

IKB Deutsche Industriebank AG

18 May 2020, Düsseldorf



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Highlights in Financial Year 2019/20

1 Positive Result

- Net consolidated income € 8 million, excluding one-off effects net income of € 80 million
- Pre-provision income (net interest income, fee and commission income less administrative expenses) more than doubled from € 38 million to € 85 million.
- Return on equity of approx. 6% assuming a common equity tier 1 ratio of 12%, calculated on risk-weighted assets of € 11.4 billion.

2 Successful Cost Control

- Administrative expenses reduced by 19% from € 192 million to € 156 million
- Administrative expenses are expected to further reduce to approx. € 140 million in the financial year 2020/21 and to below € 110 million in the medium term.
- Cost income ratio improved from 84% to 65%; the medium-term target level for the cost income ratio is below 50%.

3 Focused Core Business

- Total volume of lending book unchanged at € 10 billion.
- Net interest income, fee and commission income increased from € 230 million to € 241 million.

4 Low Risk Profile

- NPL ratio (EBA definition) of 1.3 % remains very low.
- The level of non-performing assets is stable at € 154 million compared with the previous year (€ 152 million)
- Net risk provisioning is at a moderate level despite initial coronavirus effects.

5 Solid Capital Position

- Common equity tier 1 ratio (CET 1) of 12.0% (fully loaded) was flat, pro-forma Basel IV CET 1 ratio of 12.8%
- With introduction of IRB approach as of 31.3.2019 reduction of €1 billion RWAs; RWA density remains at ca. 70%
- Further model adjustments imply a potential additional RWA reduction of up to € 1.5 billion.
- As a result, a significant increase in the common equity tier 1 ratio (CET 1) is expected.

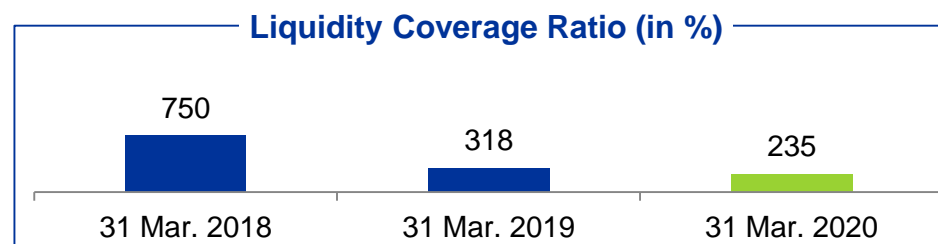
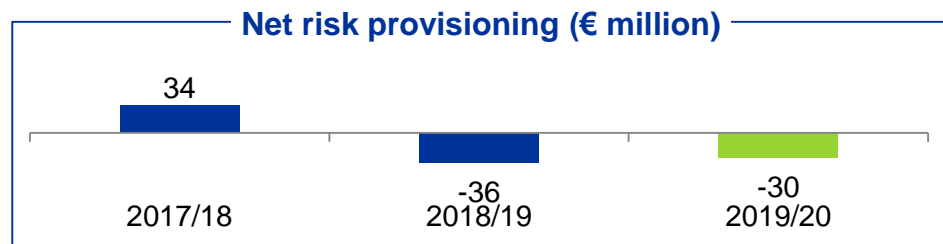
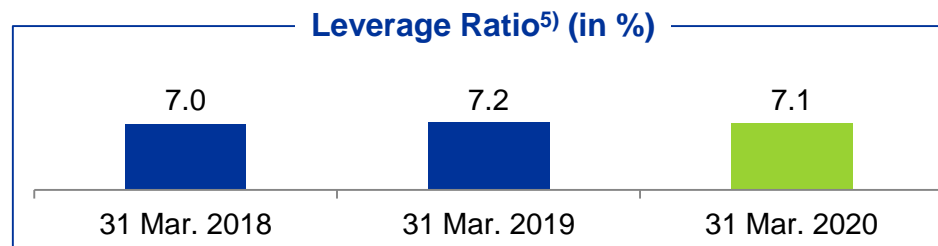
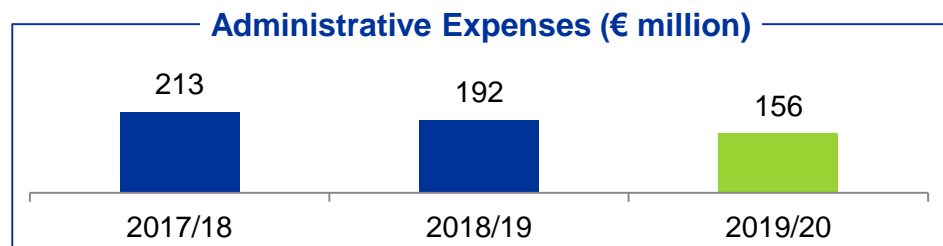
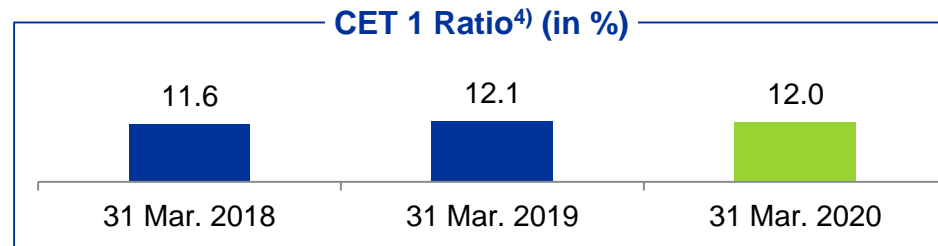
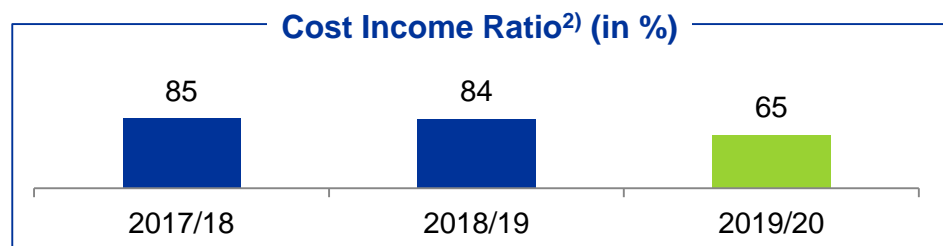
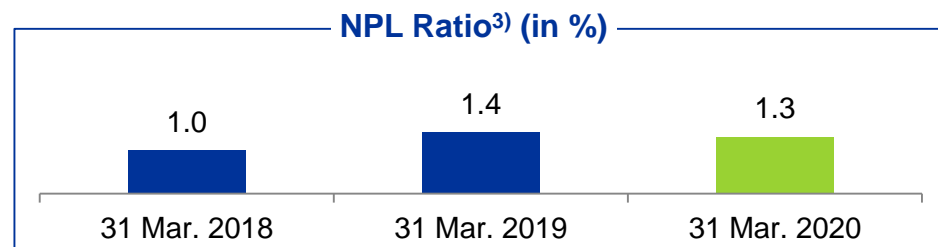
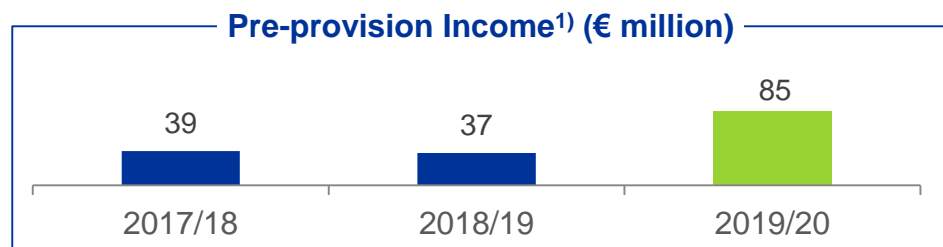
6 Sufficient Liquidity

- High level of LCR of 235% and loan to deposit ratio (excluding public programme loans) of 75 %
- Liquidity reserves amount to € 1.8 billion.

7 Liabilities restructured

- Liabilities restructuring completed, significant amount of available distributable items
- The share capital of IKB AG was decreased to € 100 million through a capital reduction. Share capital comprises of 100,000,000 no-par value shares with a notional value of € 1.
- Available distributable reserves amount to € 460 million. This provides the bank with flexibility for future distributions.

Key Performance Indicators



1) Net interest income and net fee and commission income minus administrative expenses
 2) Administrative expenses/(Net interest income + Net fee and commission income)
 3) NPL ratio according EBA definition
 4) IKB Group fully loaded CET 1 ratios, in accordance with IRB approach as of 31 March 2019
 5) IKB Group fully loaded Leverage Ratios

Consolidated Income Statement 2019/20

| in € million | Excluding one-off effects 1 Apr. 2019 to 31 Mar. 2020 | 1 Apr. 2019 to 31 Mar. 2020 | 1 Apr. 2018 to 31 Mar. 2019 | Change |
|--------------------------------------|---|--------------------------------|--------------------------------|-----------|
| Net interest and lease income | 201 | 201 | 193 | 9 |
| Net fee and commission income | 40 | 40 | 37 | 3 |
| Administrative expenses | -156 | -156 | -192 | 37 |
| <i>Personnel expenses</i> | -81 | -81 | -99 | 18 |
| <i>Other administrative expenses</i> | -75 | -75 | -94 | 19 |
| Pre-Provision Income | 85 | 85 | 37 | 48 |
| Net other income | 24 | -47 | -106 | 59 |
| Net risk provisioning | -30 | -30 | -36 | 6 |
| Tax income/expenses | -1 | -1 | 64 | -64 |
| Consolidated net result | 80 | 8 | -41 | 49 |

▶▶ Excluding extraordinary one-off expenses the consolidated net income would amount to € 80 million.

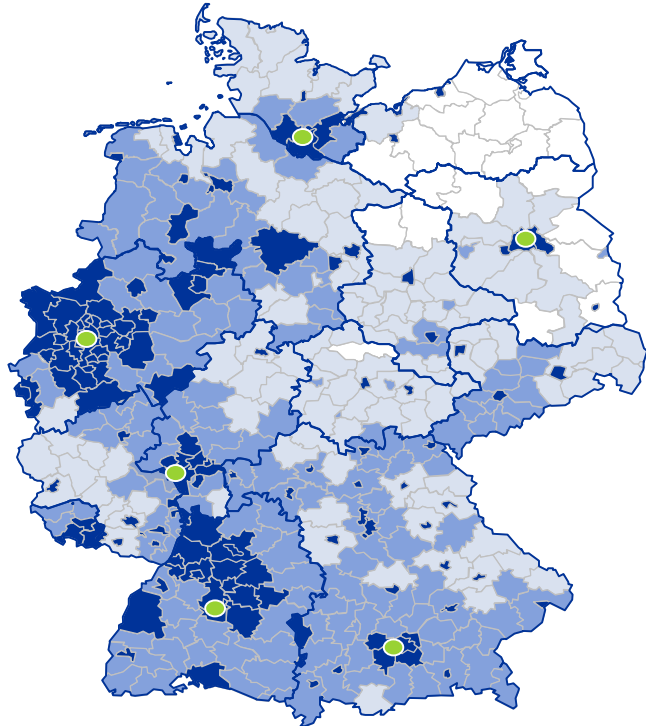
Balance Sheet of IKB Group as of 31 March 2020

| ASSETS in € million | 31 Mar. 2020 | 31 Mar. 2019 | EQUITY AND LIABILITIES in € million | 31 Mar. 2020 | 31 Mar. 2019 |
|--|---------------|---------------|--|---------------|---------------|
| Cash reserve | 344 | 25 | Liabilities to banks | 7,670 | 7,352 |
| Receivables from banks | 2,198 | 1,268 | Liabilities to customers | 6,140 | 5,749 |
| Receivables from customers | 9,530 | 9,823 | Securitised liabilities | 300 | 446 |
| Bonds and other fixed-income securities | 3,830 | 3,953 | Liabilities held for trading | 0 | 0 |
| Equities and other non-fixed-income securities | 304 | 463 | Liabilities held in trust | 0 | 0 |
| Assets held for trading | 0 | 0 | Other liabilities | 60 | 106 |
| Equity investments | 0 | 1 | Deferred income | 38 | 55 |
| Investments in associates | 7 | 5 | Provisions | 209 | 181 |
| Investments in affiliated companies | 0 | 0 | Subordinated liabilities | 831 | 826 |
| Assets held in trust | 0 | 0 | Profit participation capital | 0 | 0 |
| Lease assets | 0 | 0 | Fund for general banking risks | 585 | 585 |
| Intangible assets | 2 | 3 | Equity | 789 | 830 |
| Tangible assets | 4 | 17 | Subscribed capital | 100 | 1,621 |
| Other assets | 149 | 330 | Capital reserves | 648 | 1,751 |
| Prepaid expenses | 108 | 101 | Revenue reserves | 3 | 3 |
| Deferred tax assets | 137 | 137 | Difference in equity from currency translation | 0 | 0 |
| Excess of plan assets over post-employment benefit liability | 7 | 8 | Net accumulated losses/gains | 41 | -2,592 |
| | | | Non-controlling interests | -3 | 47 |
| | | | Difference arising from asset offsetting | 0 | 2 |
| Total assets | 16,622 | 16,132 | Total equity and liabilities | 16,622 | 16,132 |

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

At the Center of the German Mittelstand

Growth Revenue Potential, German MidCaps



- Very high
- High
- Average
- Below average
- IKB offices

IKB at a Glance

- Financing partner for MidCaps for more than 90 years
- 607 FTE as of 31 March 2020
- Shareholder: Lone Star 100%
- Total assets: € 16.6 billion
- Common Equity Tier 1 ratio: 12.0% (fully loaded)
- Leverage ratio: 7.1% (fully loaded)

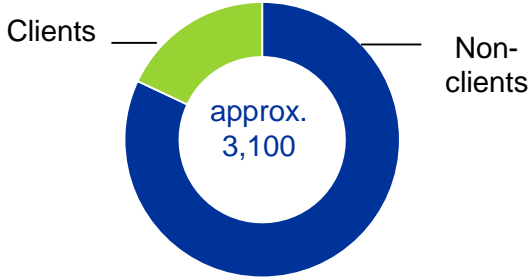
Bank for the Mittelstand

- The only bank in Germany to operate throughout the country with exclusive focus on corporate customers
- Strong lending expertise
- Long-standing experience in public programme loans
- Capital markets and advisory services
- Access to approx. 3,100 focus clients

German MidCaps

- MidCap growth characterised by globalisation; further potential for international expansion
- Relatively stable balance sheet with global diversification on the demand and supply side
- Investment demand driven by high innovation

A Strong German Mittelstand Franchise

| | | |
|---------------------|--|--|
| 1 Focused | <ul style="list-style-type: none">▪ Focus on high-end Mittelstand companies, i.e. internationally successful companies, 'backbone' of the German economy▪ Clearly defined customers with annual turnover above € 50 million | <h3>Significant Market Potential</h3>  <p>Clients</p> <p>Non-clients</p> <p>approx. 3,100</p> |
| 2 Low Risk | <ul style="list-style-type: none">▪ Long-standing client relationships, profound market knowledge and deep insight in industry sectors▪ Favourable risk profile | |
| 3 Profitable | <ul style="list-style-type: none">▪ Outstanding expertise in tailor-made solutions driving higher margins▪ Lending business with strict price and risk discipline | |
| 4 Solid | <ul style="list-style-type: none">▪ Solid capital position, diversified funding | |
| 5 Lean | <ul style="list-style-type: none">▪ Strict cost control, further improvement of cost income ratio | |

Successful Niche Player in Lending Business

1 Strategy

- Tailor-made solutions for clients allowing for higher margins
- Good credit assessment thanks to long-term relationships and stringent lending process
- Streamlined approval processes

2 Public Programme Loan Schemes

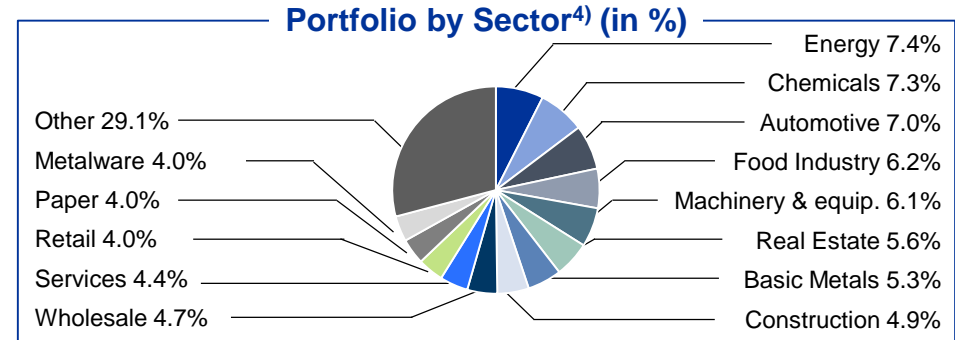
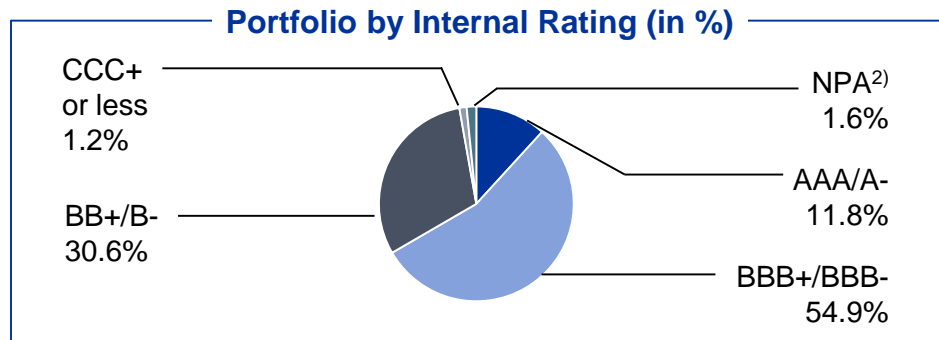
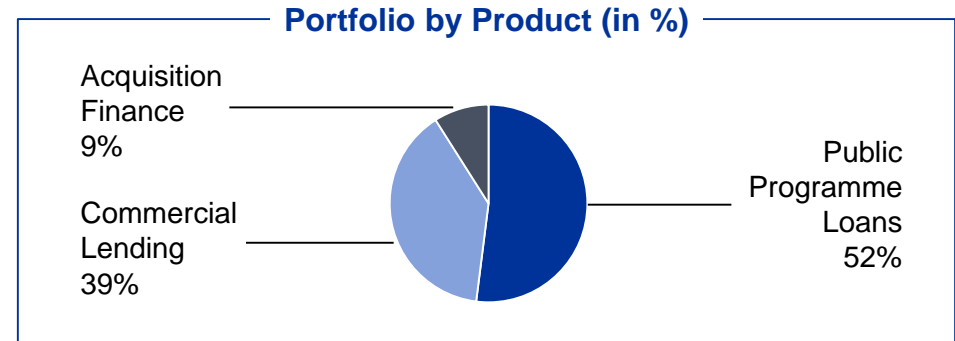
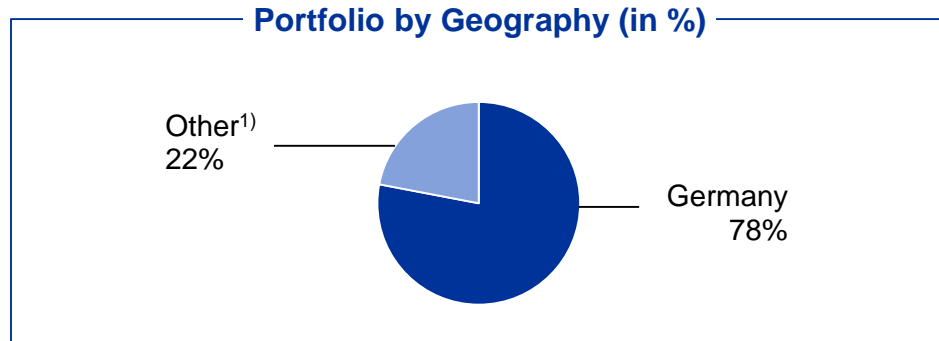
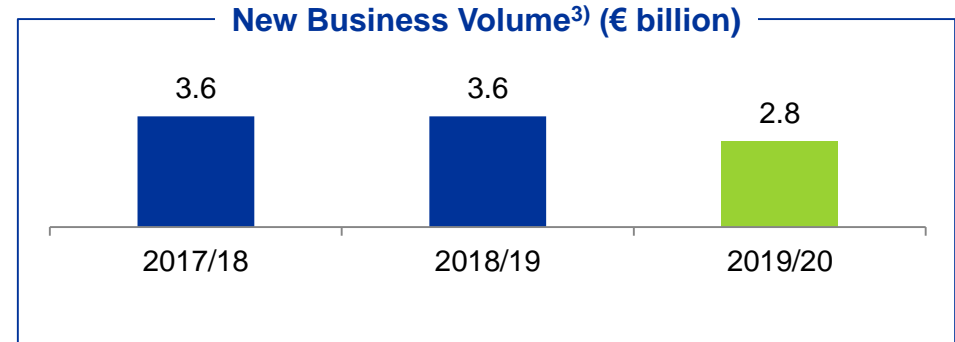
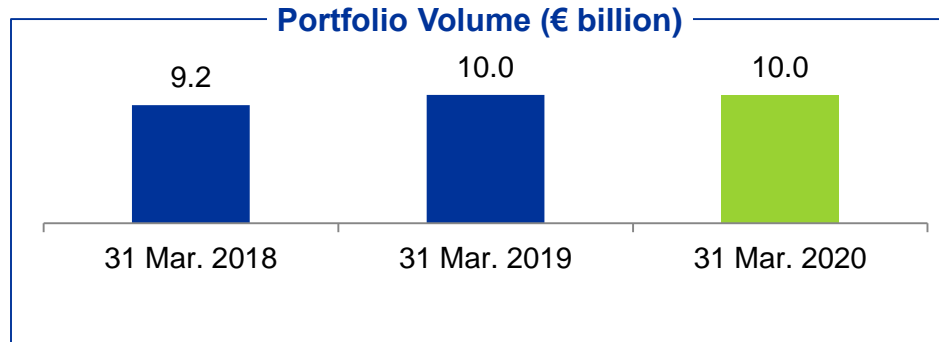
- Market leader for the high-end Mittelstand and close relationships with KfW and other public banks with a market share of 9.2%¹⁾ in relevant KfW public programme loans
- Specialist for high volume transactions
- Stable margins without funding and liquidity risk as well as maturity match
- USP advisory: each corporate advisor has extensive know-how in public programme loans
- New business potential arises for the bank driven by the utilisation of recently established KfW special programmes.

3 Corporate Loans

- Profitable lending business with new and existing clients
- Focus on structuring loans
- High structuring expertise and complex transactions with higher margins

1) as of 31 December 2019

Stable Lending Book



All figures before risk relief (Hermes guarantees, indemnifications, risk transferred), since March 2020 incl. Leasing

1) Major countries: France, USA, Austria, UK, Netherlands





2) NPA ratio after risk relief: 1.5%

3) Includes also revolving credit facilities volumes in € billion: 0.3 (2017/18), 0.3 (2018/19), 0.2 (2019/20). Excluding IKB Leasing new business volume in € billion: 0.9 (2017/18).




4) „Other“ consists of 27 different industries each below 3.0% total portfolio

Tailor-made Financing Solutions – Selected Transactions










Public Programme Loans

| | | | |
|---|---|---|--|
| <p>May 2020</p>  <p>€ 10,000,000</p> <p>KfW Covid-19 loan</p> <p>Advisor & Financier IKB Deutsche Industriebank</p> | <p>March 2020</p>  <p>€ 9,165,000</p> <p>KfW Energy Efficiency Programme Waste Heat</p> <p>Advisor & Financier IKB Deutsche Industriebank</p> | <p>February 2020</p>  <p>€ 50,000,000</p> <p>KfW Energy Efficiency Programme Waste Heat</p> <p>Advisor & Financier IKB Deutsche Industriebank</p> | <p>February 2020</p>  <p>€ 5,000,000</p> <p>Investment Financing by KfW Public Programme Loans</p> <p>Financier IKB Deutsche Industriebank</p> |
|---|---|---|--|



Commercial Lending

| | | | |
|--|--|--|---|
| <p>February 2020</p>  <p>€ 25,000,000</p> <p>Working Capital Financing</p> <p>Financier IKB Deutsche Industriebank</p> | <p>November 2019</p>  <p>€ 108,000,000</p> <p>Real Estate Development Financing</p> <p>Arranger & Financier IKB Deutsche Industriebank</p> | <p>October 2019</p>  <p>€ 75,000,000</p> <p>Bridge Financing</p> <p>Financier IKB Deutsche Industriebank</p> | <p>October 2019</p>  <p>€ 150,000,000</p> <p>Syndicated Loan</p> <p>Sole Bookrunner, MLA & Agent IKB Deutsche Industriebank</p> |
|--|--|--|---|

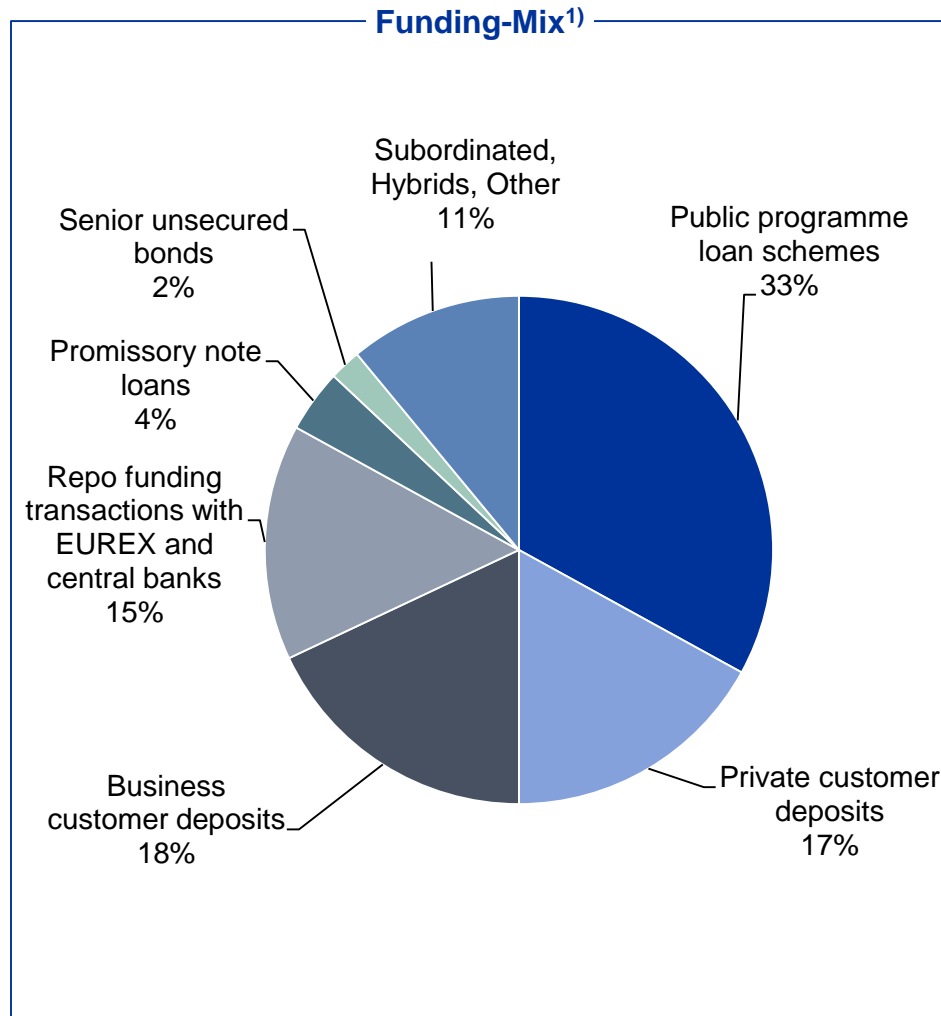
Acquisition Financing

| | | | |
|--|--|--|---|
| <p>January 2020</p>   <p>Undisclosed</p> <p>Leveraged Buy-out of RAFI by Oaktree</p> <p>Mandated Lead Arranger IKB Deutsche Industriebank</p> | <p>January 2020</p>    <p>Undisclosed</p> <p>Add-on Financing for the Acquisition of MediKo by Schönes Leben Gruppe</p> <p>Arranger IKB Deutsche Industriebank</p> | <p>August 2019</p>   <p>Undisclosed</p> <p>Refinancing of coeo by Waterland Private Equity</p> <p>Mandated Lead Arranger IKB Deutsche Industriebank</p> | <p>May 2019</p>   <p>Undisclosed</p> <p>Leveraged Buy-out of Operasan by DBAG</p> <p>Mandated Lead Arranger IKB Deutsche Industriebank</p> |
|--|--|--|---|

Capital Market Solutions

| | | | |
|---|--|---|---|
| <p>March 2020</p>  <p>€ 250,000,000</p> <p>Schuldscheindarlehen Maturities: 2023, 2025, 2027, 2030</p> <p>Sole Lead Arranger IKB Deutsche Industriebank</p> | <p>January 2020</p>  <p>€ 70,000,000</p> <p>Schuldscheindarlehen Maturities: 2024, 2025</p> <p>Co-Lead Arranger IKB Deutsche Industriebank</p> | <p>December 2019</p>  <p>€ 106,000,000</p> <p>Schuldscheindarlehen Maturities: 2022, 2024</p> <p>Sole Arranger IKB Deutsche Industriebank</p> | <p>November 2019</p>  <p>€ 60,000,000</p> <p>Bond Coupon: 4.000% Maturity: 2025</p> <p>Sole Bookrunner IKB Deutsche Industriebank</p> |
|---|--|---|---|

Diversified Funding



Funding Sources

| | |
|-------------------------------|--|
| Public Programme Loan Schemes | <ul style="list-style-type: none"> ▪ Channelling loans from KfW and regional development banks ▪ Volume of € 5.2 billion |
| Deposits | <ul style="list-style-type: none"> ▪ Stable and cost efficient private customer deposits: € 2.6 billion ▪ Stable business customer deposits: € 2.8 billion ▪ Promissory note loans: € 0.6 billion |
| Repos/ECB | <ul style="list-style-type: none"> ▪ Financing of liquidity portfolio ▪ Portfolio serves as collateral ▪ € 1.25 billion funded in ECB's TLTRO II |

Liquidity Position

| | |
|--------------------------|---|
| Liquidity Coverage Ratio | <ul style="list-style-type: none"> ▪ Group LCR with 235% well above target |
| Liquidity Reserve | <ul style="list-style-type: none"> ▪ Ca. € 1.8 billion liquidity reserves |

1) as of 31 March 2020

Stable Refinancing Structure

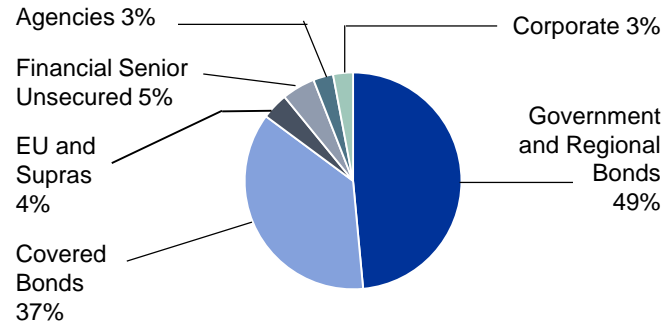
| Refinancing source ¹⁾ | 31 Mar. 2020 in € million | 31 Mar. 2019 in € million |
|--|------------------------------|------------------------------|
| Customer deposits | 5,461 | 4,703 |
| Retail customer deposits | 2,636 | 2,560 |
| Business customer deposits | 2,825 | 2,143 |
| Secured refinancing | 7,610 | 7,248 |
| Promotional loans | 5,223 | 5,327 |
| Interbank market | 1,129 | 285 |
| thereof Eurex | 1,129 | 285 |
| thereof others | - | - |
| ECB | 1,258 | 1,636 |
| thereof TLTRO | 1,235 | 1,636 |
| thereof open market | 23 | - |
| Unsecured refinancing | 865 | 1,412 |
| thereof bearer bonds (including buyback) | 233 | 429 |
| thereof senior preferred | - | - |
| thereof senior non-preferred | 233 | 429 |
| thereof promissory note loans | 632 | 983 |
| thereof senior preferred | - | - |
| thereof senior non-preferred | 632 | 983 |
| thereof others | 0 | 0 |
| Subordinated refinancing | 842 | 838 |
| Equity | 1,377 | 1,414 |
| thereof equity | 792 | 829 |
| thereof fund for general banking risks | 585 | 585 |

1) HGB book values including deferred interest

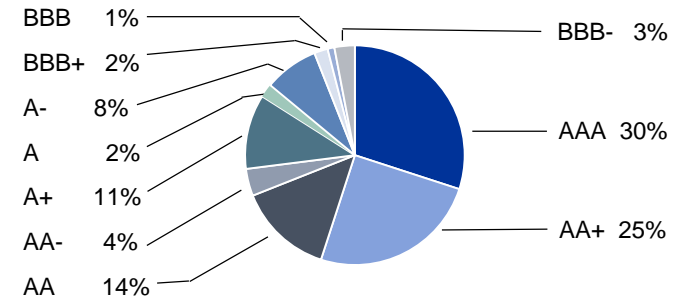
Well Diversified Liquidity Portfolio

Structure of the Liquidity Portfolio¹⁾ (in %)

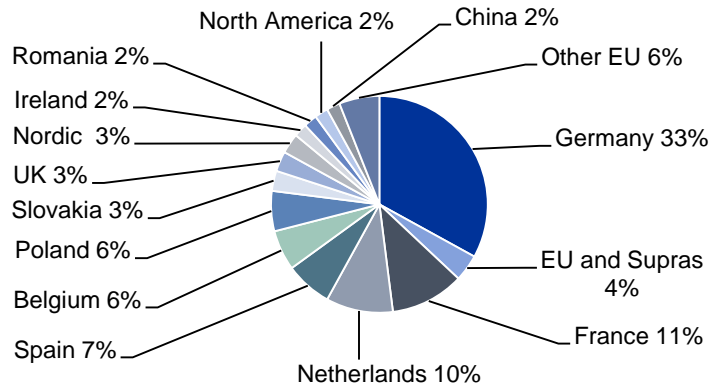
Bond Class Allocation



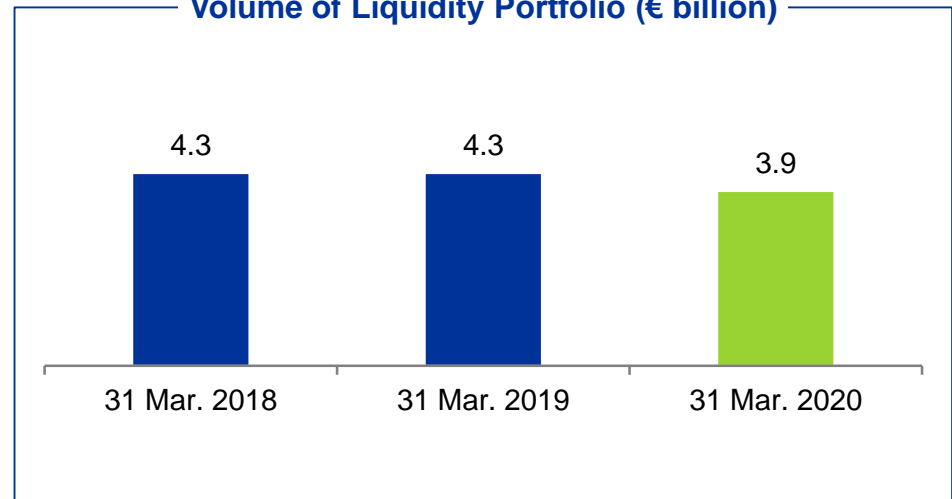
Issue Rating Allocation



Country Allocation

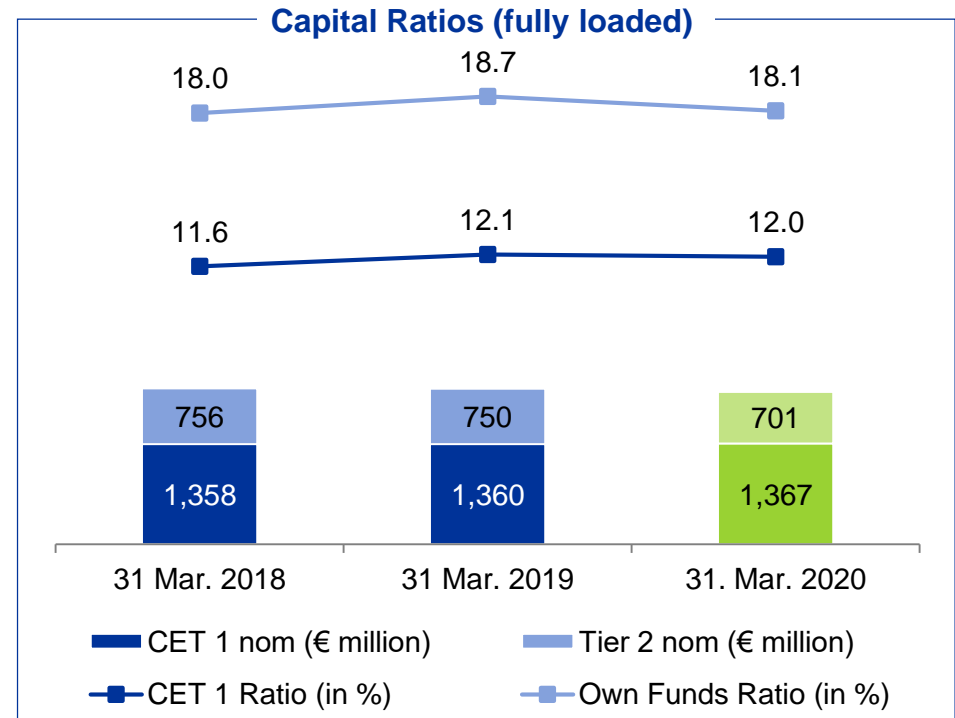
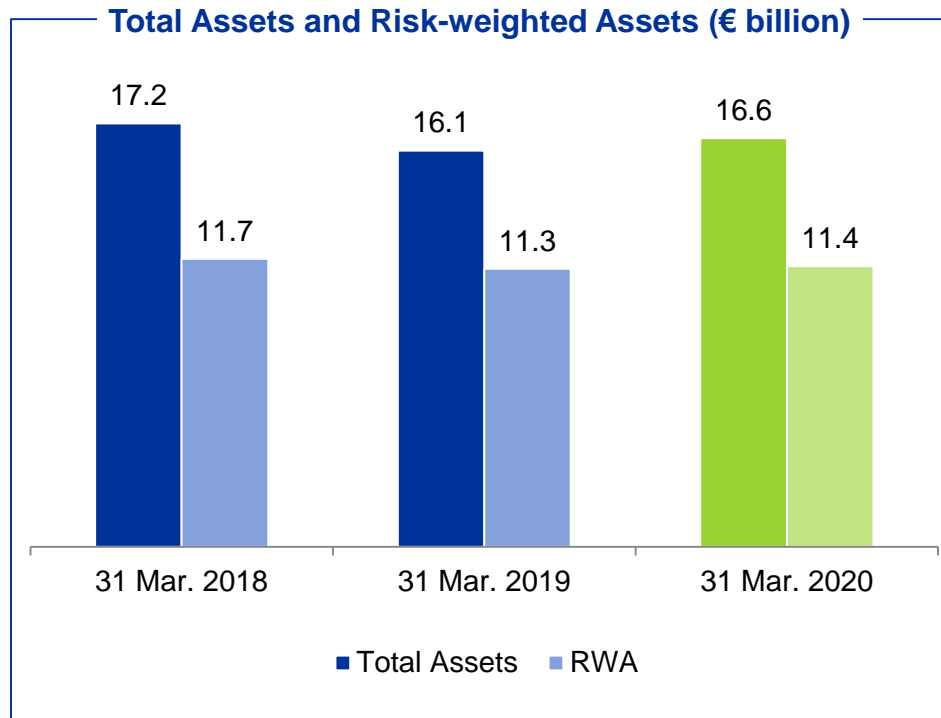


Volume of Liquidity Portfolio (€ billion)



1) as of 31 March 2020

Solid Equity Position



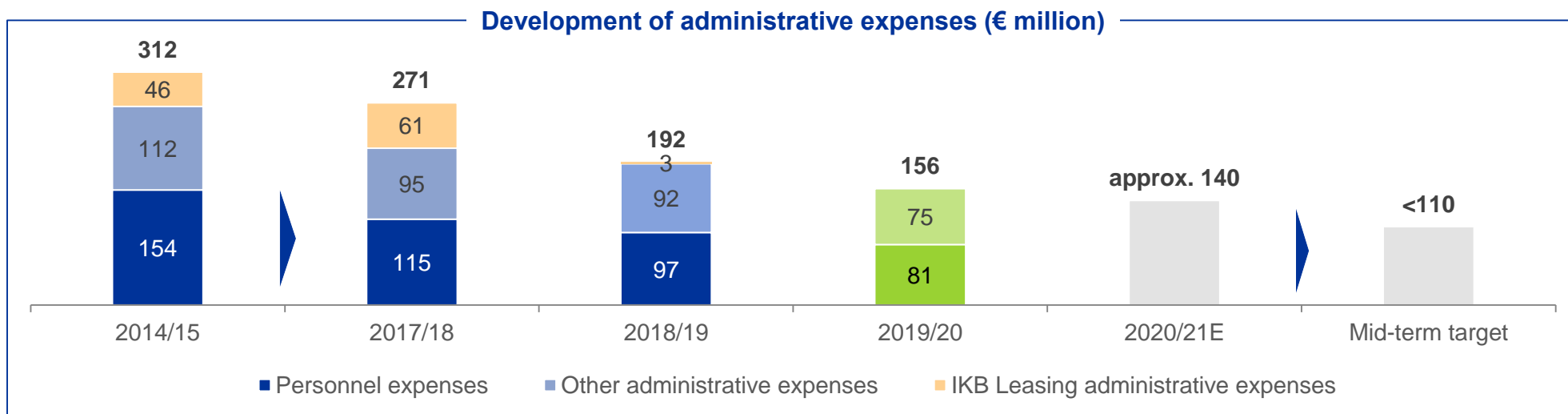
Key Measures

- Introduction of IRB approach with a reduction of € 1 billion in RWAs as of 31 March 2019
- Further model adjustments imply a potential additional RWA reduction of up to € 1.5 billion.
- As a result, a significant increase in the common equity tier 1 ratio (CET 1) is expected.

Improvement of Capital Position

- The CET 1 ratio was flat at 12%
- Pro-forma Basel IV common equity tier 1 ratio (CET 1) of 12.8%
- The additional reduction in RWAs from the introduction of Basel IV amounts to € 0.5 billion and result from a reduction in the standard parameters used for calculating RWAs in the foundation IRB approach.
- Leverage Ratio as of 31 March 2020 on constant high level: 7.1 %

Continued Focus on Cost Cutting



Further reduction of administrative expenses expected

- ▶▶ Financial year 2020/21 reduction to ca. € 140 million; in the mid-term reduction to below € 110 million and a cost income ratio to below 50%

1 Clear Profile as Corporate Bank

- Leverage strong position in the German Mittelstand sector

2 Increase in Profitability

- Continued focus on profitable new lending business
- Conservative risk approach: every new loan must be profitable in its own right

3 Cost Reduction

- Reduced administrative expenses by continued cost cutting and optimisation measures
- Financial year 2020/21 with reduced administrative expenses to approx. € 140 million and to below € 110 million in mid-term expected
- Cost income ratio of below 50% in mid-term expected

4 Solid Equity and Liquidity Position

- Significant increase of CET 1 ratio¹⁾ and total capital ratio
- Liquidity Coverage Ratio clearly above 100%

5 Earnings Forecast

- Consolidated net income 2019/20 was impacted by one-off effects.
- Consolidated net profit after taxes for 2020/21 is expected in the upper double-digit million euro range.
- The result of the financial year 2020/21 can be significantly lower than expected due to risks due to the Corona pandemic.

1) IKB Group fully loaded

Contact

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