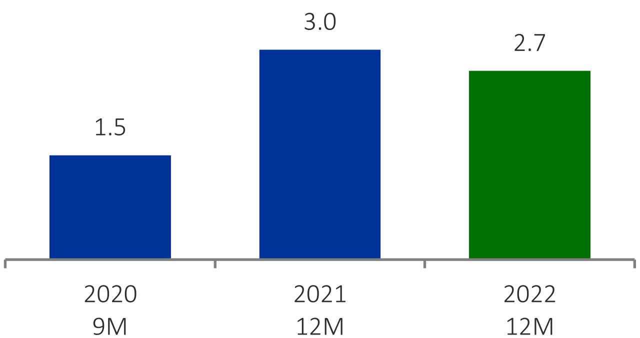
Commercial Lending New Business Volume (€ billion)



Public Programme Loans New Business Volume (€ billion)



Total New Business Volume (€ billion)

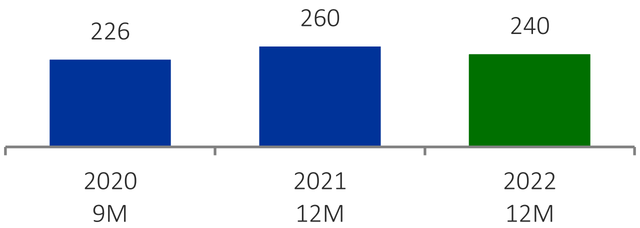


Summary

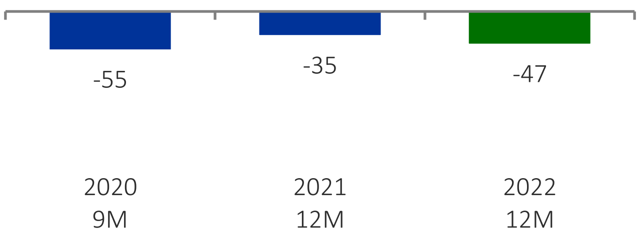
- New business volume of €2.7 billion (FY 2021: €3.0 billion)
  - Demand for commercial lending nearly stable and IKB generated volume of €1.7 billion in 2022 (2021: €2.0 billion)
  - Public programme loan volume amounted to €1.0 billion (2021: €1.0 billion)
- New corporate loans accounted for 62% of total new business volume, broadly in line with prior year (FY 2021: 66%).
- Focused lending approach, in light of macro uncertainty, with strict credit pricing policy maintained
- IKB's total lending volumes relatively stable at €9.2 billion (FY 2021: €9.3 billion)
- **In 2023, IKB aims to generate a total new business volume of about €2.7 billion**

Stable Underlying Banking Revenues

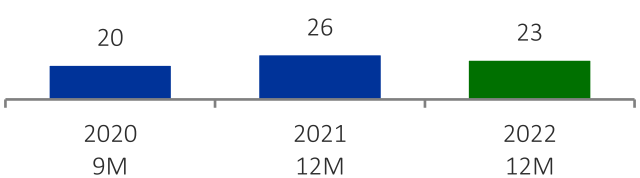
Interest Income[1)]
(€ million)



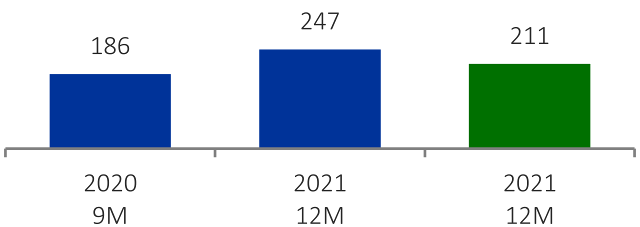
Interest Expense[1)]
(€ million)



Net Fee and Commission Income
(€ million)



Total Banking Revenues
(€ million)

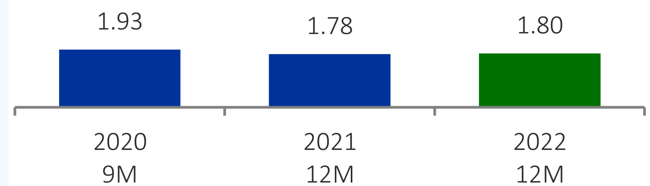


Summary

- ✓ Net interest income decreased due to one-offs in Net interest income in 2021, stable on underlying basis:
  - Decline by €21 million (previous year: €47 million) in income from shares in funds
  - Interest income from bonds came to €29 million (previous year: €31 million)
  - Decline by €16 million of TLTRO income
  - Net interest income from lending business increased to €190 million (previous year: €180 million)
- ✓ The net interest margin was stable at 1.80% focusing on new business volume with good credit ratings
- ✓ Net fee and commission income amounted to €23 million in 2022

- ✓ **IKB forecasts a year-on-year increase in net interest and commission income in the 2023 financial year. This is to be driven partly by higher interest income on floating-rate financial instruments in the wake of interest-rate hikes and partly to increasing volumes and business mix optimisation.**

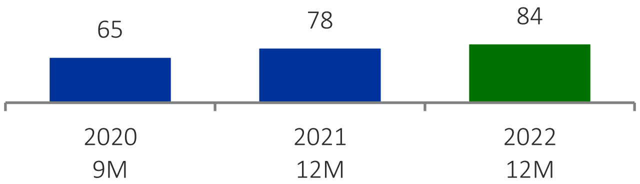
Net Interest Margin (in %)



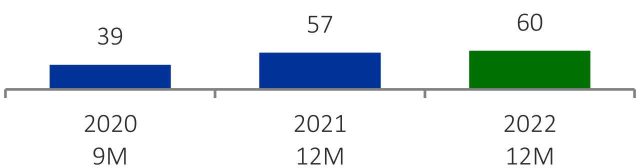
1) excluding derivatives

Strict Cost Control – Structural Cost Reductions on Track

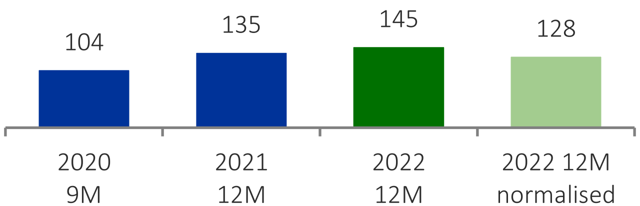
Personnel Expenses (€ million)



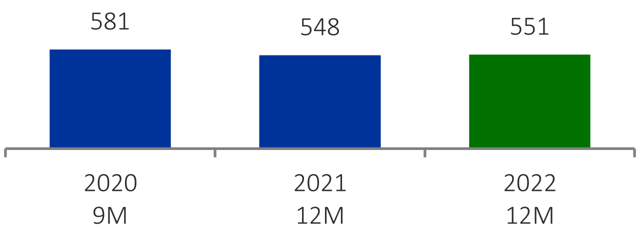
Other Administrative Expenses (€ million)



Total Administrative Expenses (€ million)



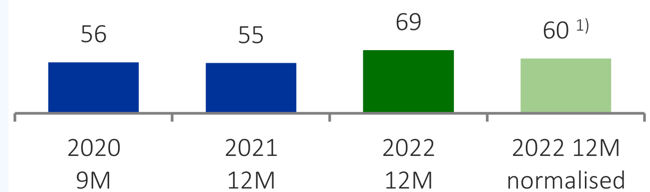
FTE



Summary

- Continued focus on operating expense reductions; headcount nearly unchanged at 551 (FY 2021: 548)
- Total administrative expenses of €145 million (normalised at €128 million) and outperforming the updated forecast (€148 million)
  - Mainly driven by higher other administrative expenses which were impacted by a number of extraordinary cost items
- Cost income ratio of 68.5% (FY 2021: 55%) and in line with the updated forecast to be higher than in the previous year. Main factors:
  - Inflation-induced expenses on pension liabilities and one-off expenses for unplanned project costs in connection with regulatory requirements
- **IKB expects administrative expenses in 2023 to be slightly higher than in 2022, resulting in a CIR to be slightly over 60%**
- **In the medium term, a reduction in administrative expenses and thus a cost income ratio of around 40% is targeted**

Cost Income Ratio (in %)



1) Calculated on the basis of administrative expenses of €128 million normalised for inflation-induced expenses on pension provisions (€13 million) and one-off expenses for unplanned project costs in connection with regulatory requirements (€4 million).

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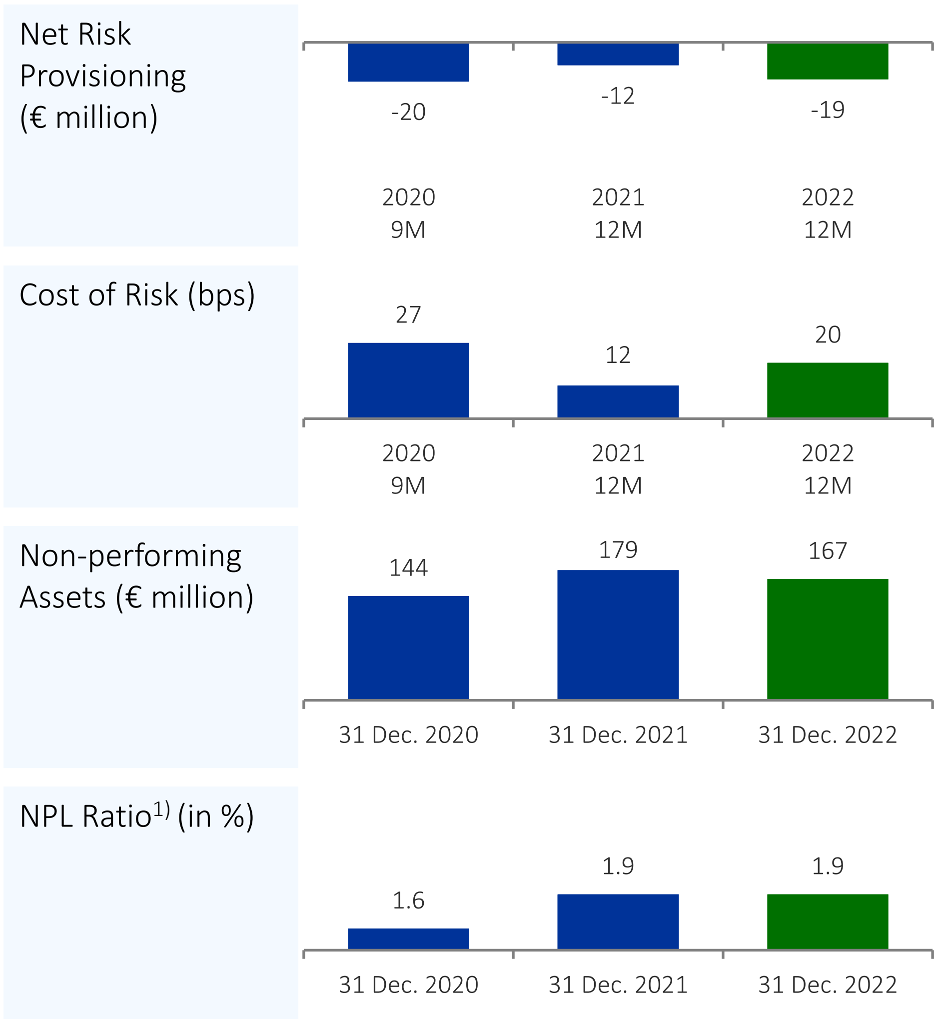
Risk Provisioning Below Expectations



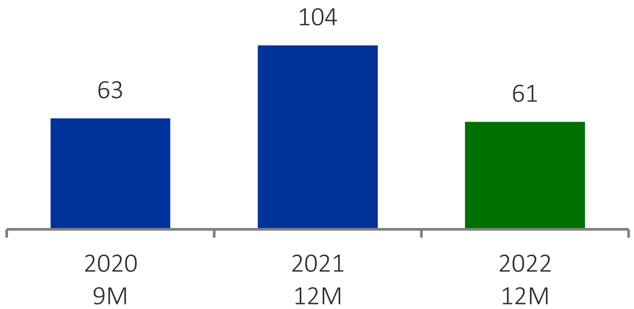
Summary

- Low net risk provisioning result at €-19 million (FY 2021: €-12 million) below forecast of €-25 million for FY 2022, demonstrating IKB's loan book resilient asset quality; €-19 million LLPs include €12 million general loan loss provisions to cover potential negative rating migration of borrowers
- Cost of risk at 20 bps
- Reduction of non-performing assets from €179 million to €167 million in 2022
  - Non-performing assets remain at an overall low level; stable NPL ratio (EBA definition) of 1.9%
- IKB reduced market price risks in FY 2022:
  - Given elevated market volatility on the back of consistently high inflation, interest-rate hikes and wider credit spreads, the Bank has taken measures to lower its risk exposure.
  - In addition to more selective lending, these risk-mitigation efforts also entailed the strategic decision to take certain actions with respect to the investment portfolio with the aim of reducing market risk.
  - The bank decided to change the accounting treatment of certain securities from amortising cost to fair value through P&L and as a result previously unrealised losses on securities of €467 million were recognised via impairments.
  - In economic terms, these impairments recognised through profit or loss were largely offset by an improvement in unrealised gains and losses, particularly gains in off-balance sheet derivatives, in the amount of €457 million.[2)]
  - Regarding the P&L the losses on securities of €467 million were largely offset by a withdrawal of €426 million from the fund for general banking risks.
- **IKB expects loan loss provisions up to €35 million for 2023; €12 million general loan loss provisions were recognised in 2022 for potential negative credit rating migrations**

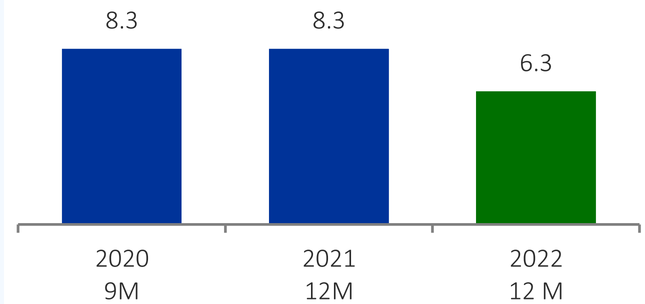
1) NPL ratio according to EBA definition
2) not recognized in financial statements under German GAAP (HGB)

Positive Income Pre-Tax in 2022

Net Income pre-tax (€ million)



RoE after tax[1)]
(in %)



- For the 2023 financial year, IKB expects net income pre-tax of around €60 million
- RoE-Target after taxes for 2023 of nearly 6%
- Medium term objective to increase RoE after taxes to more than 10%

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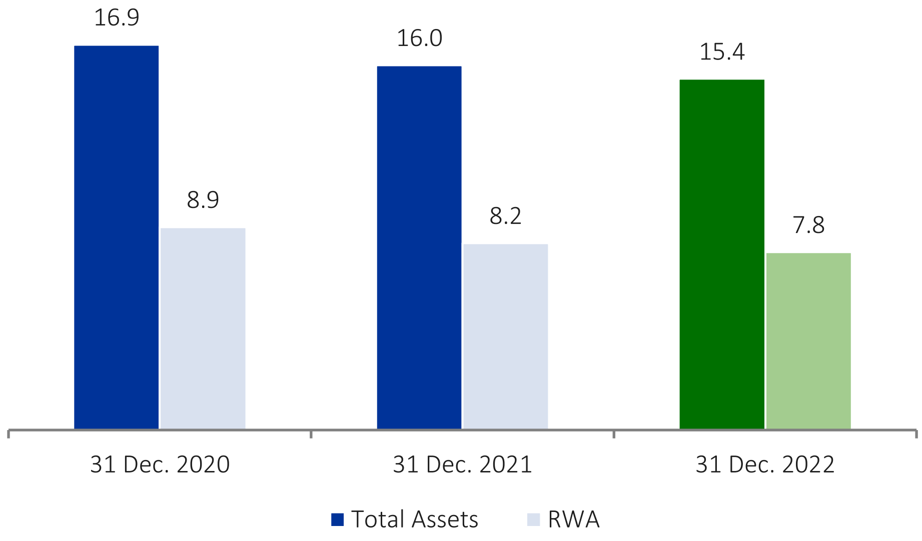
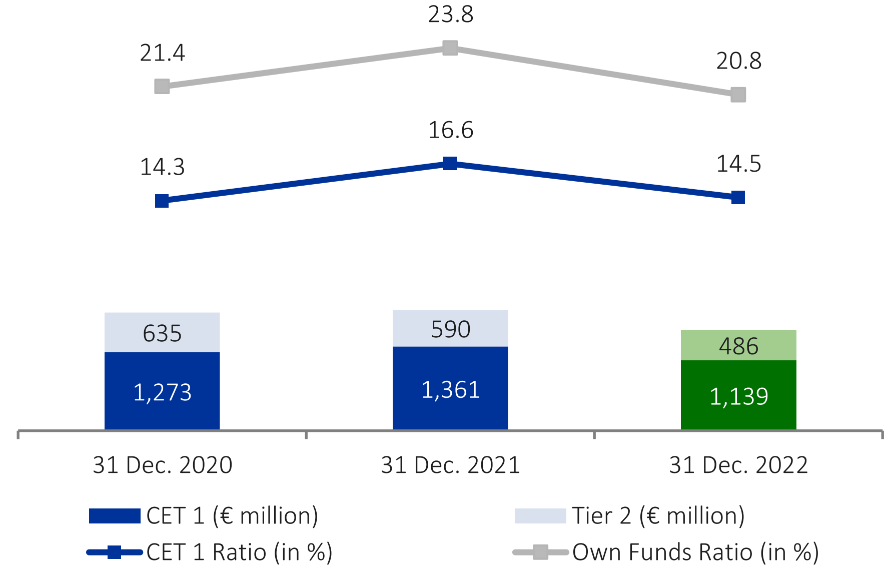
1) Calculated on a normalized CET 1 ratio of 12% and based on average risk-weighted assets, adjusted for consistent IRBA application

Adequate Equity Position

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



Capital Ratios[1] (fully phased)



Key Measures

- RWAs decreased to €7.8 billion in FY 2022, mainly due to a more selective new loan business and positive rating migration effects
- Leverage Ratio as of December 2022 at 6.0%

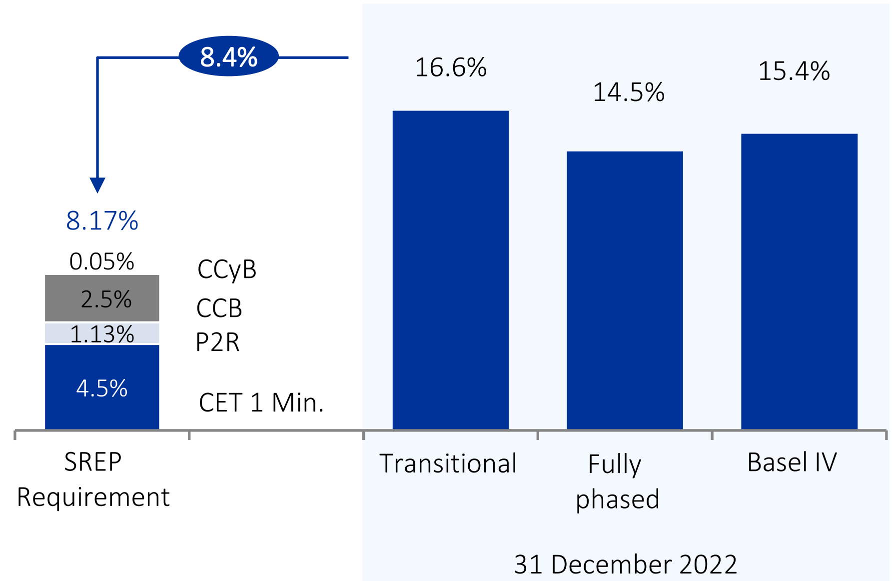
Improvement of Capital Position

- With 14.5% IKB exceeded the updated CET1 forecast of substantially over 13%
  - In addition to the profits for the current financial year, this is due to the Bank's changed dividend-distribution policy in relation to the net retained profit for the 2022 financial year.
- CET 1 ratio expected to be between 13% and 14% by end of FY 2023
- CET 1 ratio according to Basel IV for 15.4%
- IKB intends not to pay dividends for 2022 financial year

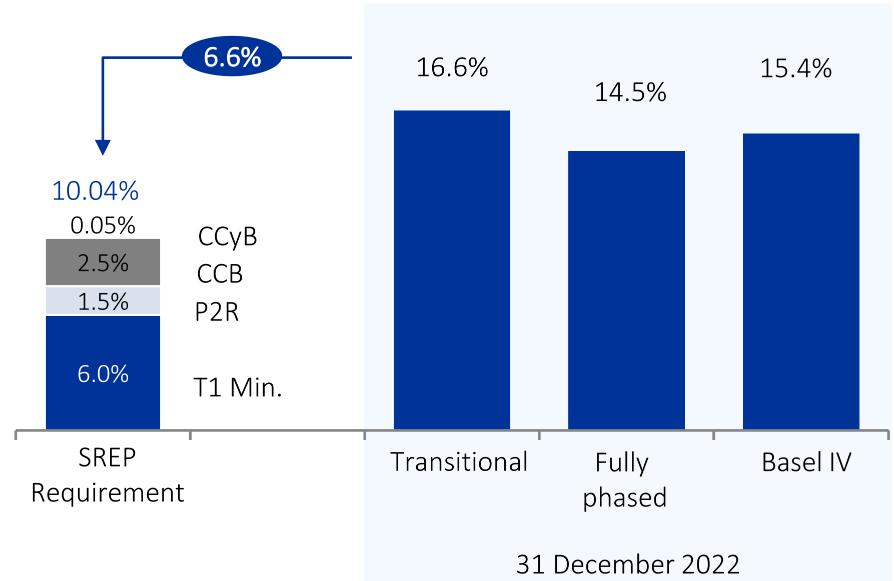
1) IKB Group consolidated

Capital Ratios Above Minimum Requirements

CET 1 Position and Capital Requirements[1] (% RWA)



T1 Position and Capital Requirements[1] (% RWA)

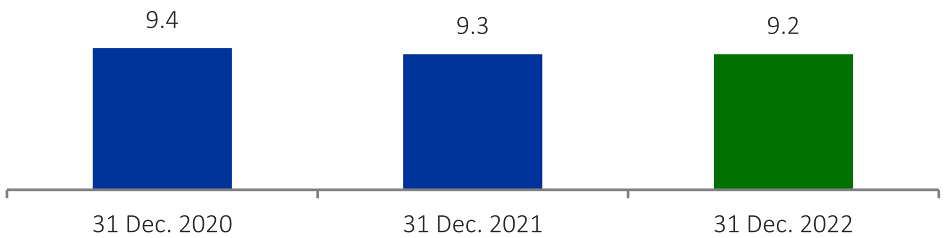


- Total CET 1 capital requirement of 8.17% and T1 capital requirements of 10.04%
  - Pillar 2 Requirement of 2.0% of which at least 1.13% to be held in CET 1 and 1.5% in T1 capital
  - CBR consists of capital conservation buffer of 2.5% and countercyclical buffer of 0.05% (currently no systemic risk buffer requirement)
- As of 31 December 2022, IKB Group holds a buffer to CET 1 requirements of 8.4% and a buffer to T1 requirements of 6.6%[1]
- On 16 February 2022 BaFin ordered that IKB has to meet additional temporary capital add-ons in accordance with § 10 (3), sentence 1 KWG, amounting to a temporary increase of 225bps of CET 1 requirements, 300bps of T1 requirements and of 400bps of total capital requirements
- IKB expects to benefit from the implementation of Basel IV with expected CET 1 & T1-uplift of c. 0.9% (as of December 2022)

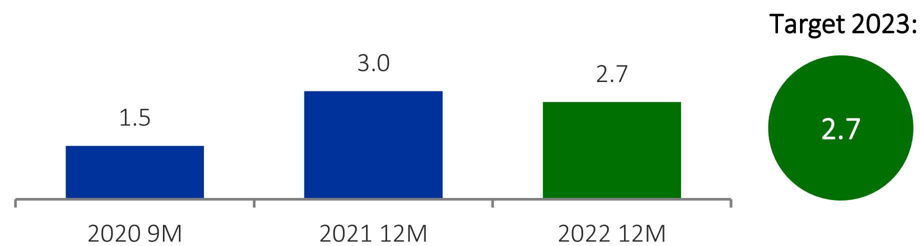
1) IKB Group consolidated

Resilient Lending Book with a Strong Customer Base

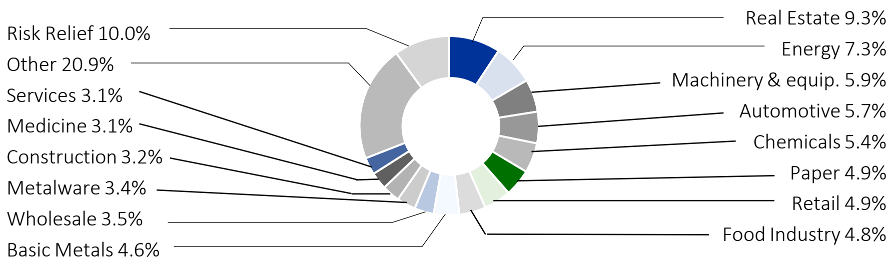
Portfolio Volume (€ billion)



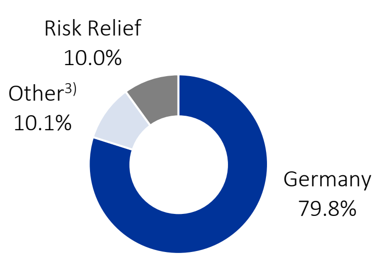
New Business Volume[1)] (€ billion)



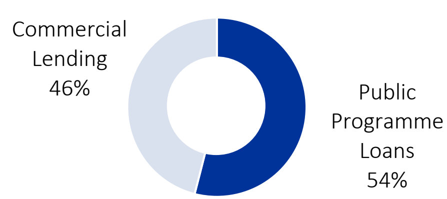
Portfolio by Sector[2)] (in %)



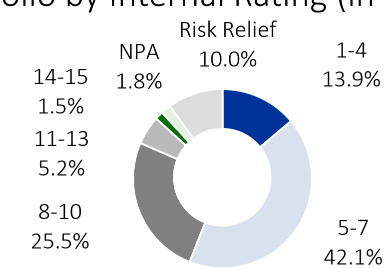
Portfolio by Geography (in %)



Portfolio by Product (in %)



Portfolio by Internal Rating (in %)



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Note: All figures including risk relief (Hermes guarantees, indemnifications, risk transferred)

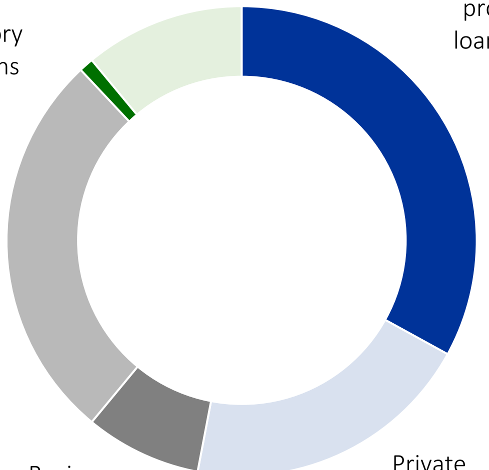
1) Includes also revolving credit facilities volumes in € billion: 0.0 (2020), 0.3 (2021), 0.2 (2022)

2) "Other" consists of 27 different industries each below 3.0% total portfolio

3) Major countries: Austria, UK, USA, Netherlands, Sweden

Diversified Funding

Funding Sources



Funding Sources

Public Programme Loan Schemes	✓ Channelling loans from KfW and regional development banks ✓ Volume of €5.0 billion
Deposits	✓ Stable and cost-efficient private customer deposits: €2.9 billion ✓ Decreasing Business customer deposits: €1.2 billion ✓ Promissory note loans: €0.2 billion
Repos/ECB	✓ Financing of liquidity portfolio ✓ Portfolio serves as collateral ✓ €3.5 billion funded by ECB's TLTRO III

Liquidity Position

Liquidity Coverage Ratio	✓ Group LCR with 257% well above target, slightly below 31 December 2021 (274%)
Liquidity Reserve	✓ Approx. €1.2 billion free and unencumbered available liquidity reserve (€1.8 billion as of 31 December 2021)

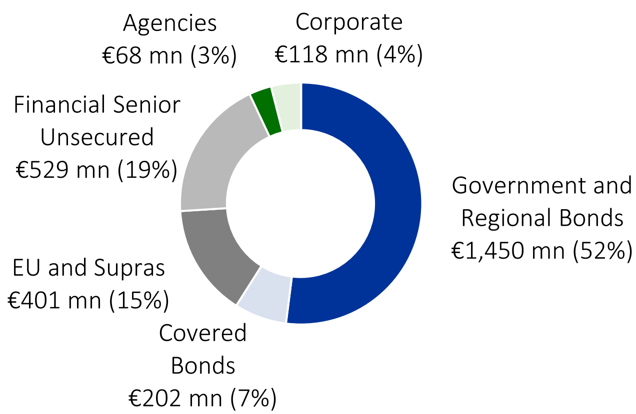
- Stable and efficient liquidity position
- BaFin has not set an MREL requirement for IKB beyond the existing minimum capital requirements

Note: as of 31 December 2022

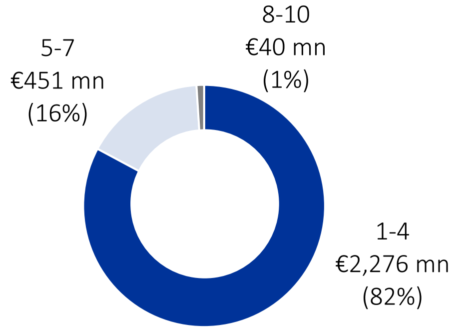
Well Diversified Liquidity Portfolio and Strengthened Liquidity Reserve

Structure of the Liquidity Portfolio (in %)

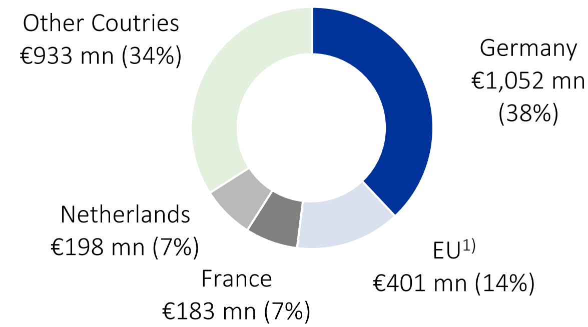
Bond Class Allocation



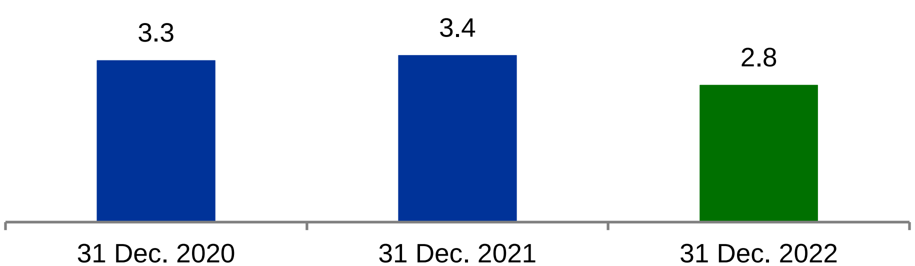
Rating Allocation



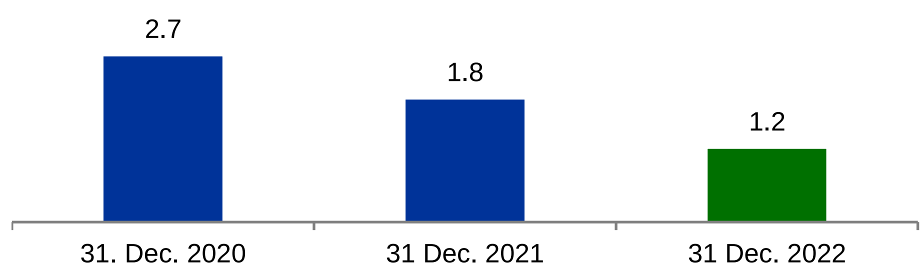
Country Allocation



Volume of Liquidity Portfolio[2] (€ billion)



Unencumbered Liquidity Reserve[3] (€ billion)



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1) European Commission, ESM, Council of European Development and European Investmentbank
2) Bonds only, amount December 2021 adjusted
3) Including cash held with ECB and ECB-eligible loans

Outlook and Targets

1. Clear Profile as MidCap Specialist	✓ Leverage strong position in the German Mittelstand sector ✓ Focus on core products commercial lending and PPL with new business volume in 2023 expected at about €2.7 billion
2. Profitability before Growth	✓ New business only taken at an appropriate risk/return profile: every new loan must be profitable in its own right ✓ IKB forecasts a significant increase in net interest and commission income in the 2023 financial year
3. Cost Reduction	✓ IKB expects administrative expenses in 2023 to be slightly higher than in 2022 (€145 million) ✓ In the medium term, IKB aims to reduce its cost basis to €105 million and a cost income ratio of about 40%
4. Loan Losses	✓ IKB is budgeting higher net risk provisioning in its lending business of around €-35 million for 2023 ✓ Moreover, a general loan loss provision of €12 million was recognised in 2022 for potential negative credit rating migrations
5. Profitability	✓ Net income pre-tax of about €60 million targeted for 2023 ✓ RoE-Target after tax for 2023 nearly 6% ✓ Medium term objective to increase RoE after tax to more than 10%
6. Capitalisation	✓ CET 1 ratio expected to be maintained between 13% and 14% by end of FY 2023 ✓ Leverage Ratio of around 6%
7. Liquidity Position	✓ Liquidity Coverage Ratio of over 100% on a sustainable basis ✓ NSFR will remain above 100% in the 2023 financial year

Appendix

Consolidated Income Statement of IKB Group

in € million	1 Jan. to 31 Dec. 2022	1 Jan. to 31 Dec. 2022 adjusted[1)]	1 Jan. to 31 Dec. 2021
Net interest income	188	188	221
Net fee and commission income	23	23	26
Total net banking income	**211**	**211**	**247**
Administrative expenses	-145	-128	-135
Personnel expenses	*-84*	*-71*	*-78*
Other administrative expenses	*-60*	*-56*	*-57*
Pre-provision income	**66**	**83**	**113**
Net risk provisioning	-19	-19	-12
Operating profit	**48**	**65**	**101**
Net other income	13	13	4
Income before taxes	**61**	**77**	**104**
Tax income/expenses	0	0	-18
Consolidated net result	**61**	**77**	**86**

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

1) Normalised for inflation-induced pension plan expenses (€13 million) and one-time expenses for unplanned project costs in connection with regulatory requirements (€4 million).

Segmental Reporting of IKB Group

in € million	PPL 1 Jan. to 31 Dec. 2022	PPL 1 Jan. to 31 Dec. 2021	Corporate Bank 1 Jan. to 31 Dec. 2022	Corporate Bank 1 Jan. to 31 Dec. 2021	Corporate Centre 1 Jan. to 31 Dec. 2022	Corporate Centre 1 Jan. to 31 Dec. 2021	IKB 1 Jan. to 31 Dec. 2022	IKB 1 Jan. to 31 Dec. 2021
Net interest income	79	85	89	88	20	48	188	221
Net fee and commission income	5	5	13	15	5	6	23	26
Gross income	**85**	**90**	**101**	**103**	**25**	**54**	**211**	**247**
Administrative expenses	-43	-43	-41	-40	-60	-52	-145	-135
Operating profit before risk provisions	**41**	**48**	**60**	**63**	**-35**	**2**	**66**	**113**
Provisions for possible loan losses	9	3	-27	-15	-1	0	-19	-12
Operating profit	**50**	**50**	**33**	**48**	**-35**	**2**	**48**	**101**
Net other income	0	0	1	1	13	3	13	4
Income before taxes	**50**	**50**	**33**	**49**	**-23**	**5**	**61**	**104**
Tax income/expenses	-6	-6	-4	-6	10	-6	0	-18
Consolidated net result	**44**	**44**	**29**	**43**	**-12**	**0**	**61**	**86**
New business volume	1,014	1,023	1,660	1,981	-	-	2,674	3,004
Loans outstanding as of the reporting date	4,957	5,141	4,293	4,199	8,319	8,080	17,570	17,420
Risk weighted assets	2,562	2,931	3,497	3,653	1,771	1,610	7,830	8,194
Average CET 1 capital at 12%	329	375	428	462	208	200	965	1,037
Net Interest margin (%)	1.55	1.57	2.11	2.06			1.80	1.78
Cost/income Ratio (%)	51.4	47.4	40.8	39.0			68.5	54.5
Risk cost (%)	-0.18	-0.05	0.65	0.35			0.20	0.12
Return on equity (%)	13.3	11.7	6.8	9.2			6.3	8.3

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

Consolidated Balance Sheet of IKB Group

ASSETS in € million	31 Dec. 2022	31 Dec. 2021
Cash reserve	36	228
Receivables from banks	3,313	2,999
Receivables from customers	8,810	8,847
Bonds and other fixed-income securities	2,421	3,049
Equities and other non-fixed-income securities	601	630
Equity investments	0	1
Investments in affiliated companies	1	2
Intangible assets	1	1
Tangible assets	2	3
Other assets	77	60
Prepaid expenses	40	45
Deferred tax assets	129	129
Excess of plan assets over post-employment benefit liability	3	7
Total assets	**15,434**	**16,001**

EQUITY AND LIABILITIES in € million	31 Dec. 2022	31 Dec. 2021
Liabilities to banks	9,061	8,625
Liabilities to customers	4,335	4,758
Securitised liabilities	31	72
Other liabilities	58	47
Deferred income	38	41
Provisions	168	167
Subordinated liabilities	583	766
Fund for general banking risks[1)]	159	585
Equity	1,001	940
Subscribed capital	100	100
Capital reserves	648	648
Revenue reserves	111	41
Net accumulated losses/gains	142	151
Non-controlling interests	0	0
Difference arising from asset offsetting	0	0
Total equity and liabilities	**15,434**	**16,001**

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

1) Treated as CET 1 capital for regulatory purposes

Update on IKB Pension Plans

Extraordinary Pension Costs on Legacy Pension Plans

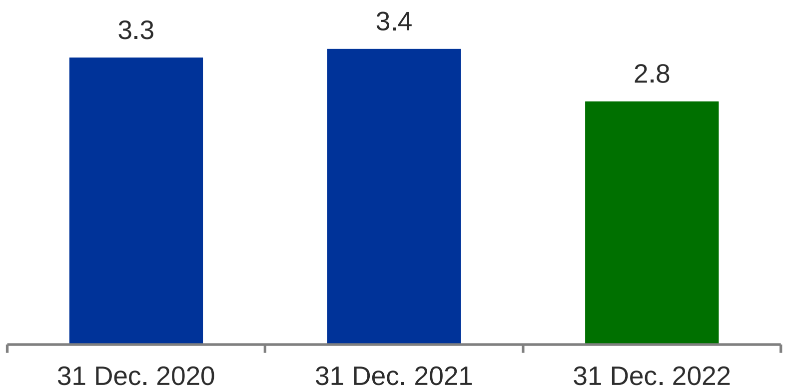
- The recent increase in inflation has led to increases in pension payments on some of IKB's legacy pension plans in FY 2022
- Based on both legal and contractual requirements, IKB is adjusting certain pension payments for higher inflation. These adjustments apply only to employees which entered into pension plans prior to April 2006. The adjustments are made annually over the course of 3 years for a third of the total respective former employees which are currently entitled to these pension payments.
  - Basis for the adjustments are average inflation figures over a period of 3 years prior to the adjustment date
  - The recent development in inflation trends has hence led to the requirement for additional provisions for future payments in the amount of €13 million in FY 2022
  - It is expected that such charges, albeit lower, will be incurred in HY 1 2023 and HY 1 2024 given that the annual adjustment is made for a third of the legacy pension population each year
- Legacy pension plans from April 2006 to August 2015 only contain very limited inflation adjustment mechanisms capped at 1%
- Furthermore, following changes to IKB's pension arrangements in 2015, IKB employees which entered the workforce from August 2015 only participate in defined contribution pension plans offered by the German Banking Association (BVV) and hence IKB does not accrue any potential pension liabilities from that point onwards

Movements in Pension Plan NAV

- In economic terms, IKB's pension fund net asset value has improved by €127 million in FY 2022 as it has benefitted from a steep decrease in liabilities due to a higher discount rate (which is not fully reflected under German GAAP), offset by slight mark to market losses in pension fund assets (which have significantly outperformed its relevant benchmarks due to high cash allocations) and the current and expected future P&L drag from higher realized inflation rates compared to embedded assumptions

Planned Reduction of Liquidity Portfolio and Market Risk

Volume of Liquidity Portfolio[1] (€ billion)



Summary

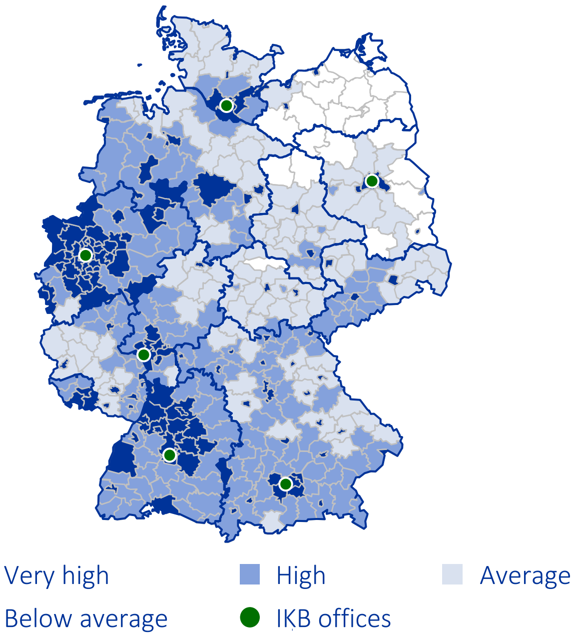
- As previously indicated, IKB has further reduced its liquidity portfolio to reduce market risks and improve its risk bearing capacity in the current volatile market environment
- The securities portfolio was reduced from €3.4 billion as of 31 December 2021 to €2.8 billion as of 31 December 2022
- In the context of the reduction of market price risk, certain bonds were reclassified as current assets, since the hold to maturity intention no longer applies; as a result, market losses on these securities have to be recognised in the bank's profit & loss account going forward
- The bank decided to change the accounting treatment of certain securities from amortising cost to fair value through P&L and as a result previously unrealised losses on securities of €467 million were recognised via impairments.
- In economic terms, these impairments recognised through profit or loss were largely offset by an improvement in unrealised gains and losses, particularly gains in off-balance sheet derivatives, in the amount of €457 million.
- Regarding the P&L the losses on securities of €467 million were largely offset by a with-drawal of €426 million from the fund for general banking risks.
- **Overall, net other income in FY 2022 amounted to €13 million (FY 2022: €4 million)**

1) Bonds only, amount December 2021 adjusted

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

1. Client Focus	✓ Focus on high-end Mittelstand companies, i.e. internationally successful companies, 'backbone' of the German economy ✓ Clearly defined customers with annual turnover above €100 million ✓ Access to c. 2,400 focus clients of which 450 are customers ✓ Diversified client base across industries ✓ Investment demand driven by high level of innovation
2. Product Focus	✓ Strong commercial lending expertise ✓ Long-standing experience in public programme loans ✓ Among the top 10 on-lending banks for KfW COVID-19 special programmes
3. Low Risk	✓ Long-standing client relationships, profound market knowledge and deep insight in industry sectors ✓ Favourable risk profile: German MidCaps have relatively stable and conservative balance sheets with global diversification on the demand and supply side
4. Profitable	✓ Focus on profit ahead of growth ✓ Outstanding expertise in tailor-made solutions driving higher margins ✓ Lending business with strict price and risk discipline
5. Solid	✓ Solid capital position, diversified funding
6. Lean	✓ Strict cost control, further improvement of Cost income ratio

Revenue Potential German MidCaps



Key Facts[1)]

- ✓ Financing partner for MidCaps for more than 90 years
- ✓ Based in Düsseldorf with 5 branches across Germany
- ✓ 551 FTE
- ✓ Total assets: €15.4 billion
- ✓ CET 1 ratio: 14.5% (fully phased)
- ✓ Shareholder: Lone Star 100%

1) as of 31 December 2022

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: stable)	BBB- (outlook: stable)
	Short-term	P-2	F3
Deposit Rating	Long-term	Baa1 (outlook: stable)	BBB- (outlook: stable)
	Short-term	P-2	F3
Stand-alone Rating		baa3	bbb-

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

How the Public Programme Loan Business works

Overview

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

Application and Funding

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

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

Credit Risk

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

Contact

Armin Baltzer

IKB Deutsche Industriebank AG
Wilhelm-Bötzkes-Straße 1
40474 Düsseldorf
GERMANY

Telephone +49 211 8221-6236
E-mail Armin.Baltzer@ikb.de

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Chairman of the Supervisory Board: Dr Karl-Gerhard Eick
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