IKB Deutsche Industriebank: Results for the financial year 2018/19

- Consolidated net result of € -41 million due to write-down of deferred tax assets
- Liability restructuring continued: Debtor warrants completely eliminated
- Common equity tier 1 ratio (CET 1) increased to 12.1% (fully loaded)
- NPL ratio (EBA definition) at a low 1.4%
- Administrative expenses reduced by 10%

[Düsseldorf, 14 June 2019] In the financial year 2018/19 IKB generated a consolidated net result after taxes of € -41 million (previous year, restated to reflect significant changes in the consolidated group: € -170 million). The result was impacted by the partial write-down of deferred tax assets in the amount of € 44 million. The reason was the more cautious earnings outlook for the coming years due to the economic slowdown.

All of the remaining debtor warrant claims were repurchased in the second half of the financial year. The expenses for the repurchase were offset by an unexpected tax refund including interest of € 162 million.

IKB Group's CET 1 ratio increased from 11.6% in the previous year to 12.1% as of 31 March 2019. This was due in particular to the first-time application of the IRB approach.

The consolidated income statement for the financial year 2018/19 looks as follows:

Table: IKB income statement (Group, HGB)

in € million	1 Apr. 2018 to 31 Mar. 2019	1 Apr. 2017 to 31 Mar. 2018*	Change
Net interest and lease income	193	213	-20
Net fee and commission income	37	39	-2
Administrative expenses	-192	-213	21
Personnel expenses	*-99*	*-117*	*18*
Other administrative expenses	*-94*	*-96*	*2*
Net other income	-106	-181	75
Net risk provisioning	-36	34	-70
Tax income/expense	64	-63	127
Consolidated net result	**-41**	**-170**	**129**

Some totals may be subject to discrepancies due to rounding differences.
* Figures restated for improved comparability due to significant changes in the consolidated group.

The Group's net interest and lease income amounted to € 193 million in the period under review, as expected lower than the previous year with € 213 million. The prior-year figure contained significant amounts of income from the reversal of impaired interest receivables. Net fee and commission income in the Group decreased slightly from € 39 million in the previous year to € 37 million.

Despite muted demand for corporate loans, tough competition and continued selective lending by IKB, new business volume with IKB's mid-sized customers was stable at € 3.6 billion in the financial year 2018/19. The proportion of public programme loans increased from 32% to 37%.

Administrative expenses in the Group were reduced by a further € 21 million to € 192 million. This was primarily due to the € 18 million decline in personnel expenses to € 99 million. The sale of the subsidiary ikb Data led to a reduction in personnel expenses and an increase in IT costs in other administrative expenses. The reduction is the result of continued cost-cutting and optimisation measures.

Compared to a € 34 million positive contribution in the financial year 2017/18, net risk provisioning decreased by € 70 million to a € 36 million in expense. After the years with very low risk costs, the current figure reflects a certain normalisation following the high releases of risk provisions in the previous years. The non-performing loan ratio as defined by the EBA remained very low at 1.4% as of 31 March 2019, compared with 1.0% as of 31 March 2018.

Net other income was primarily impacted by expenses for liability restructuring and income from the sale of real estate. All in all, net other income improved by € 75 million to a still negative contribution of € 106 million.

Tax income of € 64 million was reported in the period under review after a tax expense of € 63 million in the previous year. Income of € 112 million from the refund of taxes paid in previous years (corporate tax and solidarity surcharge) was partially offset by the write-down of deferred tax assets in the amount of € 44 million. In addition, the capitalisation of interest in connection with the refund of taxes led to other operating income of € 50 million in the period under review.

IKB Group’s fully loaded CET 1 ratio amounted to 12.1% as of 31 March 2019. This meant that IKB maintained its common equity tier 1 ratio at a high level and exceeded the statutory minimum requirements.

IKB Group showed a fully loaded leverage ratio of 7.2% as of 31 March 2019 (previous year: 7.0%). The liquidity coverage ratio in the IKB Group amounted to 318% as of 31 March 2019.

Results of IKB AG and loss participation of hybrid securities

IKB AG reported a net result of € -44 million in the financial year 2018/19 (previous year: € -296 million).

The following financial instruments participate in the results of IKB AG by way of deferral of interest/distributions: ISIN DE0007490724, DE000A0AMCG6, DE0008592759. There was no change in the repayment amount of hybrid securities on account of the results of IKB AG for the year under review. A future replenishment of the carrying amounts of the silent participations according to the terms and conditions is possible in principle.

Outlook

IKB expects the environment for banks to continue to be challenging. Extensive regulatory requirements, the low-interest environment and intense competition are limiting banks' earnings potential. Growth in German economy has eased considerably, while its fundamental momentum has slowed. In light of this environment, demand for credit among companies is likely to see only moderate growth. Risk/return will continue to be key to IKB's lending policy in the coming financial year.

IKB is forecasting slight growth in its net interest income and net fee and commission income in the financial year 2019/20. The Bank expects its administrative expenses to decline slightly in the financial year 2019/20 due to continued cost reduction and optimisation measures.

For the financial year 2019/20, the Bank is forecasting slightly positive consolidated results after taxes and a slightly positive result for IKB AG. Net income for the coming financial year could be lower than expected if impacted by risks of negative economic developments not yet foreseeable.

The Bank has a solid tier 1 capital base and believes it is well prepared for future regulatory measures. According to our business plan, liquidity is ensured with a sufficient buffer.

Further details on developments in the financial year 2018/19 can be found in the 2018/19 annual report at https://www.ikb.de/en/investor-relations/financial-reports.

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IKB Deutsche Industriebank AG supports medium-sized enterprises with loans and capital market and advisory services.