

Results of IKB Deutsche Industriebank AG for the first half of 2023: solid corporate customer business in a demanding environment

- **Consolidated net income before tax improved to €36 million**
- **Return on equity (RoE) after tax increased to 7.9%**
- **Administrative expenses of €77 million slightly below prior year**
- **Cost/income ratio (CIR) of 66% (normalised: 57%)**
- **Resilient loan book: risk provisions of €12 million and NPL ratio (EBA definition) of 1.8%**
- **CET 1 ratio (fully phased) of 15.7%**
- **Comfortable liquidity position with free available liquidity reserve of €1.3 billion**
- **Leverage ratio (fully phased) of 6.4%**
- **Dr Michael Wiedmann, Chairman of the Board of Managing Directors of IKB: "Business with our mid-cap corporate customers developed well in the first half of 2023. We're on track to hitting our targets for the full financial year."**

[Düsseldorf, 18 August 2023] In the first half of 2023, IKB improved its key earnings figures in a challenging market environment. With consolidated net income before tax of €36 million (prior year: €30 million) the bank achieved a good result. The return on equity (RoE) increased to 7.9% (prior year: 6.2%) and the cost income ratio (CIR) improved to 66% (prior year: 72%). While new business focussed on good credit ratings, a slight decline in administrative expenses and significantly higher net interest income had a positive effect on business performance. Consolidated net income before tax for the first six months of the 2023 financial year was in line with the guidance for the full year (about €60 million).

"We took advantage of our strengths in the mid-cap corporate customer business in the first half of 2023. We have a solid and stable position thanks to our financial power, a focussed product portfolio and a conservative risk policy. Building on our sustainable finance framework, we are increasingly expanding operations to finance the sustainability transformation of our customers. We have laid the basis for achieving our goals in 2023 and

achieving our mid-term targets, namely a CIR of about 40% and a RoE above 10%," says Dr Wiedmann, Chairman of the Board of Managing Directors of IKB.

Improved earnings in the first half of 2023

In the first six months of the 2023 financial year, IKB realised consolidated net income before tax of €36 million (prior year: €30 million), increased the volume of new business, and continued to focus on customers with good credit ratings. New loan volume amounted to €1.6 billion (prior year: €1.2 billion). The proportion of commercial loans within total business stood at 60% (prior year: 67%).

Despite the absence of benefits from the ECB's long-term refinancing programme (TLTRO), IKB increased the Group's net interest to €107 million in the period under review (prior year: €98 million). Adjusted for TLTRO income, net income in the reporting period advanced by €22 million (+26%) year on year. In the first six months of the 2023 financial year, net fee and commission income amounted to €9 million (prior year: €13 million). The decline was due to lower fee and commission income from loan structuring.

Administrative expenses totalled €77 million in the period (prior year: €80 million), with personnel expenses amounting to €45 million (prior year: €46 million), and other administrative expenses coming in at €32 million (prior year: €34 million). Personnel expenses continued to be negatively affected by a non-permanent expense of €9 million (prior year: €9 million), which was driven by pension increases and adjustments in long-term inflation rates. Other administrative expenses decreased due to lower contributions to the resolution fund of the European Banking Union (EU bank tax). IKB is on track to achieve its medium-term cost targets.

IKB's loan book is resilient and benefited from the conservative risk policy. Net risk provisioning in the first half of the 2023 financial year remained low, totalling €12 million (prior year: €0 million). The additional portfolio loan loss allowance of €12 million as of 31 December 2022 has not been utilised so far. The ratio of non-performing loans (based on the EBA definition) of 1.8% (prior year: 1.8%) was stable at a very low level. Portfolio

loan loss allowances and specific allowances on the books totalled €139 million (31 December 2022: €138 million).

Net other income in the reporting period amounted to €9 million and was primarily driven by €31 million in income from derivative positions. On the opposite, write-downs in securities held for sale resulted in expenses of €11 million.

In the first six months, the cost/income ratio improved to 66% from 72% in the prior year. The return on equity rose from 6.2% to 7.9% (based on a fully phased CET 1 ratio of 12% relative to average risk-weighted assets). The net interest margin on loan book grew from 1.77% last year to 2.13%.

Resilient loan book

IKB's €9.3 billion loan book largely consists of loans granted to German mid-cap enterprises, companies with minimum annual revenues of €100 million, good credit ratings and diversification across regions and products. Over half of the loan book is maturity match-funded by the KfW banking group and other development banks.

Solid equity and liquidity position

The CET 1 ratio (fully phased) stood at 15.7% for the IKB Group as of 30 June 2023 and was significantly above the 14.5% recorded as of 31 December 2022. The reason for the increase was the development of the risk-weighted assets, which was driven by better-than-planned credit ratings in new business and stable credit ratings of existing loans on the book as well as the profit achieved in the current half year. Corporate and private customer deposits totalled €4.2 billion (31 December 2022: €4.1 billion). In sum, 85% of deposits are protected by German deposit protection schemes (EdB and ESF). Furthermore, the free available liquidity reserve of €1.3 billion gives IKB a comfortable liquidity position. The IKB Group's leverage ratio of 6.4% clearly exceeds the statutory minimum ratio.

Outlook

Geopolitical tensions, in particular associated with the war in Ukraine, the tight monetary policy of the central banks and inflation, which is far above target in all major industrial nations, continue to present a challenging business environment. Leading economic research institutions expect an economic slowdown in the second half of 2023, which may have a different impact on various industrial sectors. IKB confirms its forecasts for the 2023 financial year as well as its medium-term targets irrespective of the uncertainties in the current financial year.

Table: IKB income statement for the first half of 2023 (Group, in accordance with German commercial law)

in € million	1 Jan. 2023 – 30 Jun. 2023	1 Jan. 2022 – 30 Jun. 2022
Net interest income	107	98
Net fee and commission income	9	13
Gross income	116	111
Administrative expenses	-77	-80
<i>Personnel expenses</i>	-45	-46
<i>Other administrative expenses</i>	-32	-34
Operating profit before risk provisions	39	31
Net risk provisioning	-12	0
Operating profit	28	32
Net other income	9	-1
Income before tax	36	30
Tax expense/income	0	0
Consolidated net result	36	30

Any differences in totals are due to rounding.

Further details on the business performance in the first half of 2023 can be found in the Report on the First Half of 2023 and the investor presentation at <https://www.ikb.de/en/investor-relations/reports-and-presentations>.

Contact:

Armin Baltzer, Phone: +49 211 8221-6236; e-mail: presse@ikb.de

IKB Deutsche Industriebank AG provides small and mid-size companies with finance as well as capital market and advisory services.