

IKB Deutsche Industriebank on track with stable results in the first half of 2024

- **Consolidated net income before taxes of €32 million (previous year: €36 million) in line with the 2024 forecast**
- **Return on equity after taxes at 7.6% (previous year: 7.9%)**
- **Administrative expenses of €66 million below previous year (€77 million)**
- **Cost/income ratio improved to 57.6%, adjusted to 54.4%**
- **Robust loan book: risk provision expenses of €13 million and NPL ratio (EBA definition) at 2.0%**
- **Common equity tier 1 capital ratio (CET 1/fully phased) improved to 17.2% (31 December 2023: 16.8%)**
- **Leverage ratio at 7.9%**
- **IKB CEO Dr Michael Wiedmann: ‘With our focused business model and a robust loan book, we are well positioned even in economically challenging times. Following the successful start to the 2024 financial year, we are confident that we will fulfil our earnings forecast for the year as a whole.’**

[Düsseldorf, 16 August 2024] IKB is on track in the first half of 2024 despite the ongoing difficult economic situation. With consolidated net income before taxes of €32 million (first half of the previous year: €36 million), the Bank generated earnings in line with expectations and expects to achieve its forecast full-year target of €70 million. Selective lending with a focus on good credit ratings, almost stable net interest and commission income, lower administrative expenses and low risk provisioning had a positive effect on the key performance indicators. The return on equity (RoE) was 7.6% (first half of the previous year: 7.9%) and the Cost/income ratio improved to 57.6% (first half of the previous year: 66.3%), adjusted to 54.4%. The NPL ratio was 2.0% (31 December 2023: 2.0%).

‘Operating business development in the first half of 2024 was largely in line with expectations. In new business with corporate customers, we focused on counterparties with good credit ratings and closely supported our existing customers. With continued high cost and risk discipline, we are well on track to meet our medium-term targets’, said IKB CEO Dr Michael Wiedmann.

Stable business development in the first half of 2024

With consolidated net income before taxes of €32 million (first half of the previous year: €36 million), IKB is in line with expectations for the full year 2024. The volume of new loans amounted to €1.0 billion and was down on the previous year's figure of €1.6 billion. This is driven by the current reluctance of German companies to invest and reflects a deliberately cautious lending policy in a tense economic environment with rising insolvency ratios. At 61%, the share of own funds business in the total volume was at the previous year's level of 60%.

At €107 million, the Group's net interest income in the reporting period remained at the previous year's level despite lower total assets. In the first six months of the first half of 2024, the Group's net commission income totaled €7 million (first half of the previous year: €9 million). The decline is due to lower commission income from structuring of new lending business.

Administrative expenses totaled €66 million in the reporting period (first half of the previous year: €77 million), while personnel expenses amounted to €37 million (first half of the previous year: €45 million). The decrease in personnel expenses is due to the absence of special effects in pension expenses (same period in the previous year: €9 million in expenses for inflation-induced pension adjustments for retirees). At €28 million, other administrative expenses were also lower than in the first half of the previous year (€32 million), as the corresponding contribution payments were cancelled following the conclusion of the set-up phase of the Single Resolution Fund of the Banking Union (EU bank levy). Administrative expenses will increase in the second half of 2024 due to project activities that will only lead to cost burdens in the second half of the year. However, administrative expenses are expected to be slightly lower overall than the figure for the 2023 financial year of €147 million.

IKB's loan book remained robust and benefited from the unchanged high lending standards. Net risk provisioning amounted to an expense of €13 million in the first half of the 2024 financial year (first half of the previous year: expense of €12 million). The proportion of non-performing assets remained unchanged compared to the previous year with an NPL ratio (according to the EBA definition) of 2.0%. The balance of general and specific loan loss provisions amounted to €136 million and was below the figure of €144 million as at 31 December 2023.

Other comprehensive income totaled €-4 million in the reporting period (same period of the previous year: €+9 million). The main influencing factor was the interest rate trend in the first half of 2024, which was strongly influenced by the central banks' continued high interest rates.

The Cost/income ratio improved to 57.6% in the reporting period after 66.3% in the first half of the previous year and will be around 60% for the year as a whole in the second half of 2024 due to delayed project costs. The return on equity was 7.6% after 7.9% in the first half of the previous year (with a Common Equity Tier 1 capital ratio of 12% calculated on average risk-weighted assets). A return on equity of around 8% is expected for 2024 as a whole. The net interest margin on the credit volume rose from 1.26% to 1.41%. In the medium term, the bank plans to achieve a Cost/income ratio of around 40% and a return on equity of 10% by reducing administrative expenses and moderately increasing income while reducing risk provisions.

Robust loan book

IKB's loan book totalling around €9 billion consists largely of loans to companies in the German upper midmarket, i.e. companies with annual sales volumes of €100 million or more, with good credit ratings – 81% are investment grade – and a high level of regional, sector and product diversification. More than half of the loan book is refinanced through public programme loans from KfW Bankengruppe and other development banks. Project successes in financing projects for the sustainability transformation of IKB customers show that the strategy of becoming one of the relevant sustainable mid-cap financiers in Germany is paying off.

Solid equity and liquidity position

The CET 1 ratio (fully phased) for the IKB Group was 17.2% as at 30 June 2024, up on the figure of 16.8% as at 31 December 2023. This was due to the profit for the first half of 2024. IKB will meet its minimum capital requirements – even taking into account changes in institution-specific regulatory capital requirements – and expects a CET 1 ratio at the 2023 level for the 2024 financial year. The volume of business and retail customer deposits was stable at €3.9 billion in the reporting period (31 December 2023: €3.8 billion). The freely available liquidity reserve remained unchanged at €1.4 billion. The IKB Group's leverage ratio of 7.9% (31 December 2023: 7.2%) significantly exceeded the statutory minimum ratio.

Outlook

IKB faces a difficult economic environment. This is primarily due to geopolitical tensions such as the ongoing war in Ukraine and the conflict in the Middle East, as well as the further escalation of competition between the USA and China. In addition, the challenging market environment is characterised by uncertainties regarding the upcoming US elections, the weak economic situation in Germany, the ECB's continued restrictive monetary policy due to only slowly declining inflation rates and the high level of economic uncertainty combined with declining corporate investments. Against this backdrop, the Bank will continue its selective lending policy with a focus on good credit ratings in the second half of 2024. As a result, new business could be significantly lower than forecast by the end of the financial year and net interest and commission income could be moderately lower than forecast and influence the cost/income ratio accordingly.

Despite these uncertainties, IKB is maintaining its forecast for consolidated income before taxes. Please refer to the report on expected developments in the IKB 2023 annual report from page 56 onwards.

Table: IKB income statement for the first half of the financial year 2024 (Group, in accordance with German commercial law)

in € million	1 Jan. 2024 – 30 June 2024	1 Jan. 2023 – 30 June 2023
Net interest income	107	107
Net fee and commission income	7	9
Gross income	115	116
Administrative expenses	(66)	(77)
<i>Personnel expenses</i>	(37)	(45)
<i>Other administrative expenses</i>	(29)	(32)
Operating profit before risk provisions	49	39
Net risk provisioning	(13)	(12)
Operating profit	35	28
Net other income	(4)	9
Income before taxes	32	36
Tax income	1	0
Consolidated net result	33	36

Any differences in totals are due to rounding effects.

Further details on the business performance in the first half of the financial year 2024 can be found in the 2024 half year report and the investor presentation at

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

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