IKB Deutsche Industriebank

# IKB Deutsche Industriebank AG in the financial year 2024: Challenging environment impacts result

- **Consolidated income before taxes of €56 million below previous year (previous year: €63 million)**
- **Return on equity (RoE) after taxes of 7.2% (previous year: 7.3%)**
- **Administrative expenses reduced to €139 million (previous year: €147 million)**
- **Cost/income ratio of 63% (previous year: 60%), normalised 58%**
- **Higher risk provisioning of €45 million (previous year: €34 million) with low NPA ratio of the loan book at 2.3% (previous year: 1.9%)**
- **Tier 1 capital ratio CET 1 (fully phased) improved from 16.8% to 18.5%**
- **IKB's CEO Dr Michael Wiedmann: 'We are well positioned across our client portfolio. On the business origination side, we are focussing on investment grade clients.The bank's capital situation is comfortable and well above the minimum legal requirements.'**

[Düsseldorf, 14 March 2025] The economic and political environment was difficult in the financial year 2024. German mid-cap companies became increasingly reluctant to invest. In this economically challenging environment, IKB generated consolidated income before tax of €56 million (previous year: €63 million), which was below the forecast figure of around €70 million. This was primarily due to lower-than-expected net interest and commission income as a result of higher refinancing expenses and volume- and interest-related decline in new lending business. In addition, market developments, particularly in the fourth quarter of 2024, led to significant credit spread widening for AAA-rated bonds and higher-than-expected loan loss provisions caused by an individual credit default.

## Positive result and selective new business

IKB generated a pre-tax profit of €56 million in the financial year 2024, below the previous year's level (€63 million).

New business in the 2024 financial year was down on the previous year (€2.7 billion) at €2.2 billion, reflecting our selective lending policy with focus on good credit ratings. The share of the new business volume in the commercial lending business was 60% (previous year: 56%).

Net interest income decreased from €224 million in the previous year to €205 million. In this context, refinancing expenses for private and corporate customer deposits increased more than expected in a highly competitive environment. In addition, there were volume and interest-rate-related deviations in new lending business due to the increasing reluctance of German mid-cap companies to invest, higher KfW cost of funds and IKB's continued very selective lending practices.

Net fee and commission income amounted to €16 million (previous year: €20 million) and was influenced by lower fee and commission income from capital market transactions.

Administrative expenses declined from €147 million in the previous year to €139 million in the reporting period. Normalised for special effects in connection with pension expenses and one-time operating expenses, in particular for projects in the regulatory environment, this figure was €128 million. Personnel expenses amounted to €76 million (previous year: €83 million) due to the non-recurrence of inflation-related pension expenses from the previous year. At €64 million, other administrative expenses and depreciation and write-downs of intangible and tangible assets remained almost at the previous year's level (€63 million).

In a challenging environment, net risk provisioning amounted to €45 million (previous year: €34 million) due to an individual credit default and was above the expected level of €35 million. The loan book remained stable overall. Only limited rating migrations were observed. The conservative risk policy was supported by active portfolio and risk management. The share of non-performing assets in the loan book remained at a very low level of 2.3 % (previous year: 1.9 %).

Other comprehensive income in the Group amounted to €20 million in the financial year 2024 (previous year: €0 million). Major factor were expenses resulting from the close-out of derivative positions, which were overcompensated by contingency reserves.

The cost/income ratio was 63% (previous year: 60%) and was influenced by lower income from net interest and net commission income, as the administrative expenses were reduced moderately. The return on equity amounted to 7.2% (previous year: 7.3%).

## Resilient loan portfolio with solid client base

During the reporting period, the loan book decreased from €9.0 billion to €8.5 billion due to selective lending. On the basis of matching maturities, 55% or €4.7 billion of the loan book is refinanced by KfW Bankengruppe and other development banks, a significant portion of which is long-term financing. The commercial loans are mainly deposit-financed and subject to variable interest rates. IKB's long-standing customers are well positioned in their respective markets, internationally and across a wide range of sectors. In addition, they show sufficient equity and liquidity ratios.

## Comfortable capital base and ample liquidity situation

At 18.5%, the CET 1 ratio fully phased as of 31 December 2024 exceeded the prior-year figure (16.8%). The increase is primarily due to lower-than-expected credit rating migrations in the loan portfolio; at the same time, risk-weighted assets decreased from €7.2 billion in the previous year to €6.7 billion due to better customer credit ratings in new business. Business and private customer deposits remained stable year on year at €3.7 billion (31 December 2023: €3.8 billion). The available liquidity reserve amounted to €1.1 billion (31 December 2023: €1.4 billion). 92% of the deposits are protected either by the statutory deposit guarantee (EdB) or the deposit guarantee fund (ESF).

The net stable funding ratio (NSFR) for IKB Group was 125% as of 31 December 2024 and was sustainably above the statutory minimum requirement of 100%. In the financial year 2024, IKB's leverage ratio was 7.6%, which significantly exceeded the statutory minimum ratio.

## Outlook

IKB expects that the investment confidence will recover during the financial year 2025. The investment environment will remain difficult for German companies. The ongoing weakness of the export industry and muted domestic demand for capital goods will lead to low-capacity utilisation in the manufacturing sector. The overall economic environment will continue to be characterised by a high degree of economic and geopolitical uncertainty in the financial year 2025.

For 2025, IKB expects an increase in the volume of new lending products compared to the previous year's figure of €2.2 billion. IKB is well positioned to provide financing solutions for its mid-cap customers. The KfW energy efficiency and environmental programmes offer substantial opportunities for new business growth in the current financial year.

Net interest and commission income is expected to be moderately lower than in the previous year. IKB is planning for a net risk provisioning in the lending business of around €-25 million for the financial year 2025 and would thus be significantly below the figure of €-45 million in the 2024 financial year.

The bank expects administrative expenses in the financial year 2025 to be at the previous year's level of €139 million due to a temporary increase in project costs for the implementation of predominantly regulatory projects. IKB expects an increase in the cost/income ratio to around 70% due to a decline in gross income. IKB continues to see the improvement in its cost efficiency as a key success factor. In the medium term, the bank is planning to achieve a cost/income ratio of around 40% by reducing administrative expenses and achieving moderate increases in income with a decline in risk provisioning.

IKB expects a consolidated net income before taxes of around €60 million for 2025. Active portfolio management or risk reduction in the securities portfolio are continuously reviewed. The implementation could have an impact on the overall result and the capital ratios, which could be compensated by the release of contingency reserves.

The financial year 2025 could be negatively impacted by geopolitical developments, dislocation in commodities or capital markets as well as new regulatory requirements.

## Table: IKB income statement for the 2024 financial year (Group, in accordance with German commercial law)

| in € million | 1 Jan 2024 – 31 Dec 2024 | 1 Jan 2023 – 31 Dec 2023 |
|---|---|---|
| Net interest income | 205 | 224 |
| Net fee and commission income | 16 | 20 |
| **Gross income** | **220** | **244** |
| Administrative expenses | -139 | -147 |
| *Personnel expenses* | *-76* | *-83* |
| *Other administrative expenses* | *-64* | *-63* |
| **Operating profit before risk provisions** | **81** | **97** |
| Net risk provisioning | -45 | -34 |
| **Operating profit** | **36** | **63** |
| Net other income | 20 | 0 |
| **Income before taxes** | **56** | **63** |
| Tax expense/income | 5 | 3 |
| **Consolidated net result** | **61** | **65** |

Any differences in totals are due to rounding effects.

Further details on the business performance in the 2024 financial year can be found in the 2024 Annual Report and the investor presentation at https://www.ikb.de/en/investor-relations/reports-and-presentations.

## Contact information:

Armin Baltzer, Phone: +49 211 8221-6236, E-mail: investor.relations@ikb.de