IKB Deutsche Industriebank: Results for the financial year 2017/18

- Operating result excl. net other income improves from € 63 million to € 90 million
- Common equity tier 1 ratio (CET 1) stable at 11.8% (fully loaded: 11.6%)
- New business volume expands by € 0.2 billion to € 4.4 billion
- NPL ratio (EBA definition) improves to 1.0%
- Complexity of liability structure significantly reduced
- Consolidated net loss of € 215 million due to restructuring of liabilities
- Administrative expenses reduced by € 13 million

[Düsseldorf, 15 June 2018] IKB Deutsche Industriebank AG improved its operating result excluding net other income from € 63 million to € 90 million in the financial year 2017/18 (1 April 2017 to 31 March 2018). IKB also restructured the liabilities, expanded its new business and continued with cost reduction measures. The non-recurring effects of the liability restructuring, which are reported in net other income, were the main drivers for the consolidated net loss of € 215 million in the financial year 2017/18 (previous year: consolidated net income of € 26 million). The common equity tier 1 ratio (CET 1) for the Group increased slightly year-on-year to 11.8%, while the fully loaded CET 1 ratio rose to 11.6% as at 31 March 2018 (previous year: 11.1%). The leverage ratio amounted to 7.3% (fully loaded: 7.0%) and the liquidity coverage ratio was 750%.

The substantial consolidated net loss is attributable to the liability restructuring. Nominal liabilities were reduced by € 400 million through the termination of the Funding Trust II structure. In addition, silent partnership interests in the nominal amount of € 352 million were repurchased by IKB, and claims from debtor warrants were reduced by € 971 million to € 180 million.

New business volumes with mid-cap clients increased by € 0.2 billion to € 4.4 billion in the financial year 2017/18.

The consolidated income statement for the financial year 2017/18 is as follows:

Table: IKB income statement (Group, HGB)

in € million	1 Apr. 2017 to 31 Mar. 2018	1 Apr. 2016 to 31 Mar. 2017	Change
Net interest and lease income	289	291	-2
Net fee and commission income	39	39	–
Administrative expenses	-271	-284	13
Personnel expenses	*-153*	*-172*	*19*
Other administrative expenses	*-118*	*-111*	*-6*
Net other income	-232	-19	-214
Net risk provisioning	33	17	16
Tax expenses	-73	-20	-53
Consolidated net loss/income	**-215**	**26**	**-241**

Some totals may be subject to discrepancies due to rounding differences.

Net interest and lease income in the Group declined slightly from € 291 million in the previous year to € 289 million. Net fee and commission income in the Group remained unchanged year-on-year at € 39 million.

The Group's administrative expenses were reduced by a further € 13 million to € 271 million. Personnel expenses fell by € 19 million to € 153 million, largely as a result of the continued successful implementation of cost reduction and optimisation measures.

Net risk provisioning improved by € 16 million compared to the financial year 2016/17 to a positive contribution of € 33 million. High levels of provision releases were accompanied by very low additions. The non-performing loan ratio as defined by the EBA more than halved to a historically low level of 1.0% compared to 2.5% as at 31 March 2017.

All in all, the operating result excluding net other income, which is calculated as the total of net interest and lease income, net fee and commission income, administrative expenses and net risk provisioning, improved from € 63 million to € 90 million.

Net other income fell by € 214 million to € -232 million. This was mainly due to the effects of liability restructuring, which resulted in a net expense of € 204 million.

The Group's total assets declined by € 2.0 billion in the period under review, largely as a result of the disposal of the IKB Leasing Group, and amounted to € 17.2 billion at the reporting date. Despite the substantial consolidated net loss, IKB Group's CET 1 ratio stood at 11.8% as at 31 March 2018, slightly up from the previous year's level of 11.7% and continuing to significantly exceed the statutory minimum requirements. The fully loaded CET 1 ratio was 11.6% as at 31 March 2018 (previous year: 11.1%).

Under the transitional provisions and applying the terms of the Delegated Regulation EU 2015/62 of 17 January 2015, the leverage ratio of IKB Group in accordance with Article 429 CRR was 7.3% as at 31 March 2018 (previous year: 8.0%), while the fully loaded ratio was 7.0% (previous year: 6.7%).

The liquidity coverage ratio amounted to 750% at IKB Group level as at 31 March 2018.

Results of IKB AG and loss participation of hybrid securities

IKB AG reported a net loss of € 296 million in the financial year 2017/18 (previous year: € 0).

The following financial instruments participate in the result 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 due to the result of IKB AG for the year under review. As a matter of principle, the terms and conditions of the silent partnership interests securities provide for the future replenishment of the carrying amounts.

Outlook

IKB expects the banking environment to remain challenging in the financial year 2018/19, particularly with a view to extensive regulatory requirements, sustained low interest rates and the significant pressure on margins in the lending business. The economy as a whole is expected to remain fundamentally robust, with the risk of geopolitical uncertainties and protectionist tendencies having an adverse effect.

IKB is forecasting a moderate increase in the loan book in the financial year 2018/19. The Bank expects its net interest income for the financial year 2018/19 to be slightly lower compared to the previous-year figure adjusted for the sale of the leasing business. IKB is forecasting a moderate overall increase in net commission income in the financial year 2018/19. The Bank will continue to be selective in lending in order to generate appropriate returns for the risks taken and to take into account the additional regulatory requirements.

Further reductions in administrative costs are to be achieved through ongoing cost-cutting and optimisation measures. Accordingly, the Bank expects its total administrative expenses to decline slightly in the financial year 2018/19.

IKB is forecasting a moderately positive net income after taxes for the Group and a zero result for IKB AG in the financial year 2018/19.

The Bank has a solid tier 1 capital base and believes it is well prepared for future regulatory requirements. According to the business plan, IKB's liquidity is secured with a sufficient buffer.

Further details on developments in the financial year 2017/18 can be found in the 2017/18 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.