IKB Deutsche Industriebank:
Six-month figures of the 2017/18 financial year

- Consolidated net income rises to € 24 million
- New business volume expands by € 0.1 billion to € 2.3 billion
- Total net interest and net fee and commission income increases by € 10 million
- Administrative expenses reduced by € 9 million
- Common equity tier 1 ratio (CET 1) of 11.3%
- NPA ratio at a historically low 0.8%
- Simplification of capital structure successfully continued

[Düsseldorf, 24 November 2017] IKB Deutsche Industriebank AG generated consolidated net income of € 24 million in the first half of the 2017/18 financial year (1 April to 30 September 2017). The common equity tier 1 ratio (CET 1) for the Group amounted to 11.3% (31 March 2017: 11.7%), while the fully loaded CET 1 ratio was 10.8% as at 30 September 2017. The leverage ratio and the liquidity coverage ratio remained high at 7.1% and 475% respectively.

IKB's business model with its focus on the German industrial midmarket is proving to be sustainably profitable. Income increased compared with the same period of the previous year, while costs declined. The termination of the IKB Funding Trust II structure, the repurchase of the Capital Raising and Hybrid Raising notes and the partial early repurchase of a debtor warrant served to reduce the complexity of the capital structure.

New business volume with the German Mittelstand increased slightly to € 2.3 billion. IKB is maintaining its high lending standards even in the sustained low-interest environment.

The consolidated income statement for the first half of the 2017/18 financial year is as follows.

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

in € million	**1 Apr. 2017 to 30 Sep. 2017**	**1 Apr. 2016 to 30 Sep. 2016**	**Change**
Net interest and lease income	151	144	7
Net fee and commission income	20	17	3
Net trading income	0	0	-
Administrative expenses	-132	-141	9
Personnel expenses	*-81*	*-90*	*9*
Other administrative expenses	*-51*	*-52*	*1*
Net other income	-7	29	-36
Net risk provisioning	10	-18	28
Tax expenses	-18	-21	3
Consolidated net income	**24**	**10**	**14**

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

Net interest and lease income in the Group amounted to € 151 million in the reporting period (previous year/period from 1 April to 30 September 2016: € 144 million). This increase was primarily due to higher volumes in our lending business as well as income from the realisation of leased assets. The Group recorded net fee and commission income of € 20 million, up on the prior-year figure of € 17 million.

IKB is making progress with its cost-cutting measures. Administrative expenses declined from € 141 million in the previous year to € 132 million in the reporting period. This was primarily due to personnel expenses, which fell by € 9 million year-on-year to € 81 million largely on the back of the successful implementation of restructuring measures. Other administrative expenses and depreciation, amortisation and impairment losses declined slightly compared to the previous year to € 51 million.

At € 10 million, net risk provisioning made a positive contribution to earnings. This represents an improvement of € 28 million on the negative figure of € -18 million in the same period of the previous year. The ratio of non-performing assets fell to a historical low of 0.8% as at 30 September 2017.

Net other income declined from a positive € 29 million in the previous year to a negative € 7 million in the reporting period. The valuation and sale of long-term investments resulted in net income of € 69 million (previous year: € 154 million). Close-out payments of derivative transactions in the banking book resulted in net expenses of € 137 million compared with € 114 million in the previous year. The termination of the IKB Funding Trust II structure, the repurchase of the Capital Raising and Hybrid Raising notes and the partial early repurchase of a debtor warrant resulted in extraordinary income in the net amount of € 94 million.

Tax expenses amounted to € 18 million in the reporting period after € 21 million in the previous year.

The Group's total assets declined by € 0.4 billion compared to 31 March 2017, amounting to € 18.8 billion at the end of the reporting period. IKB Group's CET 1 ratio as at 30 September 2017 was 11.3% (31 March 2017: 11.7%). This meant that IKB exceeded the statutory minimum requirement (CRR) of 4.5% for the CET 1 ratio plus a capital conservation buffer of 1.25% and the SREP additional capital requirement. The fully loaded CET 1 ratio as at 30 September 2017 was 10.8% (31 March 2017: 11.1%).

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 7.1% as at 30 September 2017, thereby comfortably exceeding the future minimum ratio of 3.0%. The liquidity coverage ratio of the IKB Group was 475% as at 30 September 2017, while the minimum requirement has been 80% since 1 January 2017.

Outlook

The planned and potential regulatory projects for banks will continue to present IKB with considerable challenges. The Bank believes it is well prepared for future regulatory measures. The Bank's development also depends on the potential impact of geopolitical tensions and the resulting uncertainty with respect to the development of the world economy as well as the monetary policy of central banks in the 2017/18 financial year.

IKB generated consolidated positive net income in the first half of the 2017/18 financial year. Loan default rates are at a historically low level. As a result, IKB is anticipating a further improvement in the result on risk provisioning in the second half of the year. Net interest and net fee and commission income are expected to remain unchanged versus the previous year. IKB is maintaining its forecast for operating earnings.

The second half of the financial year is likely to be characterised by non-recurring effects. The Bank is examining the implementation of additional measures to simplify its capital structure in the second half of the year, the realisation of which would result in substantial extraordinary expenses in the current financial year.

However, the measures would improve the Bank's earnings situation in future financial years. In general, the Bank expects to generate a significant increase in consolidated net income in the current financial year even allowing for these potential measures. At the same time, there is considerable uncertainty as to whether the income generated in the second half of the year will be sufficient to offset the expenses incurred in connection with the measures. If income is not recorded to the extent anticipated, a substantial consolidated net loss is to be expected.

A reduction in risk-weighted assets is also expected following the agreement on the sale of the leasing business. In any case, IKB expects the Group's CET 1 ratio to remain essentially unchanged compared to the previous year even after the implementation of measures to simplify the capital structure.

Further details on developments in the first half of 2017/18 can be found in the 6-month report for 2017/18 at
https://www.ikb.de/en/investor-relations/financial-reports.

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