Annual Report 2022

(1 January – 31 December 2022)

IKB

Deutsche Industriebank

IKB Group key figures

Income statement (in € million)	1 Jan. - 31 Dec. 2022	1 Jan. - 31 Dec. 2021
Net interest income	188	221
Net fee and commission income	23	26
Gross income	211	247
Administrative expenses	-145	-135
Operating profit before risk provisions	66	113
Net risk provisioning	-19	-12
Net other income[1)]	13	4
Earnings before tax	61	104
Tax expense/income	0	-18
Net profit after tax	61	86
Interest margin on loan book (%)	1.80	1.78
Risk costs of loan book (%)	0.20	0.12
Return on equity (%)	6.3	8.3
Cost/income ratio (%)	68.5	54.5
Adjusted cost/income ratio[2)] (%)	60.4	-

Balance sheet (€ million)	31 Dec. 2022	31 Dec. 2021
Own funds component CET 1 (fully phased)	1,139	1,361
Total assets	15,434	16,001
Loan book	9,251	9,340
Loan to deposit ratio (%)	99	70

Regulatory key figures (%)[3)]	31 Dec. 2022	31 Dec. 2021
Risk-weighted assets (€ billion, fully phased)	7.8	8.2
CET 1 ratio (fully phased)	14.5	16.6
Tier 1 ratio (fully phased)	14.5	16.6
Own funds ratio (fully phased)	20.8	23.8
CET 1 ratio IKB Group CRR III draft (fully phased)	15.4	14.5
NPL ratio in accordance with EBA definition	1.9	1.9
Capital ratios (fully phased)	6.0	8.1
Liquidity coverage ratio	257	274

Employees	31 Dec. 2022	31 Dec. 2021
Full-time employees (FTE) on the reporting date	551	548

Ratings	Moody's (16 Dec. 2022)	Fitch (28 Dec. 2022)
Issuer rating (long term)	Baa1 (outlook: stable)	BBB- (outlook: stable)

Any differences in totals are due to rounding effects.

1) Among other things, this includes expense of €467 million from the remeasurement and sale of securities held in the liquidity reserve and a withdrawal of €426 million from the fund for general banking risks.

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

3) Figures take account of the CRR phase-in and phase-out provisions; the CET 1 ratios have been calculated in accordance with the current version of the CRR as of the respective reporting date 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.

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Letter from the Chairman of the Board of Managing Directors

Ladies and Gentlemen,

The 2022 financial year was marked by a stable loan business and substantial uncertainty on capital markets. In operating terms, we prevailed in the customer business despite a difficult environment, whereas consolidated net income before taxes was adversely affected above all by capital market factors.

We are well positioned in new business with mid-sized business customers. At €2.7 billion, new loan volume in the 2022 financial year was nearly unchanged from the previous year. We implemented more selective lending practices while focussing on good creditworthiness. Our loan book proved to be robust and is characterised by years-long relationships with customers, some of which command outstanding positions on the market; these companies have a good equity and liquidity base and are highly diversified across all sectors. We expect new business in 2023 to be on a par with last year's volume.

In the 2022 financial year, IKB recorded consolidated net income before taxes of €61 million. Income was affected by the impact of the war in Ukraine and its consequences for the development of the economy and inflation as well as by the associated increases in interest and credit spreads. We took measures to mitigate risk in this challenging business environment. Our efforts to reduce risks included adopting a more selective lending practice and - above all - the strategic decision to make adjustments to our investment portfolio. Specifically, we abandoned our intention to hold certain securities permanently and reclassified them to the liquidity reserve. This causes losses on securities that have not been realised so far to be recognised through profit or loss. In economic terms, these losses, which are recognised in profit or loss, were largely offset by an improvement in unrealised profits. A release from reserves for general banking risks resulted in the losses on securities being largely offset with an effect on profit or loss. The group's projected earnings before tax for the 2022 financial year were lowered in the first half of the year from some €85 million to some €60 million owing to an inflation-induced rise in pension plan expenses and one-off expenses incurred for unplanned project costs in the regulatory environment. In addition, we are evaluating the introduction of IFRS accounting, which would enable interest and inflation developments including compensating economic effects to be recognised on the balance sheet.

Our administrative expenses at the Group level amounted to €145 million in the 2022 financial year, which was slightly less than the adjusted forecast of €148 million. The rise in personnel expenses was primarily due to higher pension plan expenses of €13 million, as inflation-induced pension adjustments were made for pensioners and long-term pension and inflation trends were adjusted. Other administrative expenses were also up on the previous year, in particular due to one-off expenses of €4 million incurred for unplanned project costs in the regulatory environment. Net of these exceptional effects, administrative expenses would have totalled €128 million. Owing to project costs that will be incurred to satisfy regulatory requirements, we expect administrative expenses in the 2023 financial year to be slightly up on the level registered in the 2022 financial year.

The Group's cost-income ratio in the 2022 financial year was 68.5%. Net of inflation-induced pension plan expenses and one-off expenses incurred for unplanned project costs in the regulatory environment, the cost-income ratio stood at 60.4%. Overall, we anticipate consolidated net income before tax of approximately €60 million in the 2023 financial year, which may end up slightly lower due to the substantial volatility on capital markets, global tension owing to the war in Ukraine, and regulatory requirements.

In the 2022 financial year, net risk provisioning at the Group level equalled an expense of €19 million and thus fell short of the €25 million forecast for the 2022 financial year. This includes an allocation of €12 million to an additional portfolio loan loss allowance, which covers deferred risks arising from potential deteriorations of borrowers' future ratings. In a persistently tight macroeconomic environment, the proportion of non-performing assets remained very low, with an NPL ratio of 1.9%. This was predominantly thanks to IKB's resilient loan book. In sum, the volume of non-performing assets recorded a slight decline to €167 million. IKB raised its risk standards even more and refined the methods and processes of its risk management system. We are maintaining our high lending standards in the current situation on the market, which is marked by uncertainty. The unpredictable consequences of the war in Ukraine and a potential recession may affect credit risks and in particular lead to a rise in non-performing assets as well as higher risk provisions. Therefore, we are planning for risk provisions in the loan business to be higher in the 2023 financial year compared to the previous year, amounting to some €35 million.

As of 31 December 2022, the CET 1 ratio (fully phased) for the IKB Group was 14.5%. We thus fulfilled the adjusted forecast of significantly above 13% for the CET 1 ratio. As the Bank currently has no intention to distribute any dividends, it now includes the net retained profit carried forward within its CET 1 capital. We expect the Group's CET 1 ratio for the 2023 financial year to decline to between 13% and 14% as of 31 December 2023 depending on the capital requirements imposed on the Bank by the regulator.

In the 2021 financial year, a regular BaFin audit was carried out in accordance with section 44 (1) of the German Banking Act (*Kreditwesengesetz – KWG*), which led to adjustments to the risk management process as well as to the methodology for calculating risk-bearing capacity. The implementation of the methodological adjustments was already incorporated into the figures of the financial statements as of 31 December 2021. In the first quarter of the 2023 financial year, BaFin started an audit of the implemented changes, which is currently still underway.

We command a leading position on the market with regard to the Climate Action Programme of the German government above all in terms of public programme loans and providing subsidies for investments in energy efficiency and environmental protection projects. During the period under review, IKB established a green loan framework and issued a public programme loan-specific green loan certificate to loan customers for loans refinanced using funds from KfW environment and energy efficiency programmes. We plan to expand the existing green loan framework by corporate loans in the short term. Furthermore, IKB is gradually taking ESG and sustainability action at all levels within the Bank and seeks to become a relevant, green, mid-market financer in Germany. Our focus is on financing solutions that support our customers in their sustainable transformation.

We anticipate future macroeconomic developments to remain clouded by substantial uncertainty in the financial year underway. Moreover, the risk of forecast adjustments will probably remain high in 2023 given the framework conditions under which banks must operate. In view of the development of the war in Ukraine, of the capital and raw material markets, and of the continued development of regulatory requirements, IKB may experience negative effects in particular with regard to its earnings and regulatory performance indicators in the current financial year.

Our employees' accomplishments have been exceptional during the Bank's continuous transformation and mounting economic uncertainties. This is deserving of the highest recognition and deep-felt gratitude for their dedicated and motivated performance. We have aligned the Bank's working environment for modern and mobile working. And to ensure our sustainability going forward, we increasingly hire young, up and coming professional, whom we intend to retain over the long term. We believe our operations with mid-market customers are well positioned to support them in rolling out their transformation investments.

Düsseldorf, March 2023

M. Wiedmann

Dr Michael H. Wiedmann

Report of the Supervisory Board

In the financial year 2022, the Supervisory Board fulfilled the duties and obligations incumbent upon it in accordance with law, regulations, Articles of Association, and its rules of procedure. 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 on specific occasions comprehensive reports, from the Board of Managing Directors, in both oral and written form. The Board of Managing Directors informed the Supervisory Board continuously of the business operations and the economic and financial development of the IKB Group and IKB AG. Other focal points of reporting were the general development of IKB, the development of the Group's risk situation as well as the processing of the findings from the special audit conducted by the Bundesbank pursuant to Section 44 (1) of the German Banking Act (KWG) with the hardening project conducted to prepare the announced follow-up audit. Furthermore, the Supervisory Board addressed Group planning and the actual development of business in the financial year 2022. The Chairmen of the Supervisory Board and the Board of Managing Directors also consulted regularly on key developments and decisions.

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 for preparation purposes prior to the meeting. 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 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 23 meetings of the Supervisory Board and its committees were held. Where necessary, individual resolutions were passed by circular between meetings. 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 six meetings in the financial year 2022. In addition to the meetings were held in February, June, August, and November one of meetings of the Supervisory Board in June took place as constitutive meeting after the Annual General Meeting for the financial year 2021. In December 2022, the Supervisory Board also held an extraordinary meeting.

Throughout the financial year, the Board of Management kept the Supervisory Board continuously informed about the Bank's current business performance and overall bank management in the wake of the Ukraine war, which has been ongoing since February 2022, and an overall challenging macroeconomic environment and, in particular, presented and explained in detail the Bank's liquidity, risk, and earnings position. This included, in particular, capital planning, taking into account supervisory recommendations for an appropriate distribution policy in line with the general economic risks arising from the Corona crisis. The Board of Managing Directors was also in close contact with the Chairman of the Supervisory Board on specific occasions.

At all regular Supervisory Board meetings in the financial year 2022, 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 in February 2022, the Supervisory Board addressed, among other things, Group planning for 2022. It also dealt with the preliminary annual and consolidated financial statements and the preliminary Group risk and recovery indicators as of 31 December 2021. It set the targets for the members of the Board of Managing Directors and dealt with the cancellation of an appointment to the Board of Managing Directors and its impact on the business allocation to the other members of the Board of Managing Directors.

At its meeting convened to review the annual financial statements in June 2022, the Supervisory Board examined inter alia the annual financial statements and consolidated financial statements, the combined management report and the dependent company report prepared by the Board of Managing Directors for the past financial year 2021. 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 gave a summary of its annual report for the financial year 2021 which had sent in writing in March and discussed in the Risk and Audit Committee. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("EY"), Stuttgart, reported on the audit findings, and the Chairman of the Risk and Audit Committee reported on the preparation for auditing the annual financial statements and consolidated financial statements as of 31 December 2021 together with the combined management report and dependent company report for the financial year 2021. 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. The Supervisory Board also examined the Board of Managing Directors' proposal for the appropriation of profits. In this context, it assessed in particular the situation of the Bank, also taking into account the measures resulting from processing of the findings of the audit pursuant to Section 44 (1) of the German Banking Act (KWG) and the overall political and economic uncertainties caused by the war in Ukraine, and raised no objections. The report of the Supervisory Board for the financial year 2021 was also approved. The agenda also included the verification of the target achievement and corresponding determination of the variable remuneration for the individual members of the Board of Managing Directors for the financial year 2021, 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. The Supervisory Board approved the determination of the total amount of variable remuneration for the financial year 2021, taking into account the requirements of Section 7 of the Instituts-VergV. In addition, the Supervisory Board dealt with the annual efficiency review and succession planning for the Board of Managing Directors and the Supervisory Board.

The members of the Supervisory Board also dealt with and examined the combined separate non-financial report for the financial year 2021 prepared by the Board of Managing Directors. Following the final result of the Supervisory Board's own review of the combined separate non-financial report for the financial year 2021, no objections were raised. The report was published on IKB's website on 29 April 2022.

At its following meetings in August and November 2022, 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 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. This also included the discussion of the business and risk strategy with the IT strategy consistent with it. Explanations on outsourcing were an integral part of the business and risk strategy in accordance with MaRisk. The outsourcing strategy was also discussed in the November meeting as part of the 2023 business and risk strategy. From the beginning, the Board of Managing Directors informed the Supervisory Board continuously and comprehensively about the current status of the processing of the findings from the audit ordered by BaFin in accordance with Section 44 (1) of the German Banking Act (KWG). The Chairman of the Supervisory Board was in close, regular contact with the Board of Managing Directors to discuss the procedure for the stringent and structured processing of the findings resulting from the audit and with regard to the order by BaFin to comply with additional equity requirements.

The Supervisory Board was informed of the departure of the Remuneration Officer, took note of the Report of the Deputy Remuneration Officer and dealt with the remuneration systems of the Bank. It had the personnel development as well as the quantitative and qualitative medium-term personnel planning explained to it.

In addition, the Supervisory Board dealt with the Annual General Meeting of IKB in June 2022 and adopted the respective resolution proposals of the Supervisory Board to the Annual General Meeting. It dealt, among other topics, with the proposed resolutions for the forthcoming elections to the Supervisory Board.

In the context of addressing diversity on the Board of Managing Directors and the Supervisory Board, the Supervisory Board resolved the target figures for the respective proportion of women.

The Supervisory Board also dealt with the non-financial statement to be submitted by the Board of Managing Directors for the financial year 2022 and decided again not to have a voluntary external audit of the combined non-financial report for the financial year 2022 carried out. For the preparation of the non-financial statement 2021 in accordance with the regulations, the Supervisory Board has proposed the mandating of a specialised auditing company to provide advice. The Board of Managing Directors has received appropriate advice.

At an extraordinary meeting in December 2022, the Supervisory Board discussed the adjustment of the business and risk strategy for the financial year 2023 and resolved to adjust the business allocation plan due to organizational restructuring. In this context, it was also informed about the upcoming change of the Compliance Officer.

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 eight meetings in the financial year 2022, and the Risk and Audit Committee held nine meetings, five of which took place as joint meetings in each case. The Remuneration Control Committee held four meetings, and the Nomination Committee held three meetings, two of which were held as joint meetings in each case.

The Supervisory Board Executive Committee essentially prepared the meetings of the Supervisory and, among other topics, dealt with the business and risk strategy, and the Ordinary Annual General Meeting. The Supervisory Board Executive Committee met several times this year together with the Risk and Audit Committee to discuss issues of capital planning and risk structure within the framework of overall bank management as well as the procedure for processing findings from the audit ordered by BaFin pursuant to Section 44 (1) of the German Banking Act (KWG) and the resulting implications. Other management measures requiring the approval of the Supervisory Board, such as various large exposure and corporate loan resolutions, were also the subject of consultations and resolutions by the Supervisory Board Executive Committee.

In addition to the above-mentioned close monitoring of the processing of findings from the audit pursuant to section 44 of the German Banking Act, the work of the Risk and Audit Committee focused on monitoring the accounting procedure, 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 Risk and Audit Committee deliberated extensively on the preparation of the annual financial statements and the consolidated financial statements 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, the quality of the audit and the additional services provided by the auditor. The Committee reviewed the audit fees and decided again on a catalogue of permissible non-audit services (pre-approval catalogue), the provision of which by the auditor is possible without the further prior consent of the Risk and Audit Committee. The Compliance Officer explained his annual report for the past reporting year, which had been presented to all members of the Supervisory Board. The annual report of Internal Audit for the financial year 2021 was also explained in the Risk and Audit Committee.

In addition, the Supervisory Board Executive Committee and the Risk and Audit Committee discussed the sales strategy and quantitative and qualitative human resources planning in a joint meeting.

The Remuneration Control Committee addressed the bank's remuneration systems, especially the remuneration system 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 Control Report explained to it.

The Nomination Committee discussed the proposals to the Supervisory Board regarding the election of Supervisory Board members by the Annual General Meeting on 2 June 2022. The Nomination Committee furthermore fulfilled the duties incumbent upon it according to Section 25 d (11) KWG and dealt in particular with the regular efficiency review of the Board of Managing Directors and the Supervisory Board.

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 for the financial year 2022 and the consolidated financial statements and for any reviews or any audits of 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 for the financial year 2023. 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. The audits 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 2022 by the Risk and Audit Committee and the plenary meeting of the Supervisory Board took place on 8 and 9 March 2023. The auditors participated in these deliberations. At the meeting of the Supervisory Board on 9 March 2023, they reported on the key findings of their audit, including findings in respect of the internal control and risk management system of the Bank relating to the accounting process, 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.

The Supervisory Board approved the result of the audit of the financial statements at its meeting held on 9 March 2023. According to the final 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 27 February 2023, prepared by the Board of Managing Directors, at its meeting on 2 March 2023. The annual financial statements for the financial year 2022 have, therefore, been adopted.

The Supervisory Board also examined the proposal of the Board of Managing Directors for the appropriation of profits. In this context, the Supervisory Board assessed in particular the situation of the company, also taking into account the continuation of the measures resulting from the processing of findings of the audit pursuant to Section 44 para. 1 of the German Banking Act (KWG) as well as the existing overall political and economic uncertainties. The Supervisory Board concurs with the Board of Management's proposal for the appropriation of profits.

Review and approval of the dependent company report

The report on business relationships with affiliated companies for the financial year 2022 (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 8 and 9 March 2023, 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 9 March 2023, 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 9 March 2023.

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 for the financial year 2022.

Personalia – Supervisory Board

On the side of the shareholders, Dr Karl-Gerhard Eick and Dr Lutz-Christian Funke were re-elected to the Supervisory Board by resolutions of the Ordinary Annual General Meeting on 2 June 2022. Furthermore, Mr Claus Momburg and Mr Evgeniy Kazarez were elected as new members of the Supervisory Board to replace Dr Nolting and Mark Coker, who resigned from office at the end of the Annual General Meeting.

At the constitutive 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. Mr Momburg was elected as Deputy Chairman of the Supervisory Board who is thus also a member of the Supervisory Board Executive Committee, the Nomination Committee, and the Remuneration Control Committee. In addition, he was elected as a member of the Risk and Audit Committee, as was elected as its chairman in the constitutive meeting of the Risk and Audit Committee.

On the employee side, Ms Susanne Eger resigned from office as member of the Supervisory Board at the end of the Annual General Meeting. Mr Jörn Walde succeeds her as a substitute member of the Supervisory Board elected in accordance with Section 7 of the German One-Third Participation Act (Drittelbeteiligungsgesetz). Mr Walde was also elected as a member of the Supervisory Board Executive Committee and the Remuneration Control Committee at the constituent meeting of the Supervisory Board.

Personalia – Board of Managing Directors

The appointment of Dr Ralph Müller was terminated at Dr Müller's request and by mutual agreement with effect from 15 February 2022. The Supervisory Board thanks Mr Müller for his work on the Board of Managing Directors of IKB. Since the departure of Dr Müller, the Board of Managing Directors consists of Dr Michael Wiedmann as CEO and CFO, Dr Patrick Alfred Trutwein as Chief Risk Officer (CRO) and the Board member responsible for Operations and IT, and Mr Steffen Zeise as Chief Sales Officer (CSO).

The Supervisory Board thanks the 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, 9 March 2023
The Supervisory Board

Dr Karl-Gerhard Eick
Chairman

Combined management report for the 2022 financial year

Business highlights

- Consolidated net income before tax of €61 million
- Administrative expenses of €145 million (€128 million adjusted for extraordinary effects)
- Cost/income ratio of 68.5% (adjusted of 60.4%)
- Resilient loan book: risk provisions of €19 million and NPL ratio (EBA definition) of 1.9%
- CET 1 ratio (fully phased) of 14.5%, pro-forma CET 1 ratio (CRR III) of 15.4%
- Leverage ratio of 6.0%

1. Basic information on the Group

The business model of IKB Deutsche Industriebank AG (IKB is used as a synonym for the Group and IKB AG for the individual company) is focused on the German upper midmarket, mainly comprising companies with annual revenues of more than €100 million. IKB has access to approximately 2,400 focus customers including 450 existing customers. German corporate customers in the upper midmarket are among IKB's preferred target groups due to their strong equity base and liquidity resources and, resulting from this, their particularly low default rates. The Bank is characterised by long-standing and stable customer relationships and a pronounced understanding of the concerns of mid-cap companies. As it has the structures of a small to medium-sized enterprise itself, IKB is familiar with its customers' needs to a particular degree. Competence and mutual trust are fundamental values underpinning customer relations. The corporate values – "professional, committed and reliable" – are the values by which IKB measures itself.

IKB concentrates on its strengths, adopting lean structures at an early stage and has reduced its costs since 2015, driven its digital transformation forward and clearly defined its business segments. The Public Programme Loans segment includes income and expenses from public programme loans granted to mid-cap customers as well as advisory services for obtaining and applying for public programme loans. The Corporate Bank segment comprises the services related to internally financed corporate banking business. In addition to financing and advisory services in traditional lending business, this also includes supporting customers in their capital market activities. The income and expense items from Funding & Asset Liability Management and the investment portfolio are reported in the Corporate Centre.

Since it was founded in 1924, IKB has been an independent private bank with close relationships to German companies and entrepreneurs, specialising primarily in long-term corporate and project finance. As of 31 December 2022, IKB employed around 551 employees (full time equivalents) and, with six locations, has a sales network covering all regions of Germany. Its integrated business approach comprising regional sales, industry and product groups aims to ensure solution-oriented, high-quality support for customers. IKB's customer business focuses on lending and structuring advice (including capital market products). The key factors here are a disciplined loan pricing policy and an appropriate risk-return profile. Each loan must be profitable in its own right. The Bank also arranges financing solutions for its customers outside its own balance sheet. This includes assisting companies in accessing the capital market, for example the issuance of promissory note loans or bonds. As a specialist, IKB offers its customers access to public loan programmes. Every corporate customer advisor has the knowledge needed to provide professional advice to companies in the upper midmarket concerning appropriate public programme loan solutions, supported by a highly specialised development loan product team.

As part of its liquidity management operations, the Bank invests in investment-grade securities in the capital market. Standard derivatives that are mostly transacted with central counterparties are used to manage the risk to which this portfolio is exposed.

As of 31 December 2022, IKB had a share of 2.7% in the market for long-term corporate loans in Germany. At the same time, its share of the market for loans under the development loan programmes offered by KfW Bankengruppe (KfW) relevant for IKB stood at 13.4%. IKB's competitors are large universal banks as well as a number of larger institutions from the public-sector banking sector.

IKB is an institution with a solid Tier 1 capital base. It is able to draw on a stable and diversified deposit base for funding its operations. Private investors (via pure online banking) and corporate customers are offered investment opportunities that contribute to the financing of Germany's mid-cap sector. This is supplemented by the use of public loan programmes for mid-cap companies, which do not require any further funding on the part of IKB. Exposure to the capital market is low. As part of a joint venture with Hypoport SE, IKB acquired a 30% share of FUNDINGPORT GmbH and established its own IKB sales platform called IKB Finanzierungsmarktplatz. Since 1 January 2022, this platform has been arranging finance projects mostly between customers with annual revenues of between €10 million and €100 million and banks via the FUNDINGPORT GmbH platform.

IKB is subject to supervision by the German regulatory authorities, i.e. the German Federal Financial Supervisory Authority (BaFin) and the German Bundesbank. IKB is currently not classified as a systemically relevant institution.

Regulatory law gives rise to a framework that can also influence the business model. One burden arises from the continuously changing conditions for integrated performance and risk management that have evolved and will continue to do so as a result of the various regulatory requirements and interpretations. These regulatory requirements now touch upon almost all areas and processes and are woven into the entire organisational and operational structure. For this reason, a high level of cost discipline, particularly also in the implementation of regulatory requirements, close management of risk-weighted assets and anticipation of possible future regulatory requirements remain highly relevant for the business model. In addition, IT security together with the need to establish an IT architecture that efficiently ensures flexible and timely reporting is growing in importance. In addition, IKB is investing in its further development and has initiated a corresponding project portfolio for the coming years. In addition to implementing regulatory requirements, this also serves the purpose of steadily modernising the core bank systems for the digitalisation of business processes and further strategic developments.

2. Economic report

Macroeconomic and industry-specific conditions

2022 was particularly overshadowed by the war in Ukraine; as well as this, a new coronavirus variant exerted pressure on the economy at the beginning of the year. After significant price increases in 2021, inflation continued to accelerate substantially in the course of 2022. The Russian war against Ukraine caused prices of energy and agricultural commodities in particular to rise. This was especially the case in the European countries dependent on energy imports from Russia.

Prompted by rising inflation rates, many central banks raised their key interest substantially in 2022. The US Federal Reserve raised its rates step by step from 0.0% and 0.25% to 4.25% and 4.5%, respectively. The European Central Bank (ECB) increased its base rate from 0.0% at the beginning of the year to 2.5%. As a result, monetary tightening caused financing conditions to deteriorate in many currency regions. The persistent disruption of international supply chains as a result of the Ukraine war and China's strict zero-Covid policy also placed a damper on industrial production. However, the supply chain bottlenecks eased towards the end of the year as a result of reduced delays in international transport logistics as well as softer global demand.

In this environment, the US economy shrank in the first half of 2022, before rebounding in the third quarter. Over 2022 as a whole, it grew by 2.1%. In China, the strict zero-Covid policy took its toll on the economy. Although real gross domestic product (GDP) widened by 3.0%, conditions were disparate due to the strict regional lockdowns. Moreover, persistent problems in the real estate market exerted pressure on the Chinese economy.

In the eurozone, the economic situation contracted significantly from the summer onwards as a result of the war in Ukraine. Thus, the reduction in deliveries of Russian gas and the uncertainty stemming from this triggered severe price increases. Despite the problems, eurozone GDP growth has reached 3.5%. That said, the individual eurozone countries performed very disparately depending on their exposure to Russian supplies of natural gas. With its strong dependence on Russian supplies and the crucial role played by gas as a source of energy for the economy and the industrial sector, Germany was particularly hit by the energy crisis. The enormous increases in gas and electricity prices exerted pressure on companies and consumers. Moreover, fears of gas shortages in the winter unleashed considerable uncertainty.

Despite the crisis emerging in the energy markets, GDP expanded by 1.9% in Germany in 2022. Consumer spending also rose despite the higher inflation rates and uncertainty. This was probably also due to catching-up effects after most of the pandemic-related precautions had been lifted together with additional government support. Construction spending, by contrast, was disappointing. This reflected the greater damper on housing construction caused by the sharp rise in construction costs as well as higher interest rates. Despite the uncertainties, spending on capital goods rose.

The German financial system proved its resilience in the face of the acute stress on the financial markets in the course of 2022. Although rising interest rates and risk premiums triggered market corrections and banks faced fair-value losses on the securities they held, the supply of credit in the real economy remained robust, with banks lending copiously to the corporate sector. All in all, the heavy uncertainty and the higher costs of energy, commodities and input materials unleashed higher demand for liquidity and short-term finance. The relatively high lending volumes were presumably also influenced by non-recurring factors such as the government aid programmes. Thus, companies in the manufacturing sector received more short-dated loans in particular, while long-term loans tended to remain stable.

There has been a slight increase in the number of corporate insolvencies in Germany since autumn 2021. However, a multi-year comparison indicates that they are still very low across all sectors and company sizes.

According to the Bundesbank's Financial Stability Report, there have so far been no fundamental revaluations of banks' credit risks, with risk-provisioning remaining low. However, banks pursued more restrictive lending policies. In corporate business, this particularly reflected the deterioration in the general economic situation and the outlook due, among other things, to the Ukraine war in the form of rising energy costs as well as factors relating to individual companies and sectors.

Important events during the reporting period

Changes in the Group

- In a resolution passed on 24 February 2022, IKB Invest GmbH's share capital was reduced from €45,000,000 to €25,000. This resolution to reduce that company's share capital was published in the company gazettes on 8 March 2022.
- Frana Grundstücks- und Vermietungsgesellschaft mbH was merged with Restruktur 3 GmbH with effect from 14 March 2022.
- With effect from 24 April 2022, IKB Beteiligungsgesellschaft 5 mbH sold all of its shares in IKB NewCo 5 GmbH to IKB Beteiligungsgesellschaft 1 mbH. In this connection, IKB NewCo 5 GmbH was renamed IKB New 1 GmbH. Subsequently, IKB Beteiligungsgesellschaft 5 GmbH was merged with IKB Deutsche Industriebank AG with effect from 26 August 2022.
- The liquidation of Partners Group Global Mezzanine 2005, SCA, SICAR i.L. was completed and the company deleted on 19 July 2022.
- The liquidation of ISTOS Beteiligungsverwaltungs- und Grundstücks- Vermietungsgesellschaft mbH i.L. was completed and the company deleted on 17 August 2022.

Legally relevant events

Litigation in the United States

IKB generated net income at the Group level in a double-digit million range as a result of the settlement achieved in the law suits that it had initiated in the United States in connection with structured credit products in 2022. As a result of these settlements, other assets at the level of IKB AG arising from an intra-Group sub-participation in the proceeds from these law suits dropped by an amount in the single-digit millions.

In December 2022, IKB AG acquired from LSF Aggregated Lending S.à.r.l. the latter's claim to 20% of the net proceeds under these law suits subject to payment of a purchase price.

Personnel changes

Supervisory Board

Dr Karl-Gerhard Eick and Dr Lutz-Christian Funke were re-elected to the Supervisory Board as representatives of the shareholders in resolutions passed at the Annual General Meeting on 2 June 2022. Furthermore, Mr Claus Momburg and Mr Evgeniy Kazarez were elected to the Supervisory Board for the first time to replace Dr Nolting and Mr Mark Coker, who stepped down at the end of the Annual General Meeting.

At the constituent meeting of the Supervisory Board following the Annual General Meeting, Dr Eick was re-elected Chairman of the Supervisory Board. He was also re-elected to the Risk and Audit Committee. Mr Momburg was elected Chairman of the Risk and Audit Committee and Deputy Chairman of the Supervisory Board and is thus also a member of the Supervisory Board Executive Committee, the Nomination Committee and the Remuneration Control Committee.

On the part of the employee representatives, Ms Susanne Eger stepped down from the Supervisory Board at the end of the Annual General Meeting. She has been replaced by Mr Jörn Walde as a substitute member elected in accordance with Section 7 of the German One-Third Participation Act (Drittelbeteiligungsgesetz). Mr Walde was also elected to the Supervisory Board Executive Committee and the Remuneration Control Committee at the constituent meeting of the Supervisory Board.

Board of Managing Directors

Dr Müller's appointment was terminated at his request and by mutual agreement with effect from the end of the day on 15 February 2022. The Board of Managing Directors is now composed of Dr Michael Wiedmann as CEO and CFO, Dr Patrick Trutwein as CRO and COO and Mr Steffen Zeise as CSO.

Rating review by Moody's und Fitch

In 2022, Moody's confirmed the Baa1 deposit and issuer rating with a stable outlook. In response to the Bank's declining profitability and the withdrawal from the capital reserves, Fitch lowered its deposit and issuer rating from BBB to BBB- but retained its stable outlook. In 2021, IKB had received an investment-grade rating from rating agencies Moody's (15 January 2021) and Fitch (14 January 2021). These ratings fulfil the requirements of many business partners and investors.

Results of operations, asset position and financial situation

The effects of the Ukraine war on commodity prices and availability as well as on the development of the economy and inflation are resulting in a challenging business environment. Against this backdrop, the forecast was adjusted on 30 June 2022. The year was marked by very substantial increases in interest rates and credit spreads as well as heavy volatility.

IKB has taken measures to lower its risk exposure in this challenging business environment. In addition to more selective lending, one aspect of these efforts to mitigate risk involved adjusting the investment portfolio. After the abandonment of the hold-to-maturity intention, certain securities were transferred to the liquidity reserve with the result that previously unrealized losses were recognised through profit and loss as impairments. In the meanwhile some of these securities were sold. On the other hand, unrealised net gains and losses on material items of the balance sheet and off-balance-sheet derivatives improved by an amount in the mid three-digit millions in 2022. IKB thus achieved net unrealised gains as of the reporting date.

The forecast earnings before taxes for the Group for 2022 had already been lowered from roughly €85 million to roughly €60 million (IKB AG: from roughly €60 million to roughly €40 million) at the end of the first half of the year due to inflation-induced higher expenses on pension provisions and one-time expenses for unplanned project costs in connection with regulatory requirements.

Business performance

In 2022, new business was valued at €2.7 billion in line with the adjusted forecast (previous year: €3.0 billion). It was impacted by very selective lending in connection with high economic uncertainties and the greater focus on good credit standings. In this connection, the forecast for new business was lowered from €3.0 billion to substantially below €3.0 billion. The proportion of internally funded new business stood at 62% (previous year: 66%).

Results of operations

In 2022, the Group generated earnings before taxes of €61 million (previous year: €104 million), thus matching the adjusted forecast.

Following the strategic decision to abandon the hold-to-maturity intention for certain securities, as a result of which they were transferred to the liquidity reserve, losses of €467 million that had previously not been realised on securities were recognised through profit and loss. In economic terms, these losses recognised through profit and loss were very largely offset by an improvement in unrealised gains and losses of €457 million. Of this, €330 million was attributable to an improvement not recognised in the balance sheet in the unrealised gains and losses on material items of the balance sheet as well as off-balance-sheet derivatives (see “Unrealised gains and losses” in the notes to the financial statements) and €127 million to an improvement, which was likewise not recognised in the balance sheet, in the unrealised gains and losses on pension obligations. IKB thus achieved net unrealised gains (see chapter referred to above). A withdrawal of €426 million from the fund for general banking risks very largely offset the losses on securities held in the liquidity reserve through profit and loss.

The Public Programme Loans segment contributed earnings of €50 million (previous year: €50 million), the Corporate Bank segment €33 million (previous year: €49 million) and the Corporate Centre segment €-23 million (previous year: €5 million). Consolidated net income for the year came to €61 million (previous year: €86 million), with the Public Programme Loans segment accounting for €44 million (previous year: €44 million), the Corporate Bank segment for €29 million (the previous year: €43 million) and the Corporate Centre segment for €-12 million (previous year: €0 million).

The adjustment to the forecast during 2022 was primarily due to higher projected administrative expenses. The temporary increase in administrative expenses is particularly due to an inflation-induced increase in pension plan obligations as well as one-time expenses for unplanned projects in accordance with regulatory requirements.

At the level of IKB AG, earnings before taxes came to €63 million (previous year: €95 million), thus exceeding the adjusted forecast of roughly €40 million. In addition to a withdrawal of €426 million from the fund for general banking risks recognised through profit and loss, this was due, among other things, to fair value remeasurement gains on an asset arising from an intra-Group sub-participation in expected settlement payments under pending law suits. Net income for the year came to €63 billion (previous year: €77 billion).

in € million	Group 1 Jan. 2022 – 31 Dec. 2022	Group 1 Jan. 2021 – 31 Dec. 2021	IKB AG 1 Jan. 2022 – 31 Dec. 2022	IKB AG 1 Jan. 2021 – 31 Dec. 2021
Net interest income	**188**	**221**	**185**	**227**
Net fee and commission income	**23**	**26**	**23**	**27**
Gross income	**211**	**247**	**209**	**254**
Administrative expenses	**-145**	**-135**	**-144**	**-134**
Personnel expenses	-84	-78	-84	-78
Other administrative expenses	-60	-57	-60	-56
Operating profit before risk provisions	**66**	**113**	**65**	**120**
Net risk provisioning	**-19**	**-12**	**-19**	**-12**
Operating profit	**48**	**101**	**46**	**108**
Net other income[1)]	**13**	**4**	**17**	**-12**
Earnings before tax	**61**	**104**	**63**	**95**
Tax expense/income	**0**	**-18**	**0**	**-18**
Net profit after tax	**61**	**86**	**63**	**77**

Any differences in totals are due to rounding effects.

1) Among other things, this includes expense of €467 million from the remeasurement and sale of securities held in the liquidity reserve and a withdrawal of €426 million from the fund for general banking risks.

Other key figures	Group 1 Jan. 2022 – 31 Dec. 2022	Group 1 Jan. 2021 – 31 Dec. 2021
New business (€ billion)	**2.7**	**3.0**
of which corporate loans	1.0	2.0
of which public programme loans business	1.7	1.0
Interest margin on loan book (%)	**1.80**	**1.78**
Risk costs of loan book (%)	**0.20**	**0.12**
Cost/income ratio (%)	**68.5**	**54.5**
Adjusted cost/income ratio[1)] (%)	**60.4**	**-**
Return on equity (%)	**6.3**	**8.3**

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

The interest margin equals the quotient of net interest income and net risk costs from net risk provisioning in the Public Programme Loans and Corporate Bank segments relative to the corresponding volumes of the loan book. The cost/income ratio is calculated as the quotient of administrative expenses and gross income (net interest income and net fee and commission income). The return on equity is calculated as the ratio of net income to average allocated equity derived from a 12-percent imputed capital charge for risk-weighted assets in accordance with the CRR.

Net interest and commission income

Net interest income includes interest income and expenses, current income from equities and other non-fixed income securities, investments and shares in affiliated companies, income from profit pooling, profit-transfer agreements and partial profit-transfer agreements. Net commission is defined as commission income net of commission expenses.

Cumulative net interest, commission and fee income stood at €211 million (previous year: €247 million) for the Group and €209 million (previous year: €254 million) for IKB AG. Net interest and commission income thus dropped more substantially than forecast. The forecast had provided for a slight decline in net interest and commission income.

At the Group level, net interest income for the year came to €188 million (previous year: €221 million), with the Public Programme Loans segment accounting for €79 million (previous year: €85 million), the Corporate Bank segment for €89 million (previous year: €88 million) and the Corporate Centre segment for €20 million (previous year: €48 million).

The decrease in net interest income was particularly due to the decline to €21 million (previous year: €47 million) in income from shares in funds, which is reported within current income from equities and other non-fixed income securities. Interest income from bonds came to €29 million (previous year: €31 million).

By contrast, net interest income from lending business was stable despite the difficult environment and more selective lending with a focus on good credit standings. Interest income from lending business rose to €190 million (previous year: €180 million), while interest expenses on funding operations climbed to €47 million (previous year: €35 million) due to the higher interest rates. Net interest expenses for derivatives were stable at €4 million (previous year: €3 million in expenses) and break down into interest expenses of €30 million (previous year: €17 million) and interest income of €25 million (previous year: €14 million). In the previous year, income of €2 million had additionally arisen under a profit and loss transfer agreement with a deconsolidated subsidiary.

IKB AG recorded interest income of €185 million (previous year: €227 million). This decline was likewise due to lower income on shares in investment funds. Income from profit and loss transfer agreements fell to €4 million (previous year: €47 million) chiefly as a result of the lower fund income of subsidiaries, while the recurring income from equities and other non-fixed-income, which is likewise mostly composed of income from investment funds, increased to €15 million (previous year: €5 million). Interest income from bonds came to €27 million (previous year: €29 million). IKB AG's interest income from lending business reached €191 million (previous year: €184 million), with interest expenses for funding operations standing at €48 million (previous year: €36 million). Net interest expenses for derivatives stood at €4 million (previous year: €3 million in net expenses), comprising interest expenses of €30 million (previous year: €17 million) and interest income of €25 million (previous year: €14 million).

Net fee and commission income came to €23 million (previous year: €26 million) for the Group and €23 million (previous year: €27 million) for IKB AG. At the level of the Group, the Public Programme Loans segment contributed net commission and fee income of €5 million (previous year: €5 million), the Corporate Bank segment €13 million (previous year: €15 million) and the Corporate Centre segment €5 million (previous year: €6 million).

Administrative expenses

Administrative expenses comprise personnel expenses and other administrative expenses as well as depreciation, amortisation and impairments.

Administrative expenses in 2022 reached €145 million (previous year: €135 million) for the Group and €144 million (previous year: €134 million) for IKB AG, thus slightly below the adjusted forecast (€148 million). The original forecast had indicated administrative expenses of slightly below €130 million. At the Group level, the Public Programme Loans segment accounted for administrative expenses of €43 million (previous year: €43 million), the Corporate Bank segment for €41 million (previous year: €40 million) and the Corporate Centre segment for €60 million (previous year: €52 million).

Personnel expenses equalled €84 million (previous year: €78 million) for both the Group and IKB AG. Other administrative expenses as well as depreciation, amortisation and impairments came to €60 million (previous year: €57 million) at the level of the Group and also €60 million (previous year: €56 million) at the level of IKB AG. The increase in personnel expenses is primarily due to high expenses for pension plans (€13 million) as pension benefits were adjusted for inflation-related reasons, while modifications were made to the long-term pension and inflation trends.

IKB adjusts current pension payments in accordance with the statutory requirements and contractual agreements. This is done every year for one third of the eligible former employees who were awarded a pension commitment before April 2006. The pension benefits paid to former members of the Board of Managing Directors are adjusted annually. One major factor in these adjustments for former employees is currently the average development of consumer prices over the past three years before the date of the adjustment. Accordingly, the substantial increase in consumer prices at the beginning of 2022 resulted in an increase through profit and loss in pension plan provisions in 2022.

If inflation increases or remains at its current level over a protracted period of time, this will result in higher administrative expenses in connection with the measurement of the pension provisions. On the other hand, an increase in interest rates will reduce the value of the pension provisions. This effect would be reflected in net other income with a certain delay due to the discount rate to be applied under the German Commercial Code (HGB). Additional earnings effects may also arise from revised requirements in connection with the recognition and measurement of pension provisions.

In 2015, the company pension plan was restructured for new employees joining the Bank from 1 August 2015. Accordingly, no pension obligations arise under the new model. Moreover, the Bank has successfully implemented several measures over the last financial years prior to 2022 with the aim of reducing the effects as a result of interest and inflation rate changes caused by pension liabilities under the commitments granted prior to July 2015. In particular, the existing pension plan rules were modified, pension claims of €13 million discharged by means of settlement offers and pension obligations of €71 million transferred to a non-insurance-based pension fund.

Other administrative expenses were also higher than in the previous year due in particular to one-time expenses in connection with unplanned project costs (€4 million) in accordance with regulatory requirements.

Adjusted for these temporary one-time expenses (€17 million), administrative expenses were lowered again to €128 million (previous year: €135 million) for the Group and €127 million (previous year: €134 million) for IKB AG.

Net other income

Net other income comprises other operating and extraordinary income and expenses, fair-value remeasurement gains and losses on investments, shares in affiliated companies, securities held as current and fixed assets and expenses or income arising from allocations to or withdrawals from the fund for general banking risks.

Net other income in 2022 amounted to €13 million in income for the Group (previous year: €4 million in income) and €17 million in income for IKB AG (previous year: €12 million in expenses). This is due to the following main factors:

- Following the strategic decision to abandon the hold-to-maturity intention for certain securities and to transfer them to the liquidity reserve, losses of €467 million (previous year: €0 million) that had previously not been realised on securities in the liquidity reserve were recognised through profit and loss as part of net other income. In economic terms, these losses recognised through profit and loss were very largely offset by an improvement in unrealised gains and losses of €457 million. A withdrawal of €426 million from the fund for general banking risks (previous year: €0 million) virtually offset the losses on securities held in the liquidity reserve through profit and loss.
- The derivative positions in the banking book generated net income of €73 million for both the Group and IKB AG, compared with net expenses of €42 million in the previous year.
- Net expenses of €24 million arose from securities held as fixed assets for both the Group and IKB AG, compared with net income of €90 million in the previous year, particularly as a result of the disposal of bonds.
- The discount factor unwind on pension obligations resulted in expenses of €10 million for both the Group and IKB AG in the year under review (previous year: €30 million in expenses). Despite the predominance of losses in the bond markets, expenses for the CTA assets were limited to a net €6 million (previous year: €0 million in expenses) for both the Group and IKB AG due to the defensive strategy adopted. In addition, an adjustment to the pension obligations under certain pension plans due to the changes in the value of the CTA assets generated net income of €2 million for both the Group and IKB AG (previous year: €3 million in net income).
- The out-of-court settlement of litigation initiated by IKB generated income of €21 million (previous year: €0 million) for the Group and €13 million (previous year: €0) for IKB AG, which was recognised within net other income.
- In addition, net other income includes legal and project costs as well as expenses for hedging business risks and restructuring expenses of €13 million (previous year: €19 million) for the Group and €12 million (previous year: €9 million) for IKB AG.
- Loss absorption expenses came to €2 million for IKB AG (previous year: €11 million).

- At the level of IKB AG, net other income includes income of €14 million (previous year: €14 million in impairment expenses) from the fair-value remeasurement gains on an intra-Group sub-participation in settlement payments expected under pending lawsuits.
- Net foreign-currency translation gains and losses stood at €10 million in income (previous year: €1 million in expenses) for the Group and €11 million in income (previous year: €1 million in expenses) for IKB AG.

Loan-loss provisions in lending business

Loan-loss provisions in lending business (hereinafter referred to as “net risk provisioning”) entail impairments and adjustments on receivables, allocations to reserves, fair value remeasurement gains on receivables and the reversal of provisions.

For reporting purposes, fair value remeasurement gains and losses on securities held in the liquidity reserve are not included in net risk provisioning but in net other income (see section on “Net other income”).

In 2022, net risk provisioning came to €19 million in expenses (previous year: €12 million in expenses) for the Group and €19 million in expenses (previous year: €12 million in expenses) for IKB AG, thus falling short of the forecast of €25 million stated in the 2021 Management Report. At the level of the Group, the Public Programme Loans segment accounted for €9 million in income (previous year: €3 million in income), the Corporate Bank segment for €27 million in expenses (previous year: €15 million in expenses) and the Corporate Centre segment for €1 million in expenses (previous year: €0 million).

Net risk provisioning is made up of net expenses from impairments and single loan loss allowances on loans and advances and certain securities, sold receivables as well as provisions in lending business amounting to €15 million (previous year: €43 million) for the Group and €15 million (previous year: €43 million) for IKB AG as well as net expenses from additions to portfolio loan loss allowances amounting to €4 million (previous year: €31 million in net expense from reversals) for the Group and €4 million (previous year: €30 million in net income from reversals) for IKB AG. This includes the allocation of an additional general loan loss allowance of €12 million to cover latent risks resulting from possible future credit rating downgrades due to the fact that borrowers in certain sectors submit their annual financial statements only gradually in the course of the year. Additional information on risk provisioning can be found in the table on risk provisions in “Section 3. Report on Risks and Opportunities”.

Taxes

In the year under review, net tax expenses came to €0 million for both the Group and IKB AG (previous year: expenses of €18 million for both the Group and IKB AG). Whereas a total tax loss arose in the reporting year, a substantially positive tax result had been achieved in the previous year. In addition, there had been an impairment of €8 million on deferred tax assets in the previous year.

Net income

Including the withdrawal through profit and loss of an amount of €426 million from the fund for general banking risks, consolidated earnings before taxes came to €61 million in 2022 (previous year: €104 million), thus matching the adjusted forecast. IKB AG posted earnings before taxes of €63 million (previous year: €95 million), thereby exceeding the adjusted forecast as a result of the withdrawal through profit and loss from the fund for general banking risks and, among other things, the fair-value remeasurement gains on an asset arising from an intra-Group sub-participation in expected settlement payments under pending law suits. Consolidated net income for the 2022 financial year reached €61 million (previous year: consolidated net income of €86 million). At the level of IKB AG, net income came to €63 million (previous year: net income of €77 million).

Asset position

The Group’s total assets declined by €0.6 billion to €15.4 billion in the year under review (IKB AG: decline of €0.6 billion to €15.6 billion).

The Group's gross credit volume, which also includes off-balance-sheet business (see also "Section 3. Report on Risks and Opportunities"), rose from €17.4 billion to €17.6 billion as of the reporting date (IKB AG: increase from €17.6 billion to €17.7 billion) and mainly comprises medium- and long-term loans to banks, loans to customers, bonds, the positive market values of the derivatives held in the non-trading book and guarantees.

Assets

Receivables from banks at the Group level rose by €0.3 billion over 31 December 2021 to €3.3 billion primarily as a result of higher cash collateral provided (IKB AG: increase from €3.0 billion to €3.3 billion). The Group's cash reserves dropped by €0.2 billion to €0.0 billion (IKB AG: by €0.2 billion to €0.0 billion).

Receivables from customers came to €8.8 billion for the Group and €9.1 billion for IKB AG, thus remaining on a par with the previous year (€8.8 billion for the Group and €9.1 billion for IKB AG) and therefore exceeding the adjusted forecast, in which a slight decline had been assumed. Originally, a figure unchanged over the previous year had been forecast.

As forecast, the portfolio of bonds and other fixed-income securities was significantly reduced from €3.0 billion as of 31 December 2021 to €2.4 billion for the Group (IKB AG: from €3.1 billion to €2.4 billion) in connection with reduced market price risks. In addition to disposals, the decline was attributable to remeasurement losses on bonds that were reclassified as components of the liquidity reserve due to the abandonment of the intention to hold them until maturity. They were therefore marked to the market, with previously unrealised losses recognised through profit and loss. Looking forward, marked-to-market valuation may result in income or also further expenses. All in all, bonds with a nominal value of €862 million were reclassified. The Group's portfolio of equities and other non-fixed-income securities remained stable at €0.6 billion (IKB AG: stable at €0.3 billion).

Liabilities

Liabilities to banks increased by €0.4 billion to €9.1 billion (IKB AG: by €0.4 billion to €9.1 billion).

The Group's liabilities to customers fell by €0.4 billion to €4.3 billion (IKB AG: by €0.4 billion to €4.4 billion) chiefly as a result of lower deposits from business customers.

Unrealised gains and losses arose on financial instruments in the banking book in the form of securities, derivatives and from funding the loan book without matching maturities in the period under review and in earlier financial years as a result of changes in market interest rates, exchange rates and credit ratings. The measurement of the banking book at the lower of cost or market in accordance with the IDW RS BFA 3 accounting guidance did not result in any provisioning requirements as of 31 December 2022.

Subordinated liabilities dropped by €0.2 billion to €0.6 billion for the Group (IKB AG: by €0.2 billion to €0.6 billion) due to a maturity.

The fund for general banking risks was reduced by €0.4 billion to €0.2 billion due to a partial withdrawal recognised through profit and loss.

Equity

Compared with 31 December 2021, equity increased from €940 million to €1,001 million for the Group and from €980 million to €1,042 million for IKB AG due to the net income for the year, which had been influenced by a withdrawal through profit and loss from the fund for general banking risks. In line with the forecast, no dividend was distributed to the owner.

When calculating regulatory capital, the fund for general banking risks of €0.2 billion must be taken into account as Common Equity Tier 1 capital.

Financial position

IKB's liquidity position is stable thanks to its funding mix. In addition to purpose-tied and other secured funding operations or in connection with the ECB's long-term refinancing programmes, IKB accepts revolving deposits from corporate and retail customers and engages in new lending business selectively.

The maturities of liabilities are shown in the breakdown of remaining maturities in the notes. Please refer to "Section 3. Report on Risks and Opportunities".

Overall assessment

Earnings before taxes for the Group matched the adjusted forecast. The forecast earnings before taxes for the Group for 2022 had already been lowered from roughly €85 million to roughly €60 million (IKB AG: from roughly €60 million to roughly €40 million) particularly due to inflation-induced higher expenses on pension provisions and one-time expenses for unplanned project costs in connection with regulatory requirements.

Following the strategic decision to abandon the hold-to-maturity intention for certain securities, as a result of which they were transferred to the liquidity reserve, losses of €467 million on securities held in the liquidity reserve were recognised through profit and loss. In economic terms, these losses recognised through profit and loss were very largely offset by an improvement in unrealised gains and losses of €457 million. Of this, €330 million was attributable to an improvement not recognised in the balance sheet in the unrealised gains and losses on material items of the balance sheet as well as off-balance-sheet derivatives (see "Unrealised gains and losses" in the notes to the financial statements) and €127 million to an improvement, which was likewise not recognised in the balance sheet, in the unrealised gains and losses on pension obligations. IKB thus achieved net unrealised gains (see chapter referred to above). A withdrawal of €426 million from the fund for general banking risks very largely offset the losses on securities held in the liquidity reserve through profit and loss.

IKB AG's earnings before taxes exceeded the adjusted forecast. In addition to the withdrawal through profit and loss from the fund for general banking risks, this was due, among other things, to the fair-value remeasurement gains on an asset arising from an intra-Group sub-participation in expected settlement payments under pending law suits.

Cash flows and the financial position are orderly. Given the challenging business environment, the Bank considers its business performance to be generally satisfactory.

Financial and non-financial performance indicators

Non-financial performance indicators are of minor importance for management purposes at IKB. In addition to a large number of management-related sub-indicators, IKB uses the following financial indicators as key performance indicators for management purposes.

Regulatory Tier 1 ratio

As of 31 December 2022, the CET 1 ratio (transitional) stood at 16.6% for the IKB Group and 17.0% for IKB AG (see "Section 3. Report on Risks and Opportunities" for details). For this purpose, IKB applied the option provided for in Article 468 of the Capital Requirements Regulation (CRR) in the financial year 2022. This resulted in an additional amount of €126 million eligible for inclusion in CET 1 and an increase of 1.7 percentage points in the CET 1 ratio (IKB AG: 1.6 percentage points) in the transitional perspective. Under the CRR, use of this option is limited until 31 December 2022 and it has no impact on the CET 1 quotas in the fully phased view.

As of 31 December 2022, the CET 1 ratio (fully phased) stood at 14.5% for the IKB Group and 15.0% for IKB AG (see "Section 3. Report on Risks and Opportunities"). Accordingly, IKB exceeded the adjusted CET1 forecast of substantially over 13% (IKB AG: substantially over 13.5%). 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. The Bank currently has no intention to distribute any dividends and therefore classifies the net retained profit carried forward as

CET 1 capital. Moreover, there is a decline in risk-weighted assets due to selective underwriting and the positive rating migrations within the loan portfolio. This is offset by a partial withdrawal from the fund for general banking risks to cover the expense arising from the remeasurement losses recognised on securities held as current assets.

Leverage ratio

The leverage ratio measures the largely unweighted sum of on-balance-sheet and off-balance-sheet transactions relative to regulatory Common Equity Tier 1 capital and is a binding minimum requirement as of 28 June 2021 in accordance with CRR II.

The following table provides an overview of the leverage ratio in accordance with Article 429 of the CRR II/CRR.

	IKB Group		IKB AG	
in %	**31 Dec. 2022**	**31 Dec. 2021**	**31 Dec. 2022**	**31 Dec. 2021**
Leverage ratio (transitional)	**6.7**	**8.2**	**6.9**	**8.4**
Leverage ratio (fully phased)	**6.0**	**8.1**	**6.2**	**8.4**

This means that the statutory minimum ratio was substantially exceeded and that the forecast contained in the 2021 Annual Report of a leverage ratio of substantially over 7% for the IKB Group was not reached. This was due to the expiry of the option of excluding risk exposures towards central banks in accordance with Article 429a (1) (n) of the CRR as well as the decline in CET1 capital primarily as a result of losses on securities held as current assets.

The option provided for in Article 468 of the CRR described in the section on regulatory capital in “Chapter 3. Report on Risks and Opportunities” in connection with the leverage ratio is also limited to the transitional perspective and therefore results in a decline of €126 million in CET 1 capital as of 31 December 2022 in the fully phased perspective.

Net income before taxes

At €61 million, earnings before taxes for the Group were in line with the adjusted forecast (approximately €60 million) allowing for a withdrawal recognised through profit and loss from the fund for general banking risks to compensate for the market value losses also recognised through profit and loss on securities held as current assets, but fell short of the original forecast of roughly €85 million. At €63 million, IKB AG’s earnings before taxes exceeded the adjusted forecast (roughly €40 million) as well as the original forecast (roughly €60 million). In addition to the withdrawal from the fund for general banking risks recognised through profit and loss, this was due, among other things, to fair value remeasurement gains on an asset arising from an intra-Group sub-participation in expected settlement payments under pending law suits. The forecast for earnings before taxes in 2022 for the Group and for IKB AG had been lowered particularly as a result of the inflation-induced increase in expenses for pension provisions and one-time expenses for unplanned projects in connection with regulatory requirements.

Cost/income ratio and return on equity

The cost/income ratio expresses the ratio of administrative expenses to the sum of net interest, fee and commission income; the ratio was 68.5% for the Group in 2022 (previous year: 54.5%) and thus in line with the adjusted forecast, which had provided for a cost/income ratio substantially higher than in the previous year. A slightly improved cost/income ratio had been initially forecasted. In addition to inflation-induced expenses on pension provisions (€13 million) and one-time expenses for unplanned project costs in connection with regulatory requirements (€4 million), the increase in the cost/income ratio was due to the fact that net interest and commission income fell substantially and, hence, to a greater extent than anticipated in the forecast.

The return on equity as the ratio of net income to average allocated equity derived from a 12-percent imputed capital charge for risk-weighted assets in accordance with the CRR was 6.3% in 2022 (previous year: 8.3%) and thus in line with the adjusted forecast (substantially below 9%). The original forecast had indicated a return on equity of just under 9%.

As the adjustments made during the year to the forecasts for the cost/income ratio and return on equity result for the most part from temporary or non-recurring effects on administrative expenses or the short-term impact of increases in interest and credit spreads, IKB AG reaffirms its medium-term targets in the light of the investments made in structural cost reductions, the restructuring of its investment portfolio and its stable lending business (see Chapter 4 "Outlook").

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 weighted cash inflows and outflows in the next 30 calendar days.

The following table provides an overview of the LCR compared with 31 December 2021.

	IKB Group		IKB AG	
in %	**31 Dec. 2022**	**31 Dec. 2021**	**31 Dec. 2022**	**31 Dec. 2021**
Liquidity coverage ratio	**257**	**274**	**238**	**259**

As forecast, the ratio was thus consistently above the minimum target of 100% defined in the outlook for the year ending 31 December 2021 during the entire 2022 financial year.

Net stable funding ratio

As of 31 December 2022, the net stable funding ratio (NSFR), which tracks medium to long-term liquidity stood at 117% for the IKB Group (IKB AG: 120%), thus consistently exceeding the statutory minimum of 100% in line with the forecast.

	IKB Group		IKB AG	
in %	**31 Dec. 2022**	**31 Dec. 2021**	**31 Dec. 2022**	**31 Dec. 2021**
Net stable funding ratio	**117**	**117**	**120**	**117**

Combined separate non-financial report

IKB intends to publish the non-financial Group report for the 2022 financial year pursuant to section 340i (5) of the German Commercial Code (HGB) in conjunction with section 315b of the German Commercial Code (HGB), which is combined with the parent company's non-financial report pursuant to section 340a (1a) of the German Commercial Code (HGB) in conjunction with section 289 of the German Commercial Code (HGB) on its website at https://www.ikb.de/en/investor-relations/reports-and-presentations at the end of April 2023.

3. Report on Risks and Opportunities

In 2021, a regular audit was carried out by BaFin in accordance with section 44 (1) of the German Banking Act (KWG), which, in addition to adjustments to risk management processes, also led to modifications to the methods used to determine risk-bearing capacity. As a result of the findings, BaFin ordered on 16 February 2022 that IKB has to meet temporary capital add-ons in accordance with section 10 (3), sentence 1, in conjunction with sentence 2, no. 2, KWG. The methodological adjustments were implemented in the first five months of 2022 and retroactively taken into account in the figures as of 31 December 2021 in the annual report for 2021. In the first quarter of 2023, BaFin commenced a review of the changes implemented in accordance with section 44 (1) KWG. The audit is currently still ongoing. Depending on the outcome of the audit, risk-bearing capacity and related aspects may particularly come under strain.

Risk management organisation

The Bank operates a risk management system covering the entire Group and the risk types of all the segments in accordance with the Minimum Requirements for Risk Management (MaRisk) and other applicable pronouncements by regulatory authorities. The Bank performs an annual risk inventory to gain an overview of the risk situation of the Bank, all subsidiaries and any significant outsourcing activities and assesses concentrations of risk and income, also generally taking sustainability risks into account. The risk management system, including its tasks and areas of responsibility, is documented in the Bank's written rules.

The business and risk strategy and the measures derived from it 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 defines the principles for risk management policy which, together with the limit structure, are reflected in the business and risk strategy and in the limit book. Special committees assist the Board of Managing Directors in managing risks and making decisions. The Board of Managing Directors discusses the risk situation and the Bank's risk management at quarterly meetings with the Supervisory Board. In addition, the business and risk strategy is discussed with the Supervisory Board at least once a year after regular updating and, additionally, on an ad-hoc basis, e.g. in the event of any adjustments made during the year.

IKB's risk management is based on the "three lines of defence" principle, with each individual unit (front office, back office, as well as central divisions and staff departments) forming the first line of defence as part 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 risk management methods and procedures as well as monitoring identified material risks and reporting to the Board of Managing Directors. The second line of defence comprises the tasks assigned to risk controlling and management, information risk and security management and the data protection officer. It also includes the compliance functions in accordance with MaComp and MaRisk, the officer for the protection of customers' financial instruments and funds as well as the anti-money laundering function/central office. At the level of the Board of Managing Directors, Dr Trutwein is responsible for the independent portfolio-related monitoring by Risk Controlling of counterparty default, market price and liquidity risks as well as non-financial risks. Dr Wiedmann is responsible for monitoring profit/loss management and capital resources as well as the compliance functions. The Board of Managing Directors as a whole is responsible for managing risks associated with the business strategy and reputation risks.

The third line of defence in IKB's risk management is Internal Audit, which is a separate, process-independent and neutral monitoring unit within the IKB Group. It works on behalf of the entire Board of Managing Directors and reports directly to the Board of Managing Directors. Dr Trutwein is responsible at the level of the Board of Managing Directors for internal auditing. All relevant activities and processes throughout the Group and the functionality of the internal control system (ICS) are reviewed on the basis of risk-oriented process audits. The processes and activities outsourced by IKB to other service providers are monitored as part of continuous outsourcing controlling and the independent audit activities performed by Internal Audit at the outsourcing companies. In quarterly reports and an annual report, Internal Audit summarises for the Board of Managing Directors and the Supervisory Board significant and serious audit findings, the agreed measures and their processing status and, specifically, the audits conducted and compliance with the audit plan. In addition, the Board of Managing Directors is kept continuously informed of the audit results in detail on the basis of the reports prepared for all audits. Regardless of this, the Chairman of the Supervisory Board can request information directly from the head of Internal Audit subject to consultation with the Chairman of the Board of Managing Directors and the Chairman of the Risk and Audit Committee.

Regulatory capital resources and risk-bearing capacity

Regulatory capital

The Bank calculates its regulatory capital resources in accordance with the requirements of the CRR. In 2019, it received approval to apply the IRB approach (internal ratings based approach) to the corporate rating process. In addition, the Bank received approval from BaFin in the year under review to apply the base IRB approach to the rating models for banks and country and transfer risks and has been doing so since 31 March 2022 and 30 September 2022, respectively. The Bank uses the standardised approach to calculate the credit valuation adjustment charge, the base indicator approach for operational risk and the prescribed standard 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 table provides an overview of the regulatory risk items, equity resources and ratios (transitional and fully phased-in) taking effect upon the financial statements being duly adopted. The CRR includes various provisions which are being fully phased over time. The term “transitional” refers to the situation in the light of the requirements prevailing as of the relevant reporting date, while the term “fully phased in” refers to the situation in which the rules apply in their final form.

In the transitional perspective, the Bank made use of the option provided for in Article 468 of the CRR as of 30 June 2022 for the first time. This resulted an additional amount of €126 million eligible for inclusion in CET 1 as of 31 December 2022. Use of the option under the CRR is only permitted until 31 December 2022.

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

	31 Dec. 2022		31 Dec. 2021	
Figures in € million	**transitional**	**fully phased**	**transitional**	**fully phased**
Counterparty default risk (including CVA charge)	7,181	7,325	7,421	7,591
Market risk equivalent	53	53	156	156
Operational risk	452	452	448	448
Total risk-weighted assets (RWA)	**7,686**	**7,830**	**8,025**	**8,194**
Common Equity Tier 1 (CET 1)	**1,277**	**1,139**	**1,361**	**1,361**
Additional tier 1 (AT 1)	0	0	8	0
Total tier 1 (T 1)	**1,277**	**1,139**	**1,368**	**1,361**
Tier 2 (T 2)	486	486	586	590
Own funds	**1,763**	**1,625**	**1,954**	**1,951**
CET 1 ratio (%)	**16.6**	**14.5**	**17.0**	**16.6**
T1 ratio (%)	16.6	14.5	17.0	16.6
Own funds ratio (%)	22.9	20.8	24.4	23.8

Any differences in totals are due to rounding effects.

1) Figures taking account of the phase-in and phase-out provisions of the CRR; the CET 1 ratios have been calculated in accordance with the current version of the CRR as of 31 December 2022 and 31 December 2021 respectively 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.

Table: Regulatory capital situation at individual bank level in accordance with CRR II[1)]

	31 Dec. 2022		31 Dec. 2021	
Figures in € million	**transitional**	**fully phased**	**transitional**	**fully phased**
Counterparty default risk (including CVA charge)	7,319	7,470	7,579	7,746
Market risk equivalent	53	53	148	148
Operational risk	372	372	384	384
Total risk-weighted assets (RWA)	**7,744**	**7,895**	**8,111**	**8,278**
Common Equity Tier 1 (CET 1)	**1,320**	**1,184**	**1,400**	**1,400**
Additional tier 1 (AT 1)	0	0	0	0
Total tier 1 (T 1)	**1,320**	**1,184**	**1,400**	**1,400**
Tier 2 (T 2)	486	486	518	515
Own funds	**1,806**	**1,670**	**1,919**	**1,915**
CET 1 ratio (%)	**17.0**	**15.0**	**17.3**	**16.9**
T1 ratio (%)	17.0	15.0	17.3	16.9
Own funds ratio (%)	23.3	21.2	23.7	23.1

Any differences in totals are due to rounding effects.

1) Figures taking account of the phase-in and phase-out provisions of the CRR; the CET 1 ratios have been calculated in accordance with the current version of the CRR as of 31 December 2022 and 31 December 2021 respectively 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.

At 14.5% for the Group and 15.0% for the Bank, IKB's CET 1 ratios (fully phased) are above the statutory minimum for CET 1, including the capital conservation buffer, countercyclical capital buffer and the SREP capital requirements set by the German Federal Financial Supervisory Authority (BaFin) in the banking supervisory review and evaluation process (SREP).

The following table provides an overview of the capital requirements imposed on IKB at the level of the individual Bank and at the Group level.

Table: Regulatory capital requirements

	31 Dec. 2022		
Ratios (%)	**Common Equity Tier 1 capital**	**Tier 1 capital**	**Total capital**
Capital requirement			
Pillar I requirements (Art. 92 CRR)	4.50	6.00	8.00
Pillar II requirements (SREP)	1.13	1.50	2.00
Capital conservation buffer (CCB)	2.50	2.50	2.50
Countercyclical capital buffer (CCyB)	0.05	0.05	0.05
Total for group of institutions	**8.17**	**10.05**	**12.55**
Capital markup in accordance with section 10 (3) sentence 1 of the German Banking Act (KWG) (individual institution only)	2.25	3.00	4.00
Total for individual institution	**10.42**	**13.05**	**16.55**
For information purposes: Net own funds target ratio	0.90	0.90	0.90
Capital ratios – IKB AG			
Current capital ratio (transitional)	17.04	17.04	23.32
MDA surplus	662 bps	399 bps	677 bps
Capital ratios – IKB Group			
Current capital ratio (transitional)	16.62	16.62	22.94
MDA surplus	845 bps	657 bps	1,039 bps

The MDA (maximum distributable amount) surplus is therefore 399 bps in the IKB AG's Tier 1 capital in the relevant perspective.

Minimum requirements for eligible liabilities (MREL)

IKB is not required by BaFin to comply with any requirements relating to an MREL ratio beyond the existing pillar 1 requirements, i.e. no recapitalisation amount within the meaning of Article 2 of the Delegated Regulation (EU) 2016/1450 has been stipulated.

Risk-bearing capacity

In order to safeguard its risk-bearing capacity, the Bank considers two perspectives in line with the guidelines for the regulatory assessment of internal risk-bearing capacity concepts, which are intended to ensure the Bank's going concern status and to protect creditors: a normative perspective and an economic perspective.

The purpose of the normative perspective is to ensure compliance with the regulatory and supervisory minimum requirements during the annual multi-year planning process. In particular, this includes the increased capital requirements in accordance with section 10 (3) or (4) of the German Banking Act (KWG) and the combined capital requirement in accordance with section 10i (1) of the German Banking Act (KWG) including allowance for the increase in the anticyclical capital buffer from 1 February 2023. All structural requirements must also be met.

In addition to the plan scenario, bank planning must include an adverse scenario to ensure compliance with the increased capital requirements in accordance with section 10 (3) or (4) of the German Banking Act (KWG).

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 and can be regarded as an extreme stress scenario with a low probability of occurrence with respect to economic growth.

All regulatory requirements for the normative perspective are met in both the plan scenario and this adverse scenario throughout the entire planning period.

In addition to the normative perspective, the Bank also analyses its overall risk position and risk coverage potential from an economic perspective and monitors it on a monthly basis.

Risk coverage potential in the economic perspective is derived from all capital components used by the Bank including the fund for general banking risks (section 340g of the German Commercial Code (HGB)) and subordinate capital available within the risk horizon less deferred tax assets and intangible assets. At the same time, hidden liabilities/reserves from loans, securities, derivatives and pensions obligations are taken into account.

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 cover that will be available in the next twelve months.

Table: Capital requirements – economic perspective

	31 Dec. 2022 in € million	31 Dec. 2022 in %	31 Dec. 2021 in € million	31 Dec. 2021 in %
Counterparty default risk	506	56	639	55
Market price risk	320	35	401	34
Operational risk	71	8	117	10
Refinancing cost risk	13	1	8	1
Total	**909**	**100**	**1,165**	**100**
less diversification effects	-84		-136	
Overall risk position	**826**		**1,029**	
Risk coverage potential	**1,328**		**1,415**	

Any differences in totals are due to rounding effects.

The decline in individual risks and the overall risk position over the previous year is particularly due to the measures taken in the course of the year to mitigate market price risk, which also had a corresponding impact on the counterparty default risk.

The risk-bearing capacity over the next twelve months is intact. This also applies when the "cliff effect" arising from the exclusion of the Tier 2 capital components as a component of the risk cover funds in the economic perspective as of 1 January 2023 is taken into account. Depending on the outcome of the audit under section 44 of the KWG, risk-bearing capacity and related aspects may particularly come under pressure.

Forecast calculations and stress tests

To allow for macroeconomic and regulatory developments, the Bank prepares different forecasts to calculate the expected utilisation of the risk-bearing capacity for the next two financial years in the economic perspective and for the next five financial years in the normative perspective. These forecasts are based on the Bank's plan scenario with current expectations with respect to the macroeconomic effects of the Ukrainian war and the increased commodity and energy prices. In addition, the Bank conducts various stress tests with different levels of severity on a quarterly and ad hoc basis. In this connection, macroeconomic and historical stress scenarios covering multiple risk types as well as specific stress events are analysed. This means that under the plan scenario all regulatory requirements are complied with in the normative perspective and risk coverage potential exceeds the capital requirements for unexpected risks in the economic perspective, whereas in individual stress scenarios and stress events risk coverage potential would not be sufficient in a static view to fully compensate for the corresponding overall risk position in the absence of any countermeasures. As these stress scenarios are based on extreme stress assumptions, they are currently considered to have only a "minor" probability of occurrence.

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

Risk strategy

The overall risk strategy is a component of the integrated business and risk strategy and covers all key risk types (counterparty default risks, market price risks, liquidity risks, non-financial risks in various forms, business risks and strategic risks) and risk concentrations to which the Bank is exposed. Further detail is added to the overall risk strategy for the key risk types, and it also defines the risk strategy guidelines for IKB's business activities. In the 2022 financial year, all segments were reviewed and revised to reflect the current business focus, regulatory developments and the economic situation as required.

Counterparty risk strategy (credit risk strategy)

In its lending business, the Bank seeks to limit overall risk exposure, risk-weighted assets and provisioning requirements. In addition to restricting new business to borrowers with good credit ratings in order to improve or stabilise the average credit rating over time, this also includes capping concentration risks at the level of individual borrowers and borrower groups and taking account of possible rating migrations as a result of macroeconomic factors.

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

With regard to its target customers in the upper midmarket segment, industry diversification is also significant. In setting its limits, the Bank is guided both by the significance of the industry for the German economy and an analysis of the expected outlook for the industry. Environmental, climate, social and governance (ESG) aspects are explicitly taken into account in the sector analyses and for the purpose of specific lending decisions. IKB does not fundamentally exclude any sectors from its lending business. Rather, it adopts a "best-in-class" approach and focuses on (potential) borrowers in a sector with solid business foundations and a sustainable and future-oriented strategic alignment.

The portion of the loan portfolio attributable to foreign risks primarily relates to bonds and protection seller credit default swaps in the financial and public sectors, which the Bank holds in its investment portfolio for diversification purposes and as cash investments.

Market price risk strategy

The market price risk strategy describes the risk profile that IKB accepts when assuming market price risks and the measures taken to avoid unwanted risks. The main risk drivers here are credit-spread and interest-rate risks as well as changes in the corresponding volatility.

In the dichotomy between achieving stable and adequate net interest income, on the one hand, and the willingness to accept market price risks, on the other, the Bank needs to accept market price risks to a reasonable degree in the light of its risk-bearing capacity. For this reason, exposure to market price risk is to be strategically further reduced.

Liquidity strategy

In addition to funding development loans through development banks at matching maturities, the current liquidity position is primarily underpinned by customer deposits guaranteed by the Deposit Protection Fund, secured borrowing on the interbank market and funding via the ECB. In addition to consistently ensuring the Bank's solvency, the aim of liquidity management is to secure access to inexpensive and sufficiently diversified funding options at all times in order to minimise funding cost risks. A diversified portfolio of ECB-eligible liquid securities serves as a liquidity reserve.

Strategy for non-financial risks

The purpose of managing non-financial risks is to achieve a balance between risk acceptance and the costs associated with mitigating and avoiding risk and to mitigate losses resulting from non-financial loss events. Business-continuity plans are developed on the basis of data derived from the business impact analysis for all processes defined as critical in the light of the applicable risks.

Strategy for sustainability risks

As a supra-regional credit institution, IKB shares responsibility for combating climate change and, with its financing solutions, is helping to promote the transition to a low-carbon economy and a more socially responsible society. The Bank therefore considers environmental and social factors to form part of responsible corporate conduct and fundamentally incorporates them in the development of conventional financing solutions in connection its lending and investment decisions, as well as in parts of risk management. It has initiated a project to continue integrating sustainability risks within risk management.

Counterparty default risks

Within counterparty default risk, IKB distinguishes between credit risk and counterparty risk in accordance with the requirements of the Capital Requirements Regulation (Article 5 of the CRR) and the Minimum Requirements for Risk Management (MaRisk, AT 2.3). Accordingly, risks from equity investments and derivatives as well as country risks form part of the counterparty default risk provided that they can be assigned to individual loans or counterparties. Migration risks are also taken into account in risk bearing capacity.

Credit approval process and individual exposure monitoring

Key tasks in the credit approval process (credit analysis, cash flow analysis, loan approval independent of the front office) and exposure monitoring (including intensive support, problem exposure processing) to review and constantly monitor capital service capabilities are handled by the Credit Risk and Contract Management division, which is segregated from the front office, and thus separately from the 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 drawn up on the basis of standard contract templates by Operations employees, who act independently of the front office, with the involvement of lawyers in the Credit Risk and Contract Management division in more complex individual cases. Every credit decision is preceded by a risk-oriented credit analysis that analyses the information necessary for the decision, evaluates it and documents it in a loan approval form. The assessment of buy-side and sell-side markets, the borrower's position in the relevant market, its future prospects, including sustainability considerations, are of material importance in the credit analysis in addition to an analysis of the borrower's financial situation and particularly also of its capital service capabilities based on annual financial statements, budgeted figures and liquidity planning. At the same time, importance is attached to ensuring that loans can be syndicated and transferred.

Existing credit exposures are reviewed by Credit Risk and Contract Management every twelve months as well as on an ad-hoc basis using the applicable processes and approval procedures. In addition, the risk situation of the individual sub-portfolios and key individual exposures are analysed and exposure strategies defined on an annual basis.

Rating process and systems

IKB uses rating systems tailored to the respective customer segment or the specific type of finance 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 default data. Since 21 March 2019, the "Corporate Rating" rating system has been approved for the internal ratings-based approach ("IRB approach"). In the year under review, approval was granted in letters dated 25 March 2022 and 10 May 2022, respectively, for the use of the IRB approach for the rating system for banks as well as for country and transfer risks.

Quantifying credit risk

Counterparty default risk is quantified on the basis of a default-based credit portfolio model using a simulation approach. In addition to the individual loan/investment information (loan/investment amount, collateralisation, maturity, sector, group affiliation), this model incorporates a large number of statistical variables, such as probabilities of default, spreads in statistical default probability, collateral recovery rates, and industry/asset correlations based on the Bank's experience or external reference sources.

IKB uses a simulation approach to quantify the present value of risks arising from rating migrations, incorporating in particular expected and simulated lifetime expected credit losses[1]. In addition to information on individual transactions, this also takes account of default and migration probabilities as well as industry/asset correlations.

As part of the validation and benchmarking processes, the internal credit assessment systems and risk models as well as the approval, monitoring and control processes in lending business are tested once a year.

Portfolio monitoring and control

Portfolio monitoring focuses on the entire loan portfolio. Sector and market changes are monitored by specialised back-office units. with the assistance of front-office experts to supplement the overall analysis for portfolio management purposes. The aim is to identify and limit sector risks in lending business in the light of expected developments.

The loan portfolio is also being monitored in the light of special economic circumstances such as the substantial increase in the prices of commodities and energy as well as their availability, disrupted supply chains, logistics and freight costs and the impact of the war in Ukraine. This also entails the systematic review of individual exposures. This is still not having any material impact on IKB's loan portfolio, although the outlook for the future is completely unclear. IKB still does not have any exposure to Russia, Belarus and Ukraine. The Bank currently sees secondary effects in connection with the Ukraine war in the automotive sector in particular. Increased commodity and energy prices are now affecting the entire economy. Customers are not able to pass on these price increases in full.

1 Expected losses of present value over the remaining term of the exposures.

Structure of the counterparty default risk

The credit volume as of 31 December 2022 breaks down as follows:

Table: Credit volume

	Group			IKB AG		
in € million	**31 Dec. 2022**	**31 Dec. 2021**	**Change**	**31 Dec. 2022**	**31 Dec. 2021**	**Change**
Balances with central banks	36	228	-192	36	228	-192
Receivables from banks	3,313	2,999	314	3,309	2,996	313
Receivables from customers	8,810	8,847	-37	9,095	9,132	-37
Bonds and other fixed-income securities not including own issues	2,417	3,039	-622	2,422	3,046	-624
Equities and other non-fixed-income securities	601	630	-29	297	326	-29
Equity investments[1)]	0	1	-1	-	-	-
Subtotal: Assets recognised on the balance sheet	**15,177**	**15,744**	**-567**	**15,159**	**15,728**	**-569**
Contingent liabilities[2)]	1,153	1,300	-147	1,228	1,376	-148
Positive fair values of derivatives in the non-trading book[3)]	1,179	302	877	1,179	302	877
Write-downs	135	149	-14	121	147	-26
Securities lending	92	-	92	92	-	92
Non-consolidated IKB balances in non-fixed income securities[4)]	-166	-75	-91	-80	-18	-62
Gross credit volume	**17,570**	**17,420**	**150**	**17,699**	**17,535**	**164**
For information purposes: other significant counter-party default risks outside the gross credit volume						
Irrevocable loan commitments	1,030	910	120	1,064	944	120
Shares in associated and affiliated companies[5)]	1	3	-2	117	118	-1

1) Equity interests form part of the gross credit volume after consolidation at the level of the Group and are excluded from the gross credit volume at the level of IKB AG
2) before deducting risk provisions
3) Including €16 million (31 December 2021: €25 million) in positive fair values from protection seller CDSs whose nominals are treated as contingent liabilities for accounting purposes.
4) This disclosure has been supplemented. Gross lending volumes were adjusted as of 31 December 2021.
5) IKB AG: including equity investments.

Overall, the IKB Group's gross credit volume increased slightly as of 31 December 2022 compared with 31 December 2021. The increase is due to larger central bank balances, which are predominantly reported under receivables to banks (see table on segment structure), and higher positive market values in the derivatives banking book. Material declines arise from fair-value remeasurement losses following the reclassification of the bonds as current assets and the sale of long-dated government bonds as well as a reduction in contingent liabilities through the expiry of protection seller credit default swaps (CDSs).

Receivables from customers were unchanged despite the generally very difficult market environment, whereas there was a slight increase in irrevocable loan commitments. The situation for IKB AG was comparable to that of the IKB Group in all parts of the loan book. This also applies to the following structure tables.

Segment structure

Table: Credit volume by segment – Group

	31 Dec. 2022 in € million	31 Dec. 2022 in %	31 Dec. 2021 in € million	31 Dec. 2021 in %
Loan book	**9,251**	53%	**9,340**	54%
of which Corporate Bank	4,293	24%	4,199	24%
of which public programme loans	4,957	28%	5,141	30%
Corporate Centre	**8,319**	47%	**8,080**	46%
of which liquidity book[1)]	2,766	16%	3,432	20%
of which protection seller CDSs[2)]	903	5%	1,009	6%
of which money market products[3)]	4,644	26%	3,639	21%
of which balances with central banks[4)]	2,286	13%	1,728	10%
Total	**17,570**	**100%**	**17,420**	**100%**

1) Bonds and other fixed-income securities as well as shares and other non-fixed-income securities excluding the Bank's own bonds and securities in the loan book; these figures have been adjusted as of 31 December 2021 (excluding non-consolidated IKB balance in non-fixed-income securities)
2) without protection seller CDSs in the loan book
3 including call accounts, loan deposits and derivatives with positive fair values, adjustments
4) Balances with central banks includes the item "Balances with central banks" as well as overnight transactions reported under "Receivables from banks".

The loan book contracted slightly as a result of a decline in corporate business financed by means of public programme loans. On the other hand, receivables from customers in internally financed business (Corporate Bank) were higher. The increase in lending volumes in the Corporate Centre segment resulted from a rise in money market products (mostly an increase in balances held with central banks). On the other hand, there was a reduction in the liquidity book and protection seller CDSs.

Size category structure

Table: Credit volume by size – Group

	31 Dec. 2022					31 Dec. 2021			
	in € million	in %	Number[1)]	in € million of which loan book	in % of which loan book	in € million	in %	in € million of which loan book	in % of which loan book
Under €5 million	322	2%	213	302	3%	367	2%	330	4%
Between €5 million and €10 million	578	3%	80	569	6%	814	5%	809	9%
Between €10 million and €20 million	1,869	11%	138	1,820	20%	2,002	11%	1,960	21%
Between €20 million and €50 million	4,059	23%	132	3,723	40%	3,745	21%	3,416	37%
Over €50 million	9,814	56%	57	1,909	21%	9,507	55%	1,840	20%
Subtotal	**16,642**	**95%**	**620**	**8,323**	**90%**	**16,435**	**94%**	**8,355**	**89%**
Risk transferred to third parties[2)]	928	5%	-	928	10%	985	6%	985	11%
Total	**17,570**	**100%**	**620**	**9,251**	**100%**	**17,420**	**100%**	**9,340**	**100%**

1) Borrower groups in accordance with Section 19 of the German Banking Act
2) Hermes guarantees, indemnifications, risks transferred

With respect to the size classes, there was a shift from the smaller size classes to the larger ones of €20 million to €50 million and larger.

The size categories below €50 million are predominantly held in the loan book, the overall structure of which also showed a shift towards larger size classes.

Collateral, risk transfer and securitisation

Table: Credit volume by type of collateral – Group

	31 Dec. 2022				31 Dec. 2021			
	in € million	in %	in € million of which loan book	in % of which loan book	in € million	in %	in € million of which loan book	in % of which loan book
Property liens and charges[1)]	2,356	13%	2,356	25%	2,216	13%	2,216	24%
Transfer of ownership[1)]	368	2%	368	4%	455	3%	455	5%
Other collateral[1) 2)]	3,527	20%	3,528	38%	3,500	20%	3,500	37%
Collateralised[1)]	1,173	7%	8	0%	271	2%	5	0%
Secured credit volume	**7,424**	**42%**	**6,260**	**68%**	**6,442**	**37%**	**6,175**	**66%**
Without collateral[3)]	9,218	52%	2,063	22%	9,993	57%	2,180	23%
Subtotal	**16,642**	**95%**	**8,323**	**90%**	**16,435**	**94%**	**8,355**	**89%**
Risk transferred to third parties[4)]	928	5%	928	10%	985	6%	985	11%
Total	**17,570**	**100%**	**9,251**	**100%**	**17,420**	**100%**	**9,340**	**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

IKB takes into account conventional collateral (property liens, transfers of ownership and other collateral) in its lending business. The share of the credit volume secured in this way amounts to 35% of the total and 68% of the loan book and is virtually unchanged compared with the previous year (31 December 2021: 35% and 66%, respectively). The item entitled “Collateralised” relates to the higher positive market values of derivatives and increased at the Group level from 2% as of 31 December 2021 to 7%. Loans without collateral are mainly attributable to the Corporate Centre (€7.2 billion, 31 December 2021: €7.9 billion). Where the Bank provides collateral for derivatives in the interbank market in the form of overnight and term deposits, these are also reported under “Without collateral”.

Risk transfers as a result of public-sector collateral in connection with the coronavirus pandemic (KfW funding under the special COVID-19 programme) dropped slightly. This means that 83% (31 December 2021: 86%) of risk transfers were attributable to liability sub-participations by banks and 17% (31 December 2021: 14%) to public guarantees (mainly Hermes cover).

Geographical structure

Credit volume beaks down by region as follows:

Table: Credit volume by region – Group

	31 Dec. 2022				31 Dec. 2021			
	in € million	in %	in € million of which loan book	in % of which loan book	in € million	in %	in € million of which loan book	in % of which loan book
Germany	13,064	74%	7,384	80%	12,376	71%	7,357	79%
Outside Germany	3,578	20%	939	10%	4,059	23%	998	11%
Western Europe	2,485	14%	726	8%	2,927	17%	802	9%
of which France	581	3%	60	1%	743	4%	124	1%
of which EU[1)]	401	2%	-	0%	508	3%	-	0%
of which Spain	322	2%	54	1%	325	2%	47	1%
of which the Netherlands	293	2%	95	1%	253	1%	122	1%
of which the United Kingdom	180	1%	125	1%	237	1%	122	1%
Eastern Europe	463	3%	69	1%	481	3%	61	1%
of which Poland	166	1%	64	1%	188	1%	46	0%
of which Romania	117	1%	-	0%	154	1%	-	0%
of which Hungary	100	1%	-	0%	100	1%	-	0%
North America	566	3%	125	1%	595	3%	123	1%
Other countries	64	0%	19	0%	56	0%	12	0%
Subtotal	**16,642**	**95%**	**8,323**	**90%**	**16,435**	**94%**	**8,355**	**89%**
Risk transferred to third parties[2)]	928	5%	928	10%	985	6%	985	11%
Total	**17,570**	**100%**	**9,251**	**100%**	**17,420**	**100%**	**9,340**	**100%**

1) European Commission, ESM, Council of Europe Development and European Investment Bank
2) Hermes guarantees, indemnifications, risks transfers

Overall, credit volumes were lower across all regions outside Germany. In Germany, it rose by just under €0.7 billion primarily as a result of higher balances with central banks.

The share of loans outside Germany in the loan book shrank again from 11% to 10%.

Sector structure

Table: Credit volume by sector – Group

	31 Dec. 2022				31 Dec. 2021			
	in € million	in %	in € million of which loan book	in % of which loan book	in € million	in %	in € million of which loan book	in % of which loan book
Industrial sectors	7,402	42%	7,361	80%	7,616	44%	7,555	81%
Energy supply	675	4%	675	7%	662	4%	660	7%
Mechanical engineering	550	3%	549	6%	449	3%	445	5%
Automotive	527	3%	527	6%	646	4%	646	7%
Chemical and pharmaceutical industry	524	3%	498	5%	567	3%	541	6%
Paper industry	456	3%	456	5%	475	3%	475	5%
Retailers (excluding automotive, filling stations)	451	3%	449	5%	449	3%	442	5%
Food industry	446	3%	446	5%	527	3%	526	6%
Metal production and processing	423	2%	423	5%	366	2%	366	4%
Metal products	320	2%	318	3%	318	2%	316	3%
Wholesale (excluding motor vehicles)	319	2%	319	3%	366	2%	364	4%
Other industrial sectors	2,711	15%	2,701	29%	2,791	16%	2,773	30%
Real estate	858	5%	857	9%	704	4%	694	7%
Financial sector	310	2%	93	1%	383	2%	94	1%
Banks	5,952	34%	8	0%	4,748	27%	8	0%
Public sector	2,120	12%	4	0%	2,984	17%	4	0%
Subtotal	**16,642**	**95%**	**8,323**	**90%**	**16,435**	**94%**	**8,355**	**89%**
Risk transferred to third parties[1)]	928	5%	928	10%	985	6%	985	11%
Total	**17,570**	**100%**	**9,251**	**100%**	**17,420**	**100%**	**9,340**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

The degree of diversification in the industrial sectors remains high – no single industrial sector accounts for more than 4% of the portfolio. The other industrial sectors are composed of 26 other industry clusters.

Credit rating structure

The credit volume breaks down by internal rating class as follows:

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

	31 Dec. 2022				31 Dec. 2021			
	in € million	in %	in € million of which loan book	in % of which loan book	in € mil-lion	in %	in € million of which loan book	in % of which loan book
1–4	8,511	48%	1,284	14%	8,137	47%	1,227	13%
5–7	4,928	28%	3,891	42%	4,472	26%	3,487	37%
8–10	2,413	14%	2,360	26%	2,758	16%	2,577	28%
11–13	481	3%	480	5%	709	4%	705	8%
14–15	142	1%	142	2%	180	1%	180	2%
Non-performing assets[2)]	167	1%	166	2%	179	1%	179	2%
Subtotal	**16,642**	**95%**	**8,323**	**90%**	**16,435**	**94%**	**8,355**	**89%**
Risk transferred to third parties[3)]	928	5%	928	10%	985	6%	985	11%
Total	**17,570**	**100%**	**9,251**	**100%**	**17,420**	**100%**	**9,340**	**100%**

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

In the loan book, the volume and proportion of very good and good credit ratings (1-7) increased to 56% (31 December 2021: 50%). The share and volume of exposures in the middle (8-10) and lower (11-15) credit rating segments were predominantly in the loan book and declined in the year under review. The credit rating improvements in the loan book are attributable to new business in good credit ratings as well as positive credit rating migrations in the existing portfolio. In addition to the impact of the coronavirus pandemic on supply chains, the availability of raw materials and rising prices, the consequences of the war in Ukraine – among other things for economic growth – may also have an impact on future credit rating migrations and, hence, on the Bank's credit risks. An additional portfolio loan loss allowance was recognised to address latent risks, see section entitled "Risk provisioning".

Non-performing assets

Non-performing assets are defined as exposures to borrowers who have defaulted on their loans in accordance with Article 178 of the Capital Requirements Regulation (CRR). A default occurs when insolvency proceedings have been commenced, payments of interest or principal are overdue by more than 90 consecutive days, a single loan loss allowance has been recognised or there are other clear indications that the borrower will not be able to meet its contractual obligations. Securities are classified as non-performing assets if the Bank considers permanent impairment to be probable.

Non-defaulting exposures that are managed by the Bank's units specialising in restructuring are not classified as non-performing assets but are subject to close monitoring together with the non-performing assets. Overall, the portfolio of non-performing assets and other exposures managed by the restructuring units reduced to €0.4 billion as of the reporting date 31 December 2022 (31 December 2021: €0.5 billion).

Table: Non-performing assets[1) – Group

	31 Dec. 2022 in € million	31 Dec. 2021 in € million	Change in € million	Change in %
Assets with single loan loss allowances	126	170	-44	-26%
Non-impaired	41	9	32	356%
Total	**167**	**179**	**-12**	**-7%**
Percentage of total loans	0.9%	1.0%		
Percentage of total loans to companies	1.8%	1.9%		
For information purposes: NPL ratio in accordance with EBA definition[2)	1.9%	1.9%		

1) Before single loan loss allowances and provisions, before write-downs of securities to the lower of cost or market.
Non-performing assets do not include:
- €20 million (31 December 2021: €7 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).
- €3 million (31 December 2021: €2 million) in unutilised commitments for borrowers 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

In a still tense macroeconomic environment, non-performing assets remain at a low level as of the reporting date. Total non-performing assets dropped slightly to €167 million.

The coverage ratio of non-performing assets subject to single loan loss allowances, provisions and portfolio loan loss allowances attributable to non-performing assets stands at 43% (31 December 2021: 47%).

Provisions for possible loan losses

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

In the event of an acute risk of default, risk provisions are recognised for possible loan losses in the form of single loan loss allowances. A provision is recognised for contingent liabilities in the event of imminent utilisation. Risk provisions are also recognised in the form of a provision for permanently impaired CDSs. See also the explanations in Note (6) "Provisions for possible loan losses".

Table: Provisions for possible loan losses – Group

	31 Dec. 2022 in € million	**31 Dec. 2021 in € million**	**Change in %**
Development of single loan loss allowances/provisions[1]			
Opening balance	82.0	65.6	25%
Utilisation	-42.0	-31.6	33%
Reversal	-13.8	-3.2	>100%
Unwinding	-1.9	-1.2	58%
Additions to single loan loss allowances/provisions	37.5	52.3	-28%
Effect of changes in exchange rates	0.0	0.1	-100%
Total single loan loss valuation allowances/provisions	**61.8**	**82.0**	**-25%**
Portfolio loan loss allowances[2]			
Opening balance	72.3	103.0	-30%
Addition/reversal	3.7	-30.7	
Total portfolio loan loss allowances	**76.0**	**72.3**	**5%**
Total provisions for possible loan losses (including provisions)	**137.8**	**154.3**	**-11%**

1) not including portfolio loan loss allowances for contingent liabilities recognised as provisions
2) including general valuation allowance for contingent liabilities recognised as provisions

Single loan loss allowances and provisions declined over 31 December 2021 due to higher reversals and drawdowns as well as lower allocations.

As of 31 December 2022, the portfolio loan loss allowances were calculated using the simplified approach specified in the accounting guidance issued by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) in RS BFA 7. See also Note (6) for details of the accounting and measurement methods applied to risk provisions.

Total portfolio loan loss allowances including country risk provisions for receivables from customers, receivables from banks, contingent liabilities and irrevocable loan commitments rose by €3.7 million in the year under review to a total of €76 million for both the Group and IKB AG (31 December 2021: €72.3 million). This includes the allocation of an additional general loan loss allowance of €12 million to cover latent risks resulting from expected credit rating downgrades in the light of the sectors in which borrowers operate as financial information is received only gradually in the course of the year. Adjusted for this allocation, portfolio loan loss allowances dropped primarily as a result of the reduced exposure to weak and medium credit ratings.

Net risk provisioning as a portion of the loan book stood at 20 basis points in the year under review (2021 financial year: 12 basis points).

Liquidity book[1] by asset structure

Table: Volume by assets – Group

	31 Dec. 2022 in € million	31 Dec. 2022 in %	31 Dec. 2021 in € million	31 Dec. 2021 in %
Sovereign bonds	1,450	52%	2,195	64%
Covered bonds	202	7%	202	6%
Financial senior unsecured bonds	529	19%	257	7%
EU and supras	401	14%	508	15%
Corporate bonds	118	4%	112	3%
Agencies and government-guaranteed bonds	68	2%	158	5%
Total	**2,766**	**100%**	**3,432**	**100%**

1) Bonds and other fixed-income securities as well as shares and other non-fixed-income securities excluding the Bank's own bonds and securities in the loan book; these figures have been adjusted as of 31 December 2021 (excluding non-consolidated IKB balance in non-fixed-income securities).

Liquidity book[1] by geographical structure

Table: Volume by countries – Group

	31 Dec. 2022 in € million	31 Dec. 2022 in %	31 Dec. 2021 in € million	31 Dec. 2021 in %
Germany	1,052	38%	1,555	45%
EU[2]	401	14%	508	15%
France	183	7%	292	9%
Belgium	198	7%	131	4%
Romania	85	3%	238	7%
other countries	848	31%	708	21%
Total	**2,766**	**100%**	**3,432**	**100%**

1) Bonds and other fixed-income securities as well as shares and other non-fixed-income securities excluding the Bank's own bonds and securities in the loan book; these figures have been adjusted as of 31 December 2021 (excluding non-consolidated IKB balance in non-fixed-income securities).
2) European Commission, ESM and European Investment Bank

Liquidity book[1] by credit rating structure

Table: Volume by credit ratings – Group

	31 Dec. 2022 in € million	31 Dec. 2022 in %	31 Dec. 2021 in € million	31 Dec. 2021 in %
1–4	2,276	82%	3,009	88%
5–7	451	16%	269	8%
8–10	40	1%	154	4%
11–13	-	0%	-	0%
14–15	-	0%	-	0%
Non-performing assets	-	0%	-	0%
Total	**2,766**	**100%**	**3,432**	**100%**

1) Bonds and other fixed-income securities as well as shares and other non-fixed-income securities excluding the Bank's own bonds and securities in the loan book; these figures have been adjusted as of 31 December 2021 (excluding non-consolidated IKB balance in non-fixed-income securities).

Risk reporting

Risk Controlling prepares all relevant information from lending business in detail in quarterly Group credit risk reports and presents these to the Board of Managing Directors with explanations. In addition, the Board of Managing Directors is informed of customer credit risk matters on a monthly basis by means of monitoring and reporting to ensure a swift response under active risk management. The Supervisory Board and the regulatory authorities receive a risk report every quarter containing all key information on the overall risk position in the Group.

Liquidity risk

IKB defines liquidity risk as including refinancing cost risk and insolvency risk.

Liquidity risk relevant for insolvency risk is identified and analysed on the basis of the expected deterministic cash flows from transactions that have already been contracted, supplemented by stochastic modelling of cash flows, the planning of liquidity measures and new business and the liquidity reserve (scope for raising funds from the ECB and cash on hand). The future liquidity balances calculated in this manner are reduced via additional stress modelling. Limits are imposed on the stresstested balances. The aim of the limit is to ensure that the Bank has sufficient liquidity reserves to withstand the negative effects on liquidity of a combined stress scenario over a defined 3-month period. IKB supplements liquidity risk monitoring with an early warning system based on leading indicators which are intended to track at an early stage any developments that are likely to have an adverse effect on liquidity.

In addition, the Bank's funding cost risk is calculated on a monthly basis. This is the risk that the Bank can only fill existing as well as potentially additional liquidity gaps at greater expense.

Treasury is responsible for the operational management of liquidity risks within the limit proposed by Risk Management and approved by the Board of Managing Directors. In addition, the Bank's Asset Liability Committee is regularly updated on the liquidity situation.

Liquidity situation

In the light of its new lending business, the Bank expects its liquidity requirements to amount to around €1.1 billion (previous year: €1.1 billion) over the next twelve months.

IKB has a liquidity contingency plan to cover potential liquidity bottlenecks that provides for a package of measures and a defined procedure for responding to a liquidity bottleneck.

As of 31 December 2022, the minimum liquidity balance was roughly €0.4 billion (previous year: €1.0 billion) above the liquidity limit, with the Bank reducing excess liquidity as planned. Taking into account the legal maturities of asset and liability positions, the scope for raising funds from the central bank as well as in the secured interbank market and excluding the planned new lending business, the time to wall is 11 months ceteris paribus (assuming constant market values – previous year: 11 months). At the same time, the Bank has a free liquidity reserve of €1.2 billion (previous year: €1.8 billion).

The minimum requirements with respect to the liquidity coverage ratio and the net stable funding ratio (NSFR) are 100%. The minimum requirements were complied with at all times in the 2021 financial year. The LCR stood at 257% for the IKB Group (previous year: 274%) and 238% for IKB AG (previous year: 259%) as of 31 December 2022. The NSFR stood at 117% for the IKB Group (previous year: 117%) and 120% for IKB AG (previous year: 117%) as of 31 December 2022.The funding cost risk stands at €12.73 million as of 31 December 2022.

Funding situation

The key elements of IKB's funding operations include secured financing on the interbank market (Eurex Repo/bilateral repo transactions), funding via the ECB, and business with corporate customers, retail customers and institutional investors involving deposits and promissory note loans covered by the Deposit Protection Fund. With a ratio of 99% as of 31 December 2022, IKB has a loan-to-deposit (LTD) ratio, calculated as the Corporate Bank loan book according to segment reporting relative to liabilities to customers as stated in the consolidated balance sheet (31 December 2021: 88%). The calculation of the LTD ratio was updated on the basis of the calculation method described and the previous year's figure adjusted accordingly.In its funding mix, the Bank also actively utilises programme loans from public-sector development banks for its customer lending business.

Details are shown in the following table:

Funding source (HGB book values including deferred interest)	31 Dec. 2022 in € million	31 December 2021 in € million
Customer deposits	**4,131**	**4,398**
Retail customer deposits	2,950	2,592
Business customer deposits	1,181	1,806
Secured funding	**8,906**	**8,605**
Development loans	4,979	5,153
Interbank market	490	0
of which Eurex	490	0
of which other	0	0
ECB	3,436	3,452
of which TLTRO	3,436	3,452
of which open market	0	0
Unsecured funding	**225**	**389**
of which bearer bonds (including buybacks)	24	56
of which senior preferred	-	-
of which senior non-preferred	24	56
of which promissory note loans	202	332
of which senior preferred	15	-
of which senior non-preferred	187	332
of which other	0	0
Subordinated/hybrid funding	**598**	**783**
of which subordinated	523	708
of which hybrid (funding trust)	76	75
Equity	**1,160**	**1,525**
of which own funds	1,001	940
of which fund for general banking risks	159	585

Market price risk

IKB's market price exposure arises from risk factors such as interest rates, credit spreads, FX (foreign exchange) rates, gold, stock market indices and related volatilities. Risks arising from low market liquidity are duly factored into pricing. As IKB does not have a trading book, all market price risks relate solely to non-trading book positions.

IKB is exposed to interest rate risks in the form of interest-adjustment and structure risks.

IKB's credit spread risk, which is identified and quantified on the basis of market price risk, arises from securities and credit derivatives. IKB's credit spread risk, which is identified and quantified on the basis of market price risk, arises from securities and credit derivatives as well as loans to borrowers and promissory note loans the borrowers for which have issued securities in the capital market. The credit spread risks arising from securities are managed/hedged selectively on the basis of the prevailing market conditions by specifically running off positions or taking out risk-mitigating derivatives.

IKB's foreign-currency positions are mainly denominated in USD.

Quantification and assessment of market price risks

Market price risks are measured daily using a value-at-risk (VAR) approach for all portfolios. VAR is determined on the basis of a historical simulation that applies a full valuation approach incorporating all relevant risk factors, i.e. interest rates, credit spreads, FX rates, gold, equity indices and related volatilities.

In addition, components of the market price risk that are not fully factored into the model are addressed by means of a risk buffer in the economic perspective.

With respect to the economic perspective of risk-bearing capacity, market price risk is calculated with a risk horizon of one year and a confidence level of 99.9%. A mathematical method is used to generate a 1-year market price risk distribution from the 1-day observations in the historical simulation. Market price risks for the pension obligations are integrated in the economic perspective. In the year under review, IKB made further methodological adjustments to the measurement of market price risks in the economic perspective. The approach was tightened and takes account not only of the last rolling 250 days but also of a protracted period (+10Y) with several turbulent market phases.

In addition to VAR in the economic perspective, IKB applies an operating VAR with a risk horizon of one day and a confidence level of 99% for operational fine-tuning of the portfolio. As well as this, IKB uses stress tests and scenario analyses to assess its market price risks. For this purpose, historical, hypothetical and macroeconomic stress tests are used.

The models used are validated annually. Any shortcomings identified in the models or their materiality are reported to the Board of Managing Directors as part of validation activities. Validation is based on daily backtesting of the VAR forecasts. In addition, the backtesting results are analysed at the risk factor level among other things.

Market price risk management and hedging

The main task of market price risk management is to manage the market price-sensitive positions entered into by the individual segments. To manage market price risks, IKB uses a combination of risk indicators, earnings indicators and other indicators such as interest rate and credit spread sensitivities.

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. In addition, the Board of Managing Directors is provided on a monthly, quarterly and ad-hoc basis with information on relevant market developments, changes in the portfolio, measurement of the portfolio, earnings performance and the market risk profile. The Supervisory Board is informed of market price risks on a quarterly basis as part of overall risk reporting.

Year-on-year comparison of 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 basis point value, the credit spread basis point value and value at risk in the economic perspective at a 99.9% confidence level and applying a holding period of one year.

Table: Market price risk profile

in € million	**Value at 31 Dec. 2022**	**Value at 31 Dec. 2021**
Interest rate basis point value (BPV)	**-0.4**	**-0.3**
Credit spread BPV	**-2.8**	**-6.1**
VaR – interest rate and volatility	-103	-191
VaR – credit spread	-239	-273
VaR – FX and volatility	-12	-29
VaR – other	-9	-39
Correlation effect	+91	+180
Risk buffer	-50	-50
Total VaR	**-320**	**-401**

Any differences in totals are due to rounding effects.

Despite a more conservative measurement of market price risks and heightened market volatility, the risk-mitigating effect in 2022 is due to risk run-offs by the Bank and higher interest rates.

Non-financial risks

The Bank defines all risk types that are not credit, market or liquidity risks as non-financial risks (NFR). These initially include operational risks (NFR in the narrower sense) in accordance with the regulatory definition. Other non-financial risks such as legal risks, tax risks, IT risks, personnel risks etc. are also operational risks but are managed separately. In addition, reputation risks, business risks and strategic risks are types of non-financial risks. Non-financial risks within risk-bearing capacity are quantified jointly as operational risk via a loss database enriched with external data, regularly updated expert estimates and separately modelled special risks. These special risks are factors that cannot be fully taken into account in other quantification components.

Operational risks

Operational risk is the risk of loss resulting from a deficiency in or the unsuitability of internal processes, people and systems or from external events beyond the Bank’s control.

Operational risks are quantified using an internal model based on a loss distribution approach and determining the risk value on a 99.9% quantile. The associated economic capital is incorporated in the regular calculation of the Bank’s risk-bearing capacity.

The individual units and subsidiaries are responsible for the operational management of the non-financial risks. Non-financial risk management, which forms part of the Risk Controlling unit (“NFR central unit”), is responsible for methodological harmonisation for identifying and assessing non-financial risks, central reporting that is as uniform as possible on all non-financial risks within the IKB Group and training of the local OpRisk officers. All significant loss events that occur or almost occur as well as specifically pending losses arising from an individual case in which the loss event has not yet occurred are monitored in a central loss database and analysed to determine their causes and impact. The Board of Managing Directors is informed of operational risks in a quarterly report. Significant loss events occurring are reported to the Board of Managing Directors on an ad-hoc basis.

The gross loss volume identified in the 2022 financial year amounted to a total of €0.15 million at the level of the Group as well as IKB AG (previous year: €1.6 million[2]). In individual cases, the loss amounts are based on estimates, and in some cases it may not be possible to obtain accurate figures on the basis of updated information for these until later.

Legal risks

Legal risk is also included in non-financial risk and constitutes the risk of losses incurred through the violation of general statutory requirements, new statutory requirements or changes to or interpretations of existing statutory requirements (e.g. high court decisions) which are detrimental for the Bank. Liability risks resulting from contractual agreements also form part of legal risk.

The management of legal risks is the responsibility of the Legal department. The management of tax law risks is the responsibility of the Taxes team in the Finance division. If necessary, external law firms are called in to assist.

Contract templates and standardised texts are used in lending and related business to some extent. Deviations from these standard texts/templates and individually worded agreements and transactions are reviewed and approved using the central legal resources of the Legal department or the decentralised legal resources in the Credit Risk and Contract Management division, which come within general council’s responsibility. All contract templates are continuously reviewed to determine whether modifications are required to allow for legislative changes or court rulings. When new business is commenced, the legal structure and assessment of the new products is overseen by the Legal department itself or under its responsibility as part of the new business process.

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

2 Figure for the previous year restated to reflect updated information.

As an additional measure, the Legal department coordinates the Legal Development taskforce to identify regulatory and banking supervisory developments in order to determine their impact and coordinate the resulting implementation requirements for the Bank.

In legal proceedings, the Legal department protects the legal positions of IKB AG and the Group.

With regard to issues under tax law, the Taxes team ensures the legally compliant declaration and defence of the Group's tax positions towards the tax authorities. External tax or legal advisors are consulted if necessary. At the level of IKB AG or its subsidiaries, additional tax expenses may arise from assessment periods that have not yet been audited. The last completed tax audit for the domestic consolidated group covers the assessment periods up to and including 2011 (VAT up to 2010). In the year under review, the tax audit for the assessment periods from 2011 up to and including 2016 (VAT from 2010 up to and including 2015) was continued but not completed in all respects. IKB is subject to constant follow-up 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 are of material importance for IKB for other reasons. The Bank generally also recognises provisions for risks identified in connection with legal disputes.

Derivatives trading

In individual cases, customers complained about the advisory services provided by the Bank in connection with certain swap products. One lawsuit is still pending.

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. These 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. At one stage, 50 lawsuits worth a total of €117 million were pending. In some individual cases, agreements to avoid measures suspending time-bars have been signed without prejudice. These agreements have now expired.

IKB considers the claims that have been asserted to be without merit. This assessment was confirmed in IKB's favour in three second-instance judgments of the Düsseldorf Higher Regional Court and the subsequent rejection by the Federal Court of Justice of the appeals against non-admission in April 2022. All lawsuits against IKB have either become final following rulings in its favour or the dismissal of the appeal or have been withdrawn.

Litigation in the United States

IKB has initiated several lawsuits in the United States in connection with structured credit products. Three of these pending lawsuits have been settled.

Information risks

Activities for addressing information risks concentrate not only on IT services, products and projects but also on measures in the area of information security management. IKB's information security is based on the international ISO 27001 standard. Protection requirements for all processes at IKB are determined annually on this basis.

The existing Information Security Management System (ISMS) is operated under the responsibility of the Chief Information Security Officer (CISO) (second line of defence). Risk management under the ISMS addresses the information security risks in accordance with ISO 27001 controls in the light of the regulatory requirements set out in "Minimum requirements for risk management" (MaRisk) and "German Supervisory Requirements for IT in Financial Institutions" (BAIT).

IT Security Management is responsible for the Bank's operational IT security within the IT division as an element of the first line of defence. It works with other relevant areas to establish measures and support their implementation, continuous improvement and adaptation in the light of current and future IT security and compliance requirements. In this context, system and network security is updated on the basis of contractual agreements to address changing threats in cooperation with external service providers. The agreements provide for the use of the latest hardware and software technologies and therefore require service providers for systematic patch management. Infrastructure availability risks are minimised by segregating the data centres across two separate locations. The ISMS takes account of the risk involved in outsourcing key IT services. Measures for addressing risks are verified by means of audits overseen by the CISO and business-continuity drills conducted by central Business Continuity Management – BCM.

Compliance risks

As its business activities give rise to legal obligations for the handing of compliance-relevant information for trading in financial instruments and providing investment and related services, IKB is subject to a wide range of statutory and regulatory requirements, observance of which is ensured through the measures taken by the compliance functions established for this purpose. The corresponding mandatory conduct requirements and process instructions are set out in the Bank's written rules. In addition, the principles and values prescribed by IKB's Code of Conduct include requirements for the conduct of all employees at all of the Group's locations. Regular training is provided to ensure that employees are fully aware of all requirements and regulatory developments. Compliance-related technical advisory services and support for the divisions and the implementation of monitoring measures are organised on a preventive and process-concomitant basis 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 the German Securities Trading Act (WpHG – Wertpapierhandelsgesetz)/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 to the Board of Managing Directors and, in the case of the MaComp and MaRisk compliance functions as well as the officer for the protection of financial instruments and customer funds, to the Supervisory Board is organised on an annual and also ad-hoc basis.

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 adopted internal principles, procedures and controls for meeting the requirements for preventing money laundering/terrorist financing and illegal acts and for ensuring compliance with financial sanctions. Employees receive regular training at 2-year intervals or on an ad-hoc basis in typologies and current methods of money laundering and terrorist financing as well as criminal offences and financial sanctions.

The money laundering officer/central office prepares a Group-wide risk analysis on the prevention of money laundering/terrorist financing, illegal acts and compliance with financial sanctions annually or, if necessary, more frequently. The risk of money laundering and the risk from 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 assessed at least once a year for effectiveness and revised if necessary. The current situation in Ukraine and the related financial sanctions on Russia/Belarus are being closely monitored. Various safeguards have been implemented to ensure compliance with the relevant sanctions (including screening of the customer base and real-time screening of payment transactions against sanctions lists, monitoring of sanctions-related requirements, identification of sanction risks on the part of IKB customers).

In connection with the measures taken to combat the coronavirus pandemic, no further material risks of relevance for the MaComp and MaRisk compliance functions, the anti-money laundering officer/central office (e. g. subsidy fraud, CEO fraud, identity fraud) or the officer for the protection of customers' financial instruments and funds have been identified.

Personnel risks

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 department. This includes maintaining the level of knowledge and experience employees need to carry out their duties and responsibilities. In the interests of high-level qualifications, IKB continuously invests in employee training and development management.

The number of resignations by employees does not currently represent an additional personnel risk, as these can be compensated for internally or temporarily through an external service provider, or the vacancies can be filled through recruitment. There is also no increased danger of staff leaving.

In order to cover future personnel requirements in the light of future demographic trends, IKB invests in young professional trainees and dual students.

For information on IKB's remuneration system, please refer to the Disclosure Report for the financial year 2021.

Reputation risks

Reputation risk is the risk of a negative perception of IKB by its stakeholders (e.g. customers, investors, regulatory authorities) that could affect the Bank's income, capital or liquidity by, for example, adversely influencing its ability to engage in existing or new business, maintain customer relationships or utilise funding sources either 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 communication with all stakeholders is given high priority in the management of reputation risks. Reputation risks frequently arise from other operational risks and are measured and monitored within these.

Strategic risks

Strategic risks relate to threats to long-term corporate goals and the Bank's sustainable success as a result of unexpected developments. These may arise as a result of changes in the legal, regulatory or social environment and as a result of changes in market, competition and funding conditions. It is currently not possible to determine the extent to which the war in Ukraine and the associated political and economic uncertainties will have a long-term impact on strategic risks. Potential risks to the Bank's long-term profit/loss positions are being observed and monitored.

As strategic risks do not follow any defined patterns, it is difficult to track them quantitatively as special risks in an integrated system and they are therefore assessed qualitatively. Consequently, they are monitored continuously by the Board of Managing Directors. This includes an 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.

The business strategy targets, measures and risks are reviewed on an ongoing basis by the Strategy and Risk Committee and at the meetings of the Board of Managing Directors in addition to the annual and ad-hoc review of the business strategy. This gives rise to strategic initiatives and optimisation measures.

Participation risks

Participation risk (i.e. dividend omissions, impairments of carrying amounts, losses on disposal and reductions in hidden reserves) is not classified as a material risk type in its own right because the main individual counterparty default, market price, liquidity, business and non-financial risks in the investment portfolio are already taken into account with respect to the individual risk types

Business risks

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

Business risk is quantified using a model based on statistically calculated cost and income volatilities, which determines 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 operational 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 as part of profit/loss controlling and submits to the Board of Managing Directors weekly management reports which identify and analyse any budget deviations in income and assets. Thus, the Board of Managing Directors sees itself as being able to initiate risk-mitigating measures.

Opportunities

IKB has focused its business model on services for the upper midmarket with extensive advisory and financing requirements.

In 2022, many companies concentrated on securing and raising liquidity ahead of the political and economic uncertainties, high inflation and substantially higher interest rates. As uncertainties ease and foreign demand picks up, capital spending could rebound from spring 2023. The adoption by the German economy of lower-emission production methods should generally spur capital spending.

Opportunities will arise from the sustainability transformation of the German economy being driven by the German Federal Climate Protection Act with the goal of achieving climate neutrality in 2045. Significant investments will be needed to achieve these climate targets; moreover, continued high energy prices will provide an incentive to invest in more energy-efficient plants. This investment potential is an opportunity for IKB as a provider of finance for the upper midmarket.

IKB is implementing ESG and sustainability measures step by step at all levels of the Bank and has firmly entrenched its ambitions in its business strategy. Accordingly, it is seeking to become one of the relevant "green" providers of finance for SMEs in Germany. Reflecting this, IKB developed a Green Loan Framework at the beginning of 2022, thus initially positioning itself in the area of sustainable finance and offering its customers transparency with respect to its own valuation benchmarks and its understanding of sustainability. To optimise these efforts in the interests of greater transparency looking forward, IKB is planning to add internally financed loans to the existing Green Loan Framework in the near future.

Already today, just under 50% of IKB's loan portfolio is based on KfW public programme loans. IKB is active in KfW's pass-through business and holds significant market shares in various complex public programme loans that also aim to reduce carbon dioxide emissions. In 2022, its share in total KfW new business stood at 13.4% in the programmes relevant to it (excluding COVID-19 programmes). This pronounced expertise in public programme loans is to play a material role in the Bank's ESG strategy.

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

Overall, IKB believes that it has the opportunity to generate increases in net profit thanks to the growth in its profitable new business and lower administrative costs. The improved perception of the Bank's credit standing as a result of this could generate further impetus for its business activities as a whole.

IKB expects the provisions contained in the draft version of CRR III tabled on 27 October 2021 for implementing the Basel IV rules to offer an opportunity for easing the strain caused by RWAs in lending business. This will arise from the planned changes to the regulatory standard parameters in the basic IRB approach.

The Bank has additionally calculated its capital ratios for the Group on a pro-forma basis in accordance with the latest draft versions of CRR III.

This pro-forma analysis resulted in the following figures:

Capital ratios as of 31 December 2022 (IKB Group), fully phased	Forecast (CRR III draft)	Comparison values in acc. with CRR II
CET 1 ratio (%)	**15.4**	**14.5**
T1 ratio (%)	15.4	14.5
Own funds ratio (%)	22.0	20.8
Total risk-weighted assets s – after output floor (RWA in € bn)	**7.4**	**7.8**

The expected positive impact compared to the current rules results largely from the planned changes to the basic IRB approach caused by a reduction in standard LGD (loss given default) from 45% to 40% and the reduction from 1.06 to 1.0 in the scaling factor in the formula for calculating the RWA in the IRB approach. The output floor, i.e. the limiting effect of the credit risk standard approach for the IRB approach, was marginally undershot on the basis of the floor limit of 72.5% of total risk-weighted assets. The current draft of CRR III stipulates that the new rules are to be applied from 1 January 2025.

In December 2020, IKB received regulatory approval for the requested model change for the IRBA "Corporate Rating" system. This approval was subject to the inclusion of a PD (probability of default) markup. IKB expects the reduction in this PD markup to offer further potential for lowering RWAs in future years.

A possible sale of IKB by Lone Star may have a positive effect on the Company's future business. IKB's Board of Managing Directors remains open to implementing this project. This also involves gaining further investors.

Overall assessment of risk situation

Measured in terms of its regulatory capital and liquidity ratios, IKB generally continued to have sufficient resources. As of 31 December 2022, all capital ratios are in excess of the regulatory capital requirements on the basis of the normative perspective of risk-bearing capacity, meaning that IKB has sufficient scope for pursuing its business activities as planned. This takes due account of the changes already known in the minimum regulatory requirements. This also applies in the light of the additional temporary capital add-ons requirements in accordance with section 10 (3) sentence 1 of the KWG.

Even allowing for the greater utilisation of risk coverage potential in 2023 particularly as a result of regulatory changes, risk-bearing capacity remains in the economic perspective not only over the next 12 months, but, based on the Bank's planning, also for an additional period of at least two years. At the date on which the annual financial statements were prepared, the results of Deutsche Bundesbank's audit of risk-bearing capacity had not yet been received. Possible audit findings may have a negative impact on risk-bearing capacity.

In the case of both perspectives for risk-bearing capacity, regulatory changes as well as changed regulatory interpretations are impacting the Bank's risk situation in addition to general risk trends.

Following the coronavirus crisis, the market environment remains subject to heavy uncertainty as a result of the ensuing supply chain problems and the geopolitical risks after the outbreak of the Ukraine war. Despite the political and economic uncertainty coupled with high inflation and a substantial increase in interest rates, non-performing assets declined again at the end of the year, remaining at a low level. Despite this challenging environment and allowing for the recognition of an additional portfolio loan allowance of €12 million to cover latent risks as a result of a possible deterioration in credit standing, loan-loss provisioning remained below the planned level, while it was also possible to reduce the credit risk position. IKB is maintaining its high lending standards in the market situation characterised by protracted uncertainty. The aforementioned factors, with their unpredictable consequences for economic growth, among other things, may impact credit risks and, in particular, result in an increase in non-performing assets and necessitate elevated risk-provisioning by the Bank.

The year under review was characterised by a very sharp increase in interest rates and credit spreads in tandem with strong growth in volatility in the capital markets. Despite these challenging conditions and continued more conservative measurements, it was possible to reduce the market price risk position by taking appropriate measures in the year under review. Looking ahead to the coming year, IKB expects further strong macroeconomic uncertainty. Together with the uncertain outlook for inflation and the resultant response by the central banks and capital markets, strain may arise from interest-induced declines in the market value of the investment portfolio.

The non-financial risk receded compared with the beginning of the year particularly as a result of reduced legal risks.

Given the aforementioned uncertainties, the Bank is tracking and analysing the related macroeconomic developments, the central banks' monetary response, market reactions and, on this basis, various stress scenarios. In summary, the current macroeconomic uncertainty is an extreme situation which IKB is actively monitoring and managing.

As uncertainties ease and foreign demand picks up, capital spending could rebound from spring 2023. Moreover, the adoption by the German economy of lower-emission production methods should generally spur capital spending. Overall, IKB believes that it has the opportunity to generate increases in net income thanks to the growth in its profitable new business, driven by transformation finance among other things, and lower administrative costs.

4. Outlook

Future general economic conditions

The Russian war in Ukraine represents a geopolitical turning point with consequences for Europe that are difficult to assess.

Looking forward to 2023, it is assumed that tighter monetary policy will leave traces on the economy and place a damper on demand, something which, in turn, should ease the pace of inflation. Moreover, declining raw material prices should also have a retarding effect on inflation. It is generally assumed that the US Fed and the European Central Bank will tighten the monetary reins even further in the first quarter of 2023 and continue to raise interest rates. After that, there will be no changes to key rates, with the Fed possibly implementing an initial cut at the end of the year.

Thus, GDP growth in the United States should slow from 2.1% in 2022 to 0.9% in 2023. The decline in real disposable incomes will continue to take its toll on consumer demand, while the higher interest rates will place a damper on capital spending. China ended its strict zero-Covid strategy in January. The Chinese economy is expected to pick up in the course of 2023, with full-year GDP growth set to reach 4.8%.

The consensus view is that economic output in the Eurozone and Germany will remain flat or contract slightly by 0.5% in 2023. As things currently stand, the outlook for gas supplies given the absence of any Russian exports is not as critical as it was last summer. In Germany, this is due to additional deliveries from other countries, substantially reduced gas consumption and the well-filled gas storage tanks. Economic output looks likely to contract in Germany in the first half of 2023 before reviving in the second half of the year. In the first half of the year, it will be primarily influenced by still high energy prices, rising borrowing costs and persistent uncertainties.

The German economy should gradually recover from the second half of 2023, with impetus for growth coming from rising foreign demand. Given the progress being made in diversifying energy supplies, the pressure coming from energy prices should gradually weaken. As the employment market is still resilient and nominal wages are rising sharply, real wages will climb again from mid-2023 against the backdrop of declining inflation rates. This will cause private households' real disposable incomes and consumer spending to increase again. The drop in housing construction is likely to persist the longest.

Inflation looks set to peak at the beginning of 2023, before receding significantly in the further course of the year. The electricity and gas price cap and the absence of any baseline effects will cause inflation to decline due to the sharp rise in energy prices in March 2022.

The Bundesbank forecasts muted capital spending in the corporate sector at the beginning of the year, with the higher borrowing costs likely to exert a dampening effect. As uncertainties ease and foreign demand picks up, capital spending will rebound from spring 2023. The adoption by the German economy of lower-emission production methods should generally spur capital spending. This effect could be additionally amplified by the high energy costs.

Forecasts are still subject to very limited forward visibility. These uncertainties include the further course of the war in Ukraine and the energy crisis it has triggered, the consequences of the government measures taken in response and the impact of inflation. Fundamentally, there are risks of a substantially weaker economy and protracted inflationary tendencies due to possible second-round effects. Moreover, the coronavirus pandemic still holds potential for further setbacks. In particular, the further course of the pandemic in China and continued geopolitical tensions could exert pressure on the global economy.

The macroeconomic environment also poses risks for the banking system. Some of them could emerge in the short term, while others are more of a medium-term nature. Thus, sharp interest rate hikes often cause direct losses in the value of banks' bond portfolios. In the short term, lending business also suffers if rapidly rising interest rates make banks' funding operations more expensive.

In addition, risks from loans to companies are likely to rise in view of the heavy burdens in the real economy. This will also lead to a deterioration in companies' ratings. Higher energy and commodity prices, supply chain bottlenecks and tighter financing conditions are exerting a strain on many companies due to their increased liquidity requirements and thus higher capital commitments. Looking forward, the currently still very low number of insolvencies is likely to increase. Difficulties and failures in the corporate sector may cause strain for banks in the form of higher loan-loss provisioning and impairments. At the same time, the risks from residential real estate loans have risen. Private households' budgets are coming under pressure from lower real incomes. This could lead to higher loan-loss provisioning by banks in the event of adverse trends emerging. All in all, the macroeconomic environment remains extremely opaque, something which could entail the risk of substantial corrections in the financial markets as well as companies' forecasts. The risk of substantial revisions to the projections for the underlying conditions for banks is therefore likely to remain high in 2023.

General information on forecast

The following forecasts are based on a forward-looking horizon of one financial year. In addition, medium-term targets are stated for selected key figures, which are assumed to be achievable within the next five financial years. As the key figures and performance indicators mentioned in the forecast are the same for the IKB Group and IKB AG, the following statements generally refer to the IKB Group. Where there are significant differences, the figures for IKB AG are shown in brackets.

Asset position

Compared with the end of the 2022 financial year, IKB expects a decline in the CET 1 ratio for the 2023 financial year to 13 – 14% (IKB AG: 13 – 14%) as of 31 December 2023 depending on the regulatory capital backing requirements that the Bank must meet. The decline in the CET1 ratio is primarily caused by the expiry of the option under Art. 468 of the CRR (exclusion from capital requirements of 40% of the unrealised losses on certain assets measured at fair value) and the rising risk-weighted assets due to expected negative rating migrations in the loan portfolio as a result of the economic slowdown in tandem with moderate new business. IKB will also reach the changed minimum institution-specific regulatory capital requirements.

The Bank projects new lending business of around €2.7 billion in the 2023 financial year. With repayments coming to a similar amount, it assumes that receivables from customers outside the Group will remain at the previous year's level.

Financial position

The main components of IKB's funding operations are deposit business with retail customers, corporate customers and institutional investors as well as collateralised borrowing. In addition, IKB continues to actively use the public programme loans and global loans offered by the public-sector development banks for its customers. As in the previous year, liabilities will therefore be characterised by a diversified funding mix to refinance the assets in the forecast period. The Bank is also able to issue bearer bonds, subordinate capital and CET 1 instruments.

Funds are raised to refinance liabilities that are due for payment as well as for new business. The future liquidity situation also depends on the state of new business, customer drawdowns under existing loan commitments and changes in the market value of collateral and derivatives. In addition, the ECB's monetary policy may have an impact on the investment preferences of customers and the scope for raising funds in the interbank market and with the ECB.

The Bank's business planning and all related measures depend on the market environment. Significant unexpected losses, stress-like market disruptions and additional regulatory requirements as well as other government interventions may have a negative impact on IKB's financial position.

Even allowing for the stress scenarios underlying corporate planning, IKB has sufficient liquidity, meaning that the liquidity ratios can always be met with a buffer during the forecast period. IKB's regulatory liquidity management is based on the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). The Bank projects an LCR of consistently over 100% for the 2023 financial year and thus full compliance with the statutory minimum. The NSFR for tracking medium- to long-term liquidity will also remain consistently above 100% in the coming financial year and, thus, above the statutory minimum. IKB projects a leverage ratio for the Group of around 6% in the 2023 financial year.

Results of operations

Past experience suggests that the war in Ukraine will continue to have only a minor direct impact on IKB's results of operations. Future indirect effects on its results of operations, for example due to increased energy and commodity prices, a possible shortage of energy and raw materials or due to possibly persistently high inflation and the associated higher market interest rates, are subject to a persistently high degree of uncertainty. Consequently, it remains difficult to make any forecast on results of operations in the coming year.

IKB forecasts a significant increase in net interest and commission income over the previous year in the 2023 financial year. The increase is primarily due to the higher interest income on floating-rate financial instruments in the wake of interest-rate hikes.

Given the ongoing uncertainties resulting from the general economic environment such as the Ukraine war and with regard to inflation and interest rate developments, IKB is budgeting higher net risk provisioning in its lending business of around €-35 m for 2023 compared to 2022. Moreover, an additional portfolio loan loss allowance of €12 million was recognised in 2022 for latent risks resulting from expected credit rating downgrades.

The effects of inflation and cost increases on the pension provisions resulted in additional expense of €13 million in 2022. IKB currently assumes that, provided underlying conditions remain steady, this effect will likewise exert strain on administrative expenses in the first six months of the next two years. IKB expects administrative expenses in 2023 to be slightly higher than in 2022 due to the costs of projects required for regulatory purposes. It assumes that the cost/income ratio, i.e. the ratio of administrative expenses to the sum of net interest income and net fee and commission income, for 2023 will improve substantially over 2022 to slightly over 60%. In IKB's view, improving cost efficiency is a key success factor. Accordingly, its medium-term target is to additionally reduce administrative expenses and thus achieve a cost/income ratio of roughly 40%.

In addition to cost efficiency, the return on equity is also important for the Bank's further development. IKB expects an ROE of nearly 6% after taxes for the 2023 financial year. In the medium term, the Bank is seeking an ROE of over 10%. This goal will be mainly achieved by reducing administrative and funding costs.

In the year under review, heavy fair-value remeasurement losses were sustained in connection with securities held in the liquidity reserve. These were partially covered by a withdrawal from the reserves held in the fund for general banking risks. Against this backdrop, the Board of Managing Directors will be proposing the omission of dividend payments for the 2022 financial year. IKB plans to omit a dividend distribution to the owner in the 2023 financial year as well. It still plans to distribute regular dividends of 60% to 80% of the Group's consolidated net income after taxes to the owner in the medium term.

Overall assessment

For the 2023 financial year, IKB projects net income before taxes of around €60 million (IKB AG: around €40 million).

In view of the uncertainties surrounding the further course of the Ukraine war, the capital and commodity markets and the continued development of regulatory requirements, earnings and regulatory ratios may experience negative effects in the coming financial year.

5. Disclosures in accordance with Section 312 of the German Stock Corporation Act

IKB has prepared a dependent company report in accordance with section 312 of the German Stock Corporation Act (AktG – Aktiengesetz). The dependent company report will not be published. 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, our company received at least appropriate and hence in no case disadvantageous compensation for every transaction in the light of the circumstances known to us at the time in which the transactions were carried out or measures performed or omitted and has therefore not been disadvantaged by any measures performed or omitted."

6. Declaration on Corporate Governance

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

At the end of the previous target achievement period expiring on 31 March 2022, the target of 11.1% defined for the Supervisory Board and of 0% for the Board of Managing Directors was duly achieved. At the end of the previous target achievement period expiring on 31 March 2022, the target of 5% for the first management level was exceeded with the share of female representation coming to 16%. At 8%, the target of 7% for the second management level was exceeded as of 31 March 2022.

At its meeting on 15 February 2022, the Supervisory Board of IKB set a target figure of 22.2% (rounded) for the proportion of women on the Supervisory Board and 0% on the Board of Managing Directors as of 1 September 2022. The Supervisory Board is aware that diversity is an essential criterion for the composition of the Board of Managing Directors and will therefore do its utmost to include candidates of the under-represented gender and of different ages and educational and geographical backgrounds in the selection process. However, it does not consider it necessary to define a gender-representation target for the Board of Managing Directors in order to systematically pursue this goal. The Board of Managing Directors is to be composed solely on the basis of suitability and quality regardless of the gender of the candidates. In this way, vacant positions can be filled in the light of suitability, quality and availability in the Bank's best interests.

With Ms. Susanne Eger's departure from the Company and, hence, also from the Supervisory Board at the end of the day on 2 June 2022, the target of 22.2% for female representation on the Supervisory Board defined on 15 February 2022 was no longer achieved. Female representation on the Board of Managing Directors corresponded to the defined target of 0%.

At its meeting on 18 August 2022, the Supervisory Board of IKB set target figures of 11.1% (rounded) for female representation on the Supervisory Board on the basis of its current composition and 0% again on the Board of Managing Directors until 18 August 2027. The new targets reflect the current status. Candidates of the under-represented gender and of different ages, educational and geographical backgrounds will continue to be included in the selection process. The Board of Managing Directors is to continue to be composed solely on the basis of suitability and quality regardless of the gender of the candidates. As the Supervisory Board sees the Board of Managing Directors as well positioned in its current composition, the target of 0% has been maintained.

At its meeting on 8 March 2022, the Board of Managing Directors set target figures for the proportion of women on the next two management levels below the Board of Managing Directors. The target figure for the proportion of women on the first management level was fixed at ≥ 20% and on the second management level at ≥ 15%, as of 31 December 2026 in both cases.

Combined Financial Statements and Consolidated Financial Statements of IKB Deutsche Industriebank AG for the 2022 Financial Year

Consolidated balance sheet as of 31 December 2022

in € million		31 Dec. 2022	31 Dec. 2021
Assets			
Cash reserve		**35.9**	**228.0**
a)	Cash on hand	-	-
b)	Balances with central banks	35.9	228.0
	thereof: with Deutsche Bundesbank	35.9	228.0
c)	Balances in postal giro accounts	-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing at central banks		**-**	**-**
Receivables from banks		**3,312.7**	**2,999.2**
a)	Repayable on demand	2,544.6	2,216.6
b)	Other receivables	768.1	782.6
Receivables from customers		**8,810.4**	**8,847.2**
	thereof: mortgage loans	627.8	603.2
	thereof: public sector loans	789.4	856.6
	thereof: cash collateral	7.2	4.8
Bonds and other fixed-income securities		**2,421.1**	**3,048.8**
a)	Money market securities	-	-
b)	Bonds and notes	2,416.7	3,039.0
	ba) Public sector issuers	1,825.2	2,348.9
	thereof: eligible as collateral for Deutsche Bundesbank	1,825.2	2,348.9
	bb) Other issuers	591.5	690.1
	thereof: eligible as collateral for Deutsche Bundesbank	418.2	522.5
c)	Own bonds	4.4	9.8
	Nominal amount	4.5	9.7
Equities and other non-fixed-income securities		**601.0**	**630.0**
Equity investments		**0.2**	**0.6**
	thereof: banks	0.2	0.2
	thereof: financial services institutions	-	-
Shares in affiliated companies		**1.3**	**1.9**
	thereof: banks	-	-
	thereof: financial services institutions	-	-
Intangible assets		**1.0**	**1.0**
a)	Internally generated industrial and similar rights and assets	-	-
b)	Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	0.9	0.5
c)	Goodwill	-	-
d)	Advance payments made	0.1	0.5
Tangible assets		**2.3**	**2.8**
Called unpaid capital		**-**	**-**
Other assets		**76.5**	**60.5**
Prepaid expenses		**39.6**	**45.0**
Deferred tax assets		**129.0**	**129.0**
Excess of plan assets over post-employment benefit liability		**2.7**	**6.8**
Total assets		**15,433.7**	**16,000.8**

in € million	31 Dec. 2022	31 Dec. 2021
Equity and liabilities		
Liabilities to banks	**9,060.7**	**8,625.2**
a) Repayable on demand	196.6	14.9
b) With agreed term or notice period	8,864.1	8,610.3
Liabilities to clients	**4,335.2**	**4,758.2**
a) Savings deposits	-	-
b) Other liabilities	4,335.2	4,758.2
ba) Repayable on demand	1,218.7	1,262.5
bb) With agreed term or notice period	3,116.5	3,495.7
Securitised liabilities	**31.1**	**72.1**
a) Bonds issued	31.1	72.1
b) Other securitised liabilities	-	-
Other liabilities	**57.6**	**47.4**
Deferred income	**37.8**	**40.7**
Deferred tax liabilities	**-**	**-**
Provisions	**167.9**	**166.6**
a) Provisions for pensions and similar obligations	106.9	95.1
b) Tax provisions	18.4	27.0
c) Other provisions	42.6	44.5
Subordinated liabilities	**583.5**	**765.5**
thereof: due within two years	28.0	202.8
Fund for general banking risks	**159.0**	**585.0**
thereof: trading-related special reserve in accordance with section 340e (4) HGB	-	-
Equity	**1,000.8**	**940.0**
a) Called-up capital	100.0	100.0
Subscribed capital	100.0	100.0
Less uncalled unpaid contributions	-	-
Contingent capital	-	-
b) Capital reserves	647.9	647.9
c) Revenue reserves	110.9	41.0
ca) Legal reserve	2.4	2.4
cb) Reserve for shares in a parent or majority investor	-	-
cc) Statutory reserves	-	-
cd) Other revenue reserves	108.5	38.6
d) Difference in equity from currency translation	-	-
e) Net retained profits/net accumulated losses	142.0	151.1
f) Non-controlling interests	-	-
Total equity and liabilities	**15,433.7**	**16,000.8**

Contingent liabilities	**1,151.7**	**1,298.6**
a) Contingent liabilities from rediscounted and settled bills of exchange	-	-
b) Liabilities from guarantees and indemnity agreements	1,151.7	1,298.6
c) Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations	**1,030.2**	**910.0**
a) Repurchase obligations from non-genuine repurchase agreements	-	-
b) Placement and underwriting obligations	-	-
c) Irrevocable loan commitments	1,030.2	910.0

Balance sheet of IKB Deutsche Industriebank AG as of 31 December 2022

in € million		31 Dec. 2022	31 Dec. 2021
Assets			
Cash reserve		**35.9**	**228.0**
a)	Cash on hand	-	-
b)	Balances with central banks	35.9	228.0
	thereof: with Deutsche Bundesbank	35.9	228.0
c)	Balances in postal giro accounts	-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing at central banks		**-**	**-**
Receivables from banks		**3,308.8**	**2,996.4**
a)	Repayable on demand	2,540.7	2,213.8
b)	Other receivables	768.1	782.6
Receivables from customers		**9,095.2**	**9,132.0**
	thereof: mortgage loans	627.8	603.2
	thereof: public sector loans	789.4	856.6
	thereof: cash collateral	7.2	4.8
Bonds and other fixed-income securities		**2,426.4**	**3,055.7**
a)	Money market securities	-	-
b)	Bonds and notes	2,422.0	3,045.9
	ba) Public sector issuers	1,825.7	2,349.4
	thereof: eligible as collateral for Deutsche Bundesbank	1,825.7	2,349.4
	bb) Other issuers	596.3	696.5
	thereof: eligible as collateral for Deutsche Bundesbank	423.0	528.9
c)	Own bonds	4.4	9.8
	Nominal amount	4.5	9.7
Equities and other non-fixed-income securities		**296.8**	**325.8**
Equity investments		**0.2**	**0.2**
	thereof: banks	0.2	0.2
	thereof: financial services institutions	-	-
Shares in affiliated companies		**117.1**	**117.9**
	thereof: banks	-	-
Intangible assets		**1.0**	**1.0**
a)	Internally generated industrial and similar rights and assets	-	-
b)	Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	0.9	0.5
c)	Goodwill	-	-
d)	Advance payments made	0.1	0.5
Tangible assets		**2.3**	**2.8**
Other assets		**116.1**	**129.6**
Prepaid expenses		**39.4**	**44.5**
Deferred tax assets		**129.0**	**129.0**
Excess of plan assets over post-employment benefit liability		**2.7**	**6.8**
Total assets		**15,571.0**	**16,169.8**

in € million			31 Dec. 2022	31 Dec. 2021
Equity and liabilities				
Liabilities to banks			**9,060.7**	**8,625.2**
a)	Repayable on demand		196.6	14.9
b)	With agreed term or notice period		8,864.1	8,610.3
Liabilities to clients			**4,430.7**	**4,878.7**
a)	Savings deposits		-	-
b)	Other liabilities		4,430.7	4,878.7
	ba)	Repayable on demand	1,221.4	1,265.9
	bb)	With agreed term or notice period	3,209.3	3,612.8
Securitised liabilities			**31.1**	**72.1**
a)	Bonds issued		31.1	72.1
b)	Other securitised liabilities		-	-
Other liabilities			**57.4**	**57.5**
Deferred income			**37.8**	**40.7**
Deferred tax liabilities			**-**	**-**
Provisions			**168.2**	**165.1**
a)	Provisions for pensions and similar obligations		105.0	93.2
b)	Tax provisions		18.4	27.0
c)	Other provisions		44.8	44.9
Subordinated liabilities			**583.5**	**765.6**
	thereof: due within two years		28.0	202.8
Profit participation capital			**-**	**-**
Fund for general banking risks			**159.0**	**585.0**
	thereof: trading-related special reserve in accordance with section 340e (4) HGB		-	-
Equity			**1,042.4**	**979.8**
a)	Called-up capital		100.0	100.0
	Subscribed capital		100.0	100.0
	Less uncalled unpaid contributions		-	-
		Contingent capital	-	-
b)	Capital reserves		647.9	647.9
c)	Revenue reserves		110.9	41.0
	ca)	Legal reserve	2.4	2.4
	cb)	Reserve for shares in a parent or majority investor	-	-
	cc)	Statutory reserves	-	-
	cd)	Other revenue reserves	108.5	38.6
e)	Net retained profits/net accumulated losses		183.6	190.9
Total equity and liabilities			**15,571.0**	**16,169.8**

Contingent liabilities		**1,226.8**	**1,373.7**
a)	Contingent liabilities from rediscounted and settled bills of exchange	-	-
b)	Liabilities from guarantees and indemnity agreements	1,226.8	1,373.7
c)	Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations		**1,064.2**	**944.0**
a)	Repurchase obligations from non-genuine repurchase agreements	-	-
b)	Placement and underwriting obligations	-	-
c)	Irrevocable loan commitments	1,064.2	944.0

Consolidated income statement for the period from 1 January to 31 December 2022

in € million	2022	2021
Expenses		
Interest expenses	**-76.7**	**-52.8**
thereof: positive interest	46.6	63.0
Commission expenses	**-2.1**	**-2.3**
Net trading result	**-**	**-**
General administrative expenses	**-143.9**	**-133.2**
a) Personnel expenses	-84.4	-78.5
aa) Wages and salaries	-61.6	-61.3
ab) Social security, post-employment and other employee benefit costs	-22.8	-17.1
thereof: for pensions	-15.2	-8.2
b) Other administrative expenses	-59.5	-54.7
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	**-0.8**	**-1.8**
a) On lease assets	-	-
b) On intangible and tangible assets	-0.8	-1.8
Other operating expenses	**-118.3**	**-183.5**
Write-downs of receivables and certain securities and additions to loan loss provisions	**-485.6**	**-11.9**
Write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**-25.5**	**-4.0**
Costs of loss absorption	**-**	**0.0**
Extraordinary expenses	**-6.1**	**-2.4**
Income taxes	**1.0**	**-17.9**
Other taxes not reported under “Other operating expenses”	**-1.0**	**-0.1**
Net income for the year	**-60.8**	**-86.3**
Total expenses	**-919.7**	**-496.1**

in € million	2022	2021
Income		
Interest income from	**243.8**	**225.5**
a) Lending and money market transactions	214.9	194.5
thereof: negative interest	-43.7	-46.4
b) Fixed-income securities and government-inscribed debts	28.9	31.0
thereof: negative interest	-	-
Current income from	**21.0**	**46.5**
a) Equities and other non-fixed-income securities	21.0	46.5
b) Equity investments	-	0.0
c) Shares in associated companies	-	-
d) Shares in affiliated companies	-	-
Income from profit pooling, profit-transfer and partial profit-transfer agreements	**-**	**1.9**
Commission income	**25.0**	**28.5**
Net trading result	**-**	**-**
Income from reversals of write-downs of receivables and certain securities and from the reversal of provisions in lending business	**-**	**-**
Income from reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**0.8**	**94.3**
Other operating income	**203.2**	**99.3**
Income from winding up the fund for general banking risks	**426.0**	**-**
Extraordinary income	**-**	**-**
Income from assumption of losses	**-**	**-**
Net loss for the year	**-**	**-**
Total income	**919.7**	**496.1**
Net income/loss for the year	**60.8**	**86.3**
Non-controlling interests	**-**	**-0.1**
Profit carryforward from the previous year	**151.1**	**103.5**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 1 to no. 3 HGB	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 4 HGB	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-69.9**	**-38.6**
Replenishment of profit participation capital	**-**	**-**
Net retained profits/net accumulated losses	**142.0**	**151.1**

Income statement of IKB Deutsche Industriebank AG for the period from 1 January to 31 December 2022

in € million	2022	2021
Expenses		
Interest expenses	**-77.2**	**-53.0**
thereof: positive interest	46.8	63.4
Commission expenses	**-2.0**	**-2.2**
Net trading result	**-**	**-**
General administrative expenses	**-143.3**	**-132.6**
a) Personnel expenses	-84.3	-78.4
aa) Wages and salaries	-61.6	-61.3
ab) Social security, post-employment and other employee benefit costs	-22.7	-17.0
thereof: for pensions	-15.1	-8.1
b) Other administrative expenses	-59.0	-54.2
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	**-0.8**	**-1.8**
Other operating expenses	**-118.4**	**-186.2**
Write-downs of receivables and certain securities and additions to loan loss provisions	**-485.6**	**-11.7**
Write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**-25.6**	**-4.3**
Costs of loss absorption	**-2.4**	**-10.7**
Extraordinary expenses	**-5.8**	**-2.1**
Income taxes	**1.0**	**-18.1**
Other taxes not reported under "Other operating expenses"	**-1.0**	**0.0**
Profit transfer on the basis of profit pooling, profit-transfer and partial profit-transfer agreements	**-**	**-**
Net income for the year	**-62.6**	**-77.2**
Total expenses	**-923.6**	**-500.0**

in € million	2022	2021
Income		
Interest income from	**243.8**	**227.8**
a) Lending and money market transactions	216.5	198.4
thereof: negative interest	-43.7	-46.4
b) Fixed-income securities and government-inscribed debts	27.3	29.4
thereof: negative interest	-	-
Current income from	**15.3**	**5.3**
a) Equities and other non-fixed-income securities	14.9	5.3
b) Equity investments	-	0.0
c) Shares in affiliated companies	0.3	-
Income from profit pooling, profit-transfer and partial profit-transfer agreements	**3.5**	**47.4**
Commission income	**25.2**	**28.7**
Net trading result	**-**	**-**
Income from reversals of write-downs of receivables and certain securities and from the reversal of provisions in lending business	**-**	**-**
Income from reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets	**0.7**	**94.1**
Other operating income	**209.2**	**96.8**
Income from winding up the fund for general banking risks	**426.0**	**-**
Extraordinary income	**-**	**-**
Income from assumption of losses	**-**	**-**
Net loss for the year	**-**	**-**
Total income	**923.6**	**500.0**
Net income/loss for the year	**62.6**	**77.2**
Profit carryforward from the previous year	**190.9**	**152.3**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 1 to no. 3 HGB	**-**	**-**
Withdrawals from capital reserves in accordance with section 272 (2) no. 4 HGB	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-69.9**	**-38.6**
Replenishment of profit participation capital	**-**	**-**
Net retained profits/net accumulated losses	**183.6**	**190.9**

Consolidated cash flow statement

in € million		2022
Net income for the period (consolidated net income/loss for the year including minority interest)		**60.8**
+/-	Amortisation/depreciation and write-downs of receivables and fixed assets and reversals thereof	30.2
+/-	Increase/decrease in provisions	15.1
+/-	Other non-cash expenses/income	25.8
-/+	Gain/loss on the disposal of fixed assets	24.5
+/-	Other adjustments (net)	-3.6
+/-	Increase/decrease in receivables from banks	-307.2
+/-	Increase/decrease in receivables from customers	9.4
+/-	Increase/decrease in securities (other than long-term financial assets)	186.6
+/-	Increase/decrease in other assets from operating activities	-1.8
+/-	Increase/decrease in liabilities to banks	450.6
+/-	Increase/decrease in liabilities to customers	-422.0
+/-	Increase/decrease in securitised liabilities	-40.7
+/-	Increase/decrease in other liabilities from operating activities	1.8
+/-	Interest expenses/interest income	-188.1
+/-	Expenses/income from extraordinary items	6.1
+/-	Income tax expenses/income	-1.0
+	Interest and dividends received	244.0
-	Interest paid	-84.2
+	Extraordinary receipts	-
-	Extraordinary payments	-1.1
+/-	Income tax payments	-6.0
Cash flow from operating activities		**-0.9**
+	Receipts from the disposal of long-term financial assets	93.0
-	Payments for the acquisition of long-term financial assets	-109.0
+	Receipts from the disposal of tangible assets	-
-	Payments for the acquisition of tangible assets	-
+	Receipts from the disposal of intangible assets	-
-	Payments for the acquisition of intangible assets	-0.3
+	Receipts from disposals from consolidated group	-
-	Payments for additions to consolidated group	-
+/-	Change in cash funds from other investing activities (net)	-
+	Receipts from extraordinary items	-
-	Payment for extraordinary items	-
Cash flow from investing activities		**-16.4**
+	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	-
+	Receipt from extraordinary items	-
-	Payment for extraordinary items	-
-	Dividends paid to shareholders of the parent company	-
-	Dividends paid to other shareholders	-
+/-	Change in cash funds from other capital (net)	-174.8
Cash flow from financing activities		**-174.8**
	Net change in cash funds	-192.0
+/-	Effect on cash funds of changes in exchange rates and remeasurement	-
+/-	Changes in cash funds due to consolidated group	-
+	Cash funds at beginning of period	228.0
Cash funds at end of period		**35.9**

Notes to the consolidated cash flow statement

The consolidated cash flow statement was prepared in accordance with the requirements of German accounting standard no. 21 (GAS 21) on cash flow statements promulgated by the Federal Ministry of Justice and Consumer Protection. IKB makes use of the option provided under the GAS 21.22 not to disclose prior-year figures in the cash flow statement.

The IKB Group's cash funds equate to the "Cash reserve" balance sheet item plus the "Debt instruments of public sector entities and bills of exchange eligible for refinancing of central banks" balance sheet item. In the cash flow statement, the cash funds at the start of the year are reconciled with the cash funds available at the end of the year by showing the cash flows from

- operating activities,
- investing activities
- and financing activities.

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

The cash flow from investing activities shows receipts and payments from items whose general purpose is long-term investment or use. For banks, this includes receipts and payments from the disposal and acquisition of financial and tangible assets in particular. Additions and disposals resulting from 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 the owners and other shareholders of consolidated subsidiaries and from other capital.

Statement of changes in equity

Group:

in € million	1 Jan. 2022	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 Dec. 2022
(Corrected) subscribed capital	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Subscribed capital (ordinary shares)	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Treasury shares (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Uncalled unpaid contributions (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	**688.9**	**-**	**-**	**-**	**-**	**69.9**	**-**	**-**	**-**	**-**	**-**	**758.8**
Capital reserves	**647.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**647.9**
in accordance with section 272 (2) no. 1 to 3 HGB	7.6	-	-	-	-	-	-	-	-	-	-	7.6
in accordance with section 272 (2) no. 4 HGB	640.3	-	-	-	-	-	-	-	-	-	-	640.3
Revenue reserves	**41.0**	**-**	**-**	**-**	**-**	**69.9**	**-**	**-**	**-**	**-**	**-**	**110.9**
Legal reserves	2.4	-	-	-	-	-	-	-	-	-	-	2.4
Other revenue reserves[1)]	38.6	-	-	-	-	69.9	-	-	-	-	-	108.5
Difference in equity from currency translation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retained profits/accumulated losses brought forward	**151.1**	**-**	**-**	**-**	**-**	**-69.9**	**-**	**-**	**-**	**-**	**60.8**	**142.0**
Parent company's equity	**940.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60.8**	**1,000.8**
Non-controlling interests before currency translation and net profit/loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Currency translation attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit/loss for the year attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Consolidated equity	**940.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60.8**	**1,000.8**

1) The allocation to revenue reserves concerns the profit appropriation of €31.3 million in accordance with the section 58 (2) AktG as well as an amount of €38.6 million from the previous year's unappropriated surplus allocated in accordance with a resolution passed by the Annual General Meeting on the basis of a proposal by the Board of Managing Directors.

Group:

in € million	1 Jan. 2021	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	Net income/loss for the year	31 Dec. 2021
(Corrected) subscribed capital	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Subscribed capital (ordinary shares)	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Treasury shares (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Uncalled unpaid contributions (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	**650.3**	**-**	**-**	**-**	**-**	**38.6**	**-**	**-**	**-**	**-**	**-**	**688.9**
Capital reserves	**647.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**647.9**
in accordance with section 272 (2) no. 1 to 3 HGB	7.6	-	-	-	-	-	-	-	-	-	-	7.6
in accordance with section 272 (2) no. 4 HGB	640.3	-	-	-	-	-	-	-	-	-	-	640.3
Revenue reserves	**2.4**	**-**	**-**	**-**	**-**	**38.6**	**-**	**-**	**-**	**-**	**-**	**41.0**
Legal reserves	2.4	-	-	-	-	-	-	-	-	-	-	2.4
Other revenue reserves	-	-	-	-	-	38.6	-	-	-	-	-	38.6
Difference in equity from currency translation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retained profits/ accumulated losses brought forward	**115.5**	**-**	**-**	**-**	**-**	**-38.6**	**-12.0**	**-**	**-**	**-**	**86.2**	**151.1**
Parent company's equity	**865.8**	**-**	**-**	**-**	**-**	**-**	**-12.0**	**-**	**-**	**-**	**86.2**	**940.0**
Non-controlling interests before currency translation and net profit/loss for the year	**-4.3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.3**	**-**	**-**
Currency translation attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit/loss for the year attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-0.1**	**0.1**	**-**
Non-controlling interests	**-4.3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.2**	**0.1**	**-**
Consolidated equity	**861.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-12.0**	**0.0**	**0.0**	**4.2**	**86.3**	**940.0**

In the previous year, the non-controlling interests primarily related to minority shareholders of the special purpose vehicle HIMERA Grundstücks-Vermietungsgesellschaft mbH, Pullach i. Isartal.

IKB AG:

in € million	1 Jan. 2022	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 Dec. 2022
(Corrected) subscribed capital	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Subscribed capital (ordinary shares)	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Treasury shares (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Uncalled unpaid contributions (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	**688.9**	**-**	**-**	**-**	**-**	**69.9**	**-**	**-**	**-**	**758.8**
Capital reserves	**647.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**647.9**
in accordance with section 272 (2) no. 1 to 3 HGB	7.6	-	-	-	-	-	-	-	-	7.6
in accordance with section 272 (2) no. 4 HGB	640.3	-	-	-	-	-	-	-	-	640.3
Revenue reserves	**41.0**	**-**	**-**	**-**	**-**	**69.9**	**-**	**-**	**-**	**110.9**
Legal reserves	2.4	-	-	-	-	-	-	-	-	2.4
Other revenue reserves[1)]	38.6	-	-	-	-	69.9	-	-	-	108.5
Retained profits/ accumulated losses brought forward	**190.9**	**-**	**-**	**-**	**-**	**-69.9**	**-**	**-**	**62.6**	**183.6**
Equity	**979.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**62.6**	**1,042.4**

1) The allocation to revenue reserves concerns the profit appropriation of €31.3 million in accordance with the section 58 (2) AktG as well as an amount of €38.6 million from the previous year's unappropriated surplus allocated in accordance with a resolution passed by the Annual General Meeting on the basis of a proposal by the Board of Managing Directors.

IKB AG:

in € million	1 Jan. 2021	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 Dec. 2021
(Corrected) subscribed capital	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Subscribed capital (ordinary shares)	**100.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.0**
Ordinary shares	100.0	-	-	-	-	-	-	-	-	**100.0**
Preference shares	-	-	-	-	-	-	-	-	-	-
Treasury shares (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Uncalled unpaid contributions (ordinary shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves	**650.3**	**-**	**-**	**-**	**-**	**38.6**	**-**	**-**	**-**	**688.9**
Capital reserves	**647.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**647.9**
in accordance with section 272 (2) no. 1 to 3 HGB	7.6	-	-	-	-	-	-	-	-	7.6
in accordance with section 272 (2) no. 4 HGB	640.3	-	-	-	-	-	-	-	-	640.3
Revenue reserves	**2.4**	**-**	**-**	**-**	**-**	**38.6**	**-**	**-**	**-**	**41.0**
Legal reserves	2.4	-	-	-	-	-	-	-	-	**2.4**
Other revenue reserves	-	-	-	-	-	38.6	-	-	-	**38.6**
Retained profits/ accumulated losses brought forward	**164.3**	**-**	**-**	**-**	**-**	**-38.6**	**-12.0**	**-**	**77.2**	**190.9**
Equity	**914.6**	**-**	**-**	**-**	**-**	**-**	**-12.0**	**-**	**77.2**	**979.8**

Notes to the financial statements and the consolidated financial statements

Applied accounting principles

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

IKB Deutsche Industriebank AG (IKB 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 pursuant to sections 340a and 242 of the German Commercial Code (Handelsgesetzbuch – HGB) in conjunction with section 264 HGB and to prepare consolidated financial statements and a Group management report pursuant to section 340i (1) HGB in conjunction with section 290ff. HGB.

The consolidated financial statements (Group) and the annual financial statements (IKB AG) of IKB Deutsche Industriebank AG for the financial year from 1 January to 31 December 2022 are prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) in conjunction with the German Regulation on the Accounting of Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV) and relevant regulations of the German Stock Corporation Act (Aktiengesetz – AktG). The consolidated financial statements also take into account the German accounting standards (GAS) adopted by the Accounting Standards Committee of Germany (ASCG) and promulgated by the German Federal Ministry of Justice in accordance with section 342 (2) HGB.

The comparative figures for the previous year were calculated in line with the requirements of German commercial law and disclosed in accordance with section 298 (1) HGB in conjunction with section 265 (2) HGB. Whereas the previous year (2021) had not been fully comparable with the preceding one due to the change of financial year in 2020, the year under review (2022) was comparable with the previous year.

The balance sheet and the income statement are structured in line with the forms for banks pursuant to section 2 RechKredV. The income statement is prepared in account form (RechKredV form 2).

Disclosures that can be provided either in the (consolidated) balance sheet/(consolidated) income statement or the notes to the (consolidated) financial statements have largely been provided in the notes to the (consolidated) financial statements in the order of the items concerned. Amounts are stated in millions of euros. Minor deviations may occur in the totals in the notes due to rounding. Amounts below €50,000 and values of zero are shown as "-" in IKB AG's consolidated financial statements and annual financial statements.

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

IKB's financial year begins on 1 January and end on 31 December.

(2) Changes in presentation and measurement and corrections to financial statements

Due to the rise in interest rates as a result of the indirect effects of the Ukraine war, as well as the prospect of persistently high inflation, IKB AG abandoned its intention to hold selected securities until maturity and transferred these securities from fixed assets to the liquidity reserve with retroactive effect from 1 January 2022. The fair-value remeasurement of the transferred securities still held as of the reporting date resulted in impairments of €355.7 million.

(3) Consolidated group

In addition to IKB AG, 13 (31 December 2021: 12) subsidiaries were consolidated in the consolidated financial statements for the period ended 31 December 2022. 12 (31 December 2021: 16) further subsidiaries were not consolidated pursuant to section 296 (2) and section 311 (2) HGB due to being of only minor importance to the net assets, financial position and results of operations of the Group. Not consolidating these companies does not result in a significantly different view of the economic position of the Group than if they had been consolidated.

IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf, was consolidated for the first time in April 2022. The purpose of this entity is to hold investments.

For further information, please see note (51).

(4) Consolidation principles

The consolidated financial statements were prepared in accordance with the uniform accounting policies applicable to IKB AG. The annual financial statements of the subsidiaries included that are neither banks nor financial services institutions have been reconciled to the structure of the RechKredV forms. There are no Group companies with reporting dates that differ from the Group reporting date.

Since the German Act to Modernise Accounting Law (Bilanzrechtsmodernisierungsgesetz – BilMoG) entered into force, capital consolidation for companies consolidated for the first time has been carried out in accordance with the revaluation method pursuant to section 301 HGB. Prior to BilMoG's entry into force, companies consolidated for the first time were consolidated in accordance with the book value method.

Increases in the shares in subsidiaries are classified as a capital transaction within the meaning of GAS 23 – Accounting for Subsidiaries in Consolidated Financial Statements, and thus the assets and liabilities are not remeasured. Instead, the cost of the additional shares is offset against the non-controlling interests in equity attributable to these shares at the date on which these shares are acquired. Any difference remaining after this offsetting is offset directly against group equity.

Assets, liabilities, prepaid expenses, deferred income, expenses and income between the Group companies included are consolidated unless industry-specific accounting regulations prevent this. Intercompany profits or losses from internal transactions are eliminated unless immaterial.

Accounting policies

(5) Receivables

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

(6) Provisions for possible loan losses

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

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

In order to estimate current latent counterparty risks, general loan losses allowances and general provisions for receivables from customers and contingent liabilities under guarantees are calculated using a simplified method in accordance with the IDW accounting statement: risk provisions for foreseeable but not yet specific counterparty risks in bank lending business ("general loan losses allowances" – IDW AcP BFA7).

For credit exposures in which the expected loss and the corresponding credit risk premium can be assumed to be balanced at the time the loan is granted, a general loan losses allowance is recognised in the amount of the expected loss over an observation period of twelve months without taking credit quality premiums into account (1-year expected loss).

In the case of exposures for which such a balance can no longer be assumed, the expected loss is estimated using a premium rate of 75% on the 1-year expected loss. This estimate covers at least the calculated lifetime expected loss for these exposures. To determine this calculated markup, historical loss time series were utilised, taking into account credit risk premiums collected and individual exposure categories (normal servicing with a deterioration of more than one notch in the credit rating, intensive, restructuring and workout servicing) over a long-term period (starting from March 2011).

To cover additional latent risks arising from the current uncertain macroeconomic situation, an additional portfolio loan loss allowance has been recognised to address the risk of expected future rating downgrades that can only be mapped successively upon the analysis of borrowers' financial statements for the period up until the end of 2022. The calculation was based on expert estimates in the light of the sectors in which the borrowers operate.

To reflect latent risks of counterparty default on receivables from banks, irrevocable loan commitments and contingent liabilities under protection seller credit default swaps, the Bank also applies the method described above by analogy and has likewise calculated general loan losses allowances and general loan loss provisions for lending business.

In accordance with the guidance provided by IDW RS BFA 7, no general loan losses allowances are calculated for securities held as fixed assets.

To cover country risks, a general 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 loan losses allowance for country risks 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.

Uncollectible receivables are written off directly. Recoveries on loans previously written off are recognised under "Risk provisions in the lending business" in the income statement.

(7) Securities

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

Securities classified as fixed assets are subsequently measured in accordance with the less strict lower-of-cost-or-market principle 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 held as current assets are measured at the lower of the stock-exchange or market price in line with the strict lower-of-cost-or-market principle in accordance with section 340e (1) sentence 2 HGB in conjunction with section 253 (4) HGB. If no prices are available at the reporting date, the fair value is calculated on the basis of price information from market data providers and tested for plausibility using suitable methods. If no stock-exchange prices or price information from contractual providers are available for securities, the value is calculated on the basis of the Bank's own measurement models by discounting expected cash flows. The discount rate is calculated using the risk profile of similar securities. Parameters not exclusively observable on the market are also used for this.

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

Structured financial instruments are recognised in accordance with the principles of IDW AcP 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 (repo) transactions, the Bank sell securities – as a repo seller – and at the same time agrees a contingent (non-genuine) or non-contingent (genuine) repurchase agreement for the securities with the repo buyer.

Repo transactions are recognised in line with the rules of section 340b HGB. Thus, in genuine repo transactions, IKB – as the repo seller – continues to report the assets sold on its balance sheet and at the same time recognises a corresponding liability to the repo buyer. If IKB is the repo buyer, 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 continue to be recognised by the lender on account of its beneficial ownership.

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

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

Finite-lived tangible assets and intangible assets are measured at cost less depreciation or amortisation and impairment. Tangible assets are depreciated on a straight-line basis over their ordinary useful life. If the market values of individual fixed assets fall below their book value, 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 is not exercised. Intangible fixed assets purchased from third parties are capitalised at acquisition cost and amortised pro rata temporis on a straight line basis over their standard useful life.

Other assets are carried at cost less any write-downs.

(10) Deferred taxes

If there are differences between the book values of assets, liabilities, prepaid expenses and deferred income in the financial statements and their tax bases 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 relief resulting from this can be recognised as a deferred tax asset. In calculating deferred tax assets, temporary differences or tax loss carry forwards 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 274 (1) sentence 3 HGB (gross presentation) is not exercised.

The deferred taxes are measured using individual tax rates for each taxable 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 derived using the applicable trade tax multipliers are assumed. Deferred taxes for foreign operations and subsidiaries are measured using the tax rates that apply there.

Owing to tax groups for corporate income tax purposes, the deferred tax assets and liabilities resulting from temporary differences at tax group subsidiaries are taken into account in the calculation of the deferred taxes of the tax group parent. For tax group parents that are also tax group subsidiaries, temporary differences are taken into account at the level of the ultimate 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. 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 solely used 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 to be offset. The net amount is reported under other operating income or other operating expenses, depending on whether it is positive or negative.

Assets transferred in contractual trust arrangements (CTAs) are measured at fair value. If the fair value of the assets exceeds the amount of the liabilities, the amount is reported under “Excess of plan assets over post-employment benefit liability”.

The accounting of 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 is recognised under deferred items and charged to profit or loss on a systematic basis.

(13) Provisions

Provisions for pensions and similar obligations

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

Measurement factor	31 Dec. 2022 Assumption	31 Dec. 2021 Assumption
Interest rate (7-year/10-year average)	1.44%/1.78%	1.35%/1.87%
Salary increases (Board of Managing Directors/non-pay-scale employees/pay-scale employees)	0.0%/1.0%/1.5%	0.0%/1.0%/1.5%
Pension trend	1.80%	1.60%
Staff turnover rate broken down by age and gender		
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 used for discounting similar obligations. The interest rate is 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.

To hedge the obligations from pension fund plans and similar arrangements, 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 lower 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 regarding offsetting transferred assets against pension obligations and the recognition of assets.

The Bank exercises the option not to recognise indirect pension obligations (2015 pension plan) in its balance sheet. Similarly, the pension obligations transferred to an external pension fund as of 30 November 2021 due to a change in the pension scheme are no longer recognised in the balance sheet as they entail indirect obligations (see Note (35)).

Tax and other provisions

Provisions for taxes and other provisions are recognised in the settlement amount required according to prudent business judgment. The settlement amount required 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 German Regulation on the Discounting of Provisions. 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 Group 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 below the balance sheet at nominal amounts less any provisions recognised.

(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”. This item therefore includes expenses and income in connection with extraordinary measures, such as transformation and merger processes or restructuring measures (see note (44)).

(16) Derivatives and fair-value measurement of the banking book

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

For futures positions that are not subject to integration treatment, provisions for expected losses from executory contracts are recognised if the fair value is negative.

Interest derivatives are measured at the lower of cost and market value together with all other interest-bearing financial instruments in accordance with the principles of IDW AcP BFA 3. The present value of the interest-bearing transaction is compared with the corresponding book values, taking into account administrative and risk costs and anticipated refinancing costs. Future cash flows are discounted for the purposes of measurement of the banking book at the lower of cost and market value using a uniform yield curve per currency. Measurement at the lower of cost and market value in accordance with IDW AcP BFA 3 did not result in any requirement to recognise provisions.

The closure costs were calculated on the basis of the Bank’s funding structure as of the reporting date, with due allowance made for planned changes where these forms of funding are not available in the long term.

Risk costs are derived on the basis of risk-free interest present values. It was not necessary to recognise any provisions in accordance with IDW AcP BFA 3 as of the reporting date.

Credit derivatives are accounted for in accordance with IDW AcP BFA 1. Accordingly, credit derivatives for which IKB is the protection buyer are treated as loan collateral if the credit derivative hedges default risk, IKB intends to hold the derivative to 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 collateral holder are recognised as executory contracts. Provisions for expected losses are recognised in the amount of the negative fair values.

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

(17) Currency translation

The modified closing rate method in accordance with section 308a HGB/GAS 25 – Foreign Currency Translation in Consolidated Financial Statements is used to translate foreign-currency financial statements in the Group. The asset and liability items but not the equity on a balance sheet in a foreign currency are translated to euros at the mean spot rate on the balance sheet date. Equity is translated into euros at the historic rate. Income statement items are translated into euros at the average exchange rate. Any translation difference is reported in consolidated equity as the "Difference in equity from currency translation". No foreign-currency financial statements were included in the Group as of 31 December 2022.

In IKB AG's the single-entity financial statements and in the other institutions in the Group, foreign-currency assets and liabilities are translated in line with the principles of section 340h HGB in conjunction with section 256a HGB if there is special cover. Thus, foreign-currency assets and liabilities are translated at the mean spot rate as of the balance sheet date. If the requirements of special cover are not satisfied, currency translation is performed in line with the requirements that apply to all merchants (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 rules apply.

This special cover within the meaning of section 340h HGB can be deemed provided in accordance with IDW AcP BFA 4 if the currency risk is managed via 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 calculation of gains or losses. The mark-ups and mark-downs on the spot rate are offset pro rata temporis in net interest income. For the above transactions, a check is made of whether closing the positions with matched terms would result in losses and whether provisions should be recognised for these (measurement of remaining items).

Notes to the balance sheet

(18) Cash reserve

The cash reserve deposited with the ECB fell to €35.9 million (previous year: €228.0 million) in the Group and €35.9 million (previous year: €228.0 million) at the level of IKB AG. The decline is primarily due to the fact that surplus liquidity was invested in the short term in the deposit facility as of the reporting date and is therefore included in receivables from banks.

(19) Maturity structure of selected balance sheet items by remaining term

	Group		IKB AG	
in € million	**31 Dec. 2022**	**31 Dec. 2021**	**31 Dec. 2022**	**31 Dec. 2021**
Receivables from banks[1)]	**768.1**	**782.6**	**768.1**	**782.6**
remaining term				
up to 3 months	27.9	21.2	27.9	21.2
more than 3 months up to 1 year	740.3	761.4	740.3	761.4
more than 1 year up to 5 years	-	-	-	-
more than 5 years	-	-	-	-
Receivables from customers	**8,810.4**	**8,847.2**	**9,095.2**	**9,132.0**
remaining term				
up to 3 months	542.9	726.2	827.7	726.2
more than 3 months up to 1 year	1,704.4	1,483.5	1,704.4	1,768.3
more than 1 year up to 5 years	5,715.9	5,781.3	5,715.9	5,781.3
more than 5 years	847.2	856.1	847.2	856.1
Liabilities to banks[1)]	**8,864.1**	**8,610.3**	**8,864.1**	**8,610.3**
remaining term				
up to 3 months	654.8	202.0	654.8	202.0
more than 3 months up to 1 year	3,788.5	782.2	3,788.5	782.2
more than 1 year up to 5 years	3,641.6	6,780.6	3,641.6	6,780.6
more than 5 years	779.2	845.5	779.2	845.5
Liabilities to customers[1)]	**3,116.5**	**3,495.7**	**3,209.3**	**3,612.8**
remaining term				
up to 3 months	418.5	593.8	422.0	597.0
more than 3 months up to 1 year	1,098.1	1,313.6	1,187.4	1,427.5
more than 1 year up to 5 years	1,513.3	1,419.6	1,513.3	1,419.6
more than 5 years	86.6	168.7	86.6	168.7

1) not including receivables or liabilities repayable on demand

Of the bonds and other fixed-income securities, €44.1 million (previous year: €24.6 million) in the Group and €44.1 million (previous year: €24.6 million) in IKB AG have a remaining term of up to one year. Of the bonds issued that are reported as securitised liabilities, €12.3 million (previous year: €41.4 million) in the Group and €12.3 million (previous year: €41.4 million) in IKB AG have a remaining term of up to one year.

(20) Foreign-currency assets

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

	Group		IKB AG	
in € million	**31 Dec. 2022**	**31 Dec. 2021**	**31 Dec. 2022**	**31 Dec. 2021**
Assets	341.4	322.2	377.6	352.7

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

(21) Repurchase agreements

As at the reporting date, assets of €728.5 million recognised in the balance sheet in genuine repurchase agreements had been transferred as collateral in both the Group and IKB AG (previous year: Group and IKB AG €0.0 million).

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

	Group			
	31 Dec. 2022		31 Dec. 2021	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	-	-	-	-
Other assets	-	-	1.9	-

	IKB AG			
	31 Dec. 2022		31 Dec. 2021	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from customers	284.8	-	284.8	-
Other assets	40.1	-	71.5	-

The decline in other assets in IKB AG is due to the reduction to €3.5 million (previous year: €40.0 million) in receivables from profit transfer. The intra-Group sub-participation in expected settlement payments under pending lawsuits included in IKB AG's other assets increased to €36.6 million due to the reversal of an impairment in the light of repayments received (previous year: €31.4 million).

(23) Fixed assets

Group:

in € million	Intangible fixed assets	Tangible assets	Equity investments	Shares in affiliated companies	Bonds and other fixed-income securities	Equities and other non-fixed-income securities	Total
Cost as of 31 December 2021	**26.8**	**7.8**	**0.6**	**1.9**	**3,039.0**	**631.3**	**3,707.4**
Additions to the consolidated group	-	-	-	-	-	-	-
Additions	0.3	0.0	-	0.0	122.1	-	122.4
Reclassifications	-	-	-	-0.1	-948.4	-	-948.5
Effects of currency translation	-	-	-	-	6.3	-	6.3
Disposals	-1.3	-0.2	-	-0.5	-109.2	-30.4	-141.6
Cost as of 31 December 2022	**25.8**	**7.6**	**0.6**	**1.3**	**2,109.8**	**601.0**	**2,746.1**
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 31 December 2021	**-25.8**	**-4.9**	**-**	**0.0**	**-**	**-1.3**	**-32.0**
Reversal of write-downs	-	-	-	-	-	0.1	0.1
Depreciation/amortisation and write-downs	-0.3	-0.4	-0.4	0.0	-	-	-1.1
Reclassifications	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-	-	-
Disposals from the consolidated group	-	-	-	-	-	-	-
Disposals	1.3	0.1	-	-	-	1.2	2.6
Accumulated depreciation/ amortisation and write-downs and reversals thereof up to 31 December 2022	**-24.7**	**-5.3**	**-0.4**	**0.0**	**-**	**-**	**-30.4**
Residual book value as of 31 December 2022	**1.0**	**2.3**	**0.2**	**1.3**	**2,109.8**	**601.0**	**2,715.6**
Residual book value as of 31 December 2021	**1.0**	**2.8**	**0.6**	**1.9**	**3,039.0**	**630.0**	**3,675.3**

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

IKB AG:

in € million	Intangible fixed assets	Tangible assets	Equity investments	Shares in affiliated companies	Bonds and other fixed-income securities	Equities and other non-fixed-income securities	Total
Cost as of 31 December 2021	**26.7**	**7.7**	**0.2**	**681.0**	**3,045.9**	**325.8**	**4,087.3**
Additions	0.3	0.0	-	0.2	122.1	-	122.6
Reclassifications	-	-	-	0.0	-948.4	-	-948.4
Effects of currency translation	-	-	-	-	6.3	-	6.3
Disposals	-1.3	-0.2	-	-1.1	-110.8	-29.0	-142.4
Cost as of 31 December 2022	**25.7**	**7.6**	**0.2**	**680.1**	**2,115.1**	**296.8**	**3,125.5**
Accumulated depreciation/amortisation and write-downs and reversals thereof up to 31 December 2021	**-25.7**	**-4.9**	**-**	**-563.1**	**-**	**-**	**-593.7**
Reversal of write-downs	-	-	-	-	-	-	-
Depreciation/amortisation and write-downs	-0.3	-0.4	-	-0.5	-	-	-1.2
Reclassifications	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-	-	-
Disposals	1.3	0.1	-	-	-	-	1.4
Accumulated depreciation/ amortisation and write-downs and reversals thereof up to 31 December 2022	**-24.7**	**-5.3**	**-**	**-563.6**	**-**	**-**	**-593.6**
Residual book value as of 31 December 2022	**1.0**	**2.3**	**0.2**	**117.1**	**2,115.1**	**296.8**	**2,532.5**
Residual book value as of 31 December 2021	**1.0**	**2.8**	**0.2**	**117.9**	**3,045.9**	**325.8**	**3,493.6**

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

Tangible assets exclusively comprise operating and office equipment of €2.3 million (previous year: €2.8 million) in the Group and €2.3 million (previous year: €2.8 million) in IKB AG.

The impairments recognised on the Group’s equity investments concern the share held in FUNDINGPORT GmbH, Hamburg.

The reclassifications in the item “Bonds and other fixed-income securities” relate to ten securities that are no longer to be held to maturity. As a result, they were transferred to the liquidity reserve and measured at their fair value in accordance with section 253 (4) of the German Commercial Code. Losses of €466.7 million arose from the remeasurement and disposal of these securities in particular in 2022.

The “Bonds and other fixed income securities” item largely comprises European government bonds and bank bonds.

The line item “Equities and other non-fixed-income securities” comprises primarily (at the level of the Group) or solely (at the level of IKB AG) shares in special funds allocated to fixed assets (see Note (26)) for more details). The disposals concern capital distributions arising during the year.

All in all, the Group had unrealised losses of €368.8 million (previous year: €128.3 million) on securities held as fixed assets on the basis of book values of €2,210.6 million (previous year: €1,900.8 million) and fair values of €1,841.7 million (previous year: €1,772.5 million). IKB AG had total unrealised losses of €372.3 million (previous year: €128.3 million) on securities held as fixed assets on the basis of book values of €1,997.3 million (previous year: €1,900.8 million) and fair values of €1,625.0 million (previous year: €1,772.5 million). These impairment losses were not recognised in the Group or in IKB AG because the differences between the carrying amounts and the fair values are not expected to be permanent within the meaning of section 253 (3) HGB. All unrealised gains and losses on securities held as fixed assets are presented in note (59).

In the current financial year, write-downs of fixed assets for impairments that are expected to be permanent were recognised in the amount of €0.4 million (previous year: €0.0 million) in the Group and €0.5 million (previous year: €0.3 million) in IKB AG.

The amounts stated do not include deferred interest.

(24) Subordinated assets

in € million	Group 31 Dec. 2022	Group 31 Dec. 2021	IKB AG 31 Dec. 2022	IKB AG 31 Dec. 2021
Receivables from customers	14.1	21.5	14.1	21.5
Total	**14.1**	**21.5**	**14.1**	**21.5**

The decline in subordinated assets is attributable to scheduled and unscheduled repayments of receivables from customers.

(25) Tradeable securities

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

	Group			IKB AG		
31 Dec. 2022 in € million	**Total negotiable**	**Listed**	**Not listed**	**Total negotiable**	**Listed**	**Not listed**
Bonds and other fixed-income securities	2,421.1	2,344.7	76.4	2,426.4	2,350.0	76.4
Equities and other non-fixed-income securities	601.0	-	601.0	296.8	-	296.8
Equity investments	-	-	-	-	-	-

	Group			IKB AG		
31 Dec. 2021 in € million	**Total negotiable**	**Listed**	**Not listed**	**Total negotiable**	**Listed**	**Not listed**
Bonds and other fixed-income securities	3,048.8	2,966.7	82.1	3,055.7	2,973.6	82.1
Equities and other non-fixed-income securities	630.0	-	630.0	325.8	-	325.8
Equity investments	-	-	-	-	-	-

The item “Bonds and other fixed-income securities” includes tradeable securities held as fixed assets of €2,109.8 million (previous year: €3,039.0 million) in the Group and €2,115.1 million (previous year: €3,045.9 million) in IKB AG. The item “Equities and other non-fixed-income securities” includes tradeable securities held as fixed assets of €601.0 million (previous year: €630.0 million) in the Group and €296.8 million (previous year: €325.8 million) in IKB AG.

(26) Disclosures on investment funds

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

in € million	Group Book value 31 Dec. 2022	Group Fair value 31 Dec. 2022	Group Difference to book value 31 Dec. 2022	Group Distribution 2022	IKB AG Book value 31 Dec. 2022	IKB AG Fair value 31 Dec. 2022	IKB AG Difference to book value 31 Dec. 2022	IKB AG Distribution 2022
Mixed funds	180.7	180.7	-	-	180.7	180.7	-	-
Other special funds	601.0	600.1	-0.9	21.0	296.8	296.4	-0.4	14.9
Total	**781.7**	**780.8**	**-0.9**	**21.0**	**477.5**	**477.1**	**-0.4**	**14.9**

in € million	Group Book value 31 Dec. 2021	Group Fair value 31 Dec. 2021	Group Difference to book value 31 Dec. 2021	Group Distribution 2021	IKB AG Book value 31 Dec. 2021	IKB AG Fair value 31 Dec. 2021	IKB AG Difference to book value 31 Dec. 2021	IKB AG Distribution 2021
Mixed funds	198.4	198.4	-	-	198.4	198.4	-	-
Other special funds	630.0	657.7	**27.7**	46.5	325.8	344.5	18.7	5.3
Total	**828.4**	**856.1**	**27.7**	**46.5**	**524.2**	**542.9**	**18.7**	**5.3**

Mixed funds comprise investments of the CTA assets in a domestic special-purpose fund. If the offsetting of CTA assets against pension obligations (for each pension plan) results in an excess of CTA assets, this is reported under “Excess of plan assets over post-employment benefit liability”. If the offsetting results in an excess pension obligation, this is recognised as a pension provision. In view of the planned reorientation of the investment policy for the CTA assets, the fund is primarily composed of money-market and fixed-income investment funds.

Other special funds include units in foreign special funds that particularly invest in European and North American fixed-income securities. Distributions from investment funds are recognised in the income statement in the “Equities and other non-fixed-income securities” item. Capital distributions are reported as a reduction in the book value.

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

(27) Other assets

The “Other assets” item includes the following:

in € million	Group 31 Dec. 2022	Group 31 Dec. 2021	IKB AG 31 Dec. 2022	IKB AG 31 Dec. 2021
Foreign currency adjustment asset	9.3	6.9	9.3	6.9
Receivables from tax authorities	19.2	20.3	18.9	20.2
Deferrals for derivatives	29.6	18.7	29.6	18.7
Trade receivables	4.3	2.7	4.3	2.7
Receivables from affiliated companies	-	1.9	40.1	71.5
Miscellaneous assets	14.1	9.9	13.8	9.6
Total	**76.5**	**60.5**	**116.1**	**129.6**

The foreign currency adjustment asset includes translation differences on currency derivatives in the non-trading book that are included in the special cover in accordance with section 340h HGB.

(28) Prepaid expenses

"Prepaid expenses" break down as follows:

	Group		IKB AG	
in € million	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Discounts on liabilities recognised at their nominal value	0.5	0.6	0.5	0.6
Deferred income for the derivatives business and for credit default swaps accounted for like guarantees	28.9	32.6	28.9	32.6
Prepaid expenses for invoices paid in advance	10.1	11.8	10.0	11.3
Total	**39.6**	**45.0**	**39.4**	**44.5**

(29) Deferred tax assets

The book value 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 book value relates to investment funds of the domestic tax group and the difference between the fair values of the securities held as current assets and those of the pension provisions recognised in the financial accounts and the tax accounts. Local tax rates were used as a basis in each case. The resulting tax expenses and income have been reported net.

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

31 Dec. 2022 in € million	Group	IKB AG
Offset assets		
Acquisition cost	247.7	247.7
Fair value	245.1	245.1
Offset liabilities		
Settlement amount	-347.5	-347.5
Excess of plan assets over post-employment benefit liability	**2.7**	**2.7**
Expenses and income offset in the reporting year	**2022**	**2022**
Expenses and income from pension obligations		
Expenses for pension obligations	-9.9	-9.9
Expenses and income from plan assets		
Income from plan assets	0.4	0.4
Expenses from plan assets	-6.6	-6.6
Net income/expense	**-16.2**	**-16.2**

31 Dec. 2021 in € million	Group	IKB AG
Offset assets		
Acquisition cost	247.9	247.9
Fair value	255.3	255.3
Offset liabilities		
Settlement amount	-341.7	-341.7
Excess of plan assets over post-employment benefit liability	**6.8**	**6.8**
Expenses and income offset in the reporting year	**2021**	**2021**
Expenses and income from pension obligations		
Expenses for pension obligations	-29.7	-29.7
Expenses and income from plan assets		
Income from plan assets	5.4	5.4
Expenses from plan assets	-5.1	-5.1
Net income/expense	**-29.4**	**-29.4**

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

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

	Group			
	31 Dec. 2022		31 Dec. 2021	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Liabilities to clients	1.5	-	4.0	-
Other liabilities	-	-	-	-

	IKB AG			
	31 Dec. 2022		31 Dec. 2021	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Liabilities to clients	97.0	-	124.5	-
Securitised liabilities	-	-	-	-
Other liabilities	0.4	-	10.7	-
Subordinated liabilities	75.1	-	75.1	-

The decline in liabilities to customers in IKB AG is the result of the settlement of profit transfer obligations of subsidiaries, while the decline in other liabilities is the result of the settlement of loss absorption obligations to subsidiaries.

(32) Foreign-currency liabilities

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

	Group		IKB AG	
in € million	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Liabilities	204.2	248.9	204.2	249.5

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

(33) Securitised liabilities

The portfolio of securitised liabilities declined to €31.1 million (previous year: €72.1 million) in the Group and €31.1 million (previous year: €72.1 million) at the level of IKB AG. The decline is due to repayments of issued bearer bonds.

(34) Other liabilities

The "Other liabilities" item breaks down as follows:

	Group		IKB AG	
in € million	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Obligations from derivatives	1.9	2.0	1.9	2.0
Deferrals for derivatives	27.5	16.2	27.5	16.2
Liabilities to tax authorities	0.2	1.6	0.1	1.5
Deferred income for subordinated liabilities	14.4	17.7	14.4	17.7
Trade payables	4.1	4.4	4.1	4.4
Miscellaneous liabilities	9.5	5.6	9.4	15.8
Total	**57.6**	**47.4**	**57.4**	**57.5**

(35) Deferred income

"Deferred income" breaks down as follows:

	Group		IKB AG	
in € million	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Discounts on receivables recognised at their nominal value	6.2	6.0	6.2	6.0
Deferred income for the derivatives business and for credit default swaps accounted for like guarantees	31.6	34.7	31.6	34.7
Total	**37.8**	**40.7**	**37.8**	**40.7**

(36) Pension provisions

The reported pension provisions stand at €106.9 million (31 December 2021: €95.1 million) in the Group and €105.0 million (31 December 2021: €93.2 million) in IKB AG. The increase in pension provisions is particularly due to the inflation-induced rise in pension obligations.

The indirect pension obligations not recognised in the balance sheet are covered by corresponding plan assets. In the case of two pension plans, there is an accounting deficit of €1.7 million, representing the difference between plan assets and the obligations.

The difference in accordance with section 253 (6) HGB amounts to:

31 Dec. 2022 in € million	Group	IKB AG
Measurement of the obligation at the average market interest rate for the past 10 years	326.9	325.0
Measurement of the obligation at the average market interest rate for the past 7 years	342.1	340.1
Difference in accordance with section 253 (6) HGB	**15.2**	**15.1**

(37) Subordinated liabilities

This item comprises liabilities whose contractual conditions stipulate that, in the event of insolvency or liquidation, they will only be repaid after all non-subordinated creditors have been repaid. Early repayment obligation and participation in the losses from operating activities are not provided for.

The preferred shares (trust preferred securities), which were issued by the IKB Funding Trust I, a subsidiary in the USA founded specifically for this purpose, and are defined as hybrid capital instruments, are also reported as subordinated liabilities. In the event of insolvency, these will only be repaid once all other subordinated liabilities and any profit participation certificate issues have been serviced. Unlike German preferred shares, these preferred shares receive no share in the proceeds of liquidation of the issuing companies. In the case of preferred shares, perpetual maturity has been agreed for the investor.

With the exception of the preferred shares issued by IKB Funding Trust I, the interest on all subordinated liabilities 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 €583.5 million (previous year: €765.5 million) in the Group and €583.5 million (previous year: €765.6 million) in IKB AG. €75.1 million (previous year: €75.1 million) of this is accounted for by the preferred shares still outstanding. The interest expenses for subordinated liabilities, including the preferred shares, in the reporting year amounted to €25.1 million (previous year: €28.1 million) in the Group and €25.5 million (previous year: €28.5 million) in 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**	**Book value** **in € million**	**Currency**	**Interest rate in** **%**	**Maturity date**
2002/2003	75.1	EUR	EURIBOR 3 M + 1.500%	perpetual
2005/2006	99.7	JPY	2.76	21/07/2035
2017/2018	300.0	EUR	4.00	31/01/2028

IKB AG **Year of issue**	**Book value** **in € million**	**Currency**	**Interest rate in** **%**	**Maturity date**
2002/2003	75.1	EUR	EURIBOR 3 M + 2.015%	perpetual
2005/2006	99.7	JPY	2.76	21/07/2035
2017/2018	300.0	EUR	4.00	31/01/2028

(38) Fund for general banking risks

In the period under review, an amount of €426.0 million (previous year: €0.0 million) was withdrawn from the fund for general banking risks in accordance with section 340g HGB. This amount was reported in "Income from winding up the fund for general banking risks" through profit and loss. After the withdrawal, the fund for general banking risks had a balance of €159.0 million (31 December 2021: €585.0 million) at the level of the Group as well as of IKB.

(39) Development of capital

Treasury shares

In the 2022 financial year, there were no holdings of treasury shares – neither additions nor disposals.

Equity

The share capital consists of 100,000,000 no-par value 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.

Additions to revenue reserves

With respect to profit allocation, a partial amount of €31.3 million of IKB AG's net income for the year of €62.6 million has been allocated to revenue reserves in accordance with section 58 (2) of the German Stock Corporation Act (AktG), resulting in an unappropriated surplus of €183.6 million.

Proposed appropriation of profits

The Board of Managing Directors recommends the allocation of a partial amount of €31.3 million from the unappropriated surplus of €183.6 million to revenue reserves, with the balance of €152.3 million to be carried forward.

The amounts barred from distribution break down as follows:

Group:

31 Dec. 2022 in € million	Gross income	Amount barred from distribution
Recognition of deferred taxes	-	129.0
Difference in the valuation of pension obligations resulting from the change in the market interest rates	15.2	15.2
Total	**15.2**	**144.2**

IKB AG:

31 Dec. 2022 in € million	Gross income	Amount barred from distribution
Recognition of deferred taxes	-	129.0
Difference in the valuation of pension obligations resulting from the change in the market interest rates	15.1	15.1
Total	**15.1**	**144.1**

(40) Contingent liabilities and other obligations

As of the balance sheet date, the guarantees and warranties reported under "Contingent liabilities" primarily comprised credit default swaps (Bank as collateral provider) in the amount of €1,109.7 million (previous year: €1,224.3 million) both in the Group and in IKB AG. Here, IKB has assumed the default risk for a predefined credit event for specific credit portfolios.

As part of the sale of the shares in IKB Leasing GmbH by IKB Beteiligungen GmbH in the 2017/18 financial year, IKB AG jointly and severally assumed warranties and indemnification obligations. These include loan commitments under IKB Leasing's refinancing facilities; guarantees of quality for GmbH shares and assets; and the proper settlement and fulfilment of past obligations (e.g. filing of 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.

In addition, IKB AG assumed indemnification obligations in connection with the sale of its limited partner interests in IKB Projektentwicklung GmbH & Co. KG i.L. for certain taxes payable for periods until the completion of the sale.

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

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

The risk of utilisation from 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 borrower's credit standing. Details on the process within credit risk management are explained in the risk report in the management report.

(41) Other financial obligations

Other financial obligations come to a total of €50.5 million as of the reporting date (previous year: €65.6 million) in the Group and €50.5 million (previous year: €65.6 million) in IKB AG.

The decline was due, one the one hand, to the reduction to €21.2 million (previous year: €34.7 million) in obligations from IT services in the Group and in IKB AG. On the other hand, there are payment obligations under long-term leases of €10.3 million (previous year: €13.8 million) in the Group and in IKB AG for the duration of the leases. Leases for the Bank's branches for properties used for banking purposes continue to exist. Provisions for expected losses from executory contracts are recognised in case the expenses exceed the benefit of the lease. The risk or opportunity is that after expiry of a temporary lease, an extension of the lease or a follow-up lease may be concluded on less or more advantageous conditions.

Both the Group and IKB AG have payment obligations to national and international banking system guarantee schemes of €11.9 million (previous year: €9.8 million) as of the reporting date. Corresponding collateral has been provided for the payment obligations.

Furthermore, there are payment obligations from future lease payments 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 in return for 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 may be less favourable than the terms at the time the agreement is fulfilled or that the costs of the agreement will exceed the economic benefit.

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

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

(42) Off-balance sheet transactions

According to section 285 no. 3 HGB and section 314 (1) no. 2 HGB, the nature and purpose of risks and benefits of transactions not included in the balance sheet must be disclosed in the notes if this is necessary for assessing the financial situation. In particular, disclosures on transactions that are expected to result in significant improvements or worsening of the financial situation or that can be considered unusual in terms of their timing or the business partner may be necessary for assessing the financial situation.

Forward transactions

As of the balance sheet date, there were obligations from contingent and non-contingent forwards. These essentially serve to hedge interests and currency risks and lead to future inflows or outflows of cash. Please also refer to the information on forwards (see note (58)).

Notes to the income statement

(43) 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 shares in affiliated companies, commission income, the net trading result and other operating income breaks down among the different geographical markets as follows:

	Group		IKB AG	
in € million	**2022**	**2021**	**2022**	**2021**
Germany	492.9	399.6	493.4	358.6
Rest of Europe	0.1	0.2	0.1	-
Total	**493.0**	**399.8**	**493.5**	**358.6**

Income is allocated to geographical markets on the basis of the respective registered office of the company in the Group and the respective places of business in IKB AG.

(44) Extraordinary income and expenses

The net extraordinary expense was €6.1 million (previous year: net expense of €2.4 million) in the Group and €5.8 million (previous year: net expense of €2.1 million) in IKB AG. It solely concerned extraordinary expenses and was mainly attributable to the restructuring of bank operations and a planned reorganisation of pension obligations in both the Group and IKB AG.

(45) Other operating expenses

The “Other operating expenses” item largely includes:

	Group		IKB AG	
in € million	**2022**	**2021**	**2022**	**2021**
Expenses from derivatives in the non-trading book	-91.4	-121.0	-91.4	-121.0
Expenses from additions to provisions	-1.3	-5.2	-1.3	-5.2
Expense from discount factor unwinding on pension obligations and change in the discount rate	-9.9	-29.7	-9.9	-29.7
Fair-value measurement of the CTA assets	-6.3	0.3	-6.3	0.3
Expenses for hedging business risks	-1.7	-11.3	-1.7	-1.7
Legal and project costs	-6.6	-7.7	-6.6	-7.7
Expenses from the write-off of an intra-Group sub-participation in expected settlement payments under pending lawsuits	-	-	-	-13.6
Other expenses	-1.1	-8.9	-1.2	-7.6
Total	**-118.3**	**-183.5**	**-118.4**	**-186.2**

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 “Other operating income” item.

(46) Costs of loss absorption

In the period under review, loss absorption costs of €2.4 million arose from the recognition of provisions for the subsidiary IKB Beteiligungsgesellschaft 2 mbH in IKB AG. In the same period of the previous year, the costs of loss absorption in the amount of €10.7 million related to the recognition of a provision for loss absorption obligations under the profit and loss transfer agreement with the subsidiary IKB Beteiligungen GmbH.

(47) Income taxes

The line item "Taxes on income" includes actual taxes of €1.0 million (previous year: €-10.1 million) at the level of the Group and of €1.0 million (previous year: €-10.1 million) at the level of IKB AG.

This item also reports the change in the recognition of deferred tax assets of €0.0 million (previous year: €-7.7 million) in the Group and €0.0 million (previous year: €-8.0 million) in IKB AG.

(48) Income from profit and loss transfer agreements

In the period under review, income from profit and loss transfer agreements of €3.5 million (previous year: €47.4 million) arose. This was mainly related to the transfer of profit from IKB Beteiligungsgesellschaft 2 mbH.

(49) Administrative and brokerage services for third parties

IKB primarily performs administrative and brokerage services in the lending business. The income from these activities is included in net commission income.

(50) Other operating income

The "Other operating income" item breaks down as follows:

	Group		IKB AG	
in € million	**2022**	**2021**	**2022**	**2021**
Income from derivatives in the non-trading book	164.4	78.9	164.4	78.9
Income from currency translation	10.3	0.1	10.7	0.1
Income from the release of provisions	4.7	16.0	5.0	14.7
Income from the reversal of an impairment on an intra-Group sub-participation in expected settlement payments under pending lawsuits	-	-	13.6	0.0
Other operating income	1.9	4.3	2.1	3.1
Income from compensation payments and damages payments	9.2	0.0	0.6	0.0
Income from cost reimbursements in connection with the out-of-court settlement of lawsuits initiated by the Bank	12.8	-	12.8	-
Total	**203.2**	**99.3**	**209.2**	**96.8**

Income from derivatives in the non-trading book relates in particular to close-outs of derivative transactions in the banking book. Income from currency translation particularly relates to the recognition through profit and loss of currency gains outside special cover.

(51) List of shareholdings as at 31 December 2022

31 Dec. 2022		Fiscal year	Equity interest in %
1. Domestic companies (fully consolidated)			
IKB Beteiligungen GmbH, Düsseldorf	2)	1 Jan. –31 Dec.	100.00
IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf	2)	1 Jan. –31 Dec.	100.00
IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf	2)	1 Jan. –31 Dec.	100.00
IKB Beteiligungsgesellschaft 3 mbH, Düsseldorf	2)	1 Jan. –31 Dec.	100.00
IKB Invest GmbH, Düsseldorf	2)	1 Jan. –31 Dec.	100.00
Istop 1 GmbH, Düsseldorf	2)	1 Jan. –31 Dec.	100.00
Istop 2 GmbH, Düsseldorf	2)	1 Jan. –31 Dec.	100.00
Istop 4 GmbH, Düsseldorf	2)	1 Jan. –31 Dec.	100.00
Istop 6 GmbH, Düsseldorf	2)	1 Jan. –31 Dec.	100.00
2. Foreign subsidiaries (fully consolidated)			
IKB Finance B.V., Amsterdam, Netherlands		1 Jan. –31 Dec.	100.00
IKB Funding LLC I, Wilmington, United States of America		1 Jan. –31 Dec.	100.00
IKB International S.A. i.L., Munsbach, Luxembourg	3)	1 Jan. –31 Dec.	100.00
IKB Lux Investment S.à r.l., Munsbach, Luxemburg		1 Jan. –31 Dec.	100.00
3. German subsidiaries (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
Aleanta GmbH i.L., Düsseldorf	3)	1 Jan. –31 Dec.	100.00
IKB New 1 GmbH, Düsseldorf		1 April –31 March	100.00
IKB NewCo 3 GmbH, Düsseldorf		1 Jan. –31 Dec.	100.00
IKB Projektentwicklungsverwaltungsgesellschaft mbH i.L., Düsseldorf	3)	1 Jan. –31 Dec.	100.00
IKB Real Estate GmbH, Düsseldorf		1 Jan. –31 Dec.	100.00
Restruktur 2 GmbH i.L., Düsseldorf	3)	1 April –31 March	100.00
Restruktur 3 GmbH, Düsseldorf		1 April –31 March	100.00
4. Foreign subsidiaries (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
IKB Funding Trust I, Wilmington, United States of America		1 Jan. –31 Dec.	100.00
5. Special-purpose vehicles (not included in consolidation on the basis of section 296 (2) HGB[4])	1)		
RIO DEBT HOLDINGS (IRELAND) DESIGNATED ACTIVITY COMPANY, Dublin, Irland			
Rosaria Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Heimstetten KG, Grünwald			
6. German associates/joint ventures (not accounted for using the equity method on the basis of section 311 (2) HGB[4])	1)		
FUNDINGPORT GmbH, Hamburg		1 Jan. –31 Dec.	30.00
7. Foreign associates/joint ventures (not accounted for using the equity method on the basis of section 311 (2) HGB[4])	1)		
FUNDINGPORT SOFIA EOOD, Sofia, Bulgaria		1 Jan. –31 Dec.	30.00

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 and loss transfer agreement
3) in liquidation
4) 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.

The companies consolidated are shown in the list of shareholdings. Accordingly, the separate lists of shareholdings and companies consolidated have been dispensed with in the interests of greater clarity.

(52) Significant shares of 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, as soon as an enterprise holds more than 25% (section 20 (1) AktG) or 50% (section 20 (4) AktG) of the shares in a non-listed stock corporation (Aktiengesellschaft) with registered office in Germany, the enterprise must notify the stock corporation in writing.

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

(53) Disclosure of auditor's fees

	Group		IKB AG	
in € million	**2022**	**2021**	**2022**	**2021**
Audit of financial statements	-2.0	-1.5	-1.8	-1.4
Other assurance or valuation services	-0.2	-0.4	-0.2	-0.4
Total	**-2.2**	**-1.9**	**-2.0**	**-1.8**

Auditor's fees include no expenses for previous financial years (previous year: none).

The fees for the statutory audit comprise expenses for the statutory audits of the annual and consolidated financial statements. Other assurance services concern the issue of audit opinions and the performance of audit procedures in accordance with ISAE 3000.

(54) Related-party transactions

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

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

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

31 Dec. 2022 **in € million**	**Group**	**IKB AG**
Liabilities to banks	9,968.1	9,972.4
Contingent liabilities	16.8	16.8
Total	**9,984.9**	**9,989.2**

The assets serving as collateral are primarily receivables and securities transferred to third-party banks or clearing houses in open-market and securities-repurchase transactions as part of business with public programme loans.

(56) Forward transactions

The derivatives concluded primarily serve to manage and limit interest-rate risk 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 as part of risk management. In addition, the volume of forward and derivative transactions is restricted by counterparty limits.

The interest-rate risks of securities, loans and 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 in IKB AG.

(57) Derivative financial instruments not measured at fair value

Group:

31 Dec. 2022 in € million	Nominal	Fair value Positive	Fair value Negative	Book value Assets	Book value Equity and liabilities
Interest-related derivatives	18,665.3	1,153.5	1,188.7	40.6	54.0
Currency-related derivatives	235.1	5.7	0.2	6.1	0.7
Derivatives assigned to several categories	107.8	4.6	4.5	5.2	5.3
Total	**19,008.2**	**1,163.8**	**1,193.4**	**51.9**	**60.0**

31 Dec. 2022 in € million	Book value Other assets	Book value Prepaid expenses	Book value Provisions	Book value Other liabilities	Book value Deferred income
Interest-related derivatives	28.4	12.2	-	28.7	25.3
Currency-related derivatives	6.1	-	0.0	0.7	-
Derivatives assigned to several categories	4.0	1.2	-	4.3	1.0
Total	**38.5**	**13.4**	**0.0**	**33.7**	**26.3**

IKB AG:

31 Dec. 2022 in € million	Nominal	Fair value Positive	Fair value Negative	Book value Assets	Book value Equity and liabilities
Interest-related derivatives	18,665.3	1,153.5	1,188.7	40.6	54.0
Currency-related derivatives	235.1	5.7	0.2	6.1	0.7
Derivatives assigned to several categories	107.8	4.6	4.5	5.2	5.3
Total	**19,008.2**	**1,163.8**	**1,193.4**	**51.9**	**60.0**

31 Dec. 2022 in € million	Book value Other assets	Book value Prepaid expenses	Book value Provisions	Book value Other liabilities	Book value Deferred income
Interest-related derivatives	28.4	12.2	-	28.7	25.3
Currency-related derivatives	6.1	-	0.0	0.7	-
Derivatives assigned to several categories	4.0	1.2	-	4.3	1.0
Total	**38.5**	**13.4**	**0.0**	**33.7**	**26.3**

(58) 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. In addition, it includes the unrealised net gains and losses on credit default swaps, which are accounted for in the same way as loan collateral provided.

Group	31 Dec. 2022			31 Dec. 2021		
in € million	**Book value**	**Fair value**	**Difference**	**Book value**	**Fair value**	**Difference**
Receivables from banks	3,312.7	3,308.9	-3.8	2,999.2	2,999.2	0.0
Receivables from customers	8,810.4	8,642.7	-167.7	8,847.2	9,146.5	299.3
Bonds and other fixed-income securities	2,421.1	2,057.5	-363.6	3,048.8	2,976.3	-72.5
Equities and other non-fixed-income securities	601.0	600.3	-0.7	630.0	657.8	27.8
Derivative financial instruments not measured at fair value	51.9	1,163.8	1,111.9	45.4	277.0	231.6
Credit default swaps recognised as loan collateral pledged	16.0	15.6	-0.4	12.8	25.2	12.4
Subtotal	**15,213.1**	**15,788.8**	**575.7**	**15,583.4**	**16,082.0**	**498.6**
Liabilities to banks[1)]	9,060.7	8,665.8	394.9	8,625.2	8,648.6	-23.4
Liabilities to clients	4,335.2	4,238.7	96.5	4,758.2	4,783.9	-25.7
Securitised liabilities	31.1	30.2	0.9	72.1	72.7	-0.6
Subordinated liabilities	583.5	500.2	83.3	765.5	762.2	3.3
Derivative financial instruments not measured at fair value	60.0	1,193.4	-1,133.4	49.7	816.9	-767.2
Credit default swaps recognised as loan collateral pledged	5.2	3.0	2.2	4.7	0.0	4.7
Subtotal	**14,075.7**	**14,631.3**	**-555.6**	**14,275.4**	**15,084.3**	**-808.9**
Total			**20.1**			**-310.3**

1) Due to the late recognition of amendments to terms and conditions of refinancing operations with the Bundesbank, the fair value of liabilities to banks was reduced by €21.0 million as of 31 December 2021. As a result, the unrealised gain or loss as of 31 December 2021 improved from €-310 million to €-289 million.

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

The fair values of receivables that are calculated for reporting in the notes are calculated using the discounted cash flow method. Fair value is calculated using assumptions that would arise when market prices are determined between independent business partners who use 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 reporting sheet date plus a credit spread derived using IKB's internal risk measurement methods. The credit spread for a 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. Moreover, pre-tax returns of third parties derived from balance-sheet equity, IKB's administrative expenses and the funding costs that are observed on the market for banks with an A or AA rating are also taken into account.

Receivables from development loans, which are matched by individual refinancing loans on the liability side of the balance sheet, are measured without taking funding costs into account. The present value of individual refinancing loans on the liability side of the balance sheet is calculated by discounting the interest and principal repayment cash flows using matched-term, risk-free swap rates.

Securities (including securitised subordinated liabilities) are measured at the stock-exchange or market price on the reporting date if a liquid price is available. A stock-exchange 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 no prices are available at the reporting date, the fair value is calculated on the basis of price information from market data providers and tested for plausibility using suitable methods. If no stock-exchange prices or price information from contractual providers are available for securities, the value is calculated on the basis of the Bank's own measurement models by discounting expected cash flows. The discount rate is calculated using the risk profile of similar securities. Parameters not observed on the market are also used for this. The fair values for the fund units recognised in the IKB Group correspond to the net asset value attributable to the fund units held.

The fair value of derivatives in the non-trading book is calculated in accordance 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 and exchange rates). Future cash flows are derived using currency-specific and tenor-specific swap curves. The amount, timing and certainty of cash flows depend on, among other things, the development of interest rates and exchange rates, contractual regulations on payment dates for the derivative and the credit quality of the 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 the funding costs specific to IKB. The funding costs are derived from the costs of comparable issues.

(59) Remuneration of the Board of Managing Directors

Total remuneration for members of the Board of Managing Directors amounted to €3.3 million (previous year: €4.2 million) in the 2022 financial year. This includes fixed basic salaries, variable performance-based remuneration, severance payments, compensatory pension benefits to compensate for a pension not agreed 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 dependants amounted to €3.3 million (previous year: €3.1 million). In the 2022 financial year, the present value of the pension obligations towards former members of the Board of Managing Directors and their surviving dependants amounted to €55.7 million, discounted on the basis of the average market interest rate for the last 10 years (previous year: €46.6 million).

(60) Remuneration of the Supervisory Board

For the 2022 financial year, the total remuneration for members of the Supervisory Board amounted to €619 thousand (previous year: €510 thousand). This includes reimbursed expenses of €5 thousand (previous year: €5 thousand).

(61) Remuneration of the Advisory Board

The members of the Advisory Board were paid €271 thousand (previous year: €271 thousand), including VAT.

(62) Loans extended to members of the governing bodies and the Advisory Board

No loans have been granted to members of the Board of Managing Directors. No loans have been granted to members of the Supervisory Board (previous year: €1.1 thousand).

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

	Group		IKB AG	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Men	351	366	351	366
Women	195	192	195	192
Total	**546**	**558**	**546**	**558**

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

(64) Significant events after 31 December 2022

The following events of material importance that affect the true and fair view of the operations, the results of operations, the situation and the expected development of the company occurred after 31 December 2022:

BaFin letter on own funds recommendation

As a result of the 2021 LSI stress test, IKB AG received a letter from BaFin dated 5 January 2023 setting out the new own funds recommendation. This additional own funds recommendation is 2.3 percentage points above the minimum requirements and is to be implemented using CET 1 capital. It applies to the individual institution and most recently stood at 0.9 percentage points. Upon the receipt of this letter, IKB fell short of the owns fund recommendation including the individual capital markups. However, looking forward, the recommendation is to be met through the accumulation of capital buffers. This has no effect on observance of the statutory minimum requirements.

(65) Executive bodies

Board of Managing Directors

Dr Michael H. Wiedmann (Chairman)

Dr Ralph Müller (until 15 February 2022)

Dr Patrick Alfred Trutwein

Steffen Zeise

Supervisory Board

Dr Karl-Gerhard Eick (Chairman), management consultant

Dr Claus Nolting (Deputy Chairman), lawyer (until 2 June 2022)

Claus Momburg (Deputy Chairman), independent gentleman (since 2 June 2022)

Sven Boysen[1)], employee representative

Mark Coker, Managing Director and General Counsel – Europe at Lone Star Europe Acquisitions Ltd. (until 2 June 2022)

Benjamin Dickgießer, Managing Director of Hudson Advisors Portugal, LDA

Susanne Eger[1)], employee representative (until 2 June 2022)

Dr Lutz-Christian Funke, Director of KfW

Evgeniy Kazarez, Director of Hudson Advisors Portugal, LDA (since 2 June 2022)

Arndt G. Kirchhoff, Chairman of the Advisory Board of KIRCHHOFF Automotive Holding Verwaltungs GmbH

Nicole Riggers[1)], employee representative

Jörn Walde[1)], employee representative (until 2 June 2022)

1) Elected by the employees

Mandates held by employees

As of 31 December 2022, the following employees were represented in the statutory supervisory boards of large corporations:

Dr. Reiner Dietrich
Tricor Packaging & Logistics AG

Notes on segment reporting

Segment reporting is based on the internal income statement, which forms part of IKB's management information system. It is presented in accordance with internal management reporting, which is used by the Board of Managing Directors to assess the performance of the segments and to allocate resources. The segment report is prepared in accordance with the guidance contained in DRS 28.

and is based on the Bank's product units. Each segment is treated as an independent entity responsible for its own profit and loss and the requisite capitalisation.

Segmentation

Reporting is based on a product approach with the following business segments:

Public Programme Loans

Corporate Bank

Corporate Centre.

The Public Programme Loans segment includes income and expenses from development loans granted to mid-cap customers as well as consulting services for obtaining and applying for development loans.

The Corporate Bank segment is composed of the services provided in connection with internally financed corporate banking business. In addition to financing and advisory services in traditional lending business, this also includes supporting customers in capital market activities.

The income and expense items from Funding & Asset Liability Management and the investment portfolio are reported in the Corporate Centre. Non-attributable costs of other central functions are also allocated to this segment.

Segment results and key figures

The segments are treated as independent entities with their own capital. Capital is allocated on the basis of the risk-weighted assets with a target CET 1 ratio of 12% derived from the minimum requirements for regulatory own funds plus a capital buffer. Income and expenses are allocated to the segments in accordance with their responsibility for profit and loss. In line with standard industry practice, interest income and expense are reported on a net basis, as net interest income is a key performance indicator for assessing the segment's profitability. In the Public Programme Loans segment, interest income on loans is compared with the funding expenses of the development banks. Actual funding costs arising from private and corporate client deposits are netted between the Corporate Centre segment and the Corporate Bank segment. The return on allocated own funds is also transferred from the Corporate Centre and distributed across the Public Programmes Loans segment and the Corporate Bank segment. The interest margin is the ratio of net interest income and risk costs in the Public Programme Loans and Corporate Bank segments to the corresponding volumes of the loan book. Risk costs equal the quotient of net risk provisioning and the applicable average value of the loan book.

The personnel and administrative expenses of the central units are allocated to the segments in accordance with their origin and by means of transfer pricing. Project costs are allocated to the segments if the projects are directly related to these segments. Administrative expenses for projects and corporate functions with a corporate or regulatory background are reported in the Corporate Centre.

The risk provisions reported in the segments equal the net additions to and reversals of allowances for losses on loans and advances and recoveries on loans and advances previously written off.

The tax result is calculated in the Corporate Bank and Public Programme Loans segments on the basis of a notional tax rate of 12.5% specific to IKB. This figure is reconciled with the Group tax result in the Corporate Centre.

The performance of a segment is measured on the basis of net profit after tax, the cost/income ratio and the return on equity. The cost/income ratio is calculated as the quotient of administrative expenses and gross income (net interest income and net fee and commission income). The return on equity is calculated as the ratio of earnings after taxes to income to average allocated equity derived from a 12-percent imputed capital charge for risk-weighted assets in accordance with the CRR.

Segment report

Table: Segment reporting – Group

	Public Programme Loans		Corporate Bank		Corporate Centre		IKB	
in € million	1 Jan. - 31 Dec. 2022	1 Jan. - 31 Dec. 2021	1 Jan. - 31 Dec. 2022	1 Jan. - 31 Dec. 2021	1 Jan. - 31 Dec. 2022	1 Jan. - 31 Dec. 2021	1 Jan. - 31 Dec. 2022	1 Jan. - 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
Earnings before tax	50	50	33	49	-23	5	61	104
Tax expense/income	-6	-6	-4	-6	10	-6	0	-18
Net profit after tax	44	44	29	43	-12	0	61	86
New business	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
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 costs (%)	-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

Any differences in totals are due to rounding effects.

Performance of the segments

The Public Programme Loans segment, which includes income and expenses from IKB's activities in connection with the grant of public programme loans to mid-cap customers and the provision of advice on obtaining and applying for such loans, generated net profit after tax of €44 million (previous year: €44 million). As in the previous year, new business was valued at €1.0 billion. The return on equity in the segment increased to 13.3% (previous year: 11.7%) chiefly due to the lower allocated equity. The cost/income ratio stood at 51.4%, up from 47.4% in the previous year, due to the slight decline in gross income.

The Corporate Bank segment, which combines our financing and advisory services in traditional lending business with support for our customers in capital market activities, generated net profit after tax of €29 million (previous year: €43 million). The risk-related reduction of parts of our corporate investment portfolio resulted in a net other income of €1 million. The new business volume was at €1.7 billion (previous year: €2.0 billion). The return on equity in the segment dropped from 9.2% in the previous year to 6.8%, primarily as a result of heightened risk provisioning. The cost/income ratio climbed to 40.8%, up from 39.0%.

The Corporate Centre, which includes profit and loss from our funding operations and asset/liability management and the investment portfolio as well as company-related costs (e.g. for the EU bank levy and the external audit of the annual financial statements) and the unallocated costs of central functions, reported a net loss before tax of €23 million (net loss after tax of €12 million). The Corporate Centre also includes the income from the withdrawal from the fund for general banking risks.

Düsseldorf, 27 February 2023

IKB Deutsche Industriebank AG

The Board of Managing Directors

Dr Michael H. Wiedmann	Dr Patrick Trutwein	Steffen Zeise

Report of the independent auditor

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 December 2022, and the income statement for the financial year from 1 January 2022 to 31 December 2022, 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 financial year from 1 January 2022 to 31 December 2022, which was combined with the group management report. In accordance with the German legal requirements, we have not audited the content of the declaration on corporate governance pursuant to Sec. 289f (4) HGB ["Handelsgesetzbuch": German Commercial Code] contained in section 7 of the management report.

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 institutions and give a true and fair view of the assets, liabilities and financial position of the Institution as at 31 December 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Institution'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. We do not express an assurance opinion on the declaration on corporate governance pursuant to Sec. 289f (4) HGB contained in section 7 of the management report.

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 with 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 Institution 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 financial year from 1 January 2022 to 31 December 2022. 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

The assessment of the recoverability of deferred tax assets is subject to judgment and requires estimates regarding the future tax income situation and the usability of tax losses.

IKB AG assesses the recoverability of deferred tax assets on the basis of a forecast of the taxable results for the next five financial years based on internal planning, which is highly dependent on estimates and assumptions made by the Board of Managing Directors.

Given the use of judgment in relation to the assumptions used in the forecast and 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

During our audit procedures, we gained an understanding of the design of the Bank's process for recognizing deferred tax assets and assessing the recoverability of deferred tax assets and assessed the appropriateness of the corresponding controls.

We examined whether deductible temporary differences were calculated in accordance with tax regulations and the provisions governing the recognition of deferred taxes set out in Sec. 274 HGB. Furthermore, we reconciled the Bank's tax forecasts for subsequent years with internal planning documents in accordance with German commercial law and analyzed the causes of any differences in the tax accounts. We assessed the budgets and forecasts prepared in accordance with German commercial law in terms of the underlying planning assumptions, in particular with regard to a consistent application in the budgets and forecasts as well as consistency with the other inputs used by the Bank in other calculation models. For this purpose, we consulted internal business valuation and mathematical finance specialists. In doing so, we relied on our knowledge of the Bank's business activities and, in particular, considered the forecast development of the industry taking into account the potential impact of current geoeconomic and geopolitical developments.

We identified the existing tax group relationships and 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. In this regard, we consulted internal tax specialists.

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

Reference to related disclosures

The Bank provides information on deferred taxes in the notes to the financial statements and the consolidated financial statements of IKB as of 31 December 2022 in notes "(10) Deferred taxes" and "(29) Deferred tax assets."

2. Identification and valuation of defaulted receivables from customers in industrial sectors subject to increased risk factors due to geoeconomic and geopolitical developments

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

The identification and valuation of defaulted receivables from customers in industrial sectors which are subject to increased risk factors due to geoeconomic and geopolitical developments is a key area in which the Board of Managing Directors uses judgment. Increased risk factors are particularly due to the considerable rise in raw materials and energy prices and/or their availability in financial year 2022 as well as disrupted supply chains, logistics and freight costs and the effects of the war in Ukraine. The risk factors affecting IKB AG primarily include receivables from customers in the metals manufacturing and processing, metal products, manufacturing, chemical and pharmaceutical, energy and real estate industries. The identification of impaired loans and determination of required single loan loss allowances entail uncertainties and involve various assumptions and influencing factors, in particular the financial situation of the borrower, and expectations regarding future cash flows and the realization of collateral.

Even minor changes in the assumptions and estimation inputs can lead to significantly different valuations and thus to a change in allowances. In light of the significance for the assets, liabilities and financial performance, we considered the identification and valuation of defaulted receivables from customers in industrial sectors which are subject to increased risk factors due to geoeconomic and geopolitical developments to be a key audit matter.

Auditor's response

During our audit, we examined the processes for identifying and monitoring the default risk for receivables from customers in industrial sectors which are subject to increased risk factors due to geoeconomic and geopolitical developments. To this end, we assessed in particular the processes and controls implemented for monitoring the occurrence of early warning indicators including ad hoc measures, the application of default criteria and the correct allocation to the relevant risk status.

We also examined the process for calculating provisions for possible loan losses, which included testing the operating effectiveness of the controls implemented for the calculation of provisions for possible loan losses.

As part of our credit file review, we selected a risk-based sample and in particular analyzed the allowance requirements determined for those exposures that are subject to increased risk factors due to geoeconomic and geopolitical events. In doing so, exposures that met company-specific credit risk indicators were included in an additional sample of the credit file review.

We performed substantive audit procedures, assessing whether the significant assumptions and estimation inputs concerning the estimated future cash flows from the loan exposures including the carrying amount of the collateral held were consistent with the financial situation of the borrower and the publicly available market and industry forecasts. Furthermore, we obtained an understanding of the additional inputs used in each case for calculating the provisions for possible loan losses for default risks on the basis of the evidence provided by the Bank and external information.

Our audit procedures did not lead to any reservations relating to the identification and valuation of defaulted receivables from customers in industrial sectors subject to increased risk factors due to geoeconomic and geopolitical developments.

Reference to related disclosures

The Bank's disclosures on the identification and valuation of defaulted receivables from customers, which also include those subject to increased risk factors due to geoeconomic and geopolitical developments, are contained in note "(6) Provisions for possible loan losses" in the notes to the financial statements and the consolidated financial statements as of 31 December 2022 and in section "3. Risk report" in the "Counterparty default risks" subsection in the combined management report of IKB AG and the IKB Group.

Other information

The Supervisory Board is responsible for the "Report of the Supervisory Board." In all other respects, the executive directors are responsible for the other information.

The other information comprises the declaration on corporate governance pursuant to Sec. 289f (4) HGB. In addition, the other information comprises the non-financial report, which we expect to be provided with after we have issued our auditor's report. Furthermore, the other information comprises additional parts of the annual report of which we received a version before issuing this auditor's report, in particular the key figures of the IKB Group, the letter from the Chairman of the Board of Managing Directors and the Report of the Supervisory Board, but not the annual financial statements, not the management report disclosures whose content is audited and not our auditor's report thereon.

Our opinions on the annual financial statements and on the management report do not cover the 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 the other information and, in so doing, to consider whether the 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive 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 institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles. In addition, the executive 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 (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Institution'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 executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Institution'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 executive 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 Institution'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 Institution'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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement 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 Institution.

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

- Conclude on the appropriateness of the executive 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 Institution'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 Institution 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 Institution 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 Institution's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive 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, the 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 2 June 2022. We were engaged by the Chairman of the Risk and Audit Committee on 30 September 2022. We have been the auditor of IKB Deutsche Industriebank AG without interruption for six years.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Risk and 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 Marcus Binder."

Düsseldorf, 27 February 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Binder	Eckert
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

To IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf

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

Opinions

We have audited the consolidated financial statements of IKB Deutsche Industriebank AG, Düsseldorf, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the financial year from 1 January 2022 to 31 December 2022, and notes to the consolidated financial statements, including the recognition and measurement policies presented therein, as well as the group segment reporting for the financial year from 1 January 2022 to 31 December 2022. In addition, we have audited the group management report of IKB Deutsche Industriebank AG for the financial year from 1 January 2022 to 31 December 2022, which was combined with the management report. In accordance with the German legal requirements, we have not audited the content of the declaration on corporate governance pursuant to Sec. 289f (4) HGB ["Handelsgesetzbuch": German Commercial Code] contained in section 7 of the group management report.

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 institutions and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022 in compliance with German legally required accounting principles, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an assurance opinion on the declaration on corporate governance pursuant to Sec. 289f (4) HGB contained in section 7 of the group management report.

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 group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with 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 group management report" section of our auditor's report. We are independent of the group entities 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 group 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 financial year from 1 January 2022 to 31 December 2022. 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:

1. Recoverability of deferred tax assets

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

The assessment of the recoverability of deferred tax assets is subject to judgment and requires estimates regarding the future tax income situation and the usability of tax losses.

The IKB Group assesses the recoverability of deferred tax assets on the basis of a forecast of the taxable results for the next five financial years based on internal planning, which is highly dependent on estimates and assumptions made by the Board of Managing Directors.

Given the use of judgment in relation to the assumptions used in the forecast and 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

During our audit procedures, we gained an understanding of the design of the Bank’s process for recognizing deferred tax assets and assessing the recoverability of deferred tax assets and assessed the appropriateness of the corresponding controls.

We examined whether deductible temporary differences were calculated in accordance with tax regulations and the provisions governing the recognition of deferred taxes set out in Sec. 274 HGB. Furthermore, we reconciled the Group’s tax forecasts for subsequent years with internal planning documents in accordance with German commercial law and analyzed the causes of any differences in the tax accounts. We assessed the budgets and forecasts prepared in accordance with German commercial law in terms of the underlying planning assumptions, in particular with regard to a consistent application in the budgets and forecasts as well as consistency with the other inputs used by the Group in other calculation models. For this purpose, we consulted internal business valuation and mathematical finance specialists. In doing so, we relied on our knowledge of the Group’s business activities and, in particular, considered the forecast development of the industry taking into account the potential impact of current geoeconomic and geopolitical developments.

We identified the existing tax group relationships and analyzed whether the underlying tax rates reflect the effective tax burden of the tax group. We also assessed whether the Group’s calculation is consistent with the pertinent tax legislation. In this regard, we consulted internal tax specialists.

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

Reference to related disclosures

The Group provides information on deferred tax assets in the notes to financial statements and the consolidated financial statements of IKB as of 31 December 2022 in notes "(10) Deferred taxes" and "(29) Deferred tax assets."

2. Identification and valuation of defaulted receivables from customers in industrial sectors subject to increased risk factors due to geoeconomic and geopolitical developments

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

The identification and valuation of defaulted receivables from customers in industrial sectors which are subject to increased risk factors due to geoeconomic and geopolitical developments is a key area in which the Board of Managing Directors uses judgment. Increased risk factors are particularly due to the considerable rise in raw materials and energy prices and/or their availability in financial year 2022 as well as disrupted supply chains, logistics and freight costs and the effects of the war in Ukraine. The risk factors affecting the IKB Group primarily include receivables from customers in the metals manufacturing and processing, metal products, manufacturing, chemical and pharmaceutical, energy and real estate industries. The identification of impaired loans and determination of required single loan loss allowances entail uncertainties and involve various assumptions and influencing factors, in particular the financial situation of the borrower, and expectations regarding future cash flows and the realization of collateral.

Even minor changes in the assumptions and estimation inputs can lead to significantly different valuations and thus to a change in allowances. In light of the significance for the assets, liabilities and financial performance, we considered the identification and valuation of defaulted receivables from customers in industrial sectors which are subject to increased risk factors due to geoeconomic and geopolitical developments to be a key audit matter.

Auditor's response

During our audit, we examined the processes for identifying and monitoring the default risk for receivables from customers in industrial sectors which are subject to increased risk factors due to geoeconomic and geopolitical developments. To this end, we assessed in particular the processes and controls implemented for monitoring the occurrence of early warning indicators including ad hoc measures, the application of default criteria and the correct allocation to the relevant risk status.

We also examined the process for calculating provisions for possible loan losses, which included testing the operating effectiveness of the controls implemented for the calculation of provisions for possible loan losses.

As part of our credit file review, we selected a risk-based sample and in particular analyzed the allowance requirements determined for those exposures that are subject to increased risk factors due to geoeconomic and geopolitical events. In doing so, exposures that met company-specific credit risk indicators were included in an additional sample of the credit file review.

We performed substantive audit procedures, assessing whether the significant assumptions and estimation inputs concerning the estimated future cash flows from the loan exposures including the carrying amount of the collateral held were consistent with the financial situation of the borrower and the publicly available market and industry forecasts. Furthermore, we obtained an understanding of the additional inputs used in each case for calculating the provisions for possible loan losses for default risks on the basis of the evidence provided by the Group and external information.

Our audit procedures did not lead to any reservations relating to the identification and valuation of defaulted receivables from customers in industrial sectors subject to increased risk factors due to geoeconomic and geopolitical developments.

Reference to related disclosures

The Group's disclosures on the identification and valuation of defaulted receivables from customers, which also include those subject to increased risk factors due to geoeconomic and geopolitical developments, are contained in note "(6) Provisions for possible loan losses" in the notes to the financial statements and the consolidated financial statements as of 31 December 2022 and in section "3. Risk report" in the "Counterparty default risks" subsection in the combined management report of IKB AG and the IKB Group.

Other information

The Supervisory Board is responsible for the "Report of the Supervisory Board." In all other respects, the executive directors are responsible for the other information.

The other information comprises the declaration on corporate governance pursuant to Sec. 289f (4) HGB. In addition, the other information comprises the non-financial report, which we expect to be provided with after we have issued our auditor's report. Furthermore, the other information comprises additional parts of the annual report of which we received a version before issuing this auditor's report, in particular the key figures of the IKB Group, the letter from the Chairman of the Board of Managing Directors and the Report of the Supervisory Board, but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the 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 the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive 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 institutions, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles. In addition, the executive 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 (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Institution'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 executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group'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 executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group 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 group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group 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 group management report as a whole provides an appropriate view of the Group'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 group 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 group 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 group 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement 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 group 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 Institution.

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

- Conclude on the appropriateness of the executive 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 Institution'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 group 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 Institution 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 Group in compliance with German legally required accounting principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

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

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive 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, the 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 2 June 2022. We were engaged by the Chairman of the Risk and Audit Committee on 30 September 2022. We have been the auditor of IKB Deutsche Industriebank AG without interruption for six years.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the Risk and 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 Marcus Binder.”

Düsseldorf, 27 February 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Binder	Eckert
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

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 does not assume any obligation to update such statements in light of new information or future events.

By their nature, forward-looking statements contain risks and uncertainty factors. A large number of important factors could cause actual results to differ significantly from forward-looking statements. Such factors include economic developments, the condition and development of the financial 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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