

IKB Deutsche Industriebank: Results for the 2016/17 financial year

- Consolidated net income rises to € 26 million
- New business expands by € 0.5 billion to € 4.2 billion
- Total net interest and net fee and commission income increases to € 17 million
- Administrative expenses down by € 16 million
- Non-strategic portfolio reduced to € 0.3 billion
- Common equity tier 1 ratio (CET 1) stable at high level of 11.7%

[Düsseldorf, 9 June 2017] IKB Deutsche Industriebank AG generated consolidated net income of € 26 million in the 2016/17 financial year (1 April 2016 to 31 March 2017). The common equity tier 1 ratio (CET 1) of 11.7% for the Group was slightly up compared to the previous year's level, thereby significantly exceeding regulatory requirements; the figure for the CET 1 ratio fully loaded was 11.1% as at 31 March 2017. The leverage ratio remained high at 8.0% and the liquidity coverage ratio was 328%.

IKB is thus reporting its fourth positive annual result in a row, confirming the sustainable profitability of its business model. Income was increased while at the same time costs were reduced in the 2016/17 financial year. IKB has a solid equity position and ample liquidity.

The growth trend in new business with Mittelstand companies has continued. The new business volume increased by 13% year-on-year to € 4.2 billion in the 2016/17 financial year. Parallel to this, the non-strategic portfolio was reduced further to currently € 0.3 billion (31 March 2016: € 1.4 billion).

IKB maintained its risk-adequate pricing. Net risk provisioning therefore made a positive contribution to results of € 17 million, and the ratio of non-performing

assets to credit exposure more than halved to 1.1% as against 2.6% as at 31 March 2016.

The consolidated income statement for the 2016/17 financial year is as follows:

Table: IKB consolidated income statement in accordance with the German Commercial Code (HGB)

| in € million | 1 Apr. 2016 to 31 Mar. 2017 | 1 Apr. 2015 to 31 Mar. 2016 | Change |
|--------------------------------------|--|--|---------------|
| Net interest and lease income | 291 | 284 | 8 |
| Net fee and commission income | 39 | 30 | 10 |
| Net trading income | - | 6 | -6 |
| Administrative expenses | -284 | -299 | 16 |
| <i>Personnel expenses</i> | -172 | -183 | 11 |
| <i>Other administrative expenses</i> | -111 | -116 | 5 |
| Net other income | -19 | 1 | -19 |
| Net risk provisioning | 17 | -9 | 26 |
| Tax expenses | -20 | -1 | -18 |
| Consolidated net income | 26 | 10 | 15 |

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

The Group's net interest and lease income rose to € 291 million in the reporting period. The good performance in the corporate clients business contributed to this positive development. At € 39 million, the Group's net fee and commission income was up on the previous year's figure of € 30 million.

The Group's administrative expenses were reduced by € 16 million to € 284 million. There were declines in both personnel expenses for the Group (of € 11 million to € 172 million) and other administrative expenses (of € 5 million to € 111 million). This was largely a result of the continuing cost-cutting and optimisation measures as well as the rental expense saved by buying back the building of IKB's headquarter in Düsseldorf.

Net risk provisioning, which includes amortisation/depreciation, write-downs of receivables and certain securities and additions to loan loss provisions, improved by € 26 million as against the 2015/16 financial year to € 17 million as a result of lower provisions for possible loan losses.

Net other income declined by € 19 million to € -19 million. Tax expenses amounted to € 20 million in the reporting period after € 1 million in the previous year.

The Group's total assets declined by € 0.4 billion in the reporting period to € 19.2 billion at the reporting date. IKB Group's CET 1 ratio as at 31 March 2017 was 11.7%. IKB thus maintained its common equity tier 1 ratio at the high level of the previous year and exceeded the statutory (CRR) minimum requirement of 4.5% for the CET 1 ratio plus a capital conservation buffer of 1.25% and the additional capital requirement resulting from the SREP process. The fully loaded CET 1 ratio was 11.1% as at 31 March 2017.

Under the transitional provisions and applying the terms of Delegated Regulation EU 2015/62 of 17 January 2015, the leverage ratio of the IKB Group in accordance with Article 429 CRR was 8.0% as at 31 March 2017 (previous year: 8.2%), comfortably exceeding the established benchmark of 3.0%.

The liquidity coverage ratio was 328% as at 31 March 2017 (previous year: 283%), while the minimum requirement has been 80% since 1 January 2017.

Results of IKB AG and loss participation of hybrid securities

The net profit of IKB AG for 2016/17 amounts to € 0 (previous year: € 0).

The following financial instruments participate in the results of IKB AG by way of deferral of interest/distributions: ISIN DE0002731429, DE0002731569, DE0007490724, DE000A0AMCG6, DE0008592759, XS0194701487.

There was no change in the repayment amount of hybrid securities on account of the results of IKB AG for the year under review.

Profit participation certificates of IKB AG

| Maturity | ISIN | Total repayment amount before loss participation in € | Denomination to original nominal amount before loss participation in € | Repayment amount per certificate after loss participation | | | | | | |
|----------|--------------|---|--|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | 2010/11 in € | 2011/12 in € | 2012/13 in € | 2013/14 in € | 2014/15 in € | 2015/16 in € | 2016/17 in € |
| 2017 | DE0002731429 | 50,000,000 | 1,000.00 | 349.45 | 298.28 | 268.41 | 268.41 | 268.41 | 268.41 | 268.41 |
| 2017 | DE0002731569 | 70,000,000 | 50,000.00 | 17,472.39 | 14,913.82 | 13,420.28 | 13,420.28 | 13,420.28 | 13,420.28 | 13,420.28 |

Silent partnership interests in the commercial enterprise (Handels-gewerbe) of IKB AG, securitised by way of securities issued by Capital Raising GmbH and Hybrid Raising GmbH

| Maturity | ISIN | Total repayment amount before loss participation in € | Repayment amount per security before loss participation in € | Pro rata repayment amount of underlying silent partnership interest per security after loss participation | | | | | | |
|----------|-----------------------------------|---|--|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | 2010/11 in € | 2011/12 in € | 2012/13 in € | 2013/14 in € | 2014/15 in € | 2015/16 in € | 2016/17 in € |
| Open | DE0007490724 (Capital Raising) | 200,000,000 | 100.00 | 0.14 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Open | DE000A0AMCG6 (Hybrid Raising) | 200,000,000 | 100.00 | 0.14 | 0.00 | 0.00 | 0.00 | 0.00 | 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 challenges that IKB faced in the 2016/17 financial year remain in effect for the future as well. Extensive regulatory requirements and the sustained low-interest environment are limiting earnings opportunities. There is also geopolitical uncertainty in conjunction with protectionist tendencies, for instance in the US and Europe.

For the 2017/18 financial year, the Bank expects to see a slight increase in receivables from customers, as the growth in new lending business is likely to more than offset the repayments in lending business and reductions of assets. The Bank will continue to be selective when it comes to new lending business in the 2017/18 financial year in order to generate appropriate income for the risks taken and to consider the growing requirements imposed by the banking authorities at an early stage.

The Bank has a solid tier 1 capital base and is well prepared for future regulatory measures. This means that IKB has sufficient scope to expand its business volume as planned. According to planning, liquidity is ensured with a sufficient buffer.

As a result of IKB's improved market position in conjunction with its continuing cost-cutting and optimisation measures, IKB expects a further increase in its consolidated net income after taxes for the coming 2017/18 financial year.

Servicing the compensation agreements of a total amount of € 1,151.5 million and the value recovery rights of the hybrid investors means that IKB AG will probably not report any, or only minimal, profit for a long time to come, even if its results are positive. In addition, to the extent that net income can be reported in future, the reduction of net accumulated losses means that it will not be possible to distribute a dividend to the shareholders of IKB AG.

Further details on developments in the 2016/17 financial year can be found in the 2016/17 annual report at

<https://www.ikb.de/en/investor-relations/financial-reports>.

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