

## **IKB Funding Trust I**

(a statutory trust formed under the Delaware Statutory Trust Act  
With its principal place of business in Wilmington, DE, U.S.A.)

## **Financial Report**

### **Annual Financial Report – December 31, 2022**

pursuant to section 114 of the German Securities Trading Act (Wertpapierhandelsgesetz)

## Management Report

IKB Funding Trust I (the "Trust") was set up to issue the noncumulative trust preferred securities (the "Trust Preferred Securities") to investors as well as a Trust Common Security to IKB Deutsche Industriebank Aktiengesellschaft (the "Bank") and to use all the proceeds from such issuances to purchase Class B preferred securities (the "Class B Preferred Securities") issued by IKB Funding LLC I (the "Company"). Under the Class B Preferred Securities, the Trust is entitled to received Capital Payments on the Liquidation Preference Amount of €100 per Class B Preferred Security which are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. Capital Payments payable on each Capital Payment Date will generally accrue from and including the immediately preceding Interest Payment Date up to but excluding the relevant Interest Payment Date at a rate per annum (the "Stated Rate") as described in detail in the prospectus dated July 22, 2002 (the "Prospectus").

Capital Payments on the Class B Preferred Securities are to be paid out of the Company's Operating Profits or from payments received by the Company under the Support Undertaking. If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Class B Preferred Securities in respect of any Capital Payment Period, the Trust as a holder of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, whether or not Capital Payments are declared (or deemed to have been declared) and paid on the Class B Preferred Securities in respect of any future Capital Payment Period. Capital Payments on the Class B Preferred Securities will only be authorized to be declared and paid on any Interest Payment Date to the extent that:

- The Company has an amount of Operating Profits for the Interest Payment Period ending on the day immediately preceding such Interest Payment Date at least equal to the amount of such Capital Payments, and
- The Bank has an amount of Distributable Profits for the preceding financial year for which audited consolidated financial statements are available at least equal to the aggregate amount of such Capital Payments on the Class B Preferred Securities and capital payments or dividends and other distributions on Parity Securities, if any, pro rata, on the basis of Distributable Profits for such preceding fiscal year (the "Bank Distributable Profits Test").

The terms "Capital Payments", "Capital Payment Date", "Interest Payment Date", "Capital Payment Period", "Stated Rate", "Operating Profits", "Distributable Profits" and "Parity Securities" and other capitalized terms are described in detail in the Prospectus relating to the Trust Preferred Securities date July 22, 2002.

The Bank gave notice on March 20, 2023, that, based upon their 2022 results, they've met the Bank Distributable Profits Test for the year ended December 31, 2022 ("2022").

The Trust received Capital Payments from the Company at such rate under the LLC Agreement on March 31, June 30, September 30, and December 31. Consequently, the Trust made a corresponding Capital Payment on the Trust Preferred Securities at such rate pursuant to the Trust Agreement. The Trust made no payments or other distributions on the Trust Common Security.

Under the Trust Agreement, the Trustee is obligated, among other things, to provide trustee services to the Trust. The fees and expenses of the Trust and all other obligations of the Trust are paid by the Bank. During 2022 the Trust received all such services, and the Bank paid such fees, expenses and obligations as provided in the Trust Agreement. Under the Service Agreement, the Servicer is obligated, among other things, to provide accounting, tax and other administrative services to the Company. The fees and expenses of the Company and all other obligations of the Company other than those for audit services are paid by the Company. During 2022 the Company received all such services and, other than audit services, paid such fees, expenses and obligations as provided in the Service Agreement.

The assets of the Consolidated Balance sheet consist almost exclusively of the Trust Subordinated note receivable - IKB Finance, B.V. and related interest claims.

The main risk is the credit risk of the note receivable from one company, IKB Finance, B.V., a wholly-owned subsidiary the Bank. As a result, the Company is exposed to the credit risk of the Bank. Due to the narrowly defined business purpose of the Trust, risk management methods are limited to the assertion of contractual claims arising from the assets. The Trust does not apply a corporate governance code.

The Trust prepares its consolidated financial statements in accordance with U.S. GAAP. The Trust's accounting records are prepared by the Trust's management. The consolidated financial statements and management report are prepared by Wilmington Trust as administrator of the Trust. Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error. The completeness of business transactions is ensured by internal controls. Evidence and assessments of external valuations are reviewed by the Trust's management for plausibility and consistency of accounting policies.

The financial statements were audited by Ernst & Young LLP. Auditor's responsibility is to express an opinion on these financial statements based on the audit. EY issued an unqualified opinion on the consolidated financial statements which are included in this Annual Financial Report.

## **Outlook**

Payments by the Company on the Class B Preferred Securities were the source of funds for the Capital Payments on the Trust Preferred Securities. In turn, the Company had invested substantially all proceeds from the issuance of the Class B Preferred Securities in Initial Debt Securities issued by IKB Finance B.V., a subsidiary of the Bank. Under the Initial Debt Securities, interest that is scheduled to be paid at the same dates as Capital Payments are scheduled under the Class B Preferred Securities.

For the year ending December 31, 2023 ("2023"), the Bank anticipates consolidated net income before taxes of 60 million Euro. Uncertainties surrounding the further course of the Ukraine war, the capital and commodities markets and the further development of regulatory requirements are key factors that may impact IKB's performance in the coming year. The Bank has no direct credit or derivative exposure in Russia or Ukraine.

The Trust will receive Capital Payments in 2023 at their schedule rate and dates through December 31, 2023, due to the Bank's Distributable Profits in 2022.

# **IKB Funding Trust I and Subsidiary**

(A Delaware Trust)

**Consolidated Financial Statements**

**December 31, 2022**

# **IKB Funding Trust I and Subsidiary**

(A Delaware Trust)

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**December 31, 2022**

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## **Report of Independent Auditors**

To the Trustees and Management of IKB Funding Trust I and Subsidiary

### **Opinion**

We have audited the accompanying consolidated financial statements of IKB Funding Trust I and Subsidiary (the Company as defined in Note 1), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of income, changes in trust equity and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2022, and the consolidated results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Ernst & Young LLP*

April 14, 2023

**IKB Funding Trust I and Subsidiary**  
**(A Delaware Trust)**  
**Consolidated Balance Sheet**  
**December 31, 2022**

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*(in Euros)*

**Assets**

Cash	€ 687,033
Interest receivable - IKB Finance, B.V.	7,753
Subordinated note receivable - IKB Finance, B.V.	<u>75,093,200</u>
Total assets	<u>€ 75,787,986</u>

**Liabilities and Equity**

Liabilities

Distribution payable	<u>€ 516,626</u>
Total liabilities	<u>516,626</u>

IKB Funding Trust I equity:

Trust preferred securities (liquidation preference €100; 750,680 securities authorized, issued and outstanding)	€ 75,068,000
Trust common security (liquidation preference €100; 1 security authorized, issued and outstanding)	<u>100</u>
Total IKB Trust I equity	75,068,100

Noncontrolling interest	<u>€ 203,260</u>
Total equity	<u>75,271,360</u>
Total liabilities and equity	<u>€ 75,787,986</u>

The accompanying notes are an integral part of the consolidated financial statements.



**IKB Funding Trust I and Subsidiary**  
(A Delaware Trust)  
**Consolidated Statement of Income**  
**For the Year Ended December 31, 2022**

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*(in Euros)*

**Revenues**

Interest income	€ 1,151,022
Other income	12,189
Total revenues	<u>1,163,211</u>

**Expenses**

Professional fees	92,540
Other expenses	25,037
Total expenses	<u>117,577</u>
Net income before noncontrolling interest	1,045,634
Loss attributable to noncontrolling interest	<u>87,498</u>
Net income	<u>€ 1,133,132</u>

The accompanying notes are an integral part of the consolidated financial statements.

**IKB Funding Trust I and Subsidiary**  
(A Delaware Trust)  
**Consolidated Statement of Changes in Trust Equity**  
**For the Year Ended December 31, 2022**

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(in Euros)

	Noncontrolling Interest	Trust Common Security	Trust Preferred Securities	Trust Earnings	Total
<b>Balance, December 31, 2021</b>	€ 603,758	€ 100	€ 75,068,000	€ -	€ 75,671,858
Net income (loss)	(87,498)	-	-	1,133,132	1,045,634
Dividend distribution	<u>(313,000)</u>	<u>-</u>	<u>-</u>	<u>(1,133,132)</u>	<u>(1,446,132)</u>
<b>Balance, December 31, 2022</b>	<u>€ 203,260</u>	<u>€ 100</u>	<u>€ 75,068,000</u>	<u>€ -</u>	<u>€ 75,271,360</u>

The accompanying notes are an integral part of the consolidated financial statements.

**IKB Funding Trust I and Subsidiary**  
**(A Delaware Trust)**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2022**

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*(in Euros)*

<b>Cash flows from operating activities</b>	
Net income	€ 1,133,132
Loss attributable to noncontrolling interest	(87,498)
Decrease in interest receivable - IKB Finance, B.V.	(5,784)
Increase in distribution payable - IKB Funding Trust I	<u>516,626</u>
Net cash provided by operating activities	<u>1,556,476</u>
<b>Cash flows from financing activities</b>	
Dividend paid to noncontrolling interest	(313,000)
Dividend paid on trust preferred securities	<u>(1,133,132)</u>
Net cash used in financing activities	<u>(1,446,132)</u>
Net increase in cash	110,344
<b>Cash</b>	
Beginning of year	<u>576,689</u>
End of year	<u>€ 687,033</u>

The accompanying notes are an integral part of the consolidated financial statements.

# **IKB Funding Trust I and Subsidiary**

(A Delaware Trust)

## **Notes to Consolidated Financial Statements**

### **December 31, 2022**

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#### **1. Nature of Operations and Organization**

IKB Funding Trust I (the “Company” or the “Trust”) was formed on May 21, 2002 as a statutory business trust organized under the Delaware Business Trust Act, and is operating under an Amended and Restated Declaration of Trust, dated July 19, 2002. The consolidated financial statements of the Trust include the accounts of IKB Funding LLC I (the “LLC”). The purpose of Trust and LLC are set forth in the following paragraphs.

##### **IKB Funding Trust I**

The Trust was formed for the sole purpose of issuing the trust preferred securities and a trust common security and using all the proceeds to purchase Class B preferred securities from the LLC. The trust common security is owned by IKB Deutsche Industriebank Aktiengesellschaft (“IKB AG” or the “Bank”) based in Dusseldorf, Germany. The Trust will not issue any securities other than the trust preferred securities and the trust common security.

The number of Trustees of the Trust shall initially be five. After the issuance of the trust securities, the number of Trustees may be increased or decreased by vote of the holder of the trust common security at a meeting of the holder of the trust common security. The Delaware Trustee is the Bank of New York (Delaware), Inc., the Property Trustee is the Bank of New York and the Regular Trustees are David A. Vanaskey and Haley Owen, employees of Wilmington Trust, N.A. (“WT”). The Trustees are paid a fee annually for their services. At December 31, 2022, the Trust has four Trustees.

WT, the servicer, among other things, provides tax and other administrative services to the Company under a Services Agreement and pays all expenses incurred by the Company in performing its duties. WT is reimbursed by the Bank and the Company, as applicable.

##### **IKB Funding LLC I**

IKB Funding LLC I was formed on May 20, 2002 under the Delaware Limited Liability Act and operating under an Amended and Restated Limited Liability Company Agreement. The LLC’s voting (common) security is owned by IKB AG. The LLC is a Variable Interest Entity (“VIE”) that is consolidated by its primary beneficiary, the Trust, under the provisions of Accounting Standards Codification (“ASC”) 810, “Consolidation”.

The LLC was formed for the sole purposes of issuing a Class A preferred security, Class B preferred securities and a common security, and using all the proceeds to purchase a subordinated note receivable issued by IKB Finance, B.V., a subsidiary of the Bank. The obligations under the subordinated note receivable are guaranteed by the Bank.

The number of Directors of the LLC shall initially be four, which number may be increased or decreased by the common security holder as provided by the Amended and Restated Limited Liability Agreement or in the Bylaws, but shall never be less than four nor more than seven. The four Delaware directors of the LLC as of December 31, 2022, were William K. Langan, Heather R. Hill, employees of WT, and Sean A. Breiner and Richard F. Klumpp.

#### **2. Summary of Significant Accounting Policies**

##### **Basis of Accounting**

The Trust prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“US GAAP”). The functional currency of the Company is the Euro.

# **IKB Funding Trust I and Subsidiary**

(A Delaware Trust)

## **Notes to Consolidated Financial Statements**

### **December 31, 2022**

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## **2. Summary of Significant Accounting Policies (continued)**

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and short-term investments and other financial instruments which are readily convertible into known amounts of cash and have an original maturity date of ninety days or less. The Company had €687,033 of cash and no cash equivalents as of December 31, 2022.

### **Foreign Currency Translation**

Assets and liabilities denominated in non-Euro currencies are converted at exchange rates prevailing on the balance sheet date. Income and expense items denominated in non-Euro currencies are converted at the average exchange rates during the fiscal year. The Company holds cash in a bank account denominated in U.S. Dollars.

### **Income Taxes**

The Trust is classified as a grantor trust for U.S. federal tax purposes. No provision for income taxes has been made since the investors are required to report their share of the Trust's income for federal, state and German tax purposes.

The Trust follows the GAAP accounting treatment in ASC Topic 740-10, Income Taxes. This accounting standard requires the evaluation of uncertain tax positions to determine whether they meet the minimum recognition threshold based on the technical merits of the position. For tax positions that meet the minimum recognition threshold, measurement of the benefit to be reported in the financial statements must be determined. At December 31, 2022, the Trust had no accrued liability for unrecognized tax benefits and does not anticipate any significant changes to unrecognized tax benefits over the next year.

### **Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that could affect the reported amounts of assets and liabilities in the financial statements. These estimates and assumptions are based on management's best estimate and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. The current economic environment due to the COVID-19 pandemic has increased the degree of uncertainty inherent in these estimates and assumptions. Management adjusts such estimates when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from those estimates. Management estimates during the year solely related to the subordinate note receivable.

### **Subordinated Note Receivable and Allowances for Losses**

The LLC holds a subordinated note receivable issued by IKB Finance, B.V., a wholly-owned subsidiary of the IKB AG. The subordinated note receivable is guaranteed by the Bank and is accounted for at its outstanding unpaid principal balance adjusted for charge-offs and allowance for losses. Interest income is accrued on the unpaid principal balance.

The Trust follows the guidance in Accounting Standards Codification 310-10-35 ("ASC 310-10-35") with regard to determining whether the subordinated note receivable has been impaired. Pursuant to ASC 310-10-35, a loan is impaired when, based upon current information and events, it is probable that a creditor will not be able to collect all amounts due according to the contractual terms of the loan agreement. When evaluating the note for impairment, the factors considered

# **IKB Funding Trust I and Subsidiary**

(A Delaware Trust)

## **Notes to Consolidated Financial Statements**

### **December 31, 2022**

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#### **2. Summary of Significant Accounting Policies (continued)**

include the creditor's expected cash flows, its parent's investment grade credit rating and their capital position. Based upon management's analysis, it has been determined that the note has not incurred an impairment.

In the event of impairment, an allowance for losses is established through a provision for losses charged to earnings based on management's estimate of losses incurred. Losses are charged against the allowance when management believes the uncollectibility of the receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance.

#### **Securities Issued by the Trust**

Trust preferred securities are classified as equity as they have the characteristics of equity instruments rather than debt securities. Accordingly, dividends (also referred to as capital payments) declared on the trust preferred securities are not recorded in current income but are rather recorded as a reduction of retained earnings when declared. Refer to Note 7 for payments subsequent to the balance sheet date. The common security issued by the Trust represents ownership rights and is classified as equity. This security is held by the Bank.

#### **Variable Interest Entity**

The Trust has identified its investments in the Class B preferred securities in the LLC as a variable interest in the LLC. The determination that the LLC was a VIE was based on the fact that the Trust's investment in the Class B preferred securities represent the only equity investment in that entity that is at-risk. The Trust determined that it was the primary beneficiary of the LLC, thus subjecting it to be consolidated under the provisions of ASC 810, since it effectively directed their activities and received a majority of the expected residual returns since inception. Except for amounts contractually required, the Trust did not provide any further financial or other support to the LLC during the year ended December 31, 2022.

The assets, liabilities, revenues and expenses of the LLC have been included in the accompanying consolidated financial statements. As of December 31, 2022, amounts included in consolidated assets, which are shown in Cash, Interest receivable and Subordinated note receivable, totaled €75,787,986. Apart from that amount, creditors and beneficial holders of the LLC have no recourse to the assets or general credit of the Trust.

#### **Noncontrolling Interest**

The Trust reports equity interest in the LLC held by related parties as noncontrolling interest.

Noncontrolling interest includes a Class A preferred security (€100 par value), a common security (€25,000 par value) issued by the LLC and retained earnings. The common security and the Class A preferred security are held by the Bank. On March 28, 2012, the Bank sold the Class A preferred security to Matrona GmbH ("Matrona"), a subsidiary of the Bank. The sale of the Class A preferred security, as permitted by Section 13.08 of the Amended and Restated Limited Liability Company Agreement of the Company, was consented to by the Bank, as initial Class A preferred security holder and common security holder, and the Bank of New York Mellon, as property trustee with respect to the Class B preferred securities. Matrona executed a sale and purchase agreement on June 21, 2017, whereby it sold the Class A preferred security of the LLC to the Bank for a purchase price of €100.

In accordance with section 7.03 (b) of the LLC Agreement, the LLC's Board of Directors ("Board") is authorized to declare a capital payment to the Class A preferred security holder in the event they

**IKB Funding Trust I and Subsidiary**  
(A Delaware Trust)  
**Notes to Consolidated Financial Statements**  
**December 31, 2022**

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**2. Summary of Significant Accounting Policies (continued)**

do not declare a capital payment (dividends) on the Class B preferred securities (this will happen when the Bank lacks distributable profits).

**3. Related-Party Transactions**

**Subordinated Note Receivable**

The LLC invested its proceeds from the issuance of a Class A preferred security, Class B preferred securities and a common security in a subordinated note receivable issued by IKB Finance, B.V. as referred to in Note 2. The subordinated note receivable bears interest at a rate per annum equal to 3-month Euribor for the relevant interest payment period, plus 1.515%, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each fiscal year. As of December 31, 2022, the interest rate was 3.699%. The subordinated note receivable will mature on December 31, 2031. The carrying value and the related estimated fair value of the subordinated note receivable at December 31, 2022 are as follows:

	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
Subordinated note receivable	€ 75,093,200	€ -	€ 12,453,528	€ 62,639,672
	<u>€ 75,093,200</u>	<u>€ -</u>	<u>€ 12,453,528</u>	<u>€ 62,639,672</u>

The fair value of the subordinated note receivable is estimated using a discounted cash flow approach based upon market pricing for similar types of instruments issued by IKB AG with similar remaining maturities. The subordinated note receivable has never been in default of its interest obligation. Based on management's analysis, and its intent to hold the subordinated note receivable until maturity such that the principal value is recovered, the unrealized loss is not deemed to represent an impairment.

**4. Concentration of Credit Risk**

There is a concentration risk due to the fact that substantially all funds are invested in notes receivable from one company, IKB Finance, B.V., a wholly-owned subsidiary of the Bank. As a result, the Company is exposed to the Bank's credit risk.

**5. Trust Common Security and Class A Preferred Security**

IKB AG is the holder of the trust common security. The payment of dividends is subordinate to the payments of dividends on the trust preferred securities. The trust common security represents all voting rights in the Trust.

The Class A preferred security issued by the LLC and included in noncontrolling interest in the Company's balance sheet is nonvoting and is expected to make dividend payments only to the extent that dividends are not permitted to be paid on the Class B preferred securities in full on any dividend date, due to insufficient distributable profits of IKB AG or by order of the German Federal Agency for Financial Services Supervision prohibiting IKB AG from making any distributions of profits.

# **IKB Funding Trust I and Subsidiary**

(A Delaware Trust)

## **Notes to Consolidated Financial Statements**

### **December 31, 2022**

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#### **5. Trust Common Security and Class A Preferred Security (continued)**

On March 7, 2022, the Bank informed the LLC that, pursuant to Section 7.4(b)(vii), capital payments should be declared and paid to the Class B preferred securityholders on the next four quarterly interest payment dates from and including March 31, 2022 through December 31, 2022. Notwithstanding the capital payments to the Class B preferred security holders, the LLC's Board of Directors declared and paid a dividend to the IKB AG, the Class A securityholder, on December 16, 2022 in the amount of €313,000.

#### **6. Trust Preferred Securities**

The Trust issued 750,680 trust preferred securities. The holders of the trust preferred securities are entitled to receive quarterly capital payments (dividends) on the respective liquidation preference amounts of €100 per trust preferred security at a rate per annum equal to the 3-month Euribor for the relevant payment period plus 1.50%, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each fiscal year.

Dividends on trust preferred securities are noncumulative and are expected to be paid out of dividends received by the Trust with respect to the Class B preferred securities (issued by the LLC and eliminated in consolidation). Dividends on the Class B preferred securities are payable if declared by the LLC's Board of Directors, or if they are deemed to be declared. Dividends can be declared only if the LLC's operating profit is sufficient (that is, if it has received interest on the subordinated note receivable issued by IKB Finance, B.V.), and if IKB AG has an amount of distributable profits for the preceding fiscal year at least equal to the amount of such dividends on the Class B preferred securities and capital payments or dividends or other distributions and payments on parity securities (i.e., each class of the most senior ranking preference securities, if any, or other instruments of IKB AG ranking pari passu with the obligations of IKB AG, if any, pro rata on the basis of distributable profits for such preceding fiscal year). The LLC will be deemed to have declared dividends on the Class B preferred securities if IKB AG or any of its subsidiaries declare or pay dividends on their securities.

If dividends on the Class B preferred securities are not declared by the LLC's Board of Directors, nor deemed to be declared, the holder of the LLC's Class A preferred security, which is included in noncontrolling interest in the Company's balance sheet, is entitled to receive dividends as long as the Bank has insufficient distributable profits under German generally accepted accounting principles as defined in the Amended and Restated LLC Agreement. The LLC's Board of Directors declared and paid dividends to the Trust, the Class B preferred securityholder, in the amount of €1,133,132 during the year ended December 31, 2022.

The trust preferred securities do not have a maturity date and will not be redeemable at any time at the option of the holders thereof. The Class B preferred securities are redeemable at the option of the LLC, in whole or in part. If the LLC redeems Class B preferred securities (held by the Trust), the Trust must redeem a corresponding number of trust preferred securities. The Class B preferred securities are redeemable at capital payment dates, and at any time upon the occurrence of a Company Special Redemption Event (e.g. if the LLC becomes taxable in the United States, or if the Class B preferred securities were not to be treated as Tier I capital of IKB group under the German Banking Act). The Class B preferred securities are redeemable at the liquidation preference amount of €100 per security.

Both the Trust and the LLC have determined that it is currently not probable that the securities will become redeemable, as the securities continue to qualify as Tier I capital for the IKB group, and



**IKB Funding Trust I and Subsidiary**  
(A Delaware Trust)  
**Notes to Consolidated Financial Statements**  
**December 31, 2022**

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**6. Trust Preferred Securities (continued)**

the likelihood of adverse changes in tax or regulatory law in Germany or the US is deemed to be remote.

**7. Subsequent Events**

The Company has evaluated subsequent events occurring after the balance sheet date until April 14, 2023, the date the consolidated financial statements were issued. Based on this evaluation, the Company has determined that no subsequent events, except as described below, have occurred which require recognition or disclosure in the consolidated financial statements.

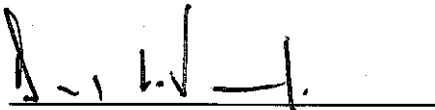
The Bank informed the LLC that they had distributable profits for the fiscal year ended December 31, 2022. Based on the information provided, the LLC's Board of Directors decided that, pursuant to the terms of the LLC Agreement, dividends can be declared on the Class B preferred securities for the dividend payment period ended March 31, 2023. The LLC paid dividends to the Trust, the Class B preferred securityholder, in the amount of €691,376, on April 3, 2023. Consequently, the Trust paid dividends on the trust preferred securities for such period in the same amount and date.

**Responsibility Statement by the Regular Trustees for IKB Funding Trust I**

To the best of our knowledge and in accordance with the applicable principles, the financial statements of the Trust give a true and fair view of the assets, liabilities, financial position and profit or loss of the Trust, and the Management Report of the Trust includes a fair review of the development and performance of the business and the position of the Trust, together with a description of the principal opportunities and risks associated with the expected development of the Trust.

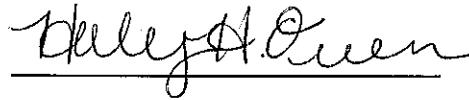
Wilmington, Delaware, April 21, 2023

**IKB Funding Trust I**

Handwritten signature of David A. Vanaskey in black ink, written over a horizontal line.

David A. Vanaskey

Regular Trustee

Handwritten signature of Haley Owen in black ink, written over a horizontal line.

Haley Owen

Regular Trustee



WIRTSCHAFTSPRÜFERKAMMER

Körperschaft des  
öffentlichen Rechts

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## Certification

regarding the registration as a third-country audit entity according to § 134 para. 1 in conjunction with § 38 number 5 WPO (German Public Accounting Act)

### Ernst & Young LLP, New York/USA

is registered as a **third-country audit entity** in the public professional register of the Wirtschaftsprüferkammer **effective 8 August 2013** after compliance with the requirements for registration according to § 134 para. 2 WPO.

With regard to the activity pursuant to § 134 para. 1 WPO, the aforementioned firm is subject to professional disciplinary oversight according to §§ 61a – 71 WPO, the provisions of disciplinary jurisdiction according to §§ 71a – 127 WPO, as well as the provisions of quality assurance according to §§ 57a – 57g WPO, provided that in view of the quality assurance is not waived of it according to § 134 para 3 sentence 2 and 3 WPO.

Berlin, 6 January 2020

RA Dr. Peter Uhlmann  
Head of Division Member Affairs



RAin Manuela Schwoy  
Manager Member Affairs