# IKB Deutsche Industriebank:
# Results for the 2012/13 financial year

- Reporting in accordance with German Commercial Code (HGB)
- Consolidated net loss of € 143 million (2011/12: € 424 million)
- Tier 1 capital ratio of 9.6%
- SoFFin guarantees repaid early and in full
- Debt crisis and regulatory environment still significant risk factors

[Düsseldorf, 28 June 2013] As of the financial statements presented today for the 2012/13 financial year for the Group and IKB AG – as previously announced – the accounting of IKB Deutsche Industriebank will be exclusively in accordance with the Handelsgesetzbuch (HGB – German Commercial Code). The prior-year figures for the IKB Group were also restated accordingly.

In the 2012/13 financial year (1 April 2012 to 31 March 2013), the IKB Group generated a new business volume of € 3.0 billion (previous year: € 3.3 billion) in an environment dominated by the ongoing European debt crisis and major uncertainty. At € 143 million (previous year: consolidated net loss of € 424 million), the consolidated net loss of IKB was lower in the reporting period than in the same period of the previous year.

The consolidated income statement for the 2012/13 financial year is as follows:

*Table: Income statement of IKB (Group, HGB)*

| € million | 1 Apr. 2012 to 31 Mar. 2013 | 1 Apr. 2011 to 31 Mar. 2012 | Change |
|---|---|---|---|
| Net interest and lease income | 210 | 211 | -1 |
| Net fee and commission income | 5 | -59 | 64 |
| Net trading results | 1 | 0 | 1 |
| Administrative expenses | -304 | -302 | -2 |
| *Personnel expenses* | *-159* | *-164* | *5* |
| *Other administrative expenses* | *-145* | *-138* | *-7* |
| Other comprehensive income | 21 | -252 | 273 |
| Net risk provisioning | -71 | -16 | -55 |
| **Result from ordinary business activities** | **-137** | **-416** | **279** |
| Taxes | -6 | -8 | 2 |
| **Consolidated net loss** | **-143** | **-424** | **281** |

At € 210 million, **net interest and lease income** matched the previous year's level (€ 211 million), even though the loan volume as at the end of the year was lower than in the previous year. **Net fee and commission income** was positive again for the first time in years at € 5 million, after € -59 million the previous year. The major reason for the increase in the reporting period was the € 69 million decline in SoFFin guarantee commission to € 33 million (previous year: € 102 million). IKB had repaid the last SoFFin guarantees early at the end of December 2012.

**Administrative expenses** rose by € 2 million to € 304 million. Personnel expenses declined by € 5 million to € 159 million, particularly as a result of the reduction in average head count by 66 full-time equivalents (FTEs) to 1,478 FTEs in the Group. Other administrative expenses climbed by € 7 million to € 145 million. In particular, this increase was due to additional expenses for the implementation of regulatory requirements and an € 8 million rise in expenses for the Deposit Protection Fund. The Group's **other comprehensive income** grew by € 273 million to € 21 million. A key factor in this was contributions from the remeasurement and disposal of long-term investments and derivatives. This resulted in net income of € 59 million after € -262 million in the previous year. The previous year's result was negatively affected by write-downs on Greek bonds and first-to-default bonds relating to Greece in the amount of € 256 million.

**Net risk provisioning** increased by a volume of € 55 million from € -16 million to € -71 million. This reflects a declining level of reversals and a generally more cautious assessment of the economic situation; IKB is also anticipating risks in connection with the continued European debt crisis for acquisition, project and real estate financing in France, Italy, Spain and the UK. The current risk provisioning is still moderate by multi-year comparison.

**Tax expenses** amounted to € 6 million in the reporting period after € 8 million in the previous year. The **consolidated net loss** improved by € 281 million to € 143 million.

**Total assets** declined by € 5.0 billion in the reporting period to € 27.6 billion on the reporting date. The **tier I capital ratio** of the IKB Group was 9.6% as at 31 March 2013 (31 March 2012: 9.4%), while the overall capital ratio was 13.8% (13.0%).

## Results of IKB AG and loss participation of hybrid securities

The 2012/13 net loss for IKB AG amounted to € 162 million (previous year: net loss of € 255 million). The loss participation of the profit participation certificates was calculated on the basis of IKB AG’s results for the year.

The following financial instruments participate in this loss by way of deferral of interest/distributions: DE0002731197, DE0002731429, DE0002731569, DE000A0GF758, DE0007490724, DE000A0AMCG6, DE0008592759, XS0194701487.

The 2012/13 loss participation by way of reduced repayment affects the profit participation certificates DE0002731429 and DE0002731569, and is determined by the adjusted gross accumulated loss, which amounted to € 140 million after the reversal of other revenue reserves of € 22 million. Based on this, the profit participation certificates participated in the loss in the amount of € 4 million in the 2012/13 financial year.

## Profit participation certificates of IKB AG

| Maturity date | ISIN | Total repayment amount (denomination to original nominal amount) before loss participation in € | Repayment amount per item after loss participation | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2007/08 in € | 2008/09 in € | 2009/10 in € | 2010/11 in € | 2011/12 in € | 2012/13 in € |
| 2015 | DE0002731197 | 30,000,000 (100.00) | 52.72 | 17.53 | 3.94 | 0.14 | 0.00 | 0.00 |
| 2017 | DE0002731429 | 50,000,000 (1,000.00) | 527.17 | 457.3 | 387.48 | 349.45 | 298.28 | 268.41 |
| 2017 | DE0002731569 | 70,000,000 (50,000.00) | 26,358.25 | 22,865.15 | 19,373.81 | 17,72.39 | 14,913.82 | 13,420.28 |
| 2015 | DE000A0GF758 (ProPart Funding) | 150,000,000 (50,000.00) | 26,358.25 | 8,766.12 | 1,972.27 | 71.53 | 0.00 | 0.00 |

## Silent partnership interests in the commercial enterprise (Handelsgewerbe) of IKB AG, repackaged by way of securities issued by Capital Raising GmbH and Hybrid Raising GmbH

| Maturity | ISIN | Total repayment amount (repayment amount per security) before loss participation in € | Pro rata repayment amount of underlying silent partnership interest per security after loss participation 2007/08 in € | 2008/09 in € | 2009/10 in € | 2010/11 in € | 2011/12 in € | 2012/13 in € |
|---|---|---|---|---|---|---|---|---|
| Open | DE0007490724 (Capital Raising) | 200,000,000 (100.00) | 52.72 | 17.53 | 3.94 | 0.14 | 0.00 | 0.00 |
| Open | DE000A0AMCG6 (Hybrid Raising) | 200,000,000 (100.00) | 52.72 | 17.53 | 3.94 | 0.14 | 0.00 | 0.00 |

Under certain circumstances set out in the terms and conditions of the profit participation certificates and the silent partnership agreements, the reduced repayment claims of the profit participation certificates and the carrying amounts of the silent partnership interests can be replenished in future periods. If such a claim were to arise in a financial year, this would reduce the distributable profit for the financial year in question.

In addition, under certain conditions regulated in the terms and conditions of issue, bearers of profit participation certificates can be entitled to subsequent payment of deferred interest in future periods, which would then also reduce the distributable profit for the financial year in question. By contrast, the deferred interest is cancelled for the other securities named here.

## Outlook

The IKB Group's extensive restructuring measures have essentially been implemented, and the fundamental changes to the business model have been made. The debt crisis, the dim economic situation in the reporting period and the known regulatory restrictions mean that IKB will generate a positive result from its business model only at a later time.

With profitable new lending business, net interest income will stabilise in the medium term and provisions for possible loan losses will remain steady. The future earnings structure will feature a rising share of commission income from advisory, derivatives and capital market business and from assets under management. Total assets will continue to decline.

Administrative expenses in the Group will be reduced by the lower administrative expenses and the headcount reduction. This will be made possible by efficiency enhancements, particularly with regard to the fulfilment of regulatory requirements and reductions in Group complexity. There is still some uncertainty concerning the negative consequences that could result from the ongoing and, as yet, unfinalised regulation programmes and the necessary adjustments.

In order to limit its refinancing costs and ensure its liquidity in future as well, IKB will continue to diversify its refinancing structure. This will focus on deposit business with corporate and retail clients and on issuing bearer bonds. In addition, IKB will actively utilise government development bank programmes for its customers and continue to carry out secured financing.

Given the current income from the reversal of derivatives and the sale of securities, IKB is assuming a positive conclusion of the first half of 2013/14 (1 April 2013 to 30 September 2013). If the positive trends on the capital markets are essentially confirmed, the Board of Managing Directors assumes that, overall, positive operating results will be generated from earnings in operating business and measurement gains from financial instruments that – not least in light of the tougher Basel III capital requirements – can be used to strengthen tier 1 capital. Servicing the compensation agreements of a total amount of € 1,151.5 million and the value recovery rights of the hybrid investors means that, even if IKB generates an operating profit, it will probably not report any, or only minimal, net profit for the forecast period and a long time to come.

Further details on developments in the 2012/13 financial year can be found in the 2012/13 annual report at https://www.ikb.de/en/investor-relations/finanzberichte/.

*IKB Deutsche Industriebank AG supports medium-sized enterprises in Germany and Europe with loans, risk management, capital market services and advisory services.*

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