Registration Document

10 August 2012

IKB Deutsche Industriebank Aktiengesellschaft

(incorporated as a stock corporation under the laws of the Federal Republic of Germany)

Registration Document

pursuant to Articles 5 and 12 para. 1 sen. 3 of the German Securities Prospectus Act (*Wertpapierprospektgesetz – WpPG)*

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1. RISK FACTORS

An investment in securities of IKB AG (collectively with its consolidated subsidiaries referred to as "IKB") involves a number of risks. Prospective investors should consider the following risk factors and other information contained in this Registration Document and take these factors into account before deciding to purchase securities issued by IKB AG.

Prospective investors should consider all information provided in this Registration Document and consult with their own professional advisers (including their financial, accounting, legal and tax advisers) as to the risks entailed by an investment in securities issued by IKB AG and the suitability of such investments in light of their particular circumstances. In addition, investors should be aware that the risks described may combine and thus intensify one another. The Registration Document contains all known risks which IKB AG deems material. However, the risks described below may turn out to be incomplete and therefore may not be the only risks to which IKB AG is exposed. Additional risks and uncertainties could have a material adverse effect on the business and financial condition of IKB AG. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the extent or the significance of the individual risks.

Risk Factors relating to the Economic and Financial Market Situation

IKB's financial condition may be adversely affected by general economic and business conditions.

The profitability of IKB's business could be adversely affected by a worsening of general economic conditions in certain individual markets. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the activity level of IKB's counterparts. For example:

- an economic downturn or a significant change of interest rates could adversely affect the credit quality of IKB's on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of IKB's customers would be unable to meet their obligations;
- a market downturn or worsening of the economy could cause IKB to incur mark to market losses in its portfolios; and
- a market downturn would be likely to lead to a decline in the volume of transactions that IKB executes and, therefore, lead to a decline in the income it receives from fees, commissions and interest.

IKB has been and may continue to be affected by the ongoing European sovereign debt crisis and the high national debt of the United States.

In most European countries since 2008, programmes for the recapitalisation of distressed financial institutions and economic stimulus have significantly increased expenditures, while slower or negative real economic growth and large increases in unemployment have substantially decreased tax revenues, with the result that national debts in many countries, especially in the United States and in many European countries, have increased substantially. In most member countries of the European Economic and Monetary Union, the level of sovereign debt exceeds the limit (60% of gross domestic product) established by the Treaty of Maastricht, while sovereign debt in some countries (e.g., Greece and Italy) exceeds 100% of gross domestic product. Risk premiums for bonds issued by these countries have increased significantly. In the case of Greece, the risks of default have already been realised to the extent that certain private bond creditors accepted a 53.5% reduction of the aggregate principal amount of their notes in March 2012; IKB swapped Greek government bonds with a nominal volume of EUR 211 million, in exchange for which it received Greek government bonds with a nominal volume of EUR 67 million and a carrying amount of EUR 9 million, and bonds issued by the European Financial Stability Facility ("**EFSF**") with a nominal volume and carrying amount of EUR 35 million. The latter was sold at its carrying amount after 31 March 2012. Similar measures aiming at a reduction of sovereign debt could be taken in the future in other Eurozone countries.

This sovereign debt crisis has created various risks for IKB. There could be a default or forced write-down in the value of government bonds issued by Spain, Italy, Portugal and Greece, or possibly in other countries if the sovereign debt crisis expands.

Indirect consequences of a default by one or more countries, the extent and precise nature of which are impossible to predict, could include the expulsion or voluntary withdrawal of one or more countries from the Eurozone or a disorderly break-up of the Eurozone, either of which could significantly disrupt financial markets and possibly trigger another global recession. The Eurozone sovereign debt crisis could also undermine the capitalisation of banks and other financial services providers.

Regulatory and political actions by European governments in response to the sovereign debt crisis may not be sufficient to prevent the crisis from spreading or to prevent departure of one or more member countries from the common currency. The departure of any one or more countries from the euro could have unpredictable consequences on the financial system and the greater economy, potentially leading to declines in business levels, write-downs of assets and losses across IKB's businesses. IKB's ability to protect itself against these risks is limited.

The occurrence of any of the risks set out above could have a material adverse effect on the business, results of operations and financial condition of IKB.

Systemic risk may adversely affect IKB's business.

Since the onset of the financial crisis, the global credit environment has been adversely affected by instances of default. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between those institutions. This risk, sometimes called "systemic risk", may adversely affect financial intermediaries, such as banks, clearing agencies, clearing houses, securities firms and exchanges with which IKB interacts on a daily basis and therefore could adversely affect IKB's financial condition and business.

Risk Factors relating to IKB and its Business

IKB faces liquidity risks, which it may fail to mitigate if it is unable to raise sufficient funding.

Liquidity risk is the risk that IKB will be unable to meet its obligations, including funding commitments, when they fall due. This risk is inherent in banking operations and can be heightened by a number of factors, including significant reliance on a particular source of funding (including, for example, short-term funding), changes in credit ratings or market-wide events such as market dislocation, the financial crisis and major disasters. While IKB has liquidity management processes in place to mitigate and control liquidity risks, such as maintaining a diverse and appropriate funding strategy for its operations, regular liquidity forecasts, active management of its maturity profile, maintaining a sufficient stock of high quality liquid assets to meet obligations as they fall due and carefully monitoring its undrawn commitments and contingent liabilities, there can be no assurance that these measures will succeed in mitigating liquidity risks. If IKB is unsuccessful in managing liquidity risks, it may lead to a further increase in IKB's overall cost of funding or limit IKB's ability to raise sufficient funding, which could have an adverse effect on its financial condition.

Moreover, IKB's ability to raise funding in the domestic and international capital, syndicated loan and interbank markets in amounts sufficient to meet its liquidity needs could be adversely affected by a number of other factors, including German and international economic conditions and the states of the German financial and market systems. In addition, IKB does currently not have an external credit rating. If short-term funding is not available on commercially reasonable terms, IKB would be required to utilise other, more expensive methods to meet its liquidity needs, such as asset sales, which may not be available on commercially reasonable terms, or at all. The use of more expensive funding sources may have a material adverse effect on IKB's financial condition.

Non-compliance with obligations under the SoFFin framework guarantees may adversely affect IKB's access to the debt capital markets.

In 2009 Special Fund Financial Market Stabilization (*Sonderfonds Finanzmarktstabilisierung*) ("**SoFFin**") granted IKB AG a guarantee framework for the issuance of new bonds of up to EUR 12 billion. On 31 March 2012 the guarantee amount was EUR 4.5 billion. On 18 May 2012 and on 2 August 2012, IKB AG returned SoFFin guarantees in the total amount of EUR 500 million, thereby reducing the framework guarantees to EUR 4 billion.

According to the guarantee, IKB is, among others, required to maintain a Tier I capital ratio of at least 8% and, at individual bank level, a liquidity ratio within the meaning of section 2 (1) no. 1 of the German Liquidity Ordinance (*Liquiditätsverordnung*) (maturity band 1) of 1.2. In addition, IKB is required to prepare monthly, quarterly, half-yearly and annual statements presenting the financial and economic situation. Non-compliance with these obligations will result in repercussions, including substantial contractual penalties. IKB could also be required to provide cash collateral for the utilised framework guarantees. In addition, IKB AG's board of managing directors is not permitted to propose dividend payments and IKB is not permitted to make payments on compensation agreements out of future profits during the term of the guarantees. The repurchase of shares and proposals for a capital reduction are only permitted to strengthen regulatory equity or for restructuring purposes. Non-compliance with the conditions under which the framework guarantees were granted could have a material adverse effect on IKB's ability to access the debt capital markets.

The conditions imposed on IKB by the EU Commission may significantly limit IKB's future operations.

On 21 October 2008, the EU Commission announced its approval of certain rescue measures for IKB, initiated by KfW Bankengruppe ("**KfW**") and three German banking associations and attributed to the German government, as approved state aid rescue measures. Under the terms of the EU Commission's decision (as amended on 15 May 2009), IKB had to comply with certain conditions aimed at ensuring that the rescue measures were compatible with the common market under EU law.

IKB also had to comply with a restructuring plan which has been modified in connection with the EU Commission's approval of the extension of the framework guarantee by SoFFin to reflect, among other things, the adjustment in line with the significant deterioration in general conditions since the insolvency of Lehman Brothers in September 2008.

The implementation period for the EU Commission's ruling expired on 30 September 2011. IKB implemented the measures set out in the restructuring plan on time to the extent they were permitted by law and could be carried out. The final report on the implementation of the EU condutions was submitted by the German government to the EU Commission to the end of 2011. On 6 June 2012, the German government received initial feedback, according to which the EU Commission took note of the information. A final response by the EU Commission confirming the termination of the state aid proceeding is currently still awaited.

Even after expiration of the implementation period on 30 September 2011 the EU conditions may significantly limit IKB's future operations, in particular as a result of the discontinuation of certain business segments, loss of cross-selling opportunities and closure of certain foreign business locations.

Furthermore, the EU Commission issued a decision in connection with the granting of the additional SoFFin framework guarantee by the Federal Republic of Germany on 17 August 2009 according to which IKB may currently only conduct limited proprietary trading and, until further notice, may not buy back own liabilities (these restrictions do not apply to buying back SoFFin-guaranteed bonds).

If IKB fails to comply with any of the conditions imposed by the EU Commission, the rescue measures and/or the granting of the SoFFin guarantees would be deemed incompatible with EU law, and, in the worst case, IKB could be required to repay any aid it has received. If IKB were required to repay such aid, this would have a material adverse effect on IKB's financial condition and could even lead to IKB AG's insolvency.

The restructuring of IKB's business and the roll out of new business activities may not yield benefits in line with IKB's strategic expectations.

IKB has undergone comprehensive restructuring in the past four years (also in order to comply with the conditions imposed by the EU Commission), a period characterised by sustained and repeatedly resurgent financial crisis. Owing to the restructuring cost and the start-up cost for new business activities, it will take some time before the reorganisation is also reflected positively in the income statement. Therefore, the expected turn-around may not be achieved as scheduled, or at all, which may adversely affect IKB's business and financial condition.

IKB's risk management measures may not be successful.

IKB's risk management system and strategies may fail, and IKB may suffer unexpected losses from unidentified or incorrectly identified evaluated market developments, trends or other circumstances. Although IKB seeks to monitor and manage its risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems, IKB's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risk, including risks that IKB has failed to identify or anticipate. The failure of IKB's risk managements system and risk management measures could have a material adverse effect on IKB's financial condition.

IKB is exposed to substantial credit and counterparty risk.

IKB is exposed to the risk that loan payments owed by customers or counterparties may not be met when due or that pledged collateral may not cover the amount of the loans. If IKB's counterparties are unable to meet payment obligations due to declines in their financial condition or credit quality (counterparty risk), such payments may need to be written off in part or in full, particularly if the collateral IKB holds cannot be realised or liquidated at prices sufficient to recover the amounts due to IKB.

IKB monitors credit quality and counterparty risk as well as the overall risk of loan portfolios, but there can be no assurance that such monitoring and risk management will suffice to keep IKB's credit risk exposure at acceptable levels. In addition, IKB may not be able to accurately assess default risk on loans provided to customers due to the unpredictability of economic conditions. If IKB's credit risk evaluation procedures are unable to correctly evaluate the financial conditions of prospective borrowers and accurately determine the ability of such borrower to pay, IKB would be subject to increased risks of impaired loans and defaults, which could have a material adverse effect on its financial condition.

A decline in the value or difficulties with the enforcement of the collateral securing IKB's loans may adversely affect its loan portfolio.

A substantial portion of IKB's loans is secured by collateral such as real property, production equipment, vehicles, securities and inventory. Downturns in the relevant markets or a general deterioration of economic conditions may result in declines in the value of the collateral securing a number of loans to levels below the amounts of the outstanding principal and accrued interest on those loans. If collateral values decline, they may not be sufficient to cover uncollectible amounts on IKB's secured loans, which may require IKB to reclassify the relevant loans, establish additional allowances for loan impairment and increase reserve requirements. A failure to recover the expected value of collateral may expose IKB to losses, which may materially affect its financial condition.

IKB's operations are concentrated on small and medium-sized enterprises in Western Europe (in particular in the Federal Republic of Germany) and difficult economic conditions in this area may have a significant impact on IKB's business activities and results of operations.

IKB's business focuses predominantly on small and medium-sized enterprises Western Europe (in particular in the Federal Republic of Germany). Therefore, adverse changes affecting the economy in this area, such as an economic downturn as a result of the sovereign debt crisis and the saving measures taken by various governments, are likely to have a significant adverse impact on IKB's loan portfolio and, as a result, on its financial condition.

IKB is exposed to country risk.

Country risk is the likelihood of a crisis situation in a certain country and, consequently, the level of risk associated with the repayment of claims that originate from that specific country. The key concept employed to assess and manage country risk is the country rating. In addition to the Federal Republic of Germany, IKB's home country, the key international markets for IKB are France, Italy, and Eastern Europe for leasing products. IKB is subject to the economic, legal and political environments in these countries and partly has, among others, to rely on the cooperation and reliability of its local business partners. Crisis scenarios in the markets in which IKB orperates could have a material adverse effect on IKB's financial position.

IKB's business performance could be adversely affected if its capital is not managed effectively.

Effective management of IKB's capital is critical to its ability to operate its business and to pursue its strategy. IKB is required by regulators in the Federal Republic of Germany and in other jurisdictions in which it undertakes regulated activities to maintain adequate capital. The maintenance of adequate capital is also necessary to enhance IKB's financial flexibility in the face of continuing turbulence and uncertainty in the global economy. Furthermore, in order to be able to benefit from the SoFFin framework guarantees, IKB is also required to maintain a Tier I capital ratio of 8%. As at 31 March 2012, IKB's Tier I capital ratio was 9.4% as reported on a consolidated basis using the Basle II methodology. In addition, upon ratification of the new Basle III methodology, IKB will also be required to comply with any Tier I capital ratio requirements thereunder. Any change that may result, inter alia, from the aforesaid methodologies may limit IKB's ability to effectively manage its balance sheet and capital resources going forward (including, for example, reductions in profits and retained earnings as a result of write-downs or otherwise, increases in risk-weighted assets, delays in the disposal of certain assets or the inability to syndicate loans as a result of market conditions or otherwise) or its ability to access funding sources, and, hence, could have a material adverse impact on its financial condition and regulatory capital position.

Market risks associated with fluctuations in interest rates, bond and equity prices and other market factors are inherent in IKB's business.

Market risk relates to changes in value of the investment and trading portfolios as a result of movements in interest rates, exchange rates, credit spreads, option and share prices. The most significant market risk IKB faces are fluctuations in interest rates, credit spreads, foreign currency exchange rates and option prices.

Fluctuations in interest rates could adversely affect IKB's financial condition in a number of different ways. Changes in the general level of interest rates, as well as changes in the shape of yield curves and basis spreads may adversely affect the interest rate margin realised between lending rates and borrowing costs in IKB's banking operation. An increase in interest rates generally may decrease the value of IKB's fixed rate loans and increase its funding costs. Such an increase could also generally decrease the value of fixed rate debt securities in IKB's securities portfolio. In addition, an increase in interest rates may reduce overall demand for new loans and increase the risk of borrower default, while general volatility in interest rates may result in a gap between IKB's interest-rate sensitive assets and liabilities. As a result, IKB may incur additional costs and expose itself to other risks by adjusting such asset and liability positions through the use of derivative instruments. Interest rates are sensitive to many factors beyond IKB's control, including the policies of central banks, domestic and international economic conditions and political factors.

Fluctuations in credit spreads cause additional fluctuations in the fair values of IKB's assets and liabilities. The net fair value effect of such fluctuations can be adverse and may be realised in part when assets are not held until maturity.

IKB reports its financial results in euros. However, IKB enters into transactions in different currencies, the most important being USD, GBP and JPY. As a result, IKB is subject to certain currency exchange risks. Fluctuations in exchange rates could result in a mismatch between liabilities and investments.

While IKB has implemented risk management methods to mitigate and control market risks, there can be no assurance that IKB will be able to protect itself from the adverse effects of future fluctuations which could lead to a reduction in net interest income and adversely affect IKB's financial condition.

Fluctuations in the valuations of financial assets and liabilities may adversely affect IKB's net asset position, financial condition and results of operations.

Financial markets are currently experiencing significant stress conditions, where steep falls in perceived or actual asset values have been accompanied by a severe reduction in market liquidity. These stress conditions have resulted in IKB recording significant fair value write-downs on its credit market exposures in previous financial years. It cannot be excluded that the current economic and financial market conditions could lead to further fair value write-downs during future periods. However, given that IKB's financial liabilities reported at fair value have previously been significantly written down, there is also a risk that IKB may have to report substantial appreciations in the value of its financial liabilities in future periods. Valuations in future periods, reflecting then-prevailing market conditions, may result in significant changes in the fair values of IKB's exposures, even in respect of exposures, such as credit market exposures, for which IKB has previously recorded fair value write-downs. In addition, the value ultimately realised by IKB may be materially different from the current or any future fair value. Any of these factors could require IKB to recognise valuation changes on financial instruments such as further fair value write-downs on its assets or substantial appreciation charges on its liabilities or to realise impairment charges, any of which may adversely affect its financial condition and results of operations.

The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgments and estimates that may change over time or may ultimately not turn out to be accurate.

Under the International Financial Reporting Standards (IFRS), IKB recognises at fair value financial instruments (i) classified as "held-for-trading"; (ii) for which IKB has exercised the fair value option of IAS 39 and (iii) financial assets classified as "available-for-sale", except for equity instruments for which the fair value cannot be reliably measured, which are recognised at cost less accumulated impairments. Generally, to establish the fair value of these instruments, IKB relies on listed prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to changes in market conditions, as has been the case during the current financial crisis. In such circumstances, IKB's internal valuation models require IKB to make assumptions, judgements and estimates to establish fair value. In common with other financial institutions, these internal valuation models are complex, and the assumptions, judgements and estimates IKB is required to make often relate to matters that are inherently uncertain, such as expected cash flows, the ability of borrowers to service debt, residential and commercial property price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgements and estimates may need to be updated to reflect changing facts, trends and market conditions. The resulting change in the fair values of the financial instruments has had and could continue to have a material adverse effect on IKB's earnings and financial condition.

IKB's business entails operational and compliance risks.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. IKB's business depends on the ability to process a large number of transactions efficiently and accurately while complying with applicable laws and regulations where it operates. Operational losses can result from, among other things, fraud, criminal acts, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record-keeping errors or errors resulting from faulty computer or telecommunications systems, problems with the security of IKB's IT systems and with its data inventory and fraud or other criminal acts by employees or outsiders. Although IKB maintains a system of controls designed to keep operational risk at appropriate levels, there can be no assurance that IKB will not suffer losses from any failure of these controls to detect or contain operational risk in the future.

In light of the large number of regulations, provisions and standards of conduct with which IKB must comply (e.g. the legal standards of the German Banking Act (*KWG*) and the German Securities Trading Act (*WpHG*)), there is an inherent risk of liability due to actual or alleged violations of such norms. IKB tries to minimise this risk by means of compliance measures (such as a compliance board) but these compliance programmes may fail to prevent such violations. In addition, the increasing, externally driven reporting requirements can tie up significant personnel resources.

The occurrence of any of the risks set out above could have a material adverse effect on IKB's reputation or results of operations.

Although KfW has agreed to indemnify IKB for certain claims in connection with Rhineland Funding, Rhinebridge or the Havenrock entities (each a former off-balance sheet financing vehicle), under certain circumstances, IKB's claims for such indemnification may be extinguished.

In an agreement dated 10/16 September 2008, KfW provided a degree of indemnification to IKB for claims from legal disputes against IKB (including the relevant procedural costs) in connection with IKB's former off-balance sheet financing vehicles (Rhineland Funding, Rhinebridge and the Havenrock entities) for events which occurred before 29 October 2008. In this connection, IKB has extensive duties to KfW in respect to information, disclosure, notification and action. Claims from IKB AG shareholders or investors in financial instruments linked to the development of IKB shares are not covered by the indemnification.

If IKB culpably violates a concrete obligation in the indemnification agreement in connection with a concrete claim covered by the indemnification agreement, under certain circumstances, the indemnification claim in relation to this specific claim may be extinguished. The indemnification claims of IKB are also extinguished retroactively if the share sale and transfer agreement or the share transfer *in rem* between KfW and LSF6 Europe Financial Holdings, L.P. are or become null and void or one of the parties exercises a right which results in the reversal of the performance rendered under the agreement. Furthermore, the claims under the indemnification agreement are extinguished if, also taking into account the claims for the indemnification agreement, there is reason for insolvency of IKB AG or insolvency proceedings have been instituted against the assets of IKB. In either event, this could have a material adverse effect on IKB's financial condition.

IKB is exposed to substantial risk of loss from legal and regulatory proceedings.

IKB is exposed to potentially significant litigation and regulatory risks and may in the future be involved in a number of legal and/or regulatory proceedings in the ordinary course of business.

Legal, regulatory and adversarial proceedings are subject to many uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case or investigation. Currently, IKB is the subject of a number of legal proceedings and regulatory actions and has made provisions in amounts it deems necessary and appropriate to cover the risk of charges or losses from unfavourable outcomes of such proceedings. However, there can be no assurance that such provisions will adequately cover potential charges or losses. An adverse result in one or more of these proceedings could have a material adverse effect on IKB's reputation or results of operations.

The special audit currently being conducted in respect of IKB AG may require significant financial and personnel resources and could have an adverse effect on its reputation and prospects.

Upon request of IKB AG's shareholders a special auditor has been appointed to examine whether members of IKB AG's board of managing directors or the supervisory board breached their duties in connection with the crisis at IKB. This special audit may require significant financial and personnel resources and could have an adverse effect on IKB's reputation and prospects.

Increased regulation of the financial services industry could have an adverse effect on IKB's operations.

Recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in the United States, in EU member states and elsewhere have provided additional capital and funding requirements and are implementing other measures including increased regulatory control in their respective banking sectors including by imposing enhanced capital requirements. It is uncertain how the more rigorous regulatory climate will impact financial institutions, including IKB.

Rights of creditors of IKB may be adversely affected by measures pursuant to the German Bank Restructuring Act (Restrukturierungsgesetz)

Under the German Act on the Reorganisation of Credit Institutions (*Kreditinstitute-Reorganisationsgesetz* – "**KredReorgG**") IKB AG may borrow an amount of up to 10 per cent of its equity that is preferred by mandatory provisions of law in an insolvency that occurs within three years.

As a German credit institution IKB AG is subject to the German Bank Restructuring Act (*Gesetz zur Restrukturierung und geordneten Abwicklung von Kreditinstituten, zur Errichtung eines Restrukturierungsfonds für Kreditinstitute und zur Verlängerung der Verjährungsfrist der aktienrechtlichen Organhaftung – Restrukturierungsgesetz*) which has introduced on 1 January 2011 a special restructuring scheme for German credit institutions.

Within a restructuring procedure a reorganisation plan may be approved by creditors and shareholders that imposes measures that may affect the rights of IKB AG's creditors, possibly through a reduction of existing claims or a suspension of payments. The KredReorgG stipulates detailed rules on the voting process and on the required majorities and to what extent and under which conditions negative votes may be disregarded.

If the existence of IKB AG is endangered (*Bestandsgefährdung*) and this in turn may result in jeopardy for the stability of the financial system (*Systemgefährdung*), the German Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, **"BaFin"**) may issue an order that transfers all or part of its assets, legal relationships or liabilities to a bridge bank or other assuming entity. In such case, creditors bear the risk that their claims against IKB AG will remain with IKB AG or are subject to certain limitations and that recourse against any transferred assets or relationships is no longer directly possible.

Reputational risk could cause harm to IKB and its business prospects.

Reputational risk, meaning the risk to earnings and capital from negative public opinion, is inherent in IKB's business. Reputational issues include, but are not limited to, appropriately addressing potential conflicts of interest; legal and regulatory requirements; ethical issues; adequacy of anti-money laundering processes; privacy issues; record-keeping; sales and trading practices; proper identification of the legal, reputational, credit, liquidity and market risks inherent in products offered; and general company performance. Negative public opinion can result from the actual or perceived manner in which IKB conducts its business activities or from actual or perceived practices in the banking industry, such as money laundering or mis-selling of financial products. Failure to address, or appearing to fail to address, various issues that could give rise to reputational risk may adversely affect IKB's ability to keep and attract customers and, in particular, corporate and retail depositors and could harm IKB's business prospects. IKB cannot ensure that it will be successful in avoiding damage to its business from reputational risk. IKB's ability to attract and retain customers and conduct business transactions with its counterparties could be adversely affected to the extent that its reputation, or the reputation of affiliates operating under the IKB brand, is damaged.

IKB could fail to retain or attract senior management or other key employees.

In the context of IKB's crisis and its subsequent restructuring, fluctuation in respect of IKB's employees is still above average since the beginning of the financial year 2008/2009. The failure to attract or retain a sufficient number of appropriately skilled personnel could prevent IKB from successfully implementing its restructuring, which could have a material adverse effect on its financial condition and results of operations.

2. RESPONSIBILITY STATEMENT

IKB Deutsche Industriebank Aktiengesellschaft (hereinafter referred to as "**IKB AG**" and, collectively with its consolidated subsidiaries, "**IKB**" or "**IKB Group**"), with its registered office in Düsseldorf, assumes sole responsibility for the content of this Registration Document pursuant to Article 5 para. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and declares that the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and no material circumstances are omitted.

Furthermore, IKB AG hereby declares, having taken all reasonable care to ensure that such is the case, that the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

3. APPROVAL, PUBLICATION AND VALIDITY OF THE REGISTRATION DOCUMENT

This Registration Document has been approved pursuant to Article 13 para. 1 of the German Securities Prospectus Act by the German Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*). The approval requires examination by the BaFin of the Registration Document's completeness including the coherence and comprehensibility of the information provided therein.

The Registration Document has been published on the Internet website of the IKB AG (www.ikb.de).

The Registration Document is valid for a period of twelve months from the date of its approval and it reflects the status only as of its date of approval.

This Registration Document constitutes neither an offer nor a solicitation of an offer to subscribe for or purchase of any securities of IKB AG. It should not be considered as a recommendation by IKB AG that any recipient of this Registration Document should subscribe for or purchase any securities IKB AG may issue. No person has been authorized by IKB AG to give any information or to make any representation other than those contained in this document or consistent with this document. If given or made, any such information or representation should not be relied upon as having been authorized by IKB AG.

4. PRESENTATION OF FINANCIAL AND OTHER INFORMATION, FORWARD-LOOKING STATEMENTS

4.1 Presentation of Financial Information and Other Information

Certain figures and percentages included in this Registration Document have been subject to rounding adjustments. Accordingly, figures and percentages shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

4.2 Forward-Looking Statements

This Registration Document contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to facts and events as at the date of this Registration Documents or other historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as "*estimate*", "*expect*", "*plan*", "*predict*", "*project*" and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Registration Document containing information on future earning capacity, plans and expectations regarding IKB's business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Registration Document are based on current estimates and assumptions that IKB AG makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including IKB's financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. IKB's business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Registration Document to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Prospectus: "*Risk Factors*" and "*IKB Deutsche Industriebank Aktiengesellschaft*". These sections include more detailed descriptions of factors that might have an impact on IKB's business and the markets in which it operates.

In light of these risks, uncertainties and assumptions, future events described in this Registration Document may not occur. In addition, IKB AG does not assume any obligation, except as required by law, to update any forward-looking statement or to adjust these forward-looking statements to actual events or developments.

5. IKB DEUTSCHE INDUSTRIEBANK AKTIENGESELLSCHAFT

5.1 General Information / History and Development

5.1.1 Auditors

IKB's statutory auditor for the periods covered by this Registration Document was PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Moskauer Straße 19, 40277 Düsseldorf, Federal Republic of Germany ("**PwC**"). PwC is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

At the request of shareholders, the Düsseldorf Regional Court (*Landgericht Düsseldorf*) appointed a special auditor in August 2009 to examine whether members of the Board of Managing Directors or the Supervisory Board breached their duties in connection with the causes of the crisis at IKB. The court appointed Dr. Harald Ring, a member of the management board of Treuhand- und Revisions-Aktiengesellschaft Niederrhein, Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Krefeld, to conduct the special audit. After IKB exhausted its legal remedies, the appointment of a special auditor by the Düsseldorf Regional Court has become legally binding. As of the date of this Registration Document the special auditor has, to the best of IKB's knowledge, not finalised and/or presented his audit report. For further information, please see below "- Financial Information - Legal Proceedings - Actions to Rescind Resolutions from General Meetings - Court Appointment of Special Auditor".

5.1.2 Legal and Commercial Name

IKB AG's legal and commercial name is "IKB Deutsche Industriebank Aktiengesellschaft".

5.1.3 Registration

IKB AG is registered in the Commercial Register of the Local Court of Düsseldorf (*Amtsgericht Düsseldorf*) under No. HRB 1130.

5.1.4 Date of Incorporation

IKB AG has been incorporated as a stock corporation (*Aktiengesellschaft*) with an indefinite duration. Its activities date back to 30 September 1924, when it was first incorporated in Berlin as "Bank für deutsche Industrie-Obligationen" to manage the reparation payments owed by German companies under the Treaty of Versailles. In 1931, Bank für deutsche Industrieobligationen moved on to provide trade and long-term fixed rate investment financing, initially to the agricultural sector and later to medium-sized companies. In 1939, Bank für deutsche Industrie-Obligationen changed its legal name to "Deutsche Industriebank". On 29 March 1949, "Industriekreditbank Aktiengesellschaft" was incorporated in Düsseldorf and merged with Deutsche Industriebank in 1974 to become "IKB Deutsche Industriebank Aktiengesellschaft". Until 18 October 2006, IKB AG maintained registered offices in Berlin and Düsseldorf, but is now exclusively registered in the Commercial Register of the Local Court of Düsseldorf.

5.1.5 Legal Form, Legislation

IKB AG is a registered stock corporation (*Aktiengesellschaft*) under German law.

As an enterprise engaged in one or more of the financial activities defined in the German Banking Act (*Gesetz über das Kreditwesen*, "**KWG**") as "banking business", IKB AG is subject to the licensing requirements and other provisions of the KWG. In particular, IKB AG is subject to comprehensive supervision by the German Central Bank (*Deutsche Bundesbank*) and BaFin.

5.1.6 Domicile, Address, Telephone Number

IKB AG's registered office is at Wilhelm-Bötzkes-Straße 1, 40474 Düsseldorf, Federal Republic of Germany. Its telephone number is (+49) 211 8221-0.

5.2 Restructuring of IKB

5.2.1 Crisis of IKB and Rescue Measures

In late July 2007, as a result of the substantial deterioration in the U.S. residential mortgage market and, subsequently, the global markets, and IKB's significant exposure to credit risk in that market, IKB found itself in an existential crisis. To stabilise IKB, KfW, which is wholly-owned by the Federal Republic of Germany, and three German banking associations – the *Bundesverband deutscher Banken e.V.*, the *Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V.* and the *Deutscher Sparkassen- und Giroverband e.V.* – put together a rescue package that was developed based on discussions between KfW, BaFin, the German Federal Bank (*Bundesbank*) and the Federal Finance Ministry. In the context of the rescue measures, KfW, in part also with the assistance of the banking associations, provided coverage for losses and took over liabilities in an amount of several billion euros.

5.2.2 EU Commission State Aid Decision

In the matter of state aid from the Federal Republic of Germany for the restructuring of IKB, the EU Commission announced on 21 October 2008 that the state rescue measures that IKB had received since the start of the crisis in July 2007 had been approved subject to conditions and requirements.

The conditions include a drastic reduction of IKB's business activities, the discontinuation of the Real Estate Finance segment, the closure of certain international offices and the partial discontinuation of new business. IKB's total assets were to be reduced by around 47% to EUR 33.5 billion (from EUR 63.5 billion on 31 March 2007, before the start of the IKB crisis) by 30 September 2011. IKB had to comply with an agreed restructuring plan.

Furthermore, by way of a decision dated 15 May 2009, the EU Commission approved a change to the schedule for the winding-up of IKB's Luxembourg subsidiary.

Specifically, the conditions were as follows:

- discontinuation of the Real Estate Finance segment (no new business as at 31 December 2008, active reduction of at least 20% of the portfolio by 30 September 2010; reduction of a further 40% by 30 September 2011, remaining portfolio by way of scheduled repayments); subsidiaries affected: IKB Immobilien Management GmbH, IKB Projektentwicklung GmbH & Co. KG, IKB Projektentwicklungsverwaltungs GmbH;
- disposal of IKB's 50% interest in Movesta Lease and Finance GmbH ("**Movesta**") by 30 September 2011;
- winding-up or disposal of IKB Capital Corporation, New York ("**IKB CC**") by 30 September 2011 (active reduction of 25% of the portfolio by 30 September 2010) and discontinuation of new business as at 31 December 2008;
- winding-up of IKB International S.A. by 1 April 2011 (derivatives business and credit holdings was permitted to be relocated to IKB AG in Düsseldorf up to a maximum of EUR 3.2 billion) and discontinuation of new business by 1 December 2010;
- winding-up of IKB's business activities in Amsterdam by 30 March 2010 and discontinuation of new business as at 31 December 2008; and
- sale of non-strategic assets by 30 September 2011.

5.2.3 Status of Implementation of EU Conditions

The implementation period for the ruling expired on 30 September 2011. IKB implemented the measures set out in the restructuring plan on time to the extent they were permitted by law and could be carried out. Accordingly, IKB assumes that the conditions were met by the deadline. The final report on the implementation of the EU conditions was submitted by the German government to the EU Commission to the end of 2011. On 6 June 2012, the German government received initial feedback according to which the EU Commission took note of the information. A final response by the EU Commission confirming the termination of the state aid proceeding is currently still awaited.The EU Commission's resolution dated 17 August 2009 also imposes other obligations on IKB in respect to conduct regarding the extension of the guarantee window for the Special Fund for Financial Market Stabilisation ("**SoFFin**"):

- Firstly, the ruling requires restrictions in proprietary trading. These are compatible with IKB AG's objectives.
- Secondly, the repurchasing of IKB AG's own liabilities is highly restricted in line with this EU decision, although these restrictions do not apply to buying back SoFFin-guaranteed bonds.

IKB AG has taken organisational precautions to ensure compliance with these requirements. The requirements have been complied with by IKB AG.

5.3 Business Overview

5.3.1 General Overview/Corporate Objects

IKB AG is a specialist bank which supports medium-sized enterprises and private equity funds in Germany and Europe with loans, risk management solutions, capital market services and advisory services. It offers to its clients credit products, including acquisition finance as well as leasing solutions, and capital markets products (e.g. bonds, promissory note loans, hybrid capital and derivatives). Moreover, it provides advisory services in the following areas: M&A, structuring, restructuring, structure/income optimisation and private equity and securitization.

According to Section 2 of IKB AG's articles of association (the "**Articles of Association**"), the object of IKB AG is to conduct banking transactions of any nature (with the exception of activity as central contracting party as defined in the German Banking Act) including the provision of financial and other services associated therewith, in particular consultancy and agency services. IKB AG is entitled to undertake all transactions and actions likely to serve the objects of the company. It may implement its business activities wholly or partly through subsidiaries, affiliates or joint ventures and may form, acquire or take participating interests in other undertakings at home or abroad.

5.3.2 Principal Activities

Business Segments

IKB has organised its business operations within the following segments: Credit Products, Advisory and Capital Markets, Treasury and Investments and Head Office/Consolidation.

Credit Products

The Credit Products segment comprises the activities from IKB's lending and leasing business. This includes regular loans and public programme loans, IKB Leasing Group's business and mezzanine financing for companies by the subsidiary IKB Private Equity GmbH. In addition, the business operations in respect of collateralised loan obligations, which relate to the loans of this segment, are included in this segment.

Advisory and Capital Markets

The Advisory and Capital Markets segment comprises IKB's advisory activities in the fields of M&A, structuring, restructuring, structure/income optimisation and private equity. The Capital Markets sub-segment bundles the range of capital market solutions in the area of equity and liabilities lending, risk management solutions for customer derivatives, attracting customer deposits from institutional investors, and consulting and structuring services for securitisation transactions.

Treasury and Investments

The Treasury and Investments segment comprises the earning components resulting from investment decisions by Treasury in the context of asset/liability management and holdings of liquid securities or securities which are eligible marketable assets accepted as collateral by the European Central Bank. In addition, the segment comprises structured investments, such as bonds and promissory note loans, IKB's portfolio investments that represent its investments in securitisation products including first loss pieces, and IKB's proprietary trading activities. Credit exposures that are no longer included in the strategic portfolio and IKB's assets not directly relating to customers and managed as investments are also assigned to the Treasury and Investments segment. These portfolios are intended to be reduced while protecting equity by way of active portfolio management.

Head Office/Consolidation

In addition to the administrative expenses of head office units that cannot be allocated to other segments on a causal basis, the Head Office/Consolidation segment reports extraordinary factors not caused by the operating units and intragroup consolidation items as earnings components and asset positions.

Significant New Activities

On 15 March 2011, IKB launched its online service, "IKB direkt", for retail customers. IKB has created a further source of refinancing with this offering of overnight and fixed term deposits. Since September 2011, investments with a term of up to ten years have been possible. Since March 2012, "IKB direkt" has also offered private investors an income plan with terms of up to ten years.

5.3.3 Principal Markets / Competitive Position

Geographical Markets

The primary market for IKB's business is Germany. In addition to Germany, IKB's key international markets are France, Italy and Eastern Europe (in particular for leasing products).

Competitors

IKB's main competitors in Germany are the big universal banks as well as some of the larger institutes in the public banking sector (large savings banks and state banks (*Landesbanken*)). In view of the market developments, IKB expects that there will be further concentration in the public and the cooperative banking sectors; in addition, mergers in the private banking sectors are also expected due to increasing consolidation pressures as a result of the financial markets and sovereign debt crisis and the ongoing cost pressure.

5.4 Organisational Structure / Description of the Group

IKB AG is the parent company of a group of companies consisting, inter alia, of strategic companies, property finance companies, private equity companies and companies that provide leasing financing. Furthermore, IKB AG holds shares in funding companies and special purpose entities.

Branches and Subsidiaries

The IKB business is conducted primarily in Germany but also includes activities abroad. Apart from its operations in Düsseldorf, in Germany IKB AG maintains branches in Frankfurt/Main, Hamburg, Berlin, Munich and Stuttgart. In addition, IKB AG maintains branches in London, Luxembourg, Madrid, Milan and Paris.

Consolidated Entities

As at the date of this Registration Document, the consolidated entities were as follows:

	Consolidated Subsidiaries	Share of capital in %
1.	**Foreign Banks**	
	IKB International S.A. in Liquidation, Luxembourg[2)]	100[2)]
2.	**Other German Companies**	
	Aleanta GmbH, Düsseldorf	100
	Erste Equita Suporta GmbH, Düsseldorf	100[1)]
	Equity Fund GmbH, Düsseldorf	100[1)]
	IKB Autoleasing GmbH, Hamburg	100[1)]
	IKB Beteiligungen GmbH, Düsseldorf	100
	IKB Data GmbH, Düsseldorf	100
	IKB Equity Capital Fund GmbH, Düsseldorf	100[1)]
	IKB Grundstücks GmbH & Co. Objekt Holzhausen KG, Düsseldorf	100
	IKB Grundstücks GmbH, Düsseldorf	100
	IKB Leasing Berlin Gesellschaft mit beschränkter Haftung, Erkner	100[1)]
	IKB Leasing Gesellschaft mit beschränkter Haftung, Hamburg	100[1)]
	IKB Private Equity GmbH, Düsseldorf	100[1)]
	IKB Projektentwicklung GmbH & Co. KG i.L., Düsseldorf	100[3)]
	Istop 1 GmbH, Düsseldorf	100
	Istop 2 GmbH, Düsseldorf	100
	Istop 4 GmbH, Düsseldorf	100
	Istop 5 GmbH, Düsseldorf	100
	IKB Struktur GmbH, Düsseldorf	100[1)]
	IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	100
	ISTOS Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf	100
	ISTOS Erste Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf	100
	ISTOS Zweite Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf	100

Consolidated Subsidiaries	Share of capital in %
ISTOS Dritte Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf	100
Projektbeteiligung TH GmbH & Co. KG, Düsseldorf	89.8
Tempelhofer Hafen GmbH & Co. KG, Düsseldorf	94.9[1)]
MATRONA GmbH, Düsseldorf	100[1)]
Zweite Equity Suporta GmbH, Düsseldorf	100[1)]
3. Other Foreign Companies	
IKB Capital Corporation, New York[3)]	100
IKB Finance B.V., Amsterdam	100
IKB Funding LLC I, Wilmington/Delaware	100
IKB Funding LLC II, Wilmington/Delaware	100
IKB Leasing Austria GmbH, Vienna	100[1)]
IKB Leasing ČR s.r.o., Prague 9	100[1)]
IKB Leasing Finance IFN SA, Bucharest	100[1)]
IKB Leasing France S.A.R.L., Marne La Valle Cedex 4	100[1)]
IKB Leasing Korlátolt Felelösségü Társaság, Budapest	100[1)]
IKB Leasing Polska Sp. z.o.o., Poznan	100[1)]
IKB Leasing SR s.r.o., Bratislava	100[1)]
IKB Leasing srl., Bucharest / Sektor 1	100[1)]
IKB Lux Beteiligungen S.à.r.l., Luxembourg	100
IKB Pénzüdyi Lizing zártkörüen müködö Részvénytársaság, Budapest	100[1)]
STILL LOCATION S.A.R.L., Marne La Valle Cedex 4	100[1)]
IKBL Renting and Service S.r.I, Lainate (MI)	100[1)]
IKB Leasing geschlossene Aktiengesellschaft, Moscow	100[1)]
Joint Ventures/Associates	
Linde Leasing GmbH, Wiesbaden	30[1)]
MD Capital Beteiligungsgesellschaft mbH, Düsseldorf	50[1), 2)]
Special Purpose Entities in accordance with SIC-12[4)]	
Bacchus 2008-1 Plc, Dublin	
Bacchus 2008-2 Plc, Dublin	
Partner Fonds Europa Renten Teilfonds I, Luxembourg	
Partner Fonds Government & Covered Select, Luxembourg	
Rio Debt Holdings Ltd., Dublin	

Notes:
(1) Indirect shareholding.
(2) In Liquidation (bank licence returned).
(3) In Liquidation.
(4) SIC-12 means the Standing Interpretations Committee interpretation guidelines to the International Accounting Standard (IAS) 27.

5.5 Information on Business Trends

5.5.1 Statement on Material Adverse Change

There has been no material adverse change in the prospects of IKB AG that has occurred since the date of the last audited consolidated financial statements as at and for the year ending 31 March 2012.

5.5.2 Trend Information / Uncertainties

IKB AG is subject to the trends, uncertainties and influences explained in this Registration Document. Such uncertainties and influences may have a material effect on its business prospects for the remainder of the financial year 2012/2013 and for future periods. These include, in particular, the continuing uncertainty concerning developments in the international financial markets, the sovereign debt crisis and the global economy. For further information, please see "Risk Factors - Risk Factors relating to the Economic and Financial Market Situation".

IKB's business primarily focuses on Germany. Consequently, the economic conditions and cyclical momentum of such region have particular influence on its results of operations.

The business model of IKB has been expanded. In addition to credit financing, IKB offers its corporate clients capital markets and advisory services in order to help them optimise their financing structure and gain access to the capital markets. IKB expects to be able to devote greater attention to customer business now that it has fulfilled the EU conditions from IKB's point of view.

5.5.3 Recent Developments

Since 31 March 2012, the following recent developments have arisen:

Mandatory conversion of convertible bonds

In December 2008, IKB AG issued bonds with a contingent conversion obligation and a contingent conversion right with a nominal amount of EUR 123,671,070.72. As the conversion conditions were met on 1 July 2009, several holders of the bonds exercised their conversion right and converted the bonds into shares reported in equity. The remaining convertible bonds were mandatorily converted on 11 April 2012, the final mandatory conversion date as set out in the terms and conditions, into shares. The mandatory conversion and an optional conversion in January 2012 increased the total number of voting rights by 58,662, from 633,326,261 to 633,384,923, and the subscribed capital by EUR 150,174.72, from EUR 1,621,315,228.16 to EUR 1,621,465,402.88.

Change of segment from the regulated market to the quality segments of the unregulated market

The Board of Managing Directors of IKB AG resolved, with the approval of the Supervisory Board, to initiate a change of stock exchange segment for all of the IKB's securities from the regulated market to the quality segments of the unregulated market.

For IKB AG's shares, IKB AG has submitted an application for the revocation of their admission to trading in the General Standard of the regulated market of the Frankfurt Stock Exchange together with the application for the admission to the Entry Standard of the unregulated market of the Frankfurt Stock Exchange. The application for the revocation has been allowed in the meantime; the revocation will become effective by the end of 26 October 2012. IKB AG's shares and some other securities of IKB have been admitted to the primary market (*Primärmarkt*) of the Düsseldorf stock exchange in July 2012. Certain of IKB's securities will also be admitted to the quality segments of the unregulated market (*Freiverkehr*) of a German stock exchange. The change of segment is scheduled for completion by the end of the 2012 calendar year.

SoFFin guarantees

On 18 May 2012 and on 2 August 2012, IKB AG returned further SoFFin guarantees in the total amount of EUR 500 million ahead of schedule. This related to the bond maturing on 2 February 2015. As a result, IKB AG's SoFFin guarantee was reduced to a total of EUR 4 billion.

Changes in the Group

In April 2012, the investment fund Partner Fonds Eurobonds, Luxembourg, was liquidated in full.

In May 2012, IKB Partner Fonds, Luxembourg, and Partner Fonds Europa Renten Teilfonds II, Luxembourg, were dissolved.

Settlement of legal disputes

On 25 May 2012, King County, Iowa Student Loan Liquidity Corporation and IKB signed a settlement agreement to end the legal dispute between the parties that was pending with the United States District Court of the Southern District of New York, USA. For further detail, see "- Legal Proceedings".

Reconciliation of interests and social compensation plan

To implement further cost reduction and restructuring measures, a new reconciliation of interests and *social compensation plan* was negotiated with the employee representatives and signed on 8 May 2012.

Bonds relating to Greece

All Greek bonds held by IKB were sold.

Changes in Composition of the Supervisory Board

Mr Bruno Scherrer, Mr Stefan A. Baustert and Mr Arndt G. Kirchhoff, whose terms of office each ended at the close of the Annual General Meeting of 7 September 2011, were again elected to the Supervisory Board, by resolution of the Annual General Meeting of 7 September 2011, until the end of the Annual General Meeting which decides on whether to grant discharge to the members of the Supervisory Board for the financial year 2013/14. Mr Andreas Wittmann retired from the Supervisory Board in rotation at the end of the Annual General Meeting of 7 September 2011 while, due to the election of new employees' representatives, Ms Nicole Riggers was elected to the Supervisory Board.

Dr Thomas Rabe retired from office as of 21 February 2012. Mr Olivier Brahin retired from office with effect from 25 May 2012. A decision on the succession shall be made at the Annual General Meeting on 23 August 2012.

5.6 Administrative, Management and Supervisory Bodies

In accordance with the German Stock Corporation Act (*Aktiengesetz*), IKB AG has a two-tier board system, with a board of managing directors (*Vorstand*, the "**Board of Managing Directors**") and a supervisory board (*Aufsichtsrat*, the "**Supervisory Board**"). The two Boards are separate, and no individual may be a member of both at any one time.

The Board of Managing Directors is responsible for the management of IKB AG and represents IKB AG in its dealings with third parties. The Supervisory Board appoints and removes the members of the Board of Managing Directors and supervises the activities of the Board of Managing Directors. The Supervisory Board may not make any management decisions.

5.6.1 Board of Managing Directors

According to Section 6 of the Articles of Association, the Board of Managing Directors must consist of two or more members. The actual number of Managing Directors is determined by the Supervisory Board. There are currently four members.

The following table sets out the members of the Board of Managing Directors as at the date of this Registration Document, the date they were appointed to their present position, their respective areas of responsibility and their principal activities outside IKB AG.

Name	***Date Appointed***	***Responsibilities***	***Principal Activities outside IKB AG***
Hans Jörg Schüttler (*Chairman*)	1 November 2008	Treasury Legal Department Compliance Group Audit Organisation, Communications Strategic Planning	n.a.
Dr. Dieter Glüder	29 July 2007	Information Technology Finance Financial Controlling Taxation Data Protection and Data Security	n.a.

Name	Date Appointed	Responsibilities	Principal Activities outside IKB AG
Claus Momburg	12 November 1997	Credit Risk Management and Controlling Market Price Risk Controlling and Operations Credit Operations Securitisation Structure Management Human Resources	n.a.
Dr. Michael H. Wiedmann	1 March 2009	Sales Products Economic Research Industry Groups	n.a.

The business address of the Board of Managing Directors is Wilhelm-Bötzkes-Straße 1, 40474 Düsseldorf, Federal Republic of Germany.

5.6.2 Supervisory Board

According to Section 8 of the Articles of Association, the Supervisory Board consists of 15 members. In accordance with the German One-Third Participation Act (*Drittbeteiligungsgesetz*), two thirds of the Supervisory Board consist of representatives elected by IKB AG's shareholders, while the other third consists of representatives elected by the employees. Members are elected for three-year terms and re-election is possible. The members of the Supervisory Board elect the chairman and the deputy chairman of the Supervisory Board. The chairman, who is typically a representative of the shareholders, has the deciding vote in the event of a deadlock.

The Supervisory Board currently consists of 13 members. Dr Thomas Rabe retired from office as of 21 February 2012. Mr Olivier Brahin retired from office with effect from 25 May 2012. A decision on the succession shall be made at the Annual General Meeting on 23 August 2012. For this Annual General Meeting it is planned to adopt a resolution to amend Article 8 para. 1 of IKB's Articles of Association: the number of members of the Supervisory Board shall be reduced from the current fifteen to twelve members.

The following table sets out the members of the Supervisory Board as at the date of this Registration Document, the end of the term for which they have been appointed and the principal activities outside IKB AG.

Name	End of Term	Principal Activities outside IKB AG
Bruno Scherrer (*Chairman*)	2014	Senior Managing Director, Head of European Investments of Lone Star Management Europe Ltd, London
Dr. Karsten von Köller (*Deputy Chairman*)	2012	Chairman, Lone Star Germany GmbH, Frankfurt/Main
Stefan A. Baustert	2014	Managing Director of RENA GmbH, Krefeld
Dr. Lutz-Christian Funke	2013	Director of KfW, Head of Corporate Management of KfW Bankengruppe, Frankfurt/Main
Ulrich Grillo	2013	Chairman of the Board of Managing Directors of Grillo-Werke AG, Mülheim/Ruhr
Arndt G. Kirchhoff	2014	Managing Partner of KIRCHHOFF AUTOMOTIVE GmbH, Attendorn
Bernd Klein	2015*	Specialist Contracts and Collateral, Member of the Works Council of IKB Deutsche Industriebank AG, Mönchengladbach (*Employee Representative*)
Dr. Claus Nolting	2013	Chairman of the Board of Managing Directors of COREALCREDIT BANK AG, München

Name	*End of Term*	*Principal Activities outside IKB AG*
Nicole Riggers	2013	Deputy Chairperson of the Works Council Düsseldorf, Deputy Chairperson of the General Works Council of IKB Deutsche Industriebank AG, Düsseldorf (*Employee Representative*)
Dr. Carola Steingräber	2013	Sector Analyst, Chairperson of the Works Council Berlin, Member of the General Works Council of IKB Deutsche Industriebank AG, Berlin (*Employee Representative*)
Carmen Teufel	2015*	Sales Analyst, Chairperson of the Works Council Baden Württemberg, Member of the General Works Council of IKB Deutsche Industriebank AG, Neustetten (*Employee Representative*)
Dr. Andreas Tuczka	2013	Head of European Financial Institutions Managing Director, Lone Star Management Europe Ltd., London
Ulrich Wernecke	2013	Chairman of the Works Council Düsseldorf, Chairman of the General Works Council of IKB Deutsche Industriebank AG, Rommerskirchen (*Employee Representative*)

* Employee Representatives already re-lected for another term beginning 23 August 2012.

The business address of the Supervisory Board is Wilhelm-Bötzkes-Straße 1, 40474 Düsseldorf, Federal Republic of Germany.

5.6.3 Advisory Board

In accordance with Section 12 of the Articles of Association, the Supervisory Board has formed an advisory board (*Beraterkreis*, the "**Advisory Board**") to provide general business advisory services and enhance contacts with industry and commerce. The members of the Advisory Board assist IKB's management by providing advice relating to issues of general economic interest and matters of general principles. The Advisory Board does not have any supervisory functions.

The following table sets out the members of the Advisory Board as at the date of this Registration Document.

Name	*Function*
Dr. Michael Kaschke (*Chairman*)	Chairman of the Board of Managing Directors of Carl Zeiss AG, Oberkochen
Dipl.-Ing. Norbert Basler (*Deputy Chairman*)	Chairman of the Supervisory Board of Basler AG, Ahrensburg
Klaus Berka	Chairman of the Board of Managing Directors of Analytik Jena AG, Jena
Dr. h.c. Josef Beutelmann	Chairman of the Board of Managing Directors of Barmenia Versicherungs-Gesellschaften, Wuppertal
Dipl.-Ing. Jan-Frederic Bierbaum	Managing Partner of Bierbaum Unternehmensgruppe GmbH & Co. KG, Borken
Anton Börner	General Partner of Börner + Co. KG, Ingolstadt
Klaus Bräunig	Managing Director of the German Association of the Automotive Industry e.V., Berlin
Stefan Dräger	Chairman of the Board of Managing Directors of Drägerwerk AG & Co. KGaA, Lübeck
Prof. Dr. phil. Hans-Heinrich Driftmann	General and Managing Partner of Peter Kölln KGaA, Elmshorn

Name	*Function*
Dr.-Ing. Gerd Eckelmann	Chairman of the Board of Managing Directors of ECKELMANN AG, Wiesbaden
Dr. Hugo Fiege	Chairman of the Board of Managing Directors of Fiege Holding Stiftung & Co. KG, Greven
Wolfgang Gutberlet	Chairman of the Board of Managing Directors of tegut… Gutberlet Stiftung & Co., Fulda
Dr. Hannes Hesse	Managing Director of the German Engineering Industry Association e.V., Frankfurt/Main
Dr. Stephan J. Holthoff-Pförtner	Attorney and Notary, Essen
Dr. Jochen Klein	Chairman of the Advisory Board of Döhler GmbH, Darmstadt
Friedhelm Loh	Chairman of the Executive Board of Friedhelm Loh Group, Haiger
Dr. Matthias Mitscherlich	Mülheim/Ruhr
Harald Pinger	Member of the Management of KION Group GmbH, Wiesbaden
Hartmut Schauerte	Attorney, Kirchhundem
Heinz-Peter Schlüter	Chairman of the Supervisory Board of Trimet Aluminum AG, Essen
Dr. Eric Schweitzer	Member of the Board of Managing Directors of ALBA AG, Berlin
Dipl.-Kfm. Rainer Thiele	Chairman of the Advisory Board of KATHI Rainer Thiele GmbH, Halle/Saale
Klaus Thiemann	Düsseldorf
Dr. Martin Wansleben	Managing Director of the Federation of German Chambers of Industry and Commerce, Berlin
Dr. Ludolf v. Wartenberg	Berlin
Willi Wimmer	Attorney, Jüchen
Klaus Winkler	Chairman of the Management of Gebr. Heller Maschinenfabrik GmbH, Nürtingen
Professor Dr. Klaus L. Wübbenhorst	Managing Partner of WB Consult GmbH, Nürnberg

5.6.4 Conflicts of Interest

There currently are no conflicts of interest between the duties of the members of the Board of Managing Directors and the Supervisory Board and their private interests or other obligations. Potential conflicts of interest may result in connection with the special audit that is currently ongoing (for further detail, see " - General Information / History and Development - Auditors"). Potential conflicts of interest between the duties of the members of the Supervisory Board and their private interests or other obligations may also result as follows: A proportion of the members of the Supervisory Board in office have a close relation to other companies with whom IKB maintains business relations. Transactions between IKB and the said companies are conducted in all cases on market terms as between unaffiliated third parties.

5.7 Major Shareholders

As at the date of this Registration Document, according to Section 5 of the Articles of Association IKB AG's share capital amounted to EUR 1,621,465,402.88, represented by 633,384,923 bearer shares with no par value (*Stückaktien*), each of which confers one vote. The shares of IKB AG have been admitted to trading on the regulated markets (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and are traded through non-regulated markets (*Freiverkehr*) of several stock exchanges in Germany.

The following table shows the major shareholders of IKB AG as at the date of this Registration Document.

Shareholder	***Percentage Shareholding in IKB AG's Share Capital***
LSF6 Europe Financial Holdings L.P.	91.5
Institutional and private shareholders	8.5

LSF6 Europe Financial Holdings L.P. is an investment company of Lone Star Funds (together with its consolidated subsidiaries and investment vehicles, "**Lone Star**"), a global investment firm that acquires distressed debt and equity assets including corporate, commercial real estate, single family residential and consumer debt products as well as banks and asset rich operating companies requiring rationalisation. Since the establishment of its first fund in 1995, the principals of Lone Star have organised private equity funds totalling approximately USD 33 billion of capital that has been invested globally through Lone Star's worldwide network of affiliate offices. The funds are structured as closed-end, private-equity limited partnerships that include corporate and public pension funds, sovereign wealth funds, university endowments, foundations, fund of funds and high net worth individuals.

5.8 Ratings

Following the termination by IKB AG of its rating contracts with effect as of 30 June 2011, Fitch and Moody's have withdrawn IKB's long-term and short-term credit ratings. IKB does currently not have an external rating.

5.9 Financial Information

5.9.1 Historical Financial Information

The financial information contained in this Registration Document is based on the consolidated and unconsolidated financial statements of IKB AG and its consolidated subsidiaries and special-purpose entities.

IKB's currency of presentation is the euro, and its financial year ends on 31 March of each year. IKB has prepared its consolidated financial statements for the financial years ending 31 March 2011 and 2012 in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). In addition, IKB AG prepares unconsolidated financial statements in accordance with the German Commercial Code (*Handelsgesetzbuch*, "***HGB***").

5.9.2 Audit of Financial Information

The consolidated financial statements of IKB AG as of and for the financial years ended 31 March 2011 and 31 March 2012 and the annual financial statements of IKB AG as of and for the financial year ended 31 March 2012 were audited by PwC and the auditors have issued in each case an unqualified auditors' report.

5.9.3 Legal Proceedings

Legal proceedings due to alleged incorrect capital market information

More than 140 claims have been made against IKB AG by investors in IKB securities since the start of the crisis in summer 2007. These claims relate to the alleged incorrect content of the press release issued on 20 July 2007, but partly also to the alleged false content of the financial press conference held on 28 June 2007 and the alleged incorrect content of capital market information prior to this date.

These proceedings had a total value in dispute of approximately EUR 14.6 million. In addition, further shareholders and investors in other IKB securities have approached the company out of court with claims for damages.

In the meantime, more than 110 of these suits by investors have been finally terminated, e.g. with legally binding rulings in favour of IKB AG or the withdrawal of the respective suits. IKB AG has not yet been ordered to pay damages in any of the cases to date. Five cases of denial of leave to appeal are pending with the German Federal Court of Justice (*Bundesgerichtshof*). In one such case, hearings took place before the XI. Civil Senate of the German Federal Court of Justice on 15 November 2011. On 13 December 2011, the Senate referred the case back to the Düsseldorf Higher Regional Court. According to the comments by the Senate, there are no claims founded in tort in the case in question.

IKB still considers the outstanding claims by investors not yet dismissed (with a remaining total value in dispute of around EUR 9.8 million) and the out-of-court claims for damages to be unfounded. Nonetheless, the possibility that additional investors will claim for damages against IKB AG cannot be completely ruled out. The success of these claims could increase the overall risk to which IKB AG is exposed.

Proceedings relating to IKB's Former Off-Balance Sheet Financing Vehicles

FGIC and Calyon Proceedings

On 10 March 2008, the U.S.-based Financial Guaranty Insurance Company and its British subsidiary (together, "**FGIC**") filed claims in a New York court against IKB AG, its (then) subsidiary IKB Credit Asset Management GmbH, Havenrock II Ltd. (**"Havenrock II"**) and Calyon S.A. ("**Calyon**"). In the first instance, FGIC applied to be released from contractual obligations in respect of Havenrock II and Calyon totalling up to USD 1.875 billion. FGIC also asserted claims against IKB for an unspecified amount of damages.

On 24 November 2009, FGIC filed a Claim Form against IKB in the High Court of Justice, Commercial Court in London seeking substantial damages in excess of USD 200 million.

On 24 August 2009, Calyon served Particulars of Claim on IKB in the High Court of Justice in London seeking damages in excess of USD 1.675 billion.

On 16 September 2011, Crédit Agricole Corporate and Investment Bank ("**CA-CIB**", formerly Calyon), FGIC, IKB AG and other parties signed an agreement aimed at resolving various legal disputes between the parties. This relates to the proceedings initiated by CA-CIB and FGIC against IKB with the Commercial Court, High Court of Justice in London, United Kingdom, and additional legal disputes in New York and Jersey, Channel Islands. The confidential agreement covers the conclusion of the legal disputes without the acknowledgement of liability by the parties concerned. IKB does not expect this agreement to represent a financial burden for IKB and considers its legal risks to have declined significantly as a result.

Putative Class Actions

On 2 October 2009, King County, a subdivision of the State of Washington, filed a putative class action against IKB AG, IKB Credit Asset Management GmbH (together, the "**IKB Defendants**") and Moody's Investors Service, Inc., Moody's Investors Service Limited, The McGraw Hill Companies, Inc. (d/b/a Standard & Poor's Rating Services), Fitch, Inc., Winfried Reinke and Stefan Ortseifen in the United States District Court for the Southern District of New York (the "**King County Action**"). On 16 October 2009, Iowa Student Loan Liquidity Corporation initiated suit against the same defendants in the same court with a virtually identical putative class action (the "**Iowa Action**").

On 25 May 2012, King County, Iowa Student Loan Liquidity Corporation and the IKB Defendants signed a settlement agreement aimed to end the legal dispute between the parties pending with the United States District Court of the Southern District of New York, USA. The agreement covers the conclusion of the legal disputes without the acknowledgement of liability by the parties concerned. IKB does not expect this agreement to represent a financial burden for IKB and considers its legal risks to have declined as a result.

IKB remains of the opinion that the accusations made against IKB by the plaintiffs are unfounded.

Indemnity Agreement

KfW has provided a degree of indemnification to IKB for claims from legal disputes against IKB in connection with IKB's former off-balance sheet financing vehicles (Rhineland Funding, Rhinebridge and the Havenrock entities). For details, please refer to "- Material Contracts - Agreements in connection with the Sale of KfW's Interest in IKB-Indemnity Agreement".

Other Threatened Actions

It cannot be ruled out that further claims for damages are brought against IKB as a result of its activities or the activities of IKB Credit Asset Management GmbH in relation to Rhineland Funding, the Havenrock Entities and/or Rhinebridge by other parties involved in these transactions.

State Aid Proceedings

In connection with the rescue measures taken by KfW with the support of the banking associations for the benefit of IKB, the EU Commission qualified the measures as state aid and approved them in October 2008 under strict conditions. IKB must use considerable resources to implement these conditions.

The implementation period for the ruling expired on 30 September 2011. The final report on the implementation of the EU conditions was submitted by the German government to the EU Commission by the end of 2011. IKB implemented the measures set out in the restructuring plan on time to the extent they were permitted by law and could be carried out. Accordingly, IKB assumes that the conditions were met by the deadline. A final response by the European Commission confirming the termination of the state aid proceeding is currently still awaited. If the conditions are not met, IKB may be significantly disadvantaged, both legally and economically. Furthermore, the EU Commission’s ruling of 17 August 2009 on the admissibility of the extended SoFFin guarantee entails strict obligations with regard to IKB’s operations, non-compliance with which could lead to material legal and economic disadvantages for the company.

Investigation by the Public Prosecutors

In July 2009, public prosecutors in Düsseldorf brought an action against the former chairman of the Board of Managing Directors, Mr. Ortseifen, for market manipulation and breach of trust (*Untreue*). The breach of trust charge relates solely to construction projects in respect of residential properties in which Mr. Ortseifen and another former member of the Board of Managing Directors lived, but which IKB owned. On 1 February 2010, the responsible chamber of the Düsseldorf Regional Court (*Landgericht Düsseldorf*) opened the main proceedings. In July 2010, the court handed down a suspended sentence of ten months for market manipulation. The appeal lodged against this first instance ruling was rejected by the German Federal Court of Justice on 20 July 2011; the verdict has been legally binding since that date.

Collateralized debt obligations ("CDO") arranged by Lehman Brothers

IKB invested in structured credit products (originally five synthetic CDOs with a total nominal volume of EUR 334 million and USD 213 million) in which Lehman Brothers acted as the secured party through a special purpose entity. Following the insolvency of Lehman Brothers, the transactions concerned were terminated by the issuer on the basis of its contractual options. In such event, the documentation provided for the liquidation of the transaction collateral and the distribution of the profits in a specific order ("transaction waterfall").

Under the contractually agreed regulations, in the event of its insolvency, the swap counterparty (in this case, Lehman Brothers) is subordinate to the investors in the distribution of the proceeds from the transaction collateral. This regulation on seniority has since been reviewed by courts in the UK and the US without the involvement of IKB AG. While courts of final instance in the UK have upheld the validity of this regulation, a first instance insolvency court in the US has granted a violation of basic insolvency law principles. The underlying legal dispute has since been settled out of court between the parties immediately after admission to the court of appeal in the USA. Other model proceedings are still ongoing. A final instance confirmation of the legal position of the opposing party with the US courts could lead to the dismissal of the payment and, under certain circumstances, to claims for restitution against IKB. IKB considers the probability of occurrence to be low. Because of the transactions, IKB is involved in the out-of-court settlement proceedings with Lehman Brothers as ordered by the US insolvency court.

Actions to Rescind Resolutions from General Meetings

With regard to resolutions of IKB AG's general meeting the following recessionary and revocation claims are currently still pending:

- Annual General Meeting held on on 28 August 2008 (including, inter alia, agenda item 6: election of the Supervisory Board);
- Extraordinary General Meeting held on 25 March 2009 (including, inter alia, agenda items 3 and 4: cancellation of the special audit with regard to the Board of Managing Directors and the Supervisory Board);
- Annual General Meeting held on 27 August 2009 (including, inter alia, agenda items 2 and 3: approval of the actions of the members of the Board of Managing Directors and the Supervisory Board);
- Annual General Meeting held on 26 August 2010 (including, inter alia, agenda items 2 and 3: approval of the actions of the members of the Board of Managing Directors and the Supervisory Board);
- With regard to the Annual General Meetings on 27 March 2008, 28 August 2008, 25 March 2009 and 7 September 2011, compulsory information proceedings have also been filed with the court in accordance with section 132 of the German Stock Corporation Act (AktG).

Court Appointment of a Special Auditor

In August 2009, the Düsseldorf Regional Court, at the request of shareholders, resolved to appoint a special auditor to examine whether members of the Board of Managing Directors or the Supervisory Board of IKB AG committed breaches of duty in connection with certain transactions relating to the crisis at IKB. The Düsseldorf Regional Court awarded the special audit mandate to Dr. Harald Ring, a member of the Management Board of Treuhand- und Revisions-Aktiengesellschaft Niederrhein, Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Krefeld, Federal Republic of Germany. Appeals by IKB AG against the court appointment were unsuccessful. Dr. Ring had already been appointed as the special auditor under stock corporation law by the Annual General Meeting in March 2008 and he performed the audit activities until his appointment was revoked by the Annual General Meeting in March 2009. After the final and binding dismissal of iIKB's remedies the special auditor took up his activities again. IKB has not yet received the results of this audit.

Derivatives business

In the financial year 2011/12, several customers criticised the consulting services provided by IKB AG in connection with certain swap products. The corresponding suits are pending in five cases. IKB AG is involved in out-of-court discussions with other customers. IKB AG will defend itself against the accusations.

5.9.5 Significant Changes in the Financial Position

Since 31 March 2012, there have not been any significant changes in IKB's financial position.

5.10 Material Contracts

5.10.1 Financing Agreements

SoFFin Guarantees

In 2009, SoFFin granted IKB framework guarantees in an amount of up to a total of EUR 12 billion for the repayment of bonds issued by IKB AG, of which EUR 10 billion were utilised over time. As at the date of this Registration Document three bonds issued under SoFFin guarantees with a total amount of EUR 4 billion are still outstanding.

The primary conditions of the guarantee agreement with SoFFin include that IKB maintain a Tier I capital ratio of at least 8% and is subject to extensive reporting obligations. Furthermore, pursuant to compensation restriction agreements, no bonuses were paid to the members of the Board of Managing Directors from 3 July 2009 until 31 December 2010 and the maximum compensation for members of the Board of Managing Directors in this period was EUR 500,000 p.a. Non-compliance with these obligations would have resulted in repercussions including substantial contractual penalties. IKB could also be required to provide cash collateral for the utilised guarantees.

Loans with Debt Waivers and Compensation out of Future Profits

In February and March 2008, KfW granted loans to IKB AG in the total amount of EUR 1,050 million. The loans are unsecured. Under the loan agreements, KfW waived (i) repayment of the loan, (ii) payment of interest and (iii) reimbursement of increased costs. However, IKB AG and KfW entered into agreements pursuant to which KfW will be compensated out of future profits for its claims under (i) to (iii) under certain conditions.

These loans were transferred as part of the sale of the IKB AG shares held by KfW to LSF6 Europe Financial Holdings L.P. as of 29 October 2008 and then assigned to LSF6 Rio (Ireland) Limited, Dublin.

Debt Waiver in respect of Subordinated Bonds with Compensation out of Future Profits

By way of an agreement entailing a debt waiver and compensation out of future profits, LSF6 Europe Financial Holdings, L.P., Delaware, the holder of two subordinated bonds issued by IKB AG in November and December 2008 with a total nominal amount of EUR 101.5 million, waived its claims to repayment and future interest payments from these bonds against IKB AG, subject to the condition subsequent of the occurrence of future profits. An improvement entitling to compensation occurs if IKB AG could report an annual net profit in its unconsolidated financial statements and provided that IKB AG maintains a regulatory ratio of at least 9.0% at the individual bank level.

Bonds with a Contingent Conversion Obligation and a Contingent Conversion Right

In December 2008, IKB AG issued bonds with a contingent conversion obligation and a contingent conversion right in a nominal amount of EUR 123,671,070.72. As the conversion conditions were met on 1 July 2009, several holders of the bonds exercised their conversion right and converted the bonds into shares reported in equity. The remaining convertible bonds were mandatorily converted into shares on 11 April 2012, the final mandatory conversion date as set out in the terms and conditions.

5.10.2 Agreements in connection with the Sale of KfW's Interest in IKB

Indemnity Agreement

In an agreement dated 10/16 September 2008, KfW provided a degree of indemnification to IKB for claims from legal disputes against IKB (including the relevant procedural costs) in connection with IKB's former off-balance sheet financing vehicles (Rhineland Funding, Rhinebridge and the Havenrock entities) for events which occurred before 29 October 2008. Even if the indemnification amount is limited, IKB anticipates that the risks from currently asserted legal disputes are largely covered by the indemnification. In this connection, IKB has extensive duties to KfW in respect to information, disclosure, notification and action. Claims from IKB AG shareholders or investors in financial instruments linked to the development of IKB shares are not covered by the indemnification.

If IKB culpably violates a concrete obligation in the indemnification agreement in connection with a concrete claim covered by the indemnification agreement, under certain circumstances, the indemnification claim in relation to this specific claim may be extinguished. The Board of Managing Directors regards the risk of a dereliction of duty as slight. This is because, to assure the contractual obligations of IKB, the necessary implementation steps for securing conduct in line with the agreement were specified in detail and documented in writing in close coordination and cooperation with KfW. The indemnification claims of IKB are also extinguished retroactively if the share sale and transfer agreement or the share transfer *in rem* between KfW and LSF6 Europe Financial Holdings, L.P. are or become null and void or one of the parties exercises a right which results in the reversal of the performance rendered under the agreement. Furthermore, the claims under the indemnification agreement are extinguished if, also taking into account the claims for the indemnification agreement, there is reason for insolvency at IKB or insolvency proceedings have been instituted against the assets of IKB.

5.10.3 Other Agreements

Axa Lease

On 21 March 2006, IKB AG entered into a lease agreement with AXA Immoselect Hauptverwaltungsgebäude GmbH & Co Objekt Düsseldorf Uerdinger Straße KG regarding the property in Düsseldorf on which IKB's headquarters are located. The annual rent for the financial year 2009/2010 amounted to approximately EUR 13.9 million; in future years, it may be adjusted in accordance with the consumer price index. The term of the agreement is until 31 March 2026, with an option for renewal.

6. THIRD-PARTY INFORMATION

IKB AG confirms that information sourced from third parties has been accurately reproduced and that, as far as IKB AG is aware and is able to ascertain from information sourced from a third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, IKB AG has identified the source(s) of information and has named such source(s).

7. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection on the website of IKB AG (www.ikb.de):

- this Registration Document;
- any supplementary information that IKB AG may be required to provide pursuant to Article 16 of the German Securities Prospectus Act;
- the articles of association (*Satzung*) of IKB AG;
- IKB's annual reports for the financial years 2010/2011 and 2011/2012, including the group management reports and the audited consolidated financial statements as at and for the financial years ending 31 March 2011 and 31 March 2012, prepared in accordance with International Financial Reporting Standards (IFRS); and
- IKB AG's annual report for the financial year 2011/2012, including the management report and the audited annual financial statements as at and for the financial year ending 31 March 2012, prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch –HGB*).

IKB AG may publish these documents through other channels, and will, to the extent required by applicable law, notify the investors accordingly.

In addition, copies of the Registration Document and any supplement thereto are available from IKB AG free of charge to each investor on request. These documents can be requested from IKB AG through its website (www.ikb.de) or by letter to IKB AG at the following address: Wilhelm-Bötzkes-Straße 1, 40474 Düsseldorf, Federal Republic of Germany.

8. FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) OF IKB AG AS OF 31 MARCH 2012

Consolidated statement of comprehensive income of IKB Deutsche Industriebank AG for the period from 1 April 2011 to 31 March 2012

Consolidated income statement

in € million	Notes	1 Apr. 2011 - 31 Mar. 2012	1 Apr. 2010 - 31 Mar. 2011*
Net interest income	(24)	**153.5**	**143.6**
Interest income		1,675.1	1,862.9
Interest expenses		1,521.6	1,719.3
Provisions for possible loan losses	(25)	**26.3**	**78.8**
Net interest income after provision for possible loan losses		**127.2**	**64.8**
Net fee and commission income	(26)	**-63.2**	**-93.0**
Fee and commission income		48.5	43.4
Fee and commission expenses		111.7	136.4
Net income from financial instruments at fair value	(27)	**-304.8**	**45.2**
Net income from financial assets	(28)	**-16.8**	**42.3**
Net income from investments accounted for using the equity method	(29)	**0.2**	**1.6**
Administrative expenses	(30)	**297.4**	**321.3**
Personnel expenses		158.7	167.2
Other administrative expenses		138.7	154.1
Other operating result	(31)	**49.4**	**242.9**
Other operating income		233.9	499.6
Other operating expenses		184.5	256.7
Operating result		**-505.4**	**-17.5**
Taxes on income	(32)	8.0	-43.6
Other taxes		3.5	4.8
Consolidated net loss/profit		**-516.9**	**21.3**

* Figures adjusted

As in the previous year, the consolidated net result relates in full to the shareholders of IKB.

Earnings Per Share

	1 Apr. 2011 - 31 Mar. 2012	1 Apr. 2010 - 31 Mar. 2011*
Consolidated net profit/loss	-516.9	21.3
Average number of shares outstanding (million)	633.4	633.4
Undiluted earnings per share (€)	**-0.82**	**0.03**
Diluted earnings per share (€)	**-0.82**	**0.03**

* Figures adjusted

The number of no-par value shares included in calculating earnings per share did not change in the period under review. Accordingly, the average number of no-par value ordinary shares outstanding in the 2011/12 financial year was 633,384,923 (including these shares still to be converted).

Basic and diluted earnings are identical as full conversion was assumed for all convertible instruments.

Consolidated statement of total comprehensive income

in € million	**1 Apr. 2011 - 31 Mar. 2012**	**1 Apr. 2010 - 31 Mar. 2011***
Consolidated net loss/profit	**-516.9**	**21.3**
Changes in financial assets available for sale recognised directly in equity	29.2	-38.1
Changes in financial assets available for sale recognised in profit or loss	6.5	-14.4
Changes in derivatives hedging fluctuations in future cash flows recognised directly in equity	-5.0	9.2
Currency translation differences recognised directly in equity	-1.6	-0.3
Changes due to actuarial gains/losses (IAS 19) recognised directly in equity	-30.9	13.4
Deferred taxes on other comprehensive income	0.1	9.4
Other comprehensive income	**-1.7**	**-20.7**
Total comprehensive income	**-518.6**	**0.6**

* Figures adjusted

The tax effects relating to the individual effects recognised directly in equity are discussed in note (64).

As in the previous year, the total comprehensive income relates in full to the shareholders of IKB.

Consolidated balance sheet of IKB Deutsche Industriebank AG as of 31 March 2012

in € million	Notes	31 Mar. 2012	31 Mar. 2011*	31 Mar. 2010**
Assets				
Cash reserve	(8, 33)	19.1	84.8	14.9
Loans and advances to banks	(9, 34)	3,023.6	2,316.2	2,518.3
Loans and advances to customers	(9, 35)	17,783.6	20,330.9	23,665.1
Provisions for possible loan losses	(10, 36)	-508.1	-818.5	-1,072.2
Assets held for trading	(11, 37)	2,479.2	815.5	1,341.3
Financial assets	(12, 38)	7,941.3	7,892.3	8,345.9
thereof as of 31 Mar. 2012: € 2,096.8 million (31 Mar. 2011: € 954.4 million; 31 Mar. 2010: € 576.9 million) financial assets pledged as collateral, available for sale or reassignment by the secured party				
Investments accounted for using the equity method	(13, 39)	10.5	10.8	9.5
Intangible assets	(14, 40)	24.9	19.3	12.9
Property, plant and equipment	(15, 41)	183.5	167.5	179.5
Current tax assets	(16, 42)	22.3	36.1	42.7
Deferred tax assets	(16, 43)	218.0	190.8	233.2
Other assets	(17, 44)	381.2	386.0	258.5
thereof inventories as of 31 Mar. 2012: € 97.0 million; 31. Mar. 2011: € 97.0 million; 31 Mar. 2010: -				
Non-current assets held for sale	(18, 45)	14.6	-	197.9
Total		**31,593.7**	**31,431.7**	**35,747.5**

Equity and liabilities				
Liabilities to banks	(9, 46)	13,221.8	11,193.6	11,998.0
Liabilities to customers	(9, 47)	9,997.4	7,693.7	7,517.9
Securitised liabilities	(19, 48)	2,277.2	7,710.5	10,791.7
Liabilities held for trading	(11, 49)	3,835.6	2,003.6	2,481.9
Provisions	(20, 21, 50, 51)	164.4	137.1	156.8
Current tax liabilities	(16, 52)	103.9	107.0	109.8
Deferred tax liabilities	(16, 53)	67.4	30.3	103.3
Other liabilities	(17, 54)	483.5	468.1	432.1
Liabilities in connection with assets held for sale	(18)	-	-	2.6
Subordinated capital	(22, 55)	1,017.7	1,144.4	1,214.2
Equity	(23, 56)	424.8	943.4	939.2
Issued capital		1,621.3	1,621.3	1,621.3
Capital reserve		597.8	597.8	597.8
Retained earnings		-1,242.9	-1,243.0	-291.6
Currency translation reserve		-19.1	-17.5	-17.2
Revaluation surplus		-15.4	-36.5	-6.9
Consolidated profit/loss		-516.9	21.3	-964.2
Total		**31,593.7**	**31,431.7**	**35,747.5**

* Figures adjusted

** See consolidated financial statements as of 31 March 2011

Consolidated statement of changes in equity

in € million	Issued capital	Capital reserve	Retained earnings			Currency translation reserve	Revaluation surplus		Net retained profits/ net accumulated losses*	Total*
			Legal reserve	Actuarial gains/losses (IAS 19)	Other*		Financial assets available for sale	Derivatives hedging fluctuations in future cash flows		
Equity as of 31 Mar. 2010	**1,621.3**	**597.8**	**10.2**	**-33.8**	**-267.6**	**-17.2**	**0.9**	**-7.8**	**-973.9**	**929.9**
IAS 8: Adjustments as of 31 Mar. 2011	-	-	-	-	-	-	-	-	7.2	7.2
IAS 8: Adjustments as of 31 Mar. 2012	-	-	-	-	-0.4	-	-	-	2.5	2.1
Equity as of 1 Apr. 2010*	**1,621.3**	**597.8**	**10.2**	**-33.8**	**-268.0**	**-17.2**	**0.9**	**-7.8**	**-964.2**	**939.2**
Consolidated net profit	-	-	-	-	-	-	-	-	21.3	**21.3**
Other comprehensive income	-	-	-	9.2	-	-0.3	-35.9	6.3	-	**-20.7**
Total comprehensive income *	-	-	-	9.2	-	-0.3	-35.9	6.3	21.3	**0.6**
Netting of consolidated net loss 1 Apr. 2009 to 31 Mar. 2010*	-	-	-	-	-964.2	-	-	-	964.2	**-**
Changes: Basis of consolidation	-	-	-	-	3.6	-	-	-		**3.6**
Equity as of 31 Mar. 2011	**1,621.3**	**597.8**	**10.2**	**-24.6**	**-1,230.7**	**-17.5**	**-35.0**	**-1.5**	**51.5**	**971.5**
IAS 8: Adjustments as of 31 Mar. 2012	-	-	-	-	2.1	-	-	-	-30.2	-28.1
Equity as of 1 Apr. 2011*	**1,621.3**	**597.8**	**10.2**	**-24.6**	**-1,228.6**	**-17.5**	**-35.0**	**-1.5**	**21.3**	**943.4**
Consolidated net loss	-	-	-		-	-	-	-	-516.9	**-516.9**
Other comprehensive income	-	-	-	-21.2	-	-1.6	24.5	-3.4	-	**-1.7**
Total comprehensive income	-	-	-	-21.2	-	-1.6	24.5	-3.4	-516.9	**-518.6**
Netting of consolidated net loss 1 Apr. 2010 to 31 Mar. 2011*	-	-	-	-	21.3	-	-	-	-21.3	**-**
Equity as of 31 Mar. 2012	**1,621.3**	**597.8**	**10.2**	**-45.8**	**-1,207.3**	**-19.1**	**-10.5**	**-4.9**	**-516.9**	**424.8**

* Figures adjusted

Consolidated statement of cash flows for the period from 1 April 2011 to 31 March 2012

in € million	2011/12	2010/11*
Consolidated net profit/loss	-516.9	21.3
Non-cash items included in consolidated net profit/loss for the year and reconciliation of net/ loss to cash flow from operating activities		
+/- Write-downs, impairment, reversals of write-downs on receivables and addition to provisions for possible loan losses	35.4	83.2
+/- Write-downs less reversals of write-downs on property, plant and equipment and investment securities	63.0	48.1
+/- Changes in other non-cash items (essentially changes in other provisions and certain liabilities and positive and negative fair values of derivative financial instruments)	390.4	-308.8
+/- Gain/loss on the disposal of financial assets	-28.0	-2.3
+/- Gain/loss on the disposal of property, plant and equipment	0.0	0.2
+/- Other adjustments (essentially the reclassification of interest including net income from leases and income taxes)	-166.3	-155.4
Sub-total	**-222.4**	**-313.7**
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
+/- Loans and advances to banks	-708.3	202.1
+/- Loans and advances to customers	2,303.8	2,951.3
+/- Assets held for trading	-1,675.0	449.9
+/- Other assets from operating activities	34.9	5.3
+/- Liabilities to banks	1,975.5	-801.5
+/- Liabilities to customers	2,138.8	660.1
+/- Liabilities held for trading	1,723.8	-396.7
+/- Securitised liabilities	-5,413.2	-2,848.6
+/- Other liabilities from operating activities	-92.2	-53.8
+ Interest received	1,144.3	1,114.0
+ Dividends received	4.9	7.0
- Interest paid	-999.2	-1,036.5
+/- Income tax payments	-15.0	-12.7
Cash flow from operating activities	**200.7**	**-73.8**
Proceeds from the disposal of		
+ Financial assets	3,068.9	3,400.4
+ Property, plant and equipment	15.4	12.8
Payments for the acquisition of		
- Investment securities	-3,253.8	-3,200.1
- Property, plant and equipment	-87.9	-61.3
Effects of the changes in the scope of consolidation	0.0	8.7
Change in cash and cash equivalents from other investment activities	0.0	7.1
Cash flow from investing activities	**-257.4**	**167.6**
- Repayment of subordinated capital	-9.0	-23.9
Cash flow from financing activities	**-9.0**	**-23.9**
Cash and cash equivalents at end of the previous period	**84.8**	**14.9**
+/- Cash flow from operating activities	200.7	-73.8
+/- Cash flow from investing activities	-257.4	167.6
+/- Cash flow from financing activities	-9.0	-23.9
Cash and cash equivalents at end of the period	**19.1**	**84.8**

* Figures adjusted

Notes to the consolidated financial statements

Principles of Group accounting

IKB Deutsche Industriebank AG (IKB), based at Wilhelm-Bötzkes-Strasse 1, 40474 Düsseldorf, Germany, is a specialist bank for corporate lending in Germany and Europe. Its target groups are SMEs, international companies and project partners.

The consolidated financial statements of IKB were prepared by the Board of Managing Directors and authorised for publication on 1 June 2012. It is possible that the Supervisory Board will not approve the consolidated financial statements without changes.

The consolidated financial statements of IKB as at 31 March 2012 were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable under EU law as at the end of the reporting period on the basis of Regulation No. 1606/2002 of the European Parliament and Council of 19 July 2002 and the related subsequent regulations. This includes the interpretations issued by the Standing Interpretations Committee (SIC), the International Financial Reporting Interpretation Committee (IFRIC) and the IFRS Interpretations Committee. The national regulations of section 315a (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code) were also applied.

In addition to the consolidated statement of total comprehensive income (consolidated income statement and statement of other comprehensive income (two-statement approach)), the consolidated financial statements include the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements. The consolidated segment reporting can be found in the notes.

The following individual regulations of IFRS 7 have been satisfied outside the consolidated financial statements in the risk report contained in the Group management report:

- IFRS 7.33: Qualitative disclosures on the risk arising from financial instruments
- IFRS 7.34(c): Disclosures on concentrations of risk
- IFRS 7.34 in conjunction with IFRS 7.40-42: Qualitative and quantitative disclosures on market risk.

Unless otherwise indicated, all amounts are stated in millions of euro (€ million). Amounts and percentages are generally rounded to one decimal place in accordance with standard commercial principles. Some totals and percentages may contain discrepancies between the various presentations due to rounding differences. Outside tables, the term "previous year" is used in these financial statements for disclosures of comparative figures for the prior-year period.

Overview of accounting standards

Over recent years, the International Accounting Standards Board (IASB) has published a number of amendments to standards. The following table shows these amendments in order of their publication date.

Ser. no.	Standard/ Interpretation	Title	Date of publication by the IASB	Required to be applied for financial years beginning on or after the following date according to the IASB	Adoption into European law	
					on	from the start of the first financial year beginning after [date]
	Accounting standards to be applied for the first time in the 2011/12 financial year					
1	IAS 24	Related Party Disclosures	4 Nov. 2009	1 Jan. 2011	19 Jul. 2010	31. Dec. 2010
2	IFRIC 14	Prepayments of a Minimum Funding Requirement	26 Nov. 2009	1 Jan. 2011	19 Jul. 2010	31. Dec. 2010
3	IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	26 Nov. 2009	1 Jul. 2010	23 Jul. 2010	30 Jun. 2010
4	IFRS 1 / IFRS 7	First-time Adoption of International Financial Reporting Standards: revision in conjunction with the amendments to IFRS 7	28 Jan. 2010	1 Jul. 2010	30 Jun. 2010	30 Jun. 2010
5	AIP (2010)	Improvements to IFRS	6 May 2010	1 Jul. 2010/ 1 Jan. 2011	18 Feb. 2011	31. Dec. 2010
	Standards published by the IASB and adopted into EU law, but still no application in the 2011/12 financial year					
6	IFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets	7 Oct. 2010	1 Jul. 2011	20 Nov. 2011	30 Jun. 2011
	Standards published by the IASB but not yet adopted into EU law					
7	IFRS 9	Financial Instruments: Classification and Measurement for Financial Assets	12 Nov. 2009/ 28 Oct. 2010/ 16 Dec. 2011	1 Jan. 2015		
8	IFRS 1	Severe hyperinflation and removal of fixed dates	20 Dec. 2010	1 Jul. 2011		
9	IAS 12	Deferred Taxes: Recovery of Underlying Assets	20 Dec. 2010	1 Jan. 2012		
10	IAS 27	Separate Financial Statements	12 May 2011	1 Jan. 2013		
11	IAS 28	Shares in associated companies and joint ventures	12 May 2011	1 Jan. 2013		
12	IFRS 10	Consolidated Financial Statements	12 May 2011	1 Jan. 2013		
13	IFRS 11	Joint Arrangements	12 May 2011	1 Jan. 2013		
14	IFRS 12	Disclosure of Interests in Other Entities	12 May 2011	1 Jan. 2013		
15	IFRS 13	Fair Value Measurement	12 May 2011	1 Jan. 2013		
16	IAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	16 Jun. 2011	1 Jul. 2012		
17	IAS 19	Recognition of Pension Provisions	16 Jun. 2011	1 Jan. 2013		
18	IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	19 Oct. 2011	1 Jan. 2013		
19	IAS 32	Offsetting Financial Assets and Liabilities	16 Dec. 2011	1 Jan. 2014		
20	IFRS 7	Disclosures – Offsetting Financial Assets and Liabilities	16 Dec. 2011	1 Jan. 2013		
21	IFRS 1	Government Loans	13 Mar. 2012	1 Jan. 2013		

Accounting standards applied for the first time in the consolidated financial statements

These consolidated financial statements are based on standards and interpretations that are mandatory within the European Union for the financial year.

(1) The amendments implemented in IAS 24 relate in particular to the definition of related parties. Another key area of revision was the introduction of a relief regulation for entities under the control, joint control or significant influence of a government (government-related entities). As a result of the modification of the definition of related parties, IKB's group of related parties to which the disclosures relate was increased due to its current major shareholder.

(2) The amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement" relates to the accounting treatment of pension claims. The amendment relates to entities whose pension schemes stipulate minimum funding requirements and which make prepayments of the minimum funding. The amendment means that entities are now permitted to recognise the benefit of such prepayments as an asset. The amendments are not currently relevant to IKB.

(3) IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" applies when a (consolidated) entity issues equity instruments to extinguish all or part of a financial obligation. Accordingly, the liability is fully or partially derecognised to the extent that it is fully or partially extinguished with equity instruments. The equity instruments issued are measured directly at fair value if this can be reliably determined. If the fair value of the equity instruments issued cannot be reliably determined directly, it is determined indirectly on the basis of the liability extinguished. Any difference between the carrying amount of the financial liability extinguished and the fair value of the equity instrument issued is recognised in profit or loss. The amendments currently have no effect on IKB.

(4) The revisions of the standard IFRS 1 in conjunction with the amendments to IFRS 7 are not relevant to IKB.

(5) In addition, further amendments to existing IFRS were implemented as part of the "Annual Improvements Project" in May 2010. These amendments generally consisted of remedying inconsistencies within the individual standards or between existing standards or adjusting the wording on the basis of consequential amendments. The majority of the amendments have no effect on IKB.

Accounting standards to be applied in future

The following section discusses the standards and interpretations published by the IASB and adopted by the European Union during the past financial year.

(6) On 7 October 2010, the IASB published amendments to IFRS 7 "Financial Instruments: Disclosures" as part of the "Derecognition of financial assets" project. The regulations on derecognition under IAS 39 will remain unchanged. The new regulations stipulate additional disclosure requirements for financial assets that are transferred but not derecognised or not fully derecognised. The relationship between these assets and the associated liabilities should be set out in such cases. For transferred and derecognised financial assets, the type and possible risks from continuing involvement exposure must also be disclosed in the notes to the consolidated financial statements. The changes are intended to grant readers of the financial information a better insight into the net assets, financial position and results of operations. The amendment of the standard is not currently expected to have any significant effect on IKB. The amended disclosure requirements are applicable for financial years beginning on or after 1 July 2011.

Standards published by the IASB but not yet endorsed in EU law

The following standards and interpretations were published by the IASB but had not been endorsed in EU law as of 31 March 2012. The amendments to the standards and interpretations, which are expected to be implemented from the date on which they are required to be applied, will have at least some significant effects on IKB's accounting policies.

(7) The regulations of IFRS 9 "Financial Instruments" are intended to improve the comprehensibility of the financial statements with regard to the classification and measurement of financial instruments. In particular, the previous classification of financial assets into four categories in accordance with IAS 39 will be superseded by two measurement categories (measurement at amortised cost and measurement at fair value). Assets will be allocated to one of the two categories on first-time recognition. If a financial asset meets the two following conditions, it is assigned to the "at amortised cost" measurement category: a) The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest is defined here as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time. If both the above conditions are not met, the financial assets are measured at fair value through profit and loss on subsequent measurement. According to the current status of the standard, the regulations of IFRS 9 are applicable for financial years beginning on or after 1 January 2015.

In addition, regulations on the treatment of financial liabilities were published and adopted in the standard on 28 October 2010. The amendments chiefly relate to financial liabilities for which an entity has exercised the fair value option. The part of changes in fair value resulting from own credit risk will be recognised under other comprehensive income rather than in the consolidated income statement as before. This avoids the reporting of gains and losses due to changes in the reporting entity's own credit rating. However, all other changes in fair value are still to be reported in the consolidated income statement. According to the current status of the standard, the supplementary regulations of IFRS 9 are applicable for financial years beginning on or after 1 January 2015.

In connection with IFRS 9, the standard requirements for calculating impairment (phase 2) and hedge accounting (phase 3) are also to be revised. The IASB already published an exposure draft on impairment in the fourth quarter of 2009, which is currently being revised. A new exposure draft has been announced for the second half of 2012. A new standard for hedge accounting is also intended for the second half of 2012.

The intended changes of IFRS 9 will have a significant effect on the consolidated statement of financial position and consolidated income statement of IKB.

(8) The amendment to IFRS 1 “Severe Hyperinflation and Remove of Fixed Dates” published by the IASB on 20 December 2010 is not relevant to IKB.

(9) On 12 December 2010 the IASB published amendments to IAS 12 “Income Taxes” which are effective for the first time for financial years beginning on or after 1 January 2012. The amendment to IAS 12 emphasises that recovery of the carrying amount of an asset covered by the scope of IAS 40 takes place through sale rather than through use. The new regulation relates solely to investment property as defined in IAS 40. The amendments are not currently relevant to IKB.

(10) IAS 27 “Separate Financial Statements” contains the regulations on separate financial statements remaining after the regulations on control were transferred to IFRS 10. The revised standard is effective for financial years beginning on or after 1 January 2013. The effects of the amendments to the standard have not yet been fully analysed.

(11) IAS 28 “Investments in Associates and Joint Ventures” includes the regulations on joint ventures and associates carried at equity after the publication of IFRS 11. The revised standard is effective for financial years beginning on or after 1 January 2013. The effects of the amendments to the standard have not yet been fully analysed.

(12) On 12 May 2011, the IASB published a uniform consolidation model for all companies in IFRS 10 “Consolidated Financial Statements”, which supersedes the consolidation guidelines of IAS 27 “Consolidated and Separate Financial Statements in Accordance with IFRS” and SIC 12 “Consolidation – Special Purpose Entities”. Under the regulations of IFRS 10, consolidation is required when a parent company receives variable returns from a subsidiary and can determine the relevant activities of the subsidiary, meaning that it has a significant influence on these returns. The new regulations in this standard are applicable for financial years beginning on or after 1 January 2013. The amendments in IFRS 10 are not currently relevant to IKB.

(13) Published on 12 May 2011, IFRS 11 “Joint Arrangements” defines two types of joint arrangements: joint operations and joint ventures. The difference is that in the case of joint operations (e.g. a joint project) the operators have rights to assets and liabilities held jointly, whereas joint ventures grant the venturers rights to the net assets or earnings only. Entities participating in joint operations therefore recognise their interest on the basis of direct rights and obligations instead of on the basis of their participation in the joint arrangement. For joint ventures, equity accounting is mandatory, meaning that the previous option of proportionate consolidation no longer applies. The standard also stipulates regulations for entities that are participating in a joint arrangement but do not exercise joint control. This standard is applicable for financial years beginning on or after 1 January 2013. The effects of the amendments to the standard have not yet been fully analysed.

(14) IFRS 12 “Disclosure of Interests in Other Entities”, also published on 12 May 2011, specifies the disclosures required for entities applying the new standards IFRS 10 and IFRS 11. IFRS 12 requires disclosures that enable users of the financial statements to evaluate the type, risks and financial

effects associated with the investment in other entities. With the publication of the standard, associated amendments to IAS 27 and IAS 28 were also announced. The amended disclosure requirements are applicable for financial years beginning on or after 1 January 2013. The effects of the amendments to the standard cannot yet be fully analysed.

(15) With IFRS 13 "Fair Value Measurement", the IASB issued a standard that replaces the existing regulations on measuring fair value in the individual current IFRS pronouncements with a single standard. In addition, extensive disclosures on the method used to determine fair value are required. This standard is applicable for financial years beginning on or after 1 January 2013. The amendments of IFRS 13 could affect the income statement, but cannot yet be fully analysed at this time.

(16) The IASB published amendments to IAS 1 "Presentation of Financial Statements" on 16 June 2011. The amendments stipulate that items of other comprehensive income be grouped together according to whether or not they can be recycled to the income statement in future. It was also confirmed that it will still be permitted to show the components of other comprehensive income in one or two separate statements, i.e. single or two-statement approach. The amended regulations of IAS 1 are effective for financial years beginning on or after 1 July 2012. The effects of the amendments to the standard cannot yet be fully analysed.

(17) The IASB published amendments to IAS 19 "Employee Benefits" on 16 June 2011. Under these changes, actuarial gains and losses – like other changes on remeasurement – are recognised directly in other comprehensive income. In future, income from plan assets will be recognised in profit or loss on the basis of the discount rate regardless of actual interest. IAS 19 also increases the disclosure requirements for defined benefit plans. These changes are effective for financial years beginning on or after 1 January 2013. The effects of the amendments to the standard cannot yet be fully analysed.

(18) The interpretation IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", which was approved by the IASB on 19 October 2011, concerns the issues of the recognition and measurement of stripping costs in the production phase of a surface mine. This interpretation is of no relevance to IKB.

(19) The IASB published a revised version of IAS 32 "Offsetting Financial Assets and Liabilities" on 16 December 2011. The application guidelines of IAS 32 "Financial Instruments: Presentation" were merely clarified. The changes to IAS 32 are effective for financial years beginning on or after 1 January 2014. The effects of the amendments to the standard cannot yet be fully analysed.

(20) In connection with the revision of IAS 32, the IASB also published amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" on 16 December 2011. In future, IFRS 7 "Financial Instruments: Disclosures" will require additional disclosures for financial instruments under master netting or similar agreements, even if the underlying instruments are not reported net. The amended regulations of IFRS 7 are effective for financial years beginning on or after 1 January 2013. The effects of the amendments to the standard cannot yet be fully analysed.

(21) The IASB published an amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" on 13 March 2012. This amendment grants first-time IFRS adopters the same conveniences as current adopters as regards accounting for government loans. This regulation is effective for the first time for financial years beginning on or after 1 January 2013. The amendments to IFRS 1 are of no relevance to IKB.

For the changes listed above that are relevant to it, IKB is currently examining the possible effects on the consolidated financial statements.

Changes in accounting estimates and errors

These consolidated financial statements contain various changes as against the consolidated financial statements as at 31 March 2011.

(a) Significant changes in estimates

In order to show the most likely carrying amount for claims from securities that are due but have not yet been settled, IKB changed an estimate in the amount of € 24.2 million at the expense of the fair value result.

(b) Correction of errors

Owing to the incorrect calculation of amortisation effects on an emission by IKB, interest expenses and securitised liabilities have been reported too low in past periods.

The composition of the portfolio was not accurately taken into account for certain financial assets (corporate CDOs). The recalculation resulted in lower fair values, correspondingly lower carrying amounts and a deterioration of the fair value result.

Furthermore, it was found during the annual model review that some master data for a promissory note loan issued by IKB (liabilities to customers) had not been correctly entered in the Bank's measurement system due to a data error. This data error resulted in the fair value for this transaction being calculated as too low.

The methodology of taking into account the provision of collateral in lending business was developed further in the past financial year. It doing so it was found that interest income and the provision for possible loan losses had been reported too low in the consolidated financial statements as at 31 March 2011. As a result of the improved consideration of collateral cash flows in lending business, the provision for possible loan losses rose by € 8 million. In return, the interest income from unwinding increased by the same amount. The correction of this error resulted in a change in reporting. It had no effect on the consolidated net profit.

The errors were corrected. The above changes resulted in the following effects:

31 March 2011

The reported securitised liabilities as at 31 March 2011 rose by € 7.1 million from € 7,703.4 million to € 7,710.5 million after the correction of the amortisation effect. The interest expense for the 2010/11 financial year rose by € 4.0 million from € 1,715.3 million to € 1,719.3 million. Retained earnings decreased by € 3.1 million.

Investment securities declined by € 5.5 million from € 7,897.8 million to € 7,892.3 million as a result of the corrected fair value measurement of the corporate CDOs. The fair value result thus fell by € 10.7 million in connection with this. Retained earnings increased by € 5.2 million.

Liabilities due to customers rose € 15.5 million from € 7,678.2 million to € 7,693.7 million as a result of the corrected fair value measurement of the promissory note loan. The fair value result declined by € 15.5 million.

The fair value result was reduced by a total of € 26.2 million from € 71.4 million to € 45.2 million as a result of the above corrections.

Owing to the correction of errors, the consolidated net profit fell by a total of € 30.2 million from € 51.5 million to € 21.3 million and total comprehensive income by € 30.2 million from € 30.8 million to € 0.6 million. Retained earnings rose by € 2.1 million from € -1,245.1 million to € -1,243.0 million. Equity fell by € 28.1 million from € 971.5 million to € 943.4 million.

31 March 2010

The securitised liabilities as at 31 March 2010 rose by € 3.1 million from € 10,788.6 million to € 10,791.7 million as a result of the correction of the amortisation effect. Interest expenses changed by € 2.7 million from € 1,824.0 million to € 1,826.7 million. Retained earnings fell by € 0.4 million from € -291.2 million to € -291.6 million.

Investment securities increased by € 5.2 million from € 8,340.7 million to € 8,345.9 million as a result of the corrected fair value measurement of the corporate CDOs. The fair value result changed by € 5.2 million from € -598.9 million to € -593.7 million.

This resulted in a net change in consolidated net loss of € 2.5 million from € -966.7 million to € -964.2 million and in total comprehensive income of € 2.5 million from € -941.3 million to €-938.8 million. Equity rose by € 2.1 million from € 937.1 million to € 939.2 million.

In the case of disclosures in the notes with incorrect prior-year figures, please refer to the corresponding explanations in the footnotes under the relevant tables/in the text.

Accounting policies

(1) Accounting principles

In accordance with IAS 27, the accounting policies were applied consistently throughout the Group and the consolidated financial statements were prepared on a going concern basis.

Generally, the financial statements of the consolidated subsidiaries are prepared as of the reporting date of the parent company. The companies with a different reporting date of 31 December 2011 are stated in the list of shareholdings (note (81)). The different reporting date to IKB AG at foreign leasing companies is due to the requirements of national reporting obligations and company law provisions. The second group of companies geared its different reporting date towards the special features of real estate business. Interim financial statements were not prepared for reasons of materiality.

(2) Management estimates and assessments

The financial information provided is based partially on judgments and assumptions by the management on future developments and on past experience. These influence the measurement of assets and liabilities and the expenses and income included in the consolidated statement of comprehensive income. All assumptions, estimates and judgments were made in line with the respective standards and take into account circumstances as of the respective balance sheet date.

The main judgments and estimates are described below.

Determination of the fair value of specific financial assets and liabilities

In assessing the measurement of financial instruments carried at fair value, it is of significance whether the fair value is based on a market price on an active market or valuation models. An active market exists if quoted prices are easily and regularly available from an exchange, dealer, broker, industry group, pricing service or a regulatory agency and these prices represent actual and regularly occurring market transactions between knowledgeable, willing parties in an arm's length transaction. If there is no publicly quoted price on an active market for the financial instrument to be measured as at the end of the reporting period, indications of the fair value can be obtained from the price in the most recent transactions shortly before the measurement date. If conditions have since changes, the corresponding change in the fair value of the financial instrument to be measured must be calculated by reference to the current price of similar financial instruments, if appropriate. Publicly quoted prices on an active market must be taken into account for the most recent transaction and similar financial instruments as a best possible substantial indication of fair value. If there are no publicly quoted prices on active markets or no market prices for the most recent transaction, the Group uses appropriate measurement methods for each financial instrument to determine their fair value. The parameters of the measurement models are derived from similar financial instruments traded on active markets. Assumptions and estimates, such as those for expected market risks, model risks and credit risks, are applied in implementing the models to show any uncertainty reflected in fair values. It is the responsibility of the management to assess the appropriateness of the parameters used in the models.

For financial instruments whose fair values calculated on the basis of measurement techniques where the value would change significantly if one or more model assumptions were adjusted, IKB advises readers of this fact and explains the effects (sensitivity analysis). Financial instruments whose fair value is calculated using initial parameters that are not fully based on observable market parameters are discussed separately in note (61) (Level classification).

Determination of amortised cost

Estimates and assumptions must also be applied in determining amortised cost. The determination of amortised cost using the effective interest method implies for liabilities, for example, for which interest deferral or loss participation can occur, that these liabilities must be accounted for at present value. The present value is determined by way of a reassessment of the underlying interest and principal cash flow discounted using the original return on the instrument, i.e. the effective interest rate on the trade date of the original acquisition or the original issue date (IAS 39 AG8). Estimation uncertainty arises in particular with regard to the amount and timing of the cash flows.

Calculation of impairment

Financial assets at amortised cost and financial assets classified as available-for-sale financial assets are examined for objective indications of impairment at regular intervals. If there are objective indications of impairment, the forecast future cash flows (including proceeds from the realisation of collateral) must be estimated and discounted with the original effective interest rate. Estimation uncertainty arises in particular with regard to the amount and timing of the cash flows.

For loans and advances to customers and banks classified as loans and receivables, the objective indications of possible impairment taken into consideration include the increased probability of the debtor initiating insolvency proceedings, payments being past due by more than 90 days, restructuring measures or other negative developments that indicate that a loss could have occurred for which loan loss provisions must be recognised in the form of a specific impairment loss. Estimation uncertainty arises in particular with regard to the amount and timing of the cash flows. Portfolio allowances cover losses that have already been incurred but have not yet been identified individually. The loss estimate is calculated on the basis of historical data and expert assessments. Rating class-related probabilities of default and collateral-related loss assumptions are applied. An economic factor is also applied in order to reflect economic expectations. The time delay until a loss event is identified or recognised is taken into account by applying a scale factor for the time between occurrence of the loss event and its identification (loss identification period factor).

Determination of deferred tax assets and liabilities

Deferred tax assets and liabilities result from the difference between the IFRS carrying amounts and the tax carrying amounts of assets and liabilities and, for deferred tax assets, from tax loss carryforwards and the resulting expected future income tax expenses or relief. Deferred tax assets are recognised and adjusted in line with management assessments of value and its estimate of the taxable profit to be generated by the individual Group units concerned in future. The estimates made by the management are based on historical data and planning forecasts.

Determination of provisions for pensions and similar obligations and other provisions

A provision is recognised when an enterprise has a present legal or constructive obligation as a result of a past event, an outflow of resources will probably be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. In line with IAS 37, provisions are recognised in the amount of the present value of expected utilisation. The amount recognised as a provision is the best possible estimate by management of the expenditure required to fulfil the obligation.

Retirement benefits for active and former employees are based on defined benefit plans. In accordance with IAS 19.54, corresponding provisions are recognised that reflect the present value of the defined benefit obligation in line with the projected unit credit method less the fair value of the plan assets. Estimates of biometric data, expected increases in future salaries and benefit levels and employee turnover probabilities are applied in determining the present value of pension obligations and obligations for partial and early retirement and anniversaries.

The development of plan assets is also presented using simulation models on the basis of parameter variations in note (50) (sensitivity analysis).

(3) Scope of consolidation

In addition to the parent company, a total of 27 German companies (31 March 2011: 30; 31 March 2010: 30) and 18 foreign companies (31 March 2011: 17; 31 March 2010: 17) are included in the consolidated financial statements of IKB as at 31 March 2012 in accordance with IAS 27. IKB AG (in)directly holds the majority of the voting rights in these companies.

The consolidated financial statements also include one associate in accordance with IAS 28 (31 March 2011: one; 31 March 2010: one) and one joint venture in accordance with IAS 31 (31 March 2011: one; 31 March 2010: one). The interests in both companies are measured using the equity method.

Eight foreign special purpose entities (31 March 2011: seven; 31 March 2010: four) were included in the consolidated financial statements in accordance with SIC-12.

The consolidated companies are listed in note (80).

There were the following changes in the scope of consolidation as of 31 March 2012:

By way of agreement dated 23 August 2011, ICCO Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, was merged with IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, effective 1 April 2011. The merger was entered at the register court of the transferring entity on 30 September 2011 and at the acquiring entity on 13 October 2011. The company was thus terminated.

By way of agreement dated 23 August 2011, ISOS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, was merged with IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, effective 1 April 2011. The merger was entered at the register court of the transferring entity and the acquiring entity on 14 September 2011. The company was thus terminated.

By way of the implementation of the EU conditions, the 50% interest in Movesta Lease and Finance GmbH, Pullach i. Isartal (formerly: Düsseldorf), was sold. One condition of the purchase was that Movesta Development GmbH, Düsseldorf, (Movesta Development) remain with its former owners. The purpose of Movesta Development is to support existing joint ventures in the acquisition of land and land rights, the construction and acquisition of buildings, plants and operating facilities in Germany and their utilisation through rental, sale or otherwise and all services in connection with this purpose. The transactions listed below were carried out in connection with the intended winding up of Movesta Development.

IKB Beteiligungen, Düsseldorf, (IKB Beteiligungen) bought of MD Capital Beteiligungsgesellschaft mbH, Düsseldorf, 100% of shares in Movesta Development at a purchase price of € 0.7 million from IKB Beteiligungen (50%) and KfW IPEX-Bank GmbH, Frankfurt (50%). The acquisition occurred with economic effect as at 1 April 2011.

IKB Deutsche Industriebank AG, Düsseldorf, (IKB AG) acquired 100% of shares in Movesta Development from IKB Beteiligungen on 1 September 2011. In accordance with the resolution of the shareholder meeting on 16 September 2011, the legal form of Movesta Development was transformed into Movesta Development GmbH & Co. KG, Düsseldorf. This was entered in the commercial register on 23 September 2011. With the withdrawal of the sole general partner, Restruktur 3 GmbH, Düsseldorf, the entire company assets including all assets and liabilities were accrued to the sole limited partner IKB AG. This was entered in the commercial register as at 12 October 2011. The company was thus liquidated. This had no significant effect on the consolidated financial statements.

IKB AG made an initial investment of € 50 million in the partner fund European Government & Covered Select, Luxembourg, in October 2011. The newly created fund has since been included in the consolidated financial statements. This investment fund serves the investment of the Bank's excess liquidity.

As a result of the withdrawal of the general partner Büroprojekt sechste Verwaltungsgesellschaft mbH, Düsseldorf, (Büroprojekt sechste), the company assets including all assets and liabilities of IKB Grundstücks GmbH & Co. Objekt Hamburg KG, Düsseldorf, accrued to the sole limited partner IKB AG. This had no effect on the consolidated financial statements. IKB Grundstücks GmbH & Co. Objekt Hamburg KG, Düsseldorf, was liquidated as a result of the withdrawal of Büroprojekt sechste effective from midnight on 31 December 2011. This was entered in the commercial register on 27 January 2012.

IKB Projektentwicklungsverwaltungsgesellschaft mbH i.L., Düsseldorf, was deconsolidated as at 31 January 2012 due to immateriality.

IKBL Renting and Service S.r.l., Lainate, Italy, was included in the consolidated financial statements for the first time as at 31 March 2012. The company is a newly founded subsidiary of the Leasing Group.

MATRONA GmbH, Düsseldorf, was included in the consolidated financial statements for the first time as at 31 March 2012. The purpose of the newly founded company is the management of its own assets.

(4) Consolidation methods

Companies are consolidated using the purchase method, according to which all assets and liabilities of the relevant subsidiary are measured at fair value as at the time of acquisition. Under IFRS, new equity is calculated and the carrying amount of the investment is offset against this new equity. Any remaining positive difference is reported under intangible assets as goodwill. Any negative difference is recognised through profit and loss after the further review of the appropriate measurement of the assets and liabilities.

Intragroup assets and obligations, gains and losses and income and expenses from intragroup transactions are eliminated in accordance with IAS 27.

Associated companies are measured at equity and shown separately in the balance sheet as interests in companies carried at equity. The carrying amounts of these investments and any goodwill are calculated as of the time of first inclusion in the consolidated financial statements. The same rules are applied as for subsidiaries. At subsequent reporting dates, the carrying amount is increased or reduced by the Group's interest in the profit or loss of the companies (including amounts taken directly to equity).

The measurement at equity option is used to show interests in joint ventures.

In accordance with IAS 28.1 in conjunction with IAS 39, investments of IKB Private Equity GmbH and IKB Equity Capital Fund GmbH are carried at fair value and reported in financial assets.

Subsidiaries acquired or sold during the course of the year are included in the consolidated statement of comprehensive income from the date of acquisition or until the date of disposal.

(5) Currency translation

Monetary assets and liabilities arising from foreign currency transactions are translated at the closing rate as of the balance sheet date in line with IAS 21. The closing rate is the reference rate of the European Central Bank on the balance sheet date. Foreign currency effects are reported in net income from financial instruments at fair value.

Non-monetary items measured at acquisition cost are translated at the historical rate. Non-monetary items measured at fair value in equity (or through profit and loss) are translated at the closing rate and translation differences are taken to equity (profit and loss).

Financial statements of foreign entities not prepared in the functional currency of the Group (euro) must be translated as at the end of the reporting period in accordance with the functional currency concept. The foreign-currency financial statements of foreign subsidiaries are translated in line with the modified closing rate method. With the exception of the revaluation surplus, equity is translated at historical rates and all other statement of financial position items are translated at the reference rate of the European Central Bank at the end of the reporting period. All expenses and income are translated at the average rate. Currency gains and losses from the translation of the financial statements of subsidiaries in foreign currency are recognised in the "Currency translation reserve" in equity.

(6) Financial Instruments: Recognition and Measurement

The IKB Group implements the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" for financial assets and liabilities as follows:

(a) Categorisation of financial assets and liabilities

All financial assets and liabilities are assigned to an IFRS measurement category on addition. The classification of a financial instrument determines how it is measured in the statement of financial position (at fair value, amortised cost) and the extent to which changes in measurement are shown in the income statement or the revaluation surplus.

Loans and receivables. All non-derivative financial assets with fixed or determinable payments that are not traded in an active market are assigned to the loans and receivables category unless they are recognised at fair value through profit or loss. An active market exists if quoted prices are easily and regularly available from an exchange, dealer, broker, industry group, pricing service or a regulatory agency and these prices represent actual and regularly occurring market transactions between knowledgeable, willing parties in an arm's length transaction.

Held to maturity. IKB does not currently allocate any financial instruments to this category.

Financial assets or liabilities at fair value through profit or loss. This category consists of two sub-categories:

a) Held for trading. Financial instruments acquired or entered into with the intention of selling or buying them back again in the near future or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking are classified as financial assets or liabilities held for trading. All derivatives (with the exception of financial guarantees) are also assigned to this sub-category. Assets held for trading include primary financial instruments, precious metals and derivative financial instruments that are assets, if they meet the above conditions. In particular, liabilities held for trading include derivative financial instruments that are liabilities, trading book emissions by the Bank and obligations from short sales of securities. The derivatives used in hedge accounting are reported separately as "Hedge derivatives".

b) Fair value option. Under specific conditions, the fair value option of IAS 39 allows for financial assets and liabilities not held for trading to be irrevocably classified as financial instruments subsequently measured at fair value through profit or loss on first-time recognition. This does not include equity instruments for which there are no listed market prices and whose fair values cannot be reliably measured.

This voluntary allocation is only permitted if:

accounting mismatches are avoided or substantially reduced as a result,

the financial instrument contains one or more otherwise separable embedded derivatives or

the management and performance measurement of a portfolio of financial instruments is based on its fair value.

Available for sale. All non-derivative financial assets that are not allocated to any of the above categories are assigned to this category.

Other financial liabilities. The financial instruments held as “Other financial liabilities” are all the financial liabilities not recognised at fair value through profit or loss.

(b) Measurement of financial assets and liabilities

(ba) General information

Calculations based on mid-market prices are adjusted to reflect the bid price (asset items) or the ask price (liability items) respectively. For sufficiently liquid securities with no directly observable bid or asking price, half of the average bid/asking price range of the securities held in IKB’s portfolio is deducted from (asset-side items) or added to (liability-side items) the mid-market rate applied. For derivatives, unsecured derivatives are identified by way of risk analysis. Calculations for such derivatives are also adjusted to reflect the respective bid or asking price (IAS 39.AG 72 ff).

(bb) Initial measurement

All financial instruments are measured at fair value on first-time recognition. For financial instruments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instruments must be added to this. Transaction costs do not include financing costs or internal costs for the management and processing of financial instruments or risk costs.

The date of initial recognition for derivatives is always the trade date. Financial instruments that are settled within a generally accepted settlement period are recognised or derecognised by IKB at the settlement date. If financial instruments are not settled within this standard market period, they are carried at fair value as forward transactions.

(bc) Subsequent measurement

Loans and receivables. Subsequent measurement of loans and receivables is at amortised cost, whereby premiums and discounts are recognised in net interest income in profit or loss using the effective interest method over the remaining term. The financial assets in this category are also tested for indications of impairment and impairment losses are recognised in profit or loss if appropriate. Adjusting events are taken into consideration until the preparation date of the consolidated financial statements if the loss events had demonstrably already occurred as at the end of the reporting period. If the grounds for impairment no longer apply, the impairment is reversed accordingly.

The corresponding interest (interest deferrals and interest payments) are recognised in interest income.

Financial assets or liabilities at fair value through profit or loss. Financial instruments in this category are measured at fair value through profit or loss on subsequent measurement. The measurement effects and gains on disposal on financial instruments in this category are recognised directly in net trading income as a component of the fair value result. The corresponding interest is recognised in net interest income.

The fair value for financial instruments traded in an active market can be derived from the (quoted) market price of identical instruments as of the balance sheet date. If there are no prices available, the fair value is determined by comparison with similar market transactions on active markets.

If a comparison with prices for transactions with similar instruments quoted on an active market is not possible, suitable valuation models (such as the discounted cash flow method and option pricing models, e.g. the Black-Scholes model) are used to determine the fair value. Among other things, information on yield curves and volatility factors directly observed on the market are included in the valuation models. For more complex financial instruments and financial instruments that are considered to be unique on account of their specific structure and conditions, valuation models reflecting these characteristics are applied depending on the extent to which they are relevant for the respective financial instrument or class of financial instruments. In particular, these models involve assumptions on correlations, default rates and expected losses and other parameters that cannot be directly observed on the market in full. If interest rate derivatives have long-running constant maturity swap (CMS) structures, the mean reversion used in the model, which also cannot be observed, is stressed positively and negatively in order to calculate corresponding fair value deltas for these items.

The fair value of customer derivatives is determined taking into account the credit valuation adjustment (CVA), which is used to account for counterparty default risks when measuring derivatives. The key input factor for calculating the CVA is the customer's probability of default, which is derived from the internal IKB rating and the remaining term of the derivative. As the internal rating was prepared on the basis of information that is not available on the market, the fair value of the derivative is estimated under stressed rating assumptions. To do so, IKB has determined the average rating and average remaining term of the customer derivative portfolio. Using this information, the credit spread difference between the average rating and the rating level immediately below this is calculated for the given average remaining term. All credit spread curves are then shifted once each in a positive and in a negative direction and the resulting changes in fair value are reported as sensitivity of the derivative's fair value to its rating.

The fair value of liabilities to banks and customers is, as a matter of principle, calculated on the basis of the discounted cash flow method. Discounting is carried out using term-differentiated risk-free swap rates and market spreads. Current primary liabilities are based on market re purchase (buy back) spreads. Long-term senior liabilities and subordinated issues are based on CDS spreads. For promissory note loans not held by banks, it is important to take into account the fact that the spreads are lower than for promissory note loans held by banks, as the deposit guarantee fund generally provides cover for the former. Spreads derived from current transactions are applied in discounting global loans.

The fair value of a financial liability is also dependent on the credit rating of the Bank. An improvement (deterioration) in the credit rating of the Bank leads to an increase (reduction) in the fair value. The gains and losses relating to changes in the credit rating of IKB are explained in the notes.

Available for sale. Subsequent measurement of available for sale financial assets is at fair value. Both positive and negative changes in measurement are recognised in the revaluation surplus. Please see the comments in the above section for information on the calculation of fair value.

These assets are measured outside profit and loss until sold or until an impairment loss is recognised in profit or loss within the meaning of IAS 39.67.

Assets are tested for objective indications of impairment at the end of each reporting period (IAS 39.58). Objective indications of impairment for debt instruments include, for example, significant financial difficulties on the part of the issuer or the disappearance of an active market as a result of financial difficulties. Impairment requirements are shown for equity instruments if the fair value is significantly or permanently less than the cost or carrying amount. If there is any such evidence, the difference between the cost and the current fair value is shown in profit or loss. The cumulative change in value reported in the revaluation surplus prior to the time of the impairment loss is reclassified to the income statement (net income from financial assets). A distinction must be made between debt and equity instruments in the event of reversals of impairment. Reversals of impairment losses for equity instruments are recognised in equity in the revaluation surplus. Reversals of impairment losses for debt instruments are recognised in profit or loss in net income from financial assets up to the maximum of the amortised cost.

In cases where the fair value of equity instruments cannot be reliably measured, subsequent measurement is at acquisition cost less the necessary write-downs. These equity instruments are shares in limited liability companies (GmbH) and shares in partnerships for which there is a significant degree of fluctuation in the reasonable estimates of the fair value and for which the probability of the various estimates cannot be reasonably assessed. If impairment requirements arise for equity instruments carried at cost, this is posted to the income statement (net income from investment securities). Reversals of write-downs in the event of subsequent changes in value are prohibited by IAS 39.66 for these equity instruments.

Premiums and discounts are recognised in profit and loss in net interest income over their remaining term in line with the effective interest method. The corresponding interest (interest deferrals and interest payments) are recognised in interest income.

Other financial liabilities. Subsequent measurement of other financial liabilities is at amortised cost. Premiums and discounts are recognised in profit and loss in net interest income over their remaining term in line with the effective interest method. Measurement at amortised cost using the effective interest method implies for liabilities in which, in particular, interest deferral or loss participation can arise in particular that these liabilities are recognised at present value in line with IAS 39 AG 8. The present value is determined by way of a reassessment of the underlying interest and principal cash flows discounted using the original return on the instrument (effective interest rate at the issue date). Changes in carrying amount resulting from this are reported in profit or loss under other operating income. Accordingly, any loss participation or suspension of deferred interest is taken into account in the present value. The present value changes due to the passage of time (unwinding) even if expectations regarding the underlying interest and principal cash flows remain unchanged. This unwinding expense is recognised in interest expense.

This method applies to the following other financial liabilities:

loans received with debt waivers and compensation agreement from future profits that are reported under liabilities to customers and

subordinated liabilities, profit participation rights and silent partnerships/preferred shares reported under subordinated capital.

(d) Hedge accounting

IKB uses derivatives as hedging instruments to reduce market price risks (e.g. interest rate and currency risks). As IAS 39 permits the use of different carrying amounts for underlyings (e.g. loan receivables and obligations) and hedges (derivatives), it also allows a special type of accounting, known as hedge accounting, to ensure accounting in line with the economic risk situation.

A fundamental distinction must be made between fair value hedge accounting and cash flow hedge accounting:

Fair value hedge accounting. A fair value hedge secures a recognised asset or liability or a firm commitment against changes in fair value attributable to certain risk factors (IAS 39.86). This hedge can be on the basis of a 1:1 relationship (micro hedges) or a portfolio with similar assets or liabilities being grouped together. A macro hedge is only permitted when hedging fixed interest assets and liabilities against interest-induced changes in fair value; in this case, the portfolio consists of assets and liabilities with counter exposure (IAS 39.81A).

In fair value hedge accounting, changes in the fair value of the hedging derivatives and risk-related changes in the value of the underlying are offset in the fair value result. As a result, the carrying amounts of the designated underlyings are adjusted in profit or loss by the (cumulative) gains or losses on measurement due to a change in the hedged risk factors since the time the hedge was designated or the end of the last reporting period. In micro hedge relationships, these changes in carrying amount (hedge adjustments) are reported in the respective transactions. IAS 39.89A allows interest-induced changes in the value of underlyings to be reported in a separate line item exclusively for a macro hedge for interest rate risks.

IKB uses macro hedge accounting for interest rate risks. Interest-induced changes in the value of the asset (liability) underlyings are reported in the respective item of the underlyings. Changes in the value of the underlying included in the hedge relationship are also reported in the fair value result along with fair value changes in the hedge derivative, if the effectiveness of the hedge can be demonstrated. Derivatives that are hedging instruments in an effective fair flow hedge are recognised at fair value and reported under asset or liability hedges in assets/liabilities held for trading.

Due to the restrictive conditions of hedge accounting, it is impossible to apply hedge accounting to all economic hedges. For this reason, IKB applies the fair value option permitted in IAS 39.9 to financial instruments which are in a financial hedge and for which risk compensation is expected. Financial instruments that are subject to full fair value measurement as part of this are primarily fixed-interest financial instruments in a financial micro hedge.

Cash flow hedge accounting. IAS 39 permits the option of using cash flow hedge accounting for derivatives used to hedge future variable cash flows. Risks exist regarding the amount of future cash flows, particularly for variable interest loans, securities and liabilities as well as forecast transactions (e.g. expected lending or investing). In addition, IAS 39 provides for the application of cash flow hedge accounting when hedging future cash flows from pending transactions.

Derivatives that are hedging instruments in an effective cash flow hedge are recognised at fair value and reported under asset or liability hedges in assets/liabilities held for trading. The gain or loss on remeasurement must be divided into an effective and an ineffective portion. The effective portion is the portion of the gain or loss on remeasurement that represents an effective hedge against the cash flow risk. This is recognised in equity in a separate item in the revaluation surplus, “Derivatives hedging fluctuations in future cash flows”. The ineffective portion of the gain or loss on remeasurement is recognised in the income statement under the result from hedge relationships in the fair value result.

The general accounting policies described in the section “Measurement of financial assets and liabilities” do not change for the underlyings of the hedged cash flows.

In addition to the above requirements, the application of hedge accounting is dependent on a number of additional conditions. In particular, these relate to the documentation requirements for the hedge relationship and its effectiveness (effectiveness test).

(e) Financial instruments with embedded derivatives

Accounting for financial instruments with embedded derivatives depends on whether or not the derivatives have to be reported separately from the host contract. Embedded derivatives must be accounted for separately if the financial characteristics and risks of the host contract and embedded derivative are not closely related.

If there is a close financial relation, the instruments cannot be separated. The instrument is then recognised using the same method as the host contract. If there is not a close association between the derivative and the host contract, the two instruments must be separated; the derivative is measured at fair value through profit or loss unless the instrument is reported at fair value through profit or loss. Securities with embedded derivatives are not reported separately at IKB. Instead, the fair value option is applied to report an instrument in the financial instruments at fair value through profit or loss category. If the fair value option is not exercised, separable embedded derivatives are recognised separately. In this case, the corresponding derivatives are recognised separately from the host contract in assets and liabilities held for trading at fair value. The host contract is reported according to its category.

(f) Financial guarantees

In accordance with IAS 39, a financial guarantee is a contract that obligates the guarantor to make specified payments. These payments reimburse the holders for a loss incurred because a debtor fails to make payment when due in accordance with the terms of a debt instrument.

The value of a financial guarantee at inception is zero as the premium under market conditions is identical to the value of the consideration. Subsequent measurements must review whether or not an obligation must be recognised.

A financial guarantee is recognised when the guarantee offer is accepted.

(g) Securities repurchase agreements

Securities repurchase agreements are combinations of securities spots and futures (sale and repurchase) with the same counterparty (repos). In repos, the securities reported in the repurchase agreement (spot sale) continue to be reported in the statement of financial position of the pledgor. The inflow of liquidity from the transactions is reported in the balance sheet as an amount due to banks or customers depending on the counterparty. Reverse repos (spot buy of securities) are recognised as loans and advances to banks or customers. Securities accepted under repurchase agreements are not reported in the balance sheet. The repo rate received or paid is recognised in net interest income on a pro rata basis.

(h) Derecognition of financial instruments

The derecognition of financial assets must be examined on the joint basis of IAS 27 and SIC 12.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset are terminated, expire or are transferred. If transferred, it must be determined whether the Group has assumed the obligation to forward these cash flows to one or more recipients in the event of certain criteria. A financial asset is fully derecognised if essentially all the risks and rewards incidental to ownership of the asset are transferred. However, derecognition does not occur if essentially all the risks and rewards are retained.

In the event of transactions in which essentially all the risks and rewards incidental to ownership of the asset are neither retained nor transferred, the transferred assets are only derecognised if control of this asset is surrendered. The rights and obligations retained under the transfer are recognised separately as assets and liabilities.

If not all the risks and rewards are transferred and control is retained, these assets continue to be reported in line with the extent of the continuing exposure.

A financial liability is derecognised when it has been repaid, i.e. when the obligations incidental to it have been discharged or cancelled or expired. In addition, a financial liability can be derecognised if a new liability arises in the course of debt reorganisation.

(7) Classification of financial instruments in accordance with IFRS 7

Information on the classification of financial instruments as required under IFRS 7.6 can be found in note (60).

Reporting classes are grouped together in accordance with the IAS 39 holding categories for the corresponding items of the statement of financial position. Derivatives in hedges and receivables from finance leases are reported in separate reporting classes as these cannot be allocated to any of the holding categories under IAS 39. Off-balance sheet transactions are also covered by IFRS 7 and are therefore reported in a separate class. Financial instruments that are carried at equity in accordance with IAS 28 and IAS 31 do not fall within the scope of IFRS 7 and are therefore posted in a separate reporting class.

(8) Cash reserve

The cash reserve comprises cash-in-hand and balances at central banks. It is reported at nominal value.

(9) Loans and advances to and liabilities from banks/customers

Loans and advances to other banks and customers and amounts due to other banks and customers not measured at fair value through profit or loss are measured at amortised cost. The fair value is not calculated separately for current loans and advances or amounts due to other banks or customers where the carrying amount represents a reasonable approximation of fair value. Premiums and discounts are reported under the corresponding statement of financial position item. They are amortised in profit or loss over their remaining using the effective interest method and recognised in net interest income. Further information on impairment can be found in note (10) “Provisions for possible loan losses”.

Separable embedded derivatives are recognised separately and at fair value under assets or liabilities held for trading.

Finance leases

IAS 17 classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Under finance leases the Bank, as the lessor, reports lease receivables at their net investment value within the balance sheet item loans and advances to customers.

The income and expenses resulting from finance leases are reported in net interest income.

(10) Provisions for possible loan losses

Specific loan loss provisions on loans and advances to customers and provisions for off-balance sheet lending are recognised under provisions for possible loan losses to hedge the discernible risks in loans business. In addition, any further losses that have been incurred but not yet been identified and which are not covered by specific write-downs are accounted for by way of portfolio impairments.

The timely calculation and adjustment of the necessary specific write-downs on loans and advances to customers and provisions for off-balance sheet lending are performed by way of a quarterly review of the transactions identified using specific criteria. A provision is recognised instead of a specific write-down if a guarantee was assumed in respect of a third party or there are risks from irrevocable loan commitments.

The impairment process consists of two stages.

Stage 1: Trigger criteria
The first stage determines whether there are objective, substantial indications of a need for specific write-downs or provisions. IKB has issued criteria considered as trigger events for impairment. Trigger criteria include being past due for more than 90 days, a pre-existing specific write-down (or provision), insolvency, restructuring or settlement activities.

Stage 2: Impairment test
If at least one trigger criterion is met, the exposure is tested for impairment at loan level in the second stage.

The amount of impairment is calculated as the difference between the current carrying amount and the present value of the forecast cash flows. The discount factor is equal to the original effective interest rate of the receivable.

For impaired receivables, the interest income is calculated by unwinding future forecast cash flows using the original effective interest rate.

A portfolio impairment is calculated for loans that do not meet any of the trigger criteria or for which no impairment was identified in an individual test. The amount of the portfolio impairment is calculated on the basis of historic default/loss rates. The delay between the occurrence of a loss event and the time when it is identified or becomes known is taken into account by portfolio-oriented parameters (loss identification period factor).

Irrecoverable debts are written off directly. Recoveries on loans previously written off are recognised in profit or loss as a reversal in “Provisions for possible loan losses”. If the basis for a direct write-down no longer applies, the write-down is reversed to not more than the amortised cost.

(11) Assets and liabilities held for trading

All derivatives are allocated to assets and liabilities held for trading in accordance with IAS 39. These are carried at fair value. In addition, financial instruments held for trading, which essentially comprise holdings of promissory note loans and bonds, are allocated to these items.

Please refer to note (6) for information on the procedure for determining the fair value of assets held for trading. The net gain or loss on remeasurement and realised gains and losses are reported under net income from financial instruments at fair value. Interest income and interest expenses are reported in net interest income.

(12) Financial assets

Financial assets include all bonds and other fixed-income securities, equity investments and shares in subsidiaries not fully consolidated not held for trading. These investment securities can be assigned to the loans and receivables category or to available for sale financial assets. Under certain conditions they can also be measured at fair value through profit or loss (fair value option). Depending on the category, please see the information in note (6) on the measurement and reporting of changes in the measurement of financial assets.

(13) Investments accounted for using the equity method

All investments in associated companies and joint ventures that are accounted for using the equity method are reported under this item.

Gains and losses are reported separately in the consolidated income statement under net income from investments accounted for using the equity method.

(14) Intangible assets

In addition to internally generated intangible assets, which mainly result from the directly attributable development costs of internally generated software, IKB also reports purchased software that is not an integral part of hardware under intangible assets. They are measured at cost less cumulative amortisation. If intangible assets constitute qualifying assets within the meaning of IAS 23, the attributable borrowing costs are included in the calculation of cost.

Amortisation is recognised on a straight-line basis over a useful life of five years. Write-downs are recognised if there are indications of impairment. Assets are tested for impairment and the appropriateness of their remaining useful lives at least at the end of each reporting period. Write-downs are reported in the income statement under administrative expenses.

(15) Property, Plant and Equipment

All land, buildings and operating and office equipment are reported under property, plant and equipment. Property, plant and equipment is measured at acquisition and production costs less cumulative depreciation in accordance with the standard useful life. In the case of self-constructed property, plant and equipment, the attributable borrowing costs are included in the calculation of cost.

Depreciation on buildings is recognised on a straight-line basis over a useful life of between 33 and 50 years; depreciation on operating and office equipment is recognised over a useful life of between three and 20 years. This is reported under administrative expenses.

Write-downs are recognised if there are indications of impairment due to technical or commercial obsolescence or a decline in market prices.

Gains on disposal are reported under other operating income, losses on disposal under other operating expenses.

Operating leases

IAS 17 classifies a lease as an operating lease if it does not transfer substantially all the risks and rewards incident to ownership to the lessee. Leased items that IKB recognises under operating leases as the lessor are reported under property, plant and equipment.

Leased items are recognised at cost less depreciation over the contractual useful life, taking the contractual residual value into account. Impairment losses are also recognised in the event of permanent impairment.

IKB (lessee) also leases certain property, plant and equipment (leased items) under operating leases. Leased items are still accounted for by the lessor.

The income and expenses resulting from operating leases are reported under other operating result.

(16) Current tax assets and liabilities/deferred tax assets and liabilities

Taxes are calculated for the individual Group companies in accordance with the tax laws in each country. Current tax expenses and income and expenses and income from changes in deferred tax assets or liabilities are reported in the income statement as taxes on income.

Current and deferred tax assets and liabilities are reported separately in the statement of financial position as asset and liability items. Taxes are reported under the items current tax assets and current tax liabilities in the amount of reimbursements by or payments to the tax authorities. Deferred tax assets and liabilities are reported under the items deferred tax assets and deferred tax liabilities.

In line with IAS 12, deferred tax assets and liabilities are calculated on the basis of the accounting method. They arise from the differences between the carrying amount of assets/liabilities in the consolidated financial statements and their tax carrying amounts if they are expected to result in tax expenses or relief in the future (temporary differences). The temporary differences are measured in line with the country-specific tax rates that are expected to apply at the time that the differences reverse.

Deferred tax assets on an entity's unused tax loss carryforwards are recognised when, on the basis of the respective current planning by the Group company in question, it is more than 50% likely that the entity will generate sufficient tax income in the next five years to use the respective loss carryforward.

Deferred taxes are not discounted. Deferred taxes are calculated on the basis of the applicable tax rates at the end of the reporting period. Changes in tax rates are taken into account when calculating deferred tax assets and liabilities if it is certain that they will be in effect as at the end of the reporting period.

Depending on the matter at hand and how it is treated, deferred tax assets are recognised and reversed either in profit or loss as taxes on income or in equity under the revaluation surplus or retained earnings.

Other taxes not relating to income are reported separately in the income statement.

(17) Other assets/liabilities

Other assets include lease receivables, trade receivables, inventories and prepaid expenses. Other liabilities include, for example, deferred income and trade payables.

Receivables from leasing transactions primarily relate to leasing transactions that cannot be clearly classified until the terms and conditions of the lease are complete. Accordingly, advance payments are reported under receivables from leasing transactions as the lease is not classified as an operating or finance lease until the agreement is concluded.

Activities in connection with real estate project development are reported under inventories. In accordance with IAS 2.9, inventories are measured at the lower of acquisition and production costs and net realisable value. Cost is calculated in line with IAS 2.10 ff., while net realisable value is calculated in line with IAS 2.28 ff. The acquisition and production costs of the inventories is determined through specific allocation of the cost of individual items.

(18) Non-current assets held for sale

An asset is classified as held for sale if it meets the four following criteria. The non-current asset is available for immediate sale in its present condition; its sale is highly probable; the management has decided on a specific disposal plan and the sale is likely to be completed within twelve months of reclassification. The assets available for sale are reported in a separate statement of financial position item, non-current assets held for sale. Measurement as at the end of the reporting period is at the lower of the previous carrying amount and the fair value expected to be generated from the sale less costs to sell. If the assets intended for sale are financial instruments, measurement is in accordance with IAS 39.

(19) Securitised liabilities

Securitised liabilities include issued bonds and money market securities (e.g. certificates of deposit, euro notes, commercial papers). These financial instruments are carried at either amortised cost (other financial liabilities) or fair value if the fair value option has been exercised.

(20) Provisions for pensions and similar obligations

Provisions are recognised for pension commitments to employees of IKB AG and the subsidiaries IKB Leasing GmbH, IKB Data GmbH, IKB Private Equity GmbH and IKB International S.A. The pension schemes are based on defined benefit plans.

In particular, IKB uses the provisions for pensions and similar obligations to cover payments under its company pension scheme on the basis of its direct pension commitments. Under these schemes, pensions are paid from the start of retirement due to reaching pension age or early retirement on account of disability or to surviving dependents in the event of death. The amount of provisions for defined benefit pensions is dependent on the applicable pension fund plan (VO) regulations. While the pension fund plan for 1979 is essentially based on factors such as the eligible service period and eligible earnings, the plan for 1994 features a so-called benchmark model and a pension module system. Under the 1994 plan, the amount of obligations recognised as liabilities for income components below the upper income limit (in line with the applicable German calculation parameters for statutory pension insurance) is based on final salary and the benchmark value and, for income components above the social security contribution ceiling, on the amount of the pension module earned on an annual basis.

With the introduction of the 2006 pension scheme, IKB followed the trend emerging on the market of basing pensions more strongly on the development of the corresponding investments. The 2006 pension plan is a cash balance plan, which is performance-based but includes a minimum interest rate and additional benefits for incapacity or death. The 2006 pension plan applies to employees hired at IKB AG, IKB Data GmbH, and IKB Leasing GmbH from the 2006/07 financial year.

All pension obligations are calculated using the projected unit credit method in line with IAS 19. The carrying amounts of future obligations are based on actuarial opinions prepared by independent actuaries. These calculations take into account not only the pensions known and benefits acquired on the balance sheet date but also expected future increases in eligible salaries and pensions and rates of fluctuation. The current market interest rate for long-term investments of the highest credit standing is used to calculate the present value, with biometric probabilities taken into account using the 2005G Heubeck mortality tables.

The expense of direct commitments recognised through profit and loss is divided into the main components of interest and service costs. The former is reported under net interest income, the service cost under staff costs. Actuarial gains and losses can arise from changes in the actuarial parameters and accounting policies on which the original pension opinions were based and from changes in holdings. These increases or decreases in obligations, namely the differences from the originally estimated obligation, are recognised in full in retained earnings in the year in which they arise in line with the option exercised.

Similar obligations also include provisions for early retirement schemes and deferred compensation obligations, calculated on the basis of actuarial principles.

Provisions for anniversary bonuses, which are also determined on the basis of actuarial opinions, are reported under other provisions.

In addition, IKB introduced a deferred income accounts scheme in 2006, which is also reported under similar obligations. Based on the *Gesetz zur sozialrechtlichen Absicherung flexibler Arbeitszeitregelungen* (*FlexiGesetz* – German Act on Social Protection for Flexible Working Times), employees can waive immediate salary components not relating to their regular monthly salary and instead invest these funds in fixed-income or equity funds under this scheme. With the future receipt of these investments with a guaranteed interest rate of currently 1.75%, this model supplements IKB’s existing pension regulations and thereby offers a further option for deferred compensation and an instrument allowing a flexible transition into retirement. The deferred income accounts scheme is available to employees of IKB AG and its subsidiaries IKB Leasing GmbH and IKB Data GmbH.

The assets backing the pension obligations from the 1979 and 1994 and 2006 pension fund plans, the compensation obligations and early retirement obligations have been transferred to a deferred income accounts scheme. Under contractual trust arrangements (CTAs), IKB AG and the subsidiaries involved separated the assets necessary to meet pension claims from their other company assets and transferred them to a trustee.

The assets contributed by IKB to the CTAs constitute plan assets as defined by IAS 19 and are therefore netted against the corresponding obligations. Plan assets are measured at fair value. Differences between the plan income recognised in the income statement and current income are recognised in equity as actuarial gains and losses in retained earnings. The expected return on plan assets – together with the expense of unwinding obligations – is reported in net interest income.

(21) Other provisions

In accordance with IAS 37, other provisions are recognised for current legal and constructive obligations for which the date and/or the amount of the obligation are uncertain, and for which an outflow of resources required to settle the obligation is probable. The amount recognised for the provision is the best possible estimate of the amount required to meet the obligation on the balance sheet date, taking into account the risks and uncertainties of the obligations.

Provisions are carried at present value where the effect of the time value of money is material. Unwinding effects are reported in net interest income.

(22) Subordinated capital

Subordinated liabilities

The item “Subordinated liabilities” includes liabilities that can only be repaid after all non-subordinated creditors in the event of insolvency or liquidation. Subordinated liabilities are own funds as defined by the *Kreditwesengesetz* (KWG – German Banking Act) and count as liable equity under certain conditions. If the liabilities have a remaining term of less than two years, they are only partially allocated to eligible capital. No provision is made for a participation in operating losses for subordinated liabilities; interest is due and paid irrespective of the Bank’s net profit or loss for the year.

Profit participation certificates

Profit participation certificates fully participate in the loss of the Company. Interest payments are only made if the Company reports net income for the year or net retained profits. The claims of profit participation certificate bearers to capital repayment are subordinate to the claims of other creditors. Profit participation capital is used to strengthen liable capital in accordance with the provisions of the German Banking Act. If IKB posts a net loss for the year or net accumulated losses (under the German Commercial Code (HGB) the profit participation certificates participate in this fully by reducing their repayments amounts in proportion to their carrying amount for the equity reported in the annual financial statements of IKB AG (including profit participation certificates but not any other subordinated liabilities).

Silent partnership contributions/preferred shares

Silent partnership contributions include issues in the form of capital contributions made by silent partners. In addition, IKB also reports preferred shares of two US subsidiaries under this item.

These liabilities are carried at either amortised cost (other financial liabilities) or fair value if the fair value option has been exercised.

Silent partnership contributions participate in the net accumulated losses of IKB AG (HGB) in proportion to the silent partnership contributions at the total carrying amount value of the Bank’s liable equity participating in the loss.

If IKB AG posts net accumulated losses, the preferred shares only participate in the loss through waived interest in the subsequent financial year.

(23) Equity

Issued capital

This item includes IKB AG’s share capital less the nominal amount of own treasury shares held.

Capital reserve

The capital reserve comprises the amount of the proceeds from the issuance of shares that exceeds the nominal value. Gains or losses from any transactions involving treasury shares are also offset directly in equity against capital reserve.

Retained earnings

Retained earnings consist of legal reserves, the reserve for actuarial gains or losses in accordance with IAS 19 resulting from changes in calculation parameters and variations with regard to risk factors (i.e.

disability or mortality figures) observable as at the end of the reporting period compared to expectations, and other reserves.

Currency translation reserve

The currency translation reserve includes foreign exchange gains and losses resulting from the translation of the financial statements of foreign subsidiaries.

Revaluation surplus

The revaluation surplus contains the net gains or losses from remeasurement of financial assets available for sale; the measurement effects of cash flow hedges are also disclosed here. Deferred taxes are calculated for each of the items listed and also included in the revaluation surplus.

Consolidated profit/loss

The consolidated profit/loss for the current year is reported in a separate line item in equity.

Notes on the consolidated income statement

(24) Net interest income

Net interest income includes interest income and interest expenses, dividends from securities, current income from shares in non-consolidated subsidiaries and investments, plus income and expenses from finance leases. Interest income and interest expenses are recognised on an accrual basis using the effective interest method. Interest income from finance leases is allocated over the basic lease term based on a pattern reflecting a constant periodic rate of return on the net investment.

in € million	**2011/12**	**2010/11***
Interest income from derivatives	483.1	659.4
Interest income from fair value option from financial assets	69.0	74.4
Interest income from securities held for trading	2.1	2.8
Total interest income from financial assets measured at fair value through profit or loss	**554.2**	**736.6**
Interest income from lending and money market transactions	960.2	994.0
Interest income from fixed and floating-rate securities	155.7	125.1
Income from shareholdings	2.1	4.8
Dividends	2.9	2.4
Total interest income from other categories	**1,120.9**	**1,126.3**
Total interest income	**1,675.1**	**1,862.9**
Interest expenses for derivatives	606.1	688.0
Amortisation from discontinued hedges IFRS 1 IG 60A	-	46.0
Interest expenses for fair value option financial liabilities	259.4	318.9
Total interest expenses from financial liabilities measured at fair value through profit or loss	**865.5**	**1,052.9**
Interest expenses for securitised liabilities	13.7	36.6
Interest expenses for other liabilities	529.3	538.6
Interest expenses for subordinated capital	28.8	30.1
Similar expenses to interest expenses including interest expenses for pension obligations	84.3	61.1
Total interest expenses from other categories	**656.1**	**666.4**
Total interest expenses	**1,521.6**	**1,719.3**
Net interest income	**153.5**	**143.6**

* Figures adjusted

No current interest income is recognised for impaired loans and advances. Instead, the increase in the present value of future payments as a result of the passage of time is recognised as interest income (unwinding). The interest income resulting from the unwinding effect amounts to € 31.5 million (previous year: from € 30.1 million to € 38.1 million on account of IAS 8 adjustment). Interest expenses include unwinding effects of € 30.5 million (previous year: € 59.0 million) from the measurement of IKB's own liabilities in accordance with IAS 39 AG8. Interest effects from macro hedge accounting reduced net interest income by € 41.1 million (previous year: € 17.3 million).

The adjustment from fair value hedges as part of initial recognition under IFRS in accordance with IFRS 1.IG 60A was fully amortised as at 31 March 2011.

(25) Provisions for possible loan losses

2011/12 in € million	Amortised costs		financial assets accounted at fair value in equity	Receivables from finance leases	Provisions for off-balance sheet transactions	Total
	Loans and advances to customers	Financial assets	Financial assets	Loans and advances to customers		
Additions to specific impairment losses/provisions	166.0	-	-	10.3	22.9	199.2
Direct write-downs	13.4	-	-	-	-	13.4
Recoveries on loans previously written off	8.1	-	-	-	-	8.1
Additions to (+)/reversals of (-) portfolio allowances	-30.3	-	-	1.5	-	-28.8
Reversal of specific valuation allowances/provisions	123.9	-	-	10.2	15.3	149.4
Provisions for possible loan losses	**17.1**	**-**	**-**	**1.6**	**7.6**	**26.3**
Additions to (+)/reversal of (-) impairment on financial assets (see (28), net income from financial assets)	-	11.5	8.6	-	-	20.1
Total	**17.1**	**11.5**	**8.6**	**1.6**	**7.6**	**46.4**

2010/11 in € million*	Amortised costs		Financial assets accounted at fair value in equity	Receivables from finance leases	Provisions for off-balance sheet transactions	Total
	Loans and advances to customers	Financial assets	Financial assets	Loans and advances to customers		
Additions to specific impairment losses/provisions	268.1	-	-	10.5	11.1	289.7
Direct write-downs	24.7	-	-	-	-	24.7
Recoveries on loans previously written off	12.5	-	-	-	-	12.5
Additions to (+)/reversals of (-) portfolio allowances	-73.8	-	-	1.0	-	-72.8
Reversal of specific valuation allowances/provisions	113.4	-	-	13.3	23.6	150.3
Provisions for possible loan losses	**93.1**	**-**	**-**	**-1.8**	**-12.5**	**78.8**
Additions to (+)/reversal of (-) impairment on financial assets (see (28), net income from financial assets)	-	-31.9	0.0	-	-	-31.9
Total	**93.1**	**-31.9**	**0.0**	**-1.8**	**-12.5**	**46.9**

* Figures adjusted

(26) Net fee and commission income

in € million	2011/12	2010/11
Net fee and commission income from lending business	35.9	30.7
Net fee and commission income from securitisation	0.1	-1.3
Net fee and commission expense for liquidity procurement	-102.3	-126.2
Other	3.1	3.8
Total	**-63.2**	**-93.0**

The item “commission expenses for liquidity procurement” contains the guarantee fees paid to SoFFin in connection with the guaranteed bonds.

(27) Net income from financial instruments at fair value

in € million	2011/12	2010/11*
Net trading result	64.7	33.4
Net result from fair value option	-358.2	22.2
Hedging result	-11.3	-10.4
Total	**-304.8**	**45.2**

* Figures adjusted

The positive effects in net trading income primarily relate to the derivative result of € 41.6 million (previous year: € 53.4 million), the currency result of € 20.9 million (previous year: € -20.3 million) and the income from trading securities and promissory note loans of € 2.2 million (previous year: € 0.4 million).

There is foreign currency income of € 44.6 million from financial instruments not measured at fair value (previous year: foreign currency expense of € 82.2 million). These expenses include all spot rate-based matters from transactions not recognised at fair value, including cash flows from derivative financial instruments to date. This disclosure in accordance with IAS 21.52 (a) is not significant for IKB, as the currency position is not managed on the basis of the categorisation of financial instruments and the net income from hedging transactions which is also attributable to these transactions is not included in the above income.

Some of the investments in international credit portfolios and some of the European government and bank bonds held as a liquidity investment were measured in line with the fair value option. The fair value option is also applied to financial instruments containing separable embedded derivatives and to implement risk-minimising hedging strategies. The changes in the fair value of hedging swaps are recognised in this item, as are the changes in the fair value of the hedged items.

The result of the adoption of the fair value option is due to different effects from the measurement of the above financial instruments. Of this figure, around € -357.2 million (previous year: € -203.2 million) relates to fair value losses on long-term investments, obligations and derivatives from hedging swaps, € -52.5 million to net fair value losses on portfolio investments (previous year: net gains of € 47.3 million) and € 0.6 million (previous year: € -9.6 million) to value increases on direct investments of the IKB Private Equity Group.

The fair value losses relating to long-term investments are mainly influenced by the development of risk premiums for government and bank bonds for refinancing purposes as a result of the sovereign debt crisis in the euro zone. In particular, this concerns bonds with Greek and Italian exposure and first-to-default securities, which reference the countries Greece, Ireland, Italy, Spain and Portugal among others.

Furthermore, the drop in the general interest level led to interest-induced measurement losses on the Bank's own obligations for which the fair value option had been exercised.

Owing to the widening of the IKB credit spread, there was credit rating-induced income of € 50.9 million (previous year: € 187.7 million) on the Bank's own obligations, though these did not offset the interest-rate induced measurement losses. Until the planned repayment of these financial instruments, net income from financial instruments at fair value will continue to be affected by changes in credit spreads in future periods.

in € million	Cumulative change in fair values due to changes in default risks		Change in fair values in the period due to changes in default risks	
	31 Mar. 2012	31 Mar. 2011	1 Apr. 2011 - 31 Mar. 2012	1 Apr. 2010 - 31 Mar. 2011
Liabilities to banks	14.7	18.5	-	-0.5
Liabilities to customers	438.6	492.6	35.9	176.6
Securitised liabilities	4.9	0.2	-4.6	-19.1
Subordinated capital *	484.2	423.3	19.6	30.7
Total	**942.4**	**934.6**	**50.9**	**187.7**

* For reasons of comparability, the item "Subordinated capital" includes a profit participation right now due that was reported under "Other liabilities" as at 31 March 2012.

The result from fair value hedges is composed of the result of fair value hedges and cash flow hedges. The result from fair value hedges is composed of the result from hedged items of € 187.2 million (previous year: € 18.1 million) and from hedging derivatives of € -198.5 million (previous year: € -28.5 million). The earnings contribution from ineffective portions of effective cash flow hedges is not significant.

(28) Net income/loss from financial assets

in € million	2011/12	2010/11
Net income/loss from securities	-16.8	43.3
Net loss from investments and shares in non-consolidated companies	0.0	-1.0
Total	**-16.8**	**42.3**

The result from securities includes net measurement losses of € 20.1 million (previous year: measurement gains of € 31.9 million). The sale of financial assets resulted in net income of € 3.3 million (previous year: € 11.4 million).

Impairment of € 0.0 million (previous year: € 2.0 million) was recognised in profit and loss for investments. The sale of investments resulted in income of € 0.0 million (previous year: € 1.0 million).

(29) Net income from investments accounted for using the equity method

in € million	2011/12	2010/11
Linde Leasing GmbH	0.5	1.7
MD Capital Beteiligungsgesellschaft mbH	-0.3	-0.1
Total	**0.2**	**1.6**

(30) Administrative expenses

in € million	2011/12	2010/11
Personnel expenses	158.7	167.2
Other administrative expenses	126.6	141.7
Write-downs on office and operating equipment, real estate and intangible assets	12.1	12.4
Total	**297.4**	**321.3**

The individual expense categories break down as follows:

Personnel expenses

in € million	2011/12	2010/11
Wages and salaries	134.6	137.6
Social security contributions	17.4	17.7
Expenses for pensions and other benefits	6.7	11.9
Total	**158.7**	**167.2**

Statutory pension premiums amounted to € 10.2 million (previous year: € 10.3 million).

The expenses for pensions and other benefits include the current service cost and insolvency protection contributions to PSVaG.

Other administrative expenses

in € million	2011/12	2010/11
Advisory fees	22.8	37.0
IT costs	26.4	28.0
Other administrative expenses (incl. audit expenses)	18.0	18.9
Occupancy expenses	18.5	18.1
Mandatory contributions, miscellaneous administrative and company law expenses	14.4	16.6
Workstation costs	12.6	13.0
Travel expenses and vehicle costs	7.9	7.6
Advertising, public relation and representation costs	6.0	2.5
Total administrative expenses	**126.6**	**141.7**

Other administrative expenses include expenses for consulting and other services for managing the crisis totalling € 10.3 million (previous year: € 20.3 million).

Mandatory contributions, other contributions and company law expenses primarily contain expenses for contributions to the Deposit Protection Fund in the amount of € 11.4 million (previous year: € 13.1 million).

Other administrative expenses include audit expenses and other services relating to our auditor as shown in the table below. The auditor's fees are shown without sales tax in accordance with IDW RS HFA 36. The prior-year figures have been adjusted accordingly to aid comparison.

in € million	2011/12	2010/11*
Audit of financial statements	4.1	4.6
Other assurance services	0.1	0.7
Tax advisory services	0.1	0.1
Other services	0.0	1.1
Total	**4.3**	**6.5**

* Figures adjustes

Administrative expenses also include write-downs on operating and office equipment, real estate and intangible assets:

in € million	2011/12	2010/11
Operating and office equipment	5.3	5.5
Real estate used for bank operations	0.3	0.0
Intangible assets	6.5	6.9
Total	**12.1**	**12.4**

(31) Other operating result

in € million	1 Apr. 2011 - 31 Mar. 2012	1 Apr. 2010 - 31 Mar. 2011
Other operating income	**233.9**	**499.6**
Income from the remeasurement of compensation from future profits and hybrid financial instruments	65.4	322.2
Income from operating leases	115.2	118.7
Income from project development activities	5.2	6.4
Repurchase of own issues	0.7	1.2
Cost allocations	4.9	6.7
Reversals of provisions/write-downs on other receivables	24.6	16.8
Income from buildings not used for banking purposes	2.2	2.1
Income from the sale of non-financial assets	0.2	0.5
Remaining other operating income	15.5	25.0
Other operating expenses	**184.5**	**256.7**
Expenses for derecognition of difference	-	19.9
Expenses for the remeasurement of compensation from future profits and hybrid financial instruments	-	1.7
Expenses for operating leases	111.9	114.9
Impairment losses from the remeasurement of inventories	-	57.3
Restructuring expenses	11.1	3.4
Settlement of portfolio investments	1.7	8.0
Expenses for buildings not used for banking purposes (including depreciation)	5.3	5.3
Additions to provisions/write-downs on other receivables	32.5	9.9
Voluntary social benefits (including donations)	1.6	1.5
Expenses from the sale of non-financial assets	0.1	0.1
Repurchase of own issues	0.2	10.0
Remaining other operating expenses	20.1	24.7
Total	**49.4**	**242.9**

Measurement of liabilities in accordance with IAS 39 AG8 led to a remeasurement gain of € 65.4 million (previous year: € 320.5 million) in other operating result. Measurement is based on IKB’s income planning and capital planning. Due to the expected increase in regulatory capital requirements, increased capital strengthening was expected as compared to the previous years. This change in planning leads to lower present values being recognised in the IAS 39 AG8 valuation. The resulting income from the IAS 39 AG8 remeasurement of compensation from future profits and hybrid financial instruments is explained in note (47) “Liabilities due to customers” and note (55) “Subordinated capital”.

(32) Taxes on income

in € million	2011/12	2010/11
Current income taxes	-1.7	-22.4
for the current year	1.5	1.6
from prior years	-3.2	-24.0
Deferred taxes	9.7	-21.2
Total	**8.0**	**-43.6**

Current income taxes primarily relate to taxes in Germany. Based on the Group's operating result for 2011/12 and taking trade tax into account, tax income of € 159.4 million (previous year: tax expense of € 2.5 million) would have been expected applying the rate of corporation tax in Germany including the solidarity surcharge. The following table shows a reconciliation of the expected tax expense to the reported tax expense:

in € million	2011/12	2010/11*
Profit/loss before taxes	-508.9	-22.3
Applicable tax rate (%)	**31.3**	**31.3**
Expected income taxes	-159.4	2.5
Tax effects	-	-
from prior years	-8.8	-4.4
from tax rate changes	-	2.1
from differences between tax rates in Germany and abroad	3.1	2.9
from tax-free income	-17.4	-13.0
from non-deductible expenses	10.6	47.1
from change of unrecognised deferred taxes	365.5	-135.7
from change of permanent effects of an accounting nature	-190.4	39.0
from other differences	4.8	15.9
Taxes on income	**8.0**	**-43.6**

* Figures adjusted

The income tax rate used as the basis for the reconciliation is composed of the corporate income tax rate of 15.0% applicable in Germany as of 2008 (previous year: 15.0%), plus a solidarity surcharge of 5.5% (previous year: 5.5%) on corporate income tax and an average trade tax rate of 15.5% (previous year: 15.5%). In total, this is equivalent to a domestic income tax rate of 31.3% (previous year: 31.3%).

Income tax effects due to differences in tax rates result from differences between domestic income tax rates and foreign income tax rates applicable to foreign Group companies and entities, which still range from 12.5% to 46.2%, and different trade tax assessment rates in Germany.

To the extent permitted under IAS 12, deferred taxes have been recognised for temporary differences resulting from investments in subsidiaries, foreign branches and associates as well as interests in joint ventures.

The tax effect of € 365.5 million (previous year: € -190.4 million) from the change in unrecognised deferred taxes primarily relates to temporary differences in the German tax group.

The tax effect of € -259.8 million (previous year: € 39.0 million) from the change in permanent accounting effects mainly relates to permanent effects in financial assets.

Notes on the consolidated balance sheet (assets)

(33) Cash reserve

in € million	31 Mar. 2012	31 Mar. 2011
Cash in hand	0.0	0.1
Balances with central banks	19.0	84.6
Other	0.1	0.1
Total	**19.1**	**84.8**

As at the end of the reporting period, € 19.0 million (previous year: € 84.3 million) of balances at central banks related to balances at Deutsche Bundesbank.

(34) Loans and advances to banks

in € million	31 Mar. 2012	31 Mar. 2011
Loans and advances to banks (remaining term up to 1 year)	2,972.6	2,248.3
Loans and advances to banks (remaining term 1-5 years)	43.8	56.3
Loans and advances to banks (remaining term more than 5 years)	7.2	11.6
Total	**3,023.6**	**2,316.2**

(35) Loans and advances to customers

in € million	31 Mar. 2012	31 Mar. 2011
Loans and advances to customers (remaining term up to 1 year)	3,679.8	3,821.0
Loans and advances to customers (remaining term 1-5 years)	8,377.4	9,700.0
Loans and advances to customers (remaining term more than 5 years)	3,713.0	4,920.3
Finance lease receivables	2,013.4	1,889.6
Total	**17,783.6**	**20,330.9**

The decrease in loans and advances to customers is primarily attributable to the reduction in loans due to the implementation of the EU requirements.

The carrying amount of loans and advances to customers includes hedge adjustments from hedged items in macro fair value hedge accounting for interest risks in the amount of € 191.8 million (previous year: € 108.3 million).

(36) Provisions for possible loan losses

31 Mar. 2012 in € million	Specific provisions		Portfolio allowances	Provisions for off-balance sheet transactions	Total
	Amortised cost	Receivables from finance leases			
	Loans and advances to customers	Loans and advances to customers			
Opening balance (1 Apr. 2011)	698.6	7.6	112.3	35.2	**853.7**
Utilisation	305.3	0.0	0.0	20.9	**326.2**
Reversal	123.9	10.2	30.6	15.3	**180.0**
Unwinding	20.4	0.0	0.0	0.4	**20.8**
Addition	166.0	10.3	1.8	22.9	**201.0**
Reclassification	0.0	0.0	0.0	0.0	**0.0**
Effects of exchange rate changes	2.2	-0.2	-0.1	0.1	**2.0**
Closing balance (31 Mar. 2012)	**417.2**	**7.5**	**83.4**	**21.6**	**529.7**
less provisions	-	-	-	21.6	**21.6**
Provisions for possible loan losses reported as of 31 Mar. 2012	**417.2**	**7.5**	**83.4**	**-**	**508.1**

31 Mar. 2011 in € million*	Impairment		Portfolio allowances	Provisions for off-balance sheet transactions	Total
	Amortised cost	Receivables from finance leases			
	Loans and advances to customers	Loans and advances to customers			
Opening balance (1 Apr. 2010)	877.0	10.1	185.1	53.9	**1,126.1**
Utilisation	311.2	0.0	0.0	5.9	**317.1**
Reversal	113.4	13.3	76.8	23.6	**227.1**
Unwinding	25.7	0.0	0.0	0.1	**25.8**
Addition	268.1	10.5	4.0	11.1	**293.7**
Reclassification	0.0	0.2	0.0	0.0	**0.2**
Effects of exchange rate changes	3.8	0.1	0,0	-0.2	**3.7**
Closing balance (31 Mar. 2011)	**698.6**	**7.6**	**112.3**	**35.2**	**853.7**
less provisions	-	-	-	35.2	**35.2**
Provisions for possible loan losses reported as of 31 Mar. 2011	**698.6**	**7.6**	**112.3**	**-**	**818.5**

* Figures adjusted

Specific loan loss provisions on loans and advances to customers and provisions for off-balance sheet lending are recognised to hedge the discernible risks in loans business.

Provisions for possible loan losses in the form of specific loan loss provisions on loans and advances to customers and provisions for off-balance sheet lending amounted to € 446.3 million (previous year: € 741.4 million) as at 31 March 2012.

In addition, any further risks which have occurred but not yet been identified and which are not covered by individual write-downs are accounted for by way of portfolio impairments. Portfolio impairments amounted to € 83.4 million as at 31 March 2012 (previous year: € 112.3 million).

Risk provisions for credit risks by customer group are as follows:

in € million	Specific impairment losses, provisions (loans and receivables) and portfolio impairment losses		Utilisation of specific impairment losses and provisions		Provision for possible loan losses (income statement)	
	31 Mar. 2012	31 Mar. 2011	2011/12	2010/11	2011/12	2010/11*
German customers	**292.6**	**581.5**	**274.1**	**246.3**	**4.7**	**118.2**
Production	151.3	255.9	79.0	161.7	-17.1	41.5
Trade	26.4	28.9	3.2	12.8	2.0	3.0
Services	108.7	286.2	183.8	69.1	15.8	73.9
Transport	0.0	2.3	2.3	2.7	0.1	0.1
Other	6.2	8.2	5.8	0.0	3.9	-0.3
Foreign customers	**144.8**	**151.1**	**52.1**	**70.8**	**50.2**	**29.6**
Production	47.0	54.6	21.1	26.8	15.9	-7.4
Trade	22.8	30.5	26.8	2.0	19.2	15.7
Services	50.9	42.6	4.2	40.5	14.8	20.4
Transport	6.7	7.2	0.0	0.0	-0.8	-0.5
Other	17.4	16.2	0.0	1.6	1.1	1.4
Portfolio investment	**8.9**	**8.8**	**0.0**	**0.0**	**0.2**	**3.8**
Portfolio impairment losses	**83.4**	**112.3**	**0.0**	**0.0**	**-28.8**	**-72.8**
Total	**529.7**	**853.7**	**326.2**	**317.1**	**26.3**	**78.8**

* Figures adjusted

Key figures for the provision for possible loan losses:

in %	2011/12	2010/11
Addition ratio	0.1	0.2
Default ratio	1.0	1.1
Risk ratio	1.7	2.7

The key figures for the provision for possible loan losses are defined as follows:

Addition ratio = net provisions for risks (additions less reversals of impairment losses and provisions for commercial loans and portfolio write-downs plus the balance of direct write-downs and recoveries on loans previously written off) in relation to total credit volume.

Default ratio = defaults (utilisation of impairment losses and provisions for commercial loans plus the balance of direct write-downs and recoveries on loans previously written off) in relation to total credit volume.

Risk ratio = total loan loss provisions (balance of valuation allowances and provisions for counterparty risks from commercial loans and portfolio write-downs) in relation to total credit volume.

(37) Assets held for trading

in € million	31 Mar. 2012	31 Mar. 2011
Bonds and other fixed-income securities	26.8	-
Promissory note bonds carried as trading assets	36.3	32.2
Derivatives with positive fair values	2,134.1	598.0
Asset derivatives offset by non-derivative financial instruments measured at fair value	266.8	157.5
Hedging derivatives with positive fair values	15.2	27.8
Total	**2,479.2**	**815.5**

Of the bonds and other fixed-income securities reported in trading assets, € 26.1 million are listed and € 0.7 million negotiable.

The change in trading assets of € 1.7 billion is mainly due to higher positive fair values for derivatives.

(38) Financial assets

Financial assets include the following items:

in € million	31 Mar. 2012	31 Mar. 2011*
Bonds and other fixed-income securities	7,865.5	7,787.3
Investments	75.4	104.8
of which in banks	0.2	0.3
Shares in non-consolidated affiliated companies	0.4	0.2
Total	**7,941.3**	**7,892.3**

* Figures adjusted

The change in bonds and other fixed-income securities primarily resulted from maturities, sales and remeasurement effects.

Financial assets can be broken down into the following categories defined in IAS 39:

in € million	31 Mar. 2012	31 Mar. 2011*
Fair value option financial assets	**2,064.7**	**2,291.2**
Bonds and other fixed-income securities	2,005.0	2,202.1
Investments	59.7	89.1
Financial assets available for sale	**2,951.8**	**2,746.3**
Bonds and other fixed-income securities	2,935.7	2,730.4
Shares in non-consolidated companies	0.4	0.2
Investments	15.7	15.7
of which carried at amortised cost	15.4	15.5
Loans and receivables	**2,924.8**	**2,854.8**
Bonds and other fixed-income securities	2,924.8	2,854.8
Total	**7,941.3**	**7,892.3**

* Figures adjusted

The carrying amount of all negotiable securities reported under financial assets breaks down as follows:

31 Mar. 2012 in € million	Total negotiable	listed	non-negotiable
Bonds and other fixed-income securities	7,347.3	7,280.2	67.1
Investments	20.7	-	20.7

31 March 2011 in € million	Total negotiable	listed	non-negotiable
Bonds and other fixed-income securities	6,997.6	6,859.3	138.3
Investments	23.1	-	23.1

As of 31 March 2012, the Company did not hold any marketable shares in unconsolidated subsidiaries (previous year: none).

(39) Investments accounted for using the equity method

in € million	31 Mar. 2012	31 Mar. 2011
Linde Leasing GmbH	10.0	9.9
MD Capital Beteiligungsgesellschaft mbH	0.5	0.9
Total	**10.5**	**10.8**

See note (29) for information on net income from investments accounted for using the equity method.

As in the previous year, impairment testing on investments accounted for using the equity method did not identify any need for impairment.

(40) Intangible assets

in € million	31 Mar. 2012	31 Mar. 2011
Internaly generated intangible assets	2.6	3.4
Acquired intangible assets	22.3	15.9
Total	**24.9**	**19.3**

(41) Property, Plant and Equipment

in € million	31 Mar. 2012	31 Mar. 2011
Operating lease assets	156.2	138.9
Land and buildings including advance payments and assets under construction	12.2	12.1
Operating and office equipment	15.1	16.5
Total	**183.5**	**167.5**

The increase in operating lease assets was essentially due to increased business in the Leasing Group.

(42) Current tax assets

in € million	31 Mar. 2012	31 Mar. 2011
Germany	20.7	28.3
Outside Germany	1.6	7.8
Total	**22.3**	**36.1**

(43) Deferred tax assets

Deferred tax assets result from the following line items:

in € million	31 Mar. 2012	31 Mar. 2011
Loans and advances to customers/provision for possible loan losses	54.0	30.7
Assets held for trading	5.3	34.4
Financial assets	396.7	266.4
Property, plant and equipment	23.9	1.4
Loss carryforwards	26.0	48.5
Liabilities to banks	16.9	12.5
Liabilities held for trading	515.0	284.6
Pension provisions and similar obligations	23.2	13.8
Subordinated capital	0.5	1.9
Other balance sheet items	27.4	50.9
Sub-total	**1,088.9**	**745.1**
Netting against deferred tax liabilities	-870.9	-554.3
Total	**218.0**	**190.8**

Deferred tax assets and liabilities were offset in accordance with IAS 12 within tax groups and companies on the basis of maturities.

Deferred tax assets recognised on the basis of planning amount to € 142.0 million in Germany (previous year: € 142.0 million) and € 13.4 million outside Germany (previous year: € 19.2 million). These are expected to be utilisable in future based on planning and the restructuring measures implemented.

No deferred tax assets were recognised for temporary differences of € 1,646.5 million (previous year: € 751.1 million).

In total, € 1,820.6 million (previous year: € 1,085.8 million) in corporation tax loss carryforwards and € 1,632.2 million (previous year: € 998.6 million) of trade tax loss carryforwards were not recognised. Details can be found in the following table:

in € million	31 Mar. 2012	31 Mar. 2011
Corporate income tax – loss carryforwards unrecognised as of the reporting date	**1,820.6**	**1,085.8**
of which expired in 2012/13	-	0.1
of which expired in 2013/14	-	0.9
of which expired in 2015/16	-	1.0
of which expiring after 2015/16	-	0.3
of which may be carried forward for an unlimited period	1,820.6	1,083.5
Trade tax – loss carryforwards unrecognised as of the reporting date	**1,632.2**	**998.6**
of which may be carried forward for an unlimited period	1,632.2	998.6

(44) Other assets

in € million	31 Mar. 2012	31 Mar. 2011
Receivables from leasing transactions	94.4	105.1
Trade receivables	58.3	89.8
Deferred items	48.1	37.3
Inventories	97.0	97.0
Other receivables	83.4	56.8
Total	**381.2**	**386.0**

The carrying amount of one property is reported under inventories.

(45) Non-current assets held for sale

Loans and advances to customers held for sale of € 14.6 million that were sold between the end of the reporting period and the preparation of these consolidated financial statements are reported in this item. An expense of € 1.0 million from these loans and advances to customers is included in provisions for possible loan losses.

Notes on the consolidated balance sheet (equity and liabilities)

(46) Liabilities to banks

in € million	31 Mar. 2012	31 Mar. 2011
Liabilities to banks (remaining term up to 1 year)	5,158.9	3,561.2
Liabilities to banks (remaining term 1-5 years)	6,321.2	5,411.6
Liabilities to banks (remaining term more than 5 years)	1,741.7	2,220.8
Total	**13,221.8**	**11,193.6**

The increase is essentially due to greater borrowing on the interbank market.

(47) Liabilities to customers

in € million	31 Mar. 2012	31 Mar. 2011*
Liabilities to customers (remaining term up to 1 year)	6,041.6	4,106.4
Liabilities to customers (remaining term 1-5 years)	1,677.6	1,181.6
Liabilities to customers (remaining term more than 5 years)	2,278.2	2,405.7
Total	**9,997.4**	**7,693.7**

* Figures adjusted

Liabilities to customers essentially rose as a result of cash and term deposits from private investors.

The loans with debt waivers and compensation from future profits measured in accordance with IAS 39 AG8 and reported in this item are measured at their present value at the end of each reporting period. This is calculated using an estimate of the expected interest and principal cash flows discounted using the effective original yield. The carrying amount was € 291.5 million (previous year: € 320.1 million) as at the end of the reporting period. The drop in the carrying amount is attributable to unwinding expenses (increase in carrying amount) of € 27.6 million and a remeasurement gain (decrease in carrying amount) of € 56.3 million.

(48) Securitised liabilities

in € million	31 Mar. 2012	31 Mar. 2011*
Bonds issued (remaining term up to 1 year)	2,181.1	5,480.7
Bonds issued (remaining term 1-5 years)	73.9	2,202.5
Bonds issued (remaining term more than 5 years)	22.2	27.3
Total	**2,277.2**	**7,710.5**

* Figures adjusted

The € 5.4 billion decline in securitised liabilities (previous year: € 3.1 billion) is essentially due to bullet maturities and the buyback and early repayment of SoFFin-guaranteed liabilities.

The carrying amount of securitised liabilities includes changes in value of € 5.8 million (previous year: € 6.8 million) from hedge adjustments on hedged items.

(49) Liabilities held for trading

in € million	31 Mar. 2012	31 Mar. 2011
Derivatives with negative fair values	3,181.5	1,593.4
Derivatives with negative fair value offset by non-derivative financial instruments measured at fair value	416.3	297.4
Hedging derivatives with negative fair values	237.8	112.8
Total	**3,835.6**	**2,003.6**

The change of € 1.8 billion is mainly due to higher negative fair values for derivatives.

(50) Provisions for pensions and similar obligations

The type and the amount of pension payments to eligible employees are governed by the applicable pension rules (see also note (20)).

The value of pension obligations is calculated annually by an independent actuary using the projected unit credit method. The difference between the recognised items of provisions for pensions and similar obligations and other assets (capitalised excess assets) results from the fair value of the plan assets. Pension obligations and the plan assets for defined benefit pension plans developed as follows in previous years:

in € million	31 Mar. 2012	31 Mar. 2011	31 Mar. 2010	31 Mar. 2009	31 Mar. 2008
Pension obligations (defined benefit obligation)	271.2	243.9	260.5	223.4	204.9
- fair value of plan assets	242.1	239.3	237.3	206.8	206.5
= Excess (+)/deficit (-)	-29.1	-4.6	-23.2	-16.6	1.6
recognised as an asset	1.1	1.8	1.0	0.1	5.1
recognised as a provision	30.2	6.4	24.2	16.7	3.5

The defined benefit obligation for pension obligations amounted to € 271.2 million as at 31 March 2012 (previous year: € 243.9 million). Of this figure, € 269.4 million (previous year: € 241.7 million) related to obligations covered by funds and € 1.8 million (previous year: € 2.2 million) to obligations not covered by funds.

As at the end of the reporting period, the covered pension obligations are largely covered by the assets in the CTAs. The change in comparison to the previous year is due among other things to the increase in the obligation resulting from the change in the discount rate. In line with IAS 19, the amount reported for pension provisions is increased to the amount of pension obligations not covered by corresponding assets; these amounted to € 30.2 million as at 31 March 2012 (previous year: € 6.4 million).

Pension obligations developed as follows in the last two financial years:

in € million	**2011/12**	**2010/11**
Opening balance of pension obligations as of 1 Apr.	**243.9**	**260.5**
Changes in the consolidated group	0.2	0.0
Pension payments	12.9	11.0
Employee contributions	0.4	0.1
Additions	20.7	19.8
of which current service cost	7.1	8.9
of which future service cost	0.0	-2.4
of which interest cost	13.6	13.3
-/+ actuarial gains and losses	18.9	-25.5
Closing balance of pension obligations as of 31 Mar.	**271.2**	**243.9**
Plan assets under IAS 19	242.1	239.3
Net balance sheet position as of 31 Mar.	**-29.1**	**-4.6**

The total pension expense consists of the following components:

in € million	2011/12	2010/11
Current service cost	7.1	8.9
Past service cost	0.0	-2.4
Interest expense	13.6	13.3
Plan income	12.0	-12.6
Pension expenses	**8.7**	**7.2**

As at 31 March 2012, pension obligations have a total value of € 271.2 million (previous year: € 243.9 million). The rise in pension obligations as against the previous year is essentially due to actuarial losses of € 18.8 million (previous year: actuarial gains of € 25.5 million), € 1.5 million of which (previous year: € -1.7 million) relate to changes in inventory. The main factor causing the actuarial losses in obligations was the low discount rate.

As at the end of the reporting period, the total actuarial losses arising in the financial year (offset against gains on plan assets) amounted to € 30.8 million (previous year: actuarial gains of € 13.5 million).

The development of actuarial gains/losses taken directly to equity in the past financial year are as follows:

in € million	Pension obligations	Plan assets	Total
Cumulative gains/losses recognised in the statement of comprehensive income as of 31 Mar. 2007	**15.3**	**0.0**	**15.3**
-/+ actuarial gains and losses	-24.2	21.5	-2.7
of which changes to actuarial parameters and calculation bases	-31.6	0.0	-31.6
of which adjustments due to inventory changes	7.4	0.0	7.4
Cumulative gains/losses recognised in the statement of comprehensive income as of 31 Mar. 2008	**-8.9**	**21.5**	**12.6**
-/+ actuarial gains and losses	14.4	12.8	27.2
of which changes to actuarial parameters and calculation bases	9.1	0.0	9.1
of which adjustments due to inventory changes	5.3	0.0	5.3
Cumulative gains/losses recognised in the statement of comprehensive income as of 31 Mar. 2009	**5.5**	**34.3**	**39.8**
-/+ actuarial gains and losses	28.0	-18.5	9.5
of which changes to actuarial parameters and calculation bases	25.6	0.0	25.6
of which adjustments due to inventory changes	2.4	0.0	2.4
Cumulative gains/losses recognised in the statement of comprehensive income as of 31 Mar. 2010	**33.5**	**15.8**	**49.3**
-/+ actuarial gains and losses	-25.5	12.0	-13.5
of which changes to actuarial parameters and calculation bases	-23.8	0.0	-23.8
of which adjustments due to inventory changes	-1.7	0.0	-1.7
Cumulative gains/losses recognised in the statement of comprehensive income as of 31 Mar. 2011	**8.0**	**27.8**	**35.8**
-/+ actuarial gains and losses	18.8	12.0	30.8
of which changes to actuarial parameters and calculation bases	17.3	0.0	17.3
of which adjustments due to inventory changes	1.5	0.0	1.5
Cumulative gains/losses recognised in the statement of comprehensive income as of 31 Mar. 2012	**26.8**	**39.9**	**66.7**

The plan assets offsetting the obligations developed as follows in the last two financial years:

in € million	2011/12	2010/11
Opening balance of plan assets as of 1 Apr.	**239.3**	**237.3**
Expected return on plan assets	12.0	12.6
-/+ actuarial gains and losses	-12.0	-12.0
IKB contribution additions	2.4	1.3
Employee contributions	0.4	0.1
Pension payments	0.0	0.0
Closing balance of plan assets as of 31 Mar.	**242.1**	**239.3**

The plan assets generated a result of € 0.0 million in the 2011/12 financial year (previous year: gain of € 2.0 million).

Plan assets broke down as follows on the current and last reporting date:

in %	31 Mar. 2012	31 Mar. 2011
Cash and cash equivalents	2.3	5.9
Shares	24.0	10.3
Fixed-income securities	69.9	66.7
Real estate	3.7	17.0
Other	0.1	0.1

Calculations were based on the following actuarial assumptions:

	31 Mar. 2012	31 Mar. 2011
Discount rate	5.25	5.75
Forecast increase in pensionable remuneration	3.00	3.00
Forecast rate of pension increases (including inflation)	2.00	2.00
Employee turnover (by age groups)	1.00-6.50	1.00-6.50
Expected return on plan assets for 79+94 plans, deferred compensation and early retirement	5.00	5.25
Expected return on plan assets for 2006 plan and deferred income accounts scheme	5.00	5.00

The expected return on plan assets for the coming financial year is based on the target allocation and the long-term expected return on assets per asset class. The performance assumptions are not a historical analysis; rather, they are a forecast based on a capital market model in which a number of asset classes are extrapolated in the future using simulation models.

The expected contributions to plan assets are based on the future change in the projected unit credit of pension obligations. The Company is (still) aiming to cover its obligations in full with the plan assets.

No appropriations to plan assets are forecast for the 2012/13 financial year. The expected pension payments amount to € 13.5 million (previous year: € 12.6 million).

With all other assumptions remaining unchanged, a change of 25 basis points in the interest rate would have led to a change in pension obligations of € 9.6 million (previous year: € 8.5 million).

(51) Other provisions

in € million	Opening balance as of 1 Apr. 2011	Utilisation	Reversal	Addition	Unwinding	Reclassifi-cation	Effects of exchange rate changes	Closing balance as of 31 Mar. 2012
Risks for possible loan losses	35.2	20.9	15.3	22.9	-0.4	-	0.1	21.6
Provisions for interest on taxes	18.5	-	-	5.1	-	-	-	23.6
Provisions for anniversary bonuses	3.7	0.4	-	0.5	-	-	-	3.8
Tax provisions not including income tax	3.7	0.5	2.0	2.0	-	-	-	3.2
Litigation and recourse claims	3.8	-	2.5	3.9	-	-	-	5.2
Restructuring	17.5	16.0	0.1	19.5	-0.5	-7.1	-	13.3
Miscellaneous	48.3	9.4	2.0	19.7	-0.2	7.1	-	63.5
Total	**130.7**	**47.2**	**21.9**	**73.6**	**-1.1**	-	**0.1**	**134.2**

Provisions for anniversary bonuses were calculated in the same way as pension obligations using actuarial opinions from independent actuaries and the interest rate stated in note (50).

Provisions for risks for possible loan losses include the provision for risks relating to off-balance sheet items such as guarantees.

In light of a market environment that remains uncertain and the restructuring situation at IKB, the Bank is exposed to legal risks that it seeks to hedge against by recognising provisions for litigation and recourse claims as well as restructuring provisions.

As at 31 March 2012, restructuring provisions essentially include expenses for the planned headcount reduction activities.

Other provisions essentially include provisions of project development activities, rent obligations and provisions in connection with the settlement of remaining portfolio investments.

The information in accordance with IAS 37.86 on the estimate of the financial impact on contingent liabilities, uncertainty regarding the amount or maturity of outflows and the possibility of reimbursement in connection with contingent liabilities and the information in accordance with IAS 37.89 on the estimate of the financial impact on contingent assets has not been disclosed for reasons of practicality in accordance with IAS 37.91.

The following table shows the other provisions by remaining maturity:

in € million	31 Mar. 2012			31 Mar. 2011		
	Remaining term <1 year	Remaining term >1 year	Total	Remaining term <1 year	Remaining term >1 year	Total
Risks for possible loan losses	17.4	4.2	**21.6**	35.2	-	**35.2**
Provisions for interest on taxes	-	23.6	**23.6**	-	18.5	**18.5**
Provisions for anniversary bonuses	-	3.8	**3.8**	-	3.7	**3.7**
Tax provisions not including income tax	-	3.2	**3.2**	0.1	3.6	**3.7**
Litigation and recourse claims	1.6	3.6	**5.2**	1.7	2.1	**3.8**
Restructuring	8.1	5.2	**13.3**	9.9	7.6	**17.5**
Miscellaneous	31.5	32.0	**63.5**	28.9	19.4	**48.3**
Total	**58.6**	**75.6**	**134.2**	**75.8**	**54.9**	**130.7**

(52) Current tax liabilities

Current tax liabilities break down as follows:

in € million	31 Mar. 2012	31 Mar. 2011
Germany	102.1	102.9
Outside Germany	1.8	4.1
Total	**103.9**	**107.0**

(53) Deferred tax liabilities

Deferred tax liabilities result from the following line items:

in € million	31 Mar. 2012	31 Mar. 2011
Loans and advances to customers/provision for possible loan losses	130.3	68.5
Assets held for trading	569.3	95.2
Financial assets	46.2	27.3
Property, plant and equipment	11.9	9.2
Liabilities	87.1	166.8
Liabilities held for trading	1.7	28.5
Pension provisions	0.1	8.2
Other liabilities	27.2	22.4
Subordinated capital	46.8	140.9
Other balance sheet items	17.7	17.6
Sub-total	**938.3**	**584.6**
Netting against deferred tax assets	-870.9	-554.3
Total	**67.4**	**30.3**

Deferred tax assets and liabilities were offset in accordance with IAS 12 within tax groups and companies on the basis of maturities.

(54) Other liabilities

in € million	31 Mar. 2012	31 Mar. 2011
Trade payables	115.3	128.6
Deferred items	31.0	30.9
Restructuring liabilities	1.6	1.0
Other liabilities	335.6	307.6
Total	**483.5**	**468.1**

Other liabilities include an ABS transaction under which lease receivables were sold to an unconsolidated special purpose entity. The ABS transaction did not result in derecognition. The other liability to the acquirer of the ABS transaction amounts to € 282.4 million.

(55) Subordinated capital

in € million	31 Mar. 2012	31 Mar. 2011
Subordinated liabilities	891.5	889.4
Profit participation certificates	11.9	65.7
Silent partnership contributions/preferred shares	114.3	189.3
Total	**1,017.7**	**1,144.4**

In subordinated capital, “at fair value through profit or loss” holdings are reported at fair value and “other financial liabilities” are reported at amortised cost. Some items carried at amortised cost are measured in accordance with IAS 39 AG8. The changes in the carrying amounts of items measured at fair value are essentially due to credit ratings and interest rates. In the event of changes in forecasts for future payments on obligations measured at amortised cost, a new present value is calculated using the original effective interest rate. The difference between the new present value and the previous carrying amount was recognised directly in profit or loss in the past financial year and the previous year. The effects are summarised in the following table:

in € million	Unwinding (interest expense)	Changes in present value (other operating income)	Unwinding (interest expense)	Changes in present value (other operating income)
	2011/12		2010/11	
Subordinated liabilities	-	-	-2.8	32.1
Profit participation certificates	-1.4	2.5	-1.5	-1.7
Silent partnership contributions/preferred shares	-1.5	6.6	-2.6	10.1
Total	**-2.9**	**9.1**	**-6.9**	**40.5**

Expenses are shown with a minus sign

Subordinated liabilities

€ 482.8 million (previous year: € 383.9 million) of subordinated liabilities mature in less than two years. As in the previous year, there was no Tier III capital as defined in section 10 KWG (HGB).

As of 31 March 2012, there were the following significant subordinated liabilities in excess of € 100.0 million:

Start of term	Original nominal amount in € million*	Currency	Interest rate in %	Maturity
2003/2004	310.0	EUR	4.50	9 Jul. 2013
2006/2007	160.0	EUR	2.56	23 Jan. 2017
2008/2009	101.5	EUR	12.00	27 Nov. 2018

* The original nominal amount of the subordinated liability maturing as at 23 January 2017 has been restated at the nominal amount as at the issue date.

In the 2011/12 financial year, interest expenses for subordinated liabilities amounted to € 35.7 million (previous year: € 35.6 million), which included no unwinding expenses in the reporting year (previous year: € 2.8 million).

Remeasurement (IAS 39.AG8) did not affect earnings in the year under review (previous year: € 32.1 million). The earnings effect was reported under other operating result in the previous year (note (31)).

Profit participation certificates

in € million	31 Mar. 2012	31 Mar. 2011
Total	**11.9**	**65.7**
of which: section 10 KWG requirements	11.9	29.5
of which: within two years	-	36.2

The profit participation capital breaks down as follows:

Year of issue	Original nominal amount in € million	Currency	Interest rate in %	Maturity
2004/2005	30.0	EUR	4.50	31 Mar. 2015
2005/2006	150.0	EUR	3.86	31 Mar. 2015
2006/2007	50.0	EUR	4.70	31 Mar. 2017
2007/2008	70.0	EUR	5.63	31 Mar. 2017

Unwinding expenses amounted to € 1.4 million (previous year: € 1.5 million).

Remeasurement (IAS 39 AG8) resulted in income of € 2.5 million (previous year: expense of € 1.7 million).

Silent partnership contributions/preferred shares

The following table shows the carrying amount of silent partnership contributions/preferred shares as at the end of the reporting period. This includes preferred shares that were issued by two US subsidiaries formed for this purpose and silent partnership contributions after loss participation.

in € million	31 Mar. 2012	31 Mar. 2011
Silent partnership contributions	33.6	60.6
Preferred shares	80.7	128.7
Total	**114.3**	**189.3**

In line with section 10 KWG, silent partnership contributions are allocated to regulatory capital. IFRS classifies them as financial liabilities.

The interest expense for silent partnership contributions/preferred shares results from unwinding and amounted to € 1.5 million for the Group (previous year: € 2.6 million). See note (6) b (Financial liabilities) for information on the loss participation.

Remeasurement (IAS 39 AG8) affected earnings in the amount of € 6.6 million in the year under review (previous year: € 10.1 million).

(56) Equity

in € million	31 Mar. 2012	31 Mar. 2011*
Issued capital	1,621.3	1,621.3
Capital reserve	597.8	597.8
Retained earnings	-1,242.9	-1,243.0
Legal reserve	10.2	10.2
Actuarial gains/losses (IAS 19)	-45.8	-24.6
Other retained earnings	1,207.3	-1,228.6
Currency translation reserve	-19.1	-17.5
Revaluation surplus	-15.4	-36.5
Consolidated loss/profit	-516.9	21.3
Total	**424.8**	**943.4**

* Figures adjusted

No treasury shares were held in the 2011/12 financial year, nor were there any additions or disposals of the same.

No employee shares were issued in the year under review.

Authorisations to acquire own treasury shares

By a resolution of the Annual General Meeting on 26 August 2010, the Board of Managing Directors was authorised to acquire and sell own treasury shares for the purpose of securities trading until 25 August 2015. The amount of shares acquired for this purpose may not exceed 5% of the share capital at the end of any one day. Together with the treasury shares acquired for other reasons held by the Company or assigned to it in accordance with sections 71a ff. AktG, the treasury shares acquired on the basis of this authorisation may not exceed 10% of the share capital at any time. This authorisation was not utilised in the 2011/12 financial year.

By a resolution of the Annual General Meeting held on 26 August 2010, the Company was authorised to acquire own treasury shares of up to 10% of the share capital for purposes other than securities trading until the end of 25 August 2015. The shares can be acquired on the stock exchange or by way of a public bid to all shareholders. The acquisition of shares may be carried out using put or call options. Such share acquisitions are limited to shares of a maximum volume of 5% of the share capital at the time of the resolution on this authorisation by the Annual General Meeting on 26 August 2010. The terms of the options must end by 25 August 2015 at the latest. Together with the treasury shares acquired for trading purposes and other reasons held by the Company or assigned to it in accordance with sections 71a ff. AktG, the treasury shares acquired on the basis of this authorisation may not exceed 10% of the share capital of the Company at any time. In line with a decision by the Board of Managing Directors, the acquired shares can be sold on the stock exchange or in some other way or, in full or in part, called in. This authorisation was not utilised in the 2011/12 financial year.

Contingent capital

By way of resolution of the Annual General Meeting of IKB AG on 28 August 2008, the Board of Managing Directors was authorised to issue convertible and/or option bonds with a total nominal value of € 900,000,000.00 and a maximum duration of 20 years by 27 August 2013 and to grant the bearers of these bonds conversion or option rights to up to 48,339,843 no-par value bearer shares in the Company with a stake of up to € 123,749,998.08 in the share capital according to the relevant bond conditions. On 19 November 2008, the Board of Managing Directors of the Company resolved to issue subordinated bonds with a total nominal value of up to € 123,671,070.72 with a contingent conversion obligation and contingent conversion right for up to 48,309,012 shares in the Company from contingent capital with a shareholders' subscription right. A subsidiary of the Lone Star group, LSF6 Rio S.à.r.l., had undertaken to assume all bonds not subscribed to by other IKB AG shareholders. Bonds totalling € 150,174.72 were subscribed to by other shareholders and the remaining amount of € 123,520,896.00 was acquired by Lone Star (LSF6 Rio S.à.r.l.). A bond with a nominal value of € 23.04 entitles the bearer to subscribe to nine new shares from contingent capital at a conversion price of € 2.56 per share. Since 1 July 2009, the conditions for the existence of a conversion obligation and a conversion right have been met. As a result, a conversion right has existed since this time. There was a conversion obligation until not later than 11 April 2012. LSF6 Rio S.à.r.l. exercised its conversion right in full on 2 July 2009. On issuance of the subscribed shares on 14 July 2009, this increased the share capital of the Company by € 123,520,896.00 to € 1,621,315,228.16. The increase in the share capital was entered in the commercial register on 4 May 2010. Furthermore, a creditor of the convertible bond exercised its conversion right on 20 January 2012. On issuance of the subscribed shares on 30 January 2012, this increased the share capital of the company by € 3,686.40 to € 1,621,318,914.56. Please see the section "Events after 31 March 2012 (supplementary report)" in the Group management report for information on the mandatory conversion performed on 11 April 2012. The increase in the share capital was entered in the commercial register on 2 May 2012.

By way of a resolution of the Extraordinary General Meeting held on 25 March 2009, the Board of Managing Directors was authorised to issue convertible and option certificates and convertible and/or option bonds with a total nominal value of € 900,000,000.00 by 24 March 2014 and to grant the bearers of profit participation certificates or bonds conversion or option rights to shares in the Company with a stake of up to € 618,749,990.40 in the share capital according to the relevant bond conditions. The residual authorisation to issue convertible and/or option bonds of up to € 776,328,929.28 from 28 August 2008 was revoked by way of resolution of the Extraordinary General Meeting on 25 March 2009. Actions for annulment have been brought against these resolutions on which a verdict has not yet been reached. The resolution has not yet been entered in the commercial register.

By way of resolution of the Annual General Meeting on 26 August 2010, the share capital contingently increased by up to € 229,102.08 (Contingent Capital 2008) still existing from the resolution of the Annual General Meeting on 28 August 2008 was lowered to a maximum of € 150,174.72, comprising up to 58,662 new no-par value bearer shares with an entitlement to profits starting from the beginning of the financial year in which they are issued. With the exception of the conversion described, Contingent Capital 2008 remained unchanged. The reduction was entered in the commercial register on 8 November 2010.

By way of resolution of the Annual General Meeting on 26 August 2010, the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to issue bearer convertible and/or option bonds or combinations of these instruments (referred to together as “bonds” hereafter) with a total nominal value of up to € 400,000,000 on one or several occasions, with or without a limited term in each case, until 25 August 2015, and to grant the bearers of bonds conversion or option rights to subscribe to a maximum of 74,874,422 no-par value bearer shares of the Company with a proportionate amount of the share capital of up to € 191,678,520.32 in total in accordance with the terms of issue of the bonds. This authorisation was not utilised in the 2011/12 financial year. The resolution was entered in the commercial register on 8 November 2010.

Authorised capital

By way of resolution of the Annual General Meeting on 28 August 2008, the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to increase the share capital of the Company by a total of up to € 500,000,000.00 against cash or non-cash contributions by issuing up to 195,312,500 new no-par value bearer shares until 27 August 2013. With the approval of the Supervisory Board, the statutory subscription rights of shareholders can be disapplied under this authorisation. This authorisation was not utilised in the 2011/12 financial year. The authorised capital was entered in the commercial register on 3 November 2008.

By way of resolution of the Extraordinary General Meeting on 25 March 2009, the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to increase the share capital of the company by a total of up to € 247,499,996.16 against cash or non-cash contributions by issuing up to 96,679,686 new no-par value bearer shares until 24 March 2014. With the approval of the Supervisory Board, the statutory subscription rights of shareholders can be disapplied under this authorisation. Actions for annulment have been brought against this resolution on which a verdict has not yet been reached. The resolution has not yet been entered in the commercial register.

Retained earnings

See statement of changes in equity

Revaluation surplus

in € million	2011/12	2010/11
Opening balance as of 1 Apr.	-36.5	-6.9
Unrealised gains/losses from financial assets available for sale	29.2	-38.1
Reclassifications to the income statement due to financial assets available for sale	6.5	-14.4
Unrealised gains/losses on derivatives hedging fluctuations in future cash flows: Unrealised gains/losses for the period before taxes	-5.0	9.2
Deferred taxes	-9.6	13.6
Closing balance as of 31 Mar.	**-15.4**	**-36.5**

As at 31 March 2012, the revaluation surplus included carrying amounts of € -7.1 million from the effective portion of effective cash flow hedges before tax effects (previous year: € -2.2 million).

The corresponding tax effects are discussed in note (64).

Capital management process/regulatory indicators

IKB's capital management process is based on the regulations applicable to German banks and bank groups under sections 10 and 10a KWG. These state that sufficient regulatory equity must be held within the group. Specifically, risk-weighted assets must be backed with at least 8% equity (solvency ratio). Risk-weighted assets that are backed with Tier I capital are subject to a minimum ratio of 4% (Tier I capital ratio). The SoFFin agreement dated 18 August 2009 stipulates that a Tier I capital ratio of 8% must be maintained at group level.

Equity ratios are calculated on a weekly basis for the Bank and quarterly for the Group. The Board of Managing Directors receives weekly reports on the development of equity ratios and the changes in equity components and risk-weighted assets. The aim of capital management is to achieve and maintain the tier I ratio targeted by the Board of Managing Directors, which is significantly higher than the requirements of the SoFFin agreement. Capital management is integrated in the overall management of the Bank.

A summary of the equity components of the IKB Group can be found in the following table:

in € million	31 Mar. 2012	31 Mar. 2011
Capital charge for credit risk	16,143	16,776
Capital charge for market risk	661	663
Capital charge for operational risk	497	782
Total of positions for which capital charges are required	**17,301**	**18,221**
Tier I capital	**1,698**	**2,120**
Issued capital	1,858	2,007
Other reserves	3,834	3,982
Other	775	913
Deductible items	-4,769	-4,782
Tier II capital	**695**	**919**
Liabilites from profit participation certificates	34	40
Other long-term subordinated liabilities, if eligible according to BIZ	708	943
Other	-47	-64
Deductible items	-137	-149
Total liable equity	**2,256**	**2,890**
Eligible own funds	**2,256**	**2,890**
Tier I capital ratio	**9.4%**	**11.2%**
Total capital ratio	**13.0%**	**15.9%**

Equity consists of liable capital, which in turns comprises Tier I and Tier II capital, and Tier III capital. The core capital (Tier I) mainly consists of issued capital and reserves (Core or True Tier I) and hybrid funds that are allowable as core capital (Hybrid Tier I). Additional capital (Tier II) includes profit participation rights (Upper Tier II) and long-term subordinated liabilities (Lower Tier II). Tier III capital includes short-term subordinated liabilities and subordinated liabilities that have been capped at 50% of the core capital based on the standard limit imposed.

Since 1 January 2008 and the introduction of Basel II, new regulations apply under the SolvV. Risk-weighted assets are now determined according to the credit risk approach. The Bank has exercised its option under section 64h (4) KWG in conjunction with section 10a (6) and (7) so that, for the purposes of calculating regulatory equity, the aggregation method will continue to apply on the basis of HGB calculation bases. IKB AG is a trading book institution and applies the basic indicator approach for operational risks.

Notes on the consolidated statement of cash flows

(57) Statement of cash flows

In accordance with IAS 7, the cash flow statement analyses the changes in cash and cash equivalents classified by operating, investing and financing activities.

Cash flow from operating activities

This item includes payments related to loans and advances to banks and customers, as well as payments arising from securities of the trading portfolio and other assets attributable to operating activities. This item also includes changes in liabilities to banks and customers, securitised liabilities, and other liabilities attributable to operating activities as well as interest and dividend payments resulting from operating activities.

In addition, the cash flow from operating activities reflects all other cash inflows and outflows which are not reported under cash flows from investing activities or cash flows from financing activities.

Cash flow from investing activities

The cash flow from investing activities includes cash payments or receipts for acquisitions and disposals of financial assets, property, plant and equipment intangible and other non-current assets. In addition, this item includes cash flows due to changes in the scope of consolidation.

Cash flow from financing activities

The cash flow from financing activities includes cash inflows and outflows from capital increases, dividend distributions and subordinated liabilities, as well as cash-related changes in reserves and minority interests.

Cash and cash equivalents in the reporting period are mainly composed of balances at central banks.

Notes on consolidated segment reporting

(58) Segment reporting

Segment reporting is based on the internal income statement, which forms part of IKB's management information system. The presentation is based on the internal management reporting that is used by the full Board of Managing Directors as the chief operating decision-maker (CODM) to assess the performance of the segments and to allocate resources. Segment reporting is prepared in accordance with IFRS 8.

Segment reporting is in line with the Bank's product units. Segment information is presented to show each segment as an independent enterprise responsible for its own earnings and with the required capital resources.

Segmentation

Reporting is based on Bank products by the segments:

Credit Products
Advisory and Capital Markets
Treasury and Investments
Head Office/Consolidation.

The **Credit Products segment** reports the earnings components and asset positions from IKB's lending and leasing business. This includes regular loans and public programme loans, IKB Leasing Group business and mezzanine financing for companies by the subsidiary IKB Private Equity GmbH (IKB PE). The results of collateralised loan obligations, which relate to the loans of this segment, are also presented here.

The **Advisory and Capital Markets segment** firstly comprises IKB's advisory activities in the fields of M&A, structuring, restructuring, structure/income optimisation and private equity. The Capital Markets sub-segment offers capital market solutions for equity and debt capital, risk management solutions in the area of customer derivatives, obtaining deposits from institutional and private investors and advisory services and structuring for securitisation transactions.

The **Treasury and Investments segment** reports the earnings components resulting from investment decisions by Treasury in the context of asset/liability management and holdings of liquid or ECB-eligible securities. The segment also includes structured investments such as bonds and promissory note loans, IKB's portfolio investments, which represent IKB's investments in securitisation products including first loss pieces and IKB's proprietary trading. Credit exposures that are no longer included in the strategic portfolio and assets of IKB not directly related to customers and managed as investments are also assigned to the Treasury and Investments segment. These portfolios are intended to be reduced while protecting equity by way of active portfolio management.

Segment results and key figures

Income and expenses are allocated to the segments in accordance with their respective profit responsibility. Net interest income from lending business is calculated using the market interest method and is allocated to the segments on a theoretical basis as a net factor (in accordance with IFRS 8.23). The segments are regarded as independent entities with their own capital resources. Capital is allocated based on risk-weighted assets (in accordance with the standard Basel II approach) with an equity ratio of 8%, taking into account existing hybrid funds. In the Head Office/Consolidation column, the tier I capital attributable to the segments is reconciled to consolidated IFRS Group equity as of 1 April of the respective financial year. In addition to the investment income from this economic capital, net interest income also comprises expenditure for hybrid and subordinated capital. The interest rate for equity investments corresponds to a risk-free interest rate on the long-term capital market.

The reported carrying amount of the provision for possible loan losses in the segments corresponds to the difference between additions to and reversals of valuation allowances for credit defaults and the recoveries on loans and advances previously written off.

To the extent that such costs can be properly allocated, head office staff and operating expenses are allocated to the segments. Project costs are allocated to the segments if the projects were directly attributable to them. Administrative expenses for projects and corporate functions incurred for company law and regulatory reasons are allocated to the Head Office/Consolidation segment.

The performance of a segment is indicated by its operating result. The results are also measured on the basis of their return on equity and cost/income ratio. The return on equity is the ratio of the operating result to the average allocated equity, while the cost/income ratio is calculated as the ratio of administrative expenses to the earnings items reported not including the provision for possible loan losses.

Segment reporting

in € million	**Credit Products**		**Advisory and Capital Markets**		**Treasury and Investments**		**Head Office/ Consolidation**		**Total**	
	1 Apr. 2011 - 31 Mar. 2012	**1 Apr. 2010 - 31 Mar. 2011***	**1 Apr. 2011 - 31 Mar. 2012**	**1 Apr. 2010 - 31 Mar. 2011**	**1 Apr. 2011 - 31 Mar. 2012**	**1 Apr. 2010 - 31 Mar. 2011***	**1 Apr. 2011 - 31 Mar. 2012**	**1 Apr. 2010 - 31 Mar. 2011***	**1 Apr. 2011 - 31 Mar. 2012**	**1 Apr. 2010 - 31 Mar. 2011***
Net interest income	205.6	199.5	1.6	2.9	-19.3	64.5	-34.4	-123.3	153.5	143.6
Provisions for possible loan losses	10.1	23.2	0.0	0.0	17.3	52.8	-1.1	2.8	26.3	78.8
Net interest income after provision for possible loan losses	**195.5**	**176.3**	**1.6**	**2.9**	**-36.6**	**11.7**	**-33.3**	**-126.1**	**127.2**	**64.8**
Net fee and commission income	9.5	19.5	27.4	8.3	-101.3	-122.6	1.2	1.8	-63.2	-93.0
Net income from financial instruments at fair value	20.9	-2.1	3.3	23.3	-376.4	-140.7	47.4	164.7	-304.8	45.2
Net income from financial assets	0.0	0.0	0.0	0.0	-17.4	42.7	0.6	-0.4	-16.8	42.3
Net income from investments accounted for using the equity method	0.4	1.7	0.0	0.0	0.0	0.0	-0.2	-0.1	0.2	1.6
Administrative expenses	117.1	117.8	63.5	70.8	56.0	58.5	60.8	74.2	297.4	321.3
Other operating result	3.3	8.1	2.8	3.0	-13.8	-65.3	57.1	297.1	49.4	242.9
Operating result	**112.5**	**85.7**	**-28.4**	**-33.3**	**-601.5**	**-332.7**	**12.0**	**262.8**	**-505.4**	**-17.5**
Cost/income ratio in %	48.9	52.0	180.9	188.8	-10.6	-26.4	-	-	-163.7	84.0
Return on equity in %	20.3	14.8	0.0	0.0	-104.4	-51.7	-	-	-53.6	-1.9
Average allocated equity	555	578	0	0	576	643	-188	-282	943	939
Credit volume *	14,253	15,428	0	0	17,023	16,589	437	58	31,713	32,076
Volume of new business	3,270	3,477	0	0	46	235	0	0	3,316	3,712

* Figures adjusted

Head Office/Consolidation reconciliation

Within the reconciliation, the earnings and assets allocated to the segments on the basis of the internal reporting systems are reconciled to the consolidated financial statements. IKB's earnings are influenced by extraordinary factors that cannot be controlled by the operating units and for which they cannot be held responsible. In particular, these extraordinary factors include accounting effects from the rating-driven measurement of liabilities, the measurement of liabilities in accordance with IAS 39 AG8 and the amortisation of adjustments for realised hedged items in accordance with IFRS 1 IG 60A.

The "Consolidation" column is used to present the effects of methodological differences between management reporting and the consolidated financial statements as well as intra-Group consolidation matters separately for each item.

in € million	Other		Consolidation		Head Office/Consolidation	
	1 Apr. 2011 - 31 Mar. 2012	1 Apr. 2010 - 31 Mar. 2011*	1 Apr. 2011 - 31 Mar. 2012	1 Apr. 2010 - 31 Mar. 2011	1 Apr. 2011 - 31 Mar. 2012	1 Apr. 2010 - 31 Mar. 2011*
Net interest income	-37.4	-88.4	3.0	-34.9	-34.4	-123.3
Provisions for possible loan losses	-1.2	2.8	0.1	0.0	-1.1	2.8
Net interest income after provision for possible loan losses	**-36.2**	**-91.2**	**2.9**	**-34.9**	**-33.3**	**-126.1**
Net fee and commission income	0.9	1.2	0.3	0.6	1.2	1.8
Net income from financial instruments at fair value	50.9	187.7	-3.5	-23.0	47.4	164.7
Net income from financial assets	0.6	-0.4	0.0	0.0	0.6	-0.4
Net income from investments accounted for using the equity method	-0.2	-0.1	0.0	0.0	-0.2	-0.1
Administrative expenses	60.8	74.2	0.0	0.0	60.8	74.2
Other operating result	57.3	296.6	-0.2	0.5	57.1	297.1
Operating result	**12.5**	**319.6**	**-0.5**	**-56.8**	**12.0**	**262.8**
Credit volume	0	0	437	58	437	58

* Figures restated

Results by geographical market

The allocation of income, expenditure and credit volumes is based on the domicile of the respective facility or Group company.

in € million	Germany		Rest of Europe		Americas		Total	
	1 Apr. 2011 - 31 Mar. 2012	1 Apr. 2010 - 31 Mar. 2011*	1 Apr. 2011 - 31 Mar. 2012	1 Apr. 2010 - 31 Mar. 2011*	1 Apr. 2011 - 31 Mar. 2012	1 Apr. 2010 - 31 Mar. 2011	1 Apr. 2011 - 31 Mar. 2012	1 Apr. 2010 - 31 Mar. 2011*
Net interest income	52.8	80.9	86.6	56.5	14.1	6.2	153.5	143.6
Provisions for possible loan losses	-26.1	28.7	52.4	50.1	0.0	0.0	26.3	78.8
Net interest income after provision for possible loan losses	**78.9**	**52.2**	**34.2**	**8.4**	**14.1**	**6.2**	**127.2**	**64.8**
Net fee and commission income	-72.7	-98.1	9.5	4.3	0.0	0.8	-63.2	-93.0
Net income from financial instruments at fair value	-353.7	60.9	6.0	-20.8	42.9	5.1	-304.8	45.2
Net income from investment securities	7.8	-8.6	-24.6	50.9	0.0	0.0	-16.8	42.3
Net income from investments accounted for using the equity method	0.2	1.6	0.0	0.0	0.0	0.0	0.2	1.6
Administrative expenses	258.4	276.9	39.0	44.4	0.0	0.0	297.4	321.3
Other operating result	47.9	191.4	-5.1	41.3	6.6	10.2	49.4	242.9
Operating result	**-550.0**	**-77.5**	**-19.0**	**37.7**	**63.6**	**22.3**	**-505.4**	**-17.5**
Credit volume *	26,941	26,929	4,748	5,140	24	7	31,713	32,076

* Figures restated

The investment securities of the partner fund companies and the company Rio Debt Holdings Limited were not assigned to the Europe geographic segment in the previous year. The previous year’s credit volume in the Europe segment rose by € 1,289 million as a result of the transfer from the Germany segment.

Notes on financial instruments

(59) Income according to category and reconciliation to the consolidated income statement

31 March 2012 in € million	IAS 39 category					Receivables from finance leases	Off-balance sheet transactions	Result from financial instruments covered by IFRS 7 Total	Result from other financial instruments not covered by IFRS 7	Total
	Loans and receivables	Available for sale	Held for trading	Fair value option	Other financial liabilities					
Net interest income	831.3	74.6	-120.9	-190.4	-593.0	164.5	0.3	166.4	-12.9	153.5
Interest income	831.3	74.6	485.2	69.0	-	181.7	2.4	1,644.2	30.9	1,675.1
Interest expenses	-	-	606.1	259.4	593.0	17.2	2.1	1,477.8	43.8	1,521.6
Net fee and commission income	14.0	-	-	-	-102.7	-0.4	-	-89.1	25.9	-63.2
Fee and commission income	18.9	-	-	-	-	-	-	18.9	29.6	48.5
Fee and commission expenses	4.9	-	-	-	102.7	0.4	-	108.0	3.7	111.7
Net gains/losses	-28.9	-5.0	53.5	-358.0	57.8	-1.6	-	-282.2	-16.3	-298.5
Net income from financial instruments at fair value	-	-	53.5	-358.3	-	-	-	-304.8	-	-304.8
Net income from investment securities	-11.8	-5.0	-	-	-	-	-	-16.8	-	-16.8
Provisions for possible loan losses	17.1	-	-	-	-	1.6	-	18.7	7.6	26.3
Other operating result	-	-	-	0.3	57.8	-	-	58.1	-8.7	49.4
Total	**816.4**	**69.6**	**-67.4**	**-548.4**	**-637.9**	**162.5**	**0.3**	**-204.9**	**-3.3**	**-208.2**

31 March 2011 in € million	IAS 39 category					Receivables from finance leases	Off-balance sheet transactions	Result from financial instruments covered by IFRS 7 Total*	Result from other financial instruments not covered by IFRS 7	Total*
	Loans and receivables*	Available for sale	Held for trading	Fair value option*	Other financial liabilities*					
Net interest income	896.1	45.3	-13.2	-303.1	-607.5	128.9	-	146.5	-2.9	143.6
Interest income	896.1	45.3	658.9	77.7	-	145.5	-	1,823.5	39.4	1,862.9
Interest expenses	-	-	672.1	380.8	607.5	16.6	-	1,677.0	42.3	1,719.3
Net fee and commission income	38.4	-	-0.4	-0.5	-130.1	-0.1	-	-92.7	-0.3	-93.0
Fee and commission income	42.1	-	-	-	-	-	-	42.1	1.3	43.4
Fee and commission expenses	3.7	-	0.4	0.5	130.1	0.1	-	134.8	1.6	136.4
Net gains/losses	-64.5	13.6	-157.0	184.3	322.5	1.9	-	300.8	-49.2	251.6
Net income from financial instruments at fair value	-	-	-157.0	202.2	-	-	-	45.2	-	45.2
Net income from investment securities	28.7	13.6	-	-	-	-	-	42.3	-	42.3
Provisions for possible loan losses	93.2	-	-	-	-	-1.9	-	91.3	-12.5	78.8
Other operating result	-	-	-	-17.9	322.5	-	-	304.6	-61.7	242.9
Total	**870.0**	**58.9**	**-170.6**	**-119.3**	**-415.1**	**130.7**	**-**	**354.6**	**-52.4**	**302.2**

* Figures adjusted

The reconciliation to the income statement includes income and expense that is not covered by the scope of IFRS 7.

The income from financial assets reported in net profit and/or loss includes gains and losses from the disposal and valuation of investment securities. In addition to disposal and remeasurement gains, net income from financial instruments at fair value also includes net interest income from hedged items and hedging transactions in the amount of € -2.6 million (previous year: € -5.9 million). Other operating income includes income and expenditure generated from the repurchase of own issues. With the exception of hedge accounting interest income, the interest and dividend income is not included in net profit and/or loss, but instead is disclosed in net interest income for all IAS 39 categories.

(60) Classification of financial instruments in accordance with IFRS 7

The following table contains the carrying amounts of the Bank's financial instruments (before deduction of risk provisions) in accordance with the IFRS 7 reporting classes (titles not identical to statement of financial position items):

The cash reserve is shown in the balance sheet. Amounts are recognised at nominal amount, which is a sufficient approximation of fair value. They are not considered again in the IFRS 7 information below.

IFRS 7 reporting categories for financial instruments in € million	31 Mar. 2012	31 Mar. 2011 *
Assets		
Fair value through profit or loss		
Held for trading	**2,464.0**	**787.7**
Assets held for trading	2,197.2	630.2
Asset derivatives offset by non-derivative financial instruments measured at fair value	266.8	157.5
Fair value option	**2,073.7**	**2,291.2**
Loans and advances to customers	9.0	-
Investment securities	2,064.7	2,291.2
Hedging derivatives		
Assets held for trading	15.2	27.8
Fair value in equity		
Available for sale	**2,951.8**	**2,746.3**
Investment securities	2,951.8	2,746.3
Carried at amortised cost		
Loans and receivables	**21,724.2**	**23,612.2**
Loans and advances to banks	3,023.6	2,316.2
Loans and advances to customers (including hedge fair value adjustments)	15,761.2	18,441.2
Investment securities	2,924.8	2,854.8
Non-current assets held for sale	14.6	-
Receivables from finance leases		
Loans and advances to customers	2,013.4	1,889.7
Other financial instruments not covered by IFRS 7		
Investments accounted for using the equity method	10.5	10.8
Total	**31,252.8**	**31,365.7**
Equity and liabilities		
Fair value through profit or loss		
Held for trading	**3,597.8**	**1,890.8**
Liabilities held for trading	3,181.5	1,593.4
Asset derivatives with negative fair value offset by non-derivative financial instruments measured at fair value	416.3	297.4
Fair value option	**4,939.9**	**9,495.0**
Liabilities to banks	655.2	653.0
*Liabilities to customers**	1,840.8	1,625.5
Securitised liabilities	2,224.1	6,896.5
Subordinated capital	219.8	320.0
Hedging derivatives		
Liabilities held for trading	237.8	112.8
Carried at amortised cost		
Other financial liabilities	**21,574.2**	**18,247.2**
Liabilities to banks	12,566.6	10,540.6
Liabilities to customers	8,156.6	6,068.2
*Securitised liabilities **	53.1	814.0
Subordinated capital	797.9	824.4
Total	**30,349.7**	**29,745.8**
Off-balance sheet transactions		
Contingent liabilities	340.1	496.5
Other obligations	1,609.7	1,664.2
Total	**1,949.8**	**2,160.7**

* Figures adjusted

(61) Fair value of financial assets and liabilities

Comparison of fair values and the corresponding carrying amounts:

The fair values of loans and advances to customers and banks reported at amortised cost as determined for reporting in the notes are generally calculated on the basis of the discounted cash flow method. As part of this, a risk-adjusted credit spread is created for each loan. Discounting is carried out over the different terms of the swap rates with risk-adjusted credit spreads. The swap rate is based on the current market conditions on the valuation date. The credit spread for the loan fluctuates according to changes in the measured standard risk costs, which are determined by the customer rating, the security situation and the remaining term of the loan on the valuation date. Equity and funding costs also affect the credit spread. As such, any changes to the fair values compared to the carrying amounts can be triggered by funding, interest rates and/or credit ratings.

in € million	**Fair value**		**Carrying amount**		**Difference**	
	31 Mar. 2012	**31 Mar. 2011***	**31 Mar. 2012**	**31 Mar. 2011***	**31 Mar. 2012**	**31 Mar. 2011***
Assets						
Loans and receivables	**20,972.2**	**22,417.1**	**21,307.0**	**22,913.6**	**-334.8**	**-496.5**
Loans and advances to banks	3,034.4	2,316.1	3,023.6	2,316.2	10.8	-0.1
Loans and advances to customers (including hedge fair value adjustments)	15,022.4	17,412.1	15,344.0	17,742.6	-321.6	-330.5
Financial assets	2,900.8	2,688.9	2,924.8	2,854.8	-24.0	-165.9
Non-current assets held for sale	14.6	-	14.6	-	-	-
Finance lease receivables	**2,005.9**	**1,882.1**	**2,005.9**	**1,882.1**	**-**	**-**
Loans and advances to customers	2,005.9	1,882.1	2,005.9	1,882.1	-	-
Assets after provision for possible loan losses	**22,978.1**	**24,299.2**	**23,312.9**	**24,795.7**	**-334.8**	**-496.5**
Equity and liabilities						
Other financial liabilities	**21,806.7**	**18,031.3**	**21,574.2**	**18,247.2**	**232.5**	**-215.9**
Liabilities to banks	12,823.9	10,585.2	12,566.6	10,540.6	257.3	44.6
Liabilities to customers	8,299.8	6,016.2	8,156.6	6,068.2	143.2	-52.0
Securitised liabilities (including hedge fair value adjustments)	28.3	780.8	53.1	814.0	-24.8	-33.2
Subordinated capital	654.7	649.1	797.9	824.4	-143.2	-175.3
Equity and liabilities	**21,806.7**	**18,031.3**	**21,574.2**	**18,247.2**	**232.5**	**-215.9**

* Figures adjusted
The carrying amount of loans and advances to customers is shown net of impairment in the amount of € 424.7 million (31 Mar. 2011*: € 706.2 million).

The fair value of the amounts due to customers as at 31 March 2011 is shown € 320.9 million lower in the above table as a different distribution of cash flows over time was assumed in the original calculation of this value.

Level classification

IFRS 7 defines a three-level hierarchy (Levels 1 to 3) for disclosures in the notes. The following section discusses the fundamental criteria for distinguishing between the individual level hierarchies to which financial instruments at fair value are allocated:

Level 1. Level 1 includes unadjusted quoted prices on active markets that can be applied by an entity for identical assets and liabilities at the measurement date.

An entity must also have access to the market on the respective measurement date. An active market is one on which transactions occur with sufficient frequency and in a sufficient volume to allow permanent price information to be available.

At IKB, the Level 1 hierarchy is primarily used to report corporate and government bonds. The assessment as to whether securities are traded on an active market is performed on a daily basis using a statistical analysis of prices obtained from various market participants (e.g. Bloomberg) and analysed using statistical methods (e.g. outlier method).

Level 2. Level 2 comprises all financial instruments whose input factors for calculating fair value can be observed directly, i.e. as a price, or indirectly, i.e. derived from prices. Fair values calculated using DCF procedures or option pricing models whose input parameters can be observed on the market are also reported in Level 2. At IKB, Level 2 includes all instruments that cannot be allocated to Level 1 or Level 3.

Level 3. Financial instruments for which input factors cannot be observed on active markets are measured using valuation models. If measurement parameters have a significant influence on determining the fair value and these input factors cannot be observed, the financial instruments are allocated to Level 3. The fair value must be determined from the perspective of knowledgeable, willing and independent market participants, meaning that significant unobservable input parameters must reflect the assumptions made by market participants in pricing, including risk assumptions.

For all instruments for which unobservable market data is applied in measurement, the significance of the influence of the unobservable market data in relation to observable market data is examined (IFRS 7.27A (c)). The key decision-making criterion with respect to significance is the sensitivity of the fair value to changes in unobservable input parameters in relation to its sensitivity to changes in observable input parameters. This procedure serves to fulfil the requirement that instruments are only classified as Level 3 when unobservable parameters have a significant influence on measurement.

The following table shows the allocation of financial instruments at fair value to the three different level hierarchies:

in € million	**Level 1**		**Level 2**		**Level 3**		**Total**	
	31 Mar. 2012	**31 Mar. 2011**	**31 Mar. 2012**	**31 Mar. 2011***	**31 Mar. 2012**	**31 Mar. 2011**	**31 Mar. 2012**	**31 Mar. 2011**
Assets								
Fair value through profit or loss								
Held for trading	**39.0**	**-**	**2,028.6**	**554.8**	**396.4**	**232.9**	**2,464.0**	**787.7**
Assets held for trading	39.0	-	2,028.6	554.8	396.4	232.9	2,464.0	787.7
Fair value option	**1,390.5**	**1,401.2**	**602.0**	**677.9**	**81.2**	**212.1**	**2,073.7**	**2,291.2**
Loans and advances to customers	-	-	9.0	-	-	-	9.0	-
Financial assets	1,390.5	1,401.2	593.0	677.9	81.2	212.1	2,064.7	2,291.2
Hedging derivatives								
Assets held for trading	-	-	15.2	27.8	-	-	15.2	27.8
Fair value in equity								
Available for sale	**2,735.9**	**2,303.4**	**199.9**	**426.9**	**-**	**-**	**2,935.8**	**2,730.3**
Investment securities	2,735.9	2,303.4	199.9	426.9	-	-	2,935.8	2,730.3
Total	**4.165.4**	**3,704.6**	**2,845.7**	**1,687.4**	**477.6**	**445.0**	**7,488.7**	**5,837.0**
Equity and liabilities								
Fair value through profit or loss								
Held for trading	**-**	**-**	**3,542.8**	**1,808.6**	**55.0**	**82.2**	**3,597.8**	**1,890.8**
Liabilities held for trading	-	-	3,542.8	1,808.6	55.0	82.2	3,597.8	1,890.8
Fair value option	**4.2**	**6,643.2**	**4,915.8**	**2,828.2**	**19.9**	**23.6**	**4,939.9**	**9,495.0**
Liabilities to banks	-	-	655.2	653.0	-	-	655.2	653.0
Liabilities to customers	-	-	1,820.9	1,601.9	19.9	23.6	1,840.8	1,625.5
Securitised liabilities	-	6,604.3	2,224.1	292.2	-	-	2,224.1	6,896.5
Subordinated capital	4.2	38.9	215.6	281.1	-	-	219.8	320.0
Hedging derivatives								
Liabilities held for trading	-	-	237.8	112.8	-	-	237.8	112.8
Total	**4.2**	**6,643.2**	**8,696.4**	**4,749.6**	**74.9**	**105.8**	**8,775.5**	**11,498.6**

* Figures adjusted

Available for sale investment securities are reduced by financial investments in equity instruments measured at amortised cost as their fair value cannot be reliably determined.

Disclosures on level transfers

A quarterly comparison of all transactions carried at fair value at the start and the end of the respective quarter is performed in order to identify those transactions for which level transfers have taken place. In the case of level transfers during the quarter, the values at the end of the period are applied as the addition and disposal amounts.

Transfers between the individual levels during the financial year are shown in the following table:

in € million	Addition Level 1				Addition Level 2				Addition Level 3			
	Disposal Level 2		Disposal Level 3		Disposal Level 1		Disposal Level 3		Disposal Level 1		Disposal Level 2	
	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011
Assets												
Fair value through profit or loss												
Held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15.2**	**380.8**
Assets held for trading	-	-	-	-	-	-	-	-	-	-	15.2	380.8
Fair value option	**-**	**42.9**	**16.9**	**5.0**	**-5.2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investment securities	-	42.9	16.9	5.0	-5.2	-	-	-	-	-	-	-
Total	**-**	**42.9**	**16.9**	**5.0**	**-5.2**	**-**	**-**	**-**	**-**	**-**	**15.2**	**380.8**
Equity and liabilities												
Fair value through profit or loss												
Held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.2**	**111.7**
Liabilities held for trading	-	-	-	-	-	-	-	-	-	-	0.2	111.7
Fair value option	**-**	**32.7**	**-**	**-**	**-**	**60.6**	**-**	**-**	**-**	**-**	**-**	**-**
Subordinated capital	-	32.7	-	-	-	60.6	-	-	-	-	-	-
Total	**-**	**32.7**	**-**	**-**	**-**	**60.6**	**-**	**-**	**-**	**-**	**0.2**	**111.7**

Reconciliation of Level 3 transactions

The following table shows all changes in Level 3 financial instruments during the year under review.

in € million	Opening balance			Total amount of gains/losses		Not including deferred interest					Closing balance			
	Including deferred interest	Deferred interest	Not including deferred interest	Income statement	Other income	Purchases	Sales	Settlements	Transfers to Level 3	Transfers from Level 3	Not including deferred interest	Deferred interest	Including deferred interest	Gains/losses on financial instruments held as at end of reporting period
	1 Apr. 2011			1 Apr. 2011 - 31 Mar. 2012		31 Mar. 2012					31 Mar. 2012			1 Apr. 2011 - 31 Mar. 2012
Assets														
Fair value through profit or loss														
Held for trading	**232.9**	**15.0**	**217.9**	**157.0**	**-**	**77.2**	**-87.7**	**2.1**	**15.2**	**-**	**381.7**	**14.7**	**396.4**	**163.7**
Assets held for trading	232.9	15.0	217.9	157.0	-	77.2	-87.7	2.1	15.2	-	381.7	14.7	396.4	163.7
Fair value option	**212.1**	**0.4**	**211.7**	**-49.1**	**-**	**0.4**	**-64.9**	**-**	**-**	**-16.9**	**81.2**	**0.1**	**81.2**	**46.8**
Investment securities	212.1	0.4	211.7	-49.1	-	0.4	-64.9	-	-	-16.9	81.2	-	81.2	46.8
Total	**445.0**	**15.4**	**429.6**	**107.9**	**-**	**77.6**	**-152.6**	**2.1**	**15.2**	**-16.9**	**462.9**	**14.8**	**477.6**	**210.5**
Equity and liabilities														
Fair value through profit or loss														
Held for trading	**82.2**	**-0.8**	**83.0**	**-16.9**	**-**	**3.6**	**-14.9**	**-**	**0.2**	**-**	**55.0**	**-**	**55.0**	**18.2**
Liabilities held for trading	82.2	-0.8	83.0	-16.9	-	3.6	-14.9	-	0.2	-	55.0	-	55.0	18.2
Fair value option	**23.6**	**-**	**23.6**	**-**	**-**	**-**	**-**	**-3.7**	**-**	**-**	**20.0**	**-**	**19.9**	**-**
Liabilities to banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities to customers	23.6	-	23.6	-	-	-	-	-3.7	-	-	20.0	-	19.9	-
Total	**105.8**	**-0.8**	**106.6**	**-16.9**	**-**	**3.6**	**-14.9**	**-3.7**	**0.2**	**-**	**75.0**	**-**	**74.9**	**18.2**

in € million	Opening balance			Total amount of gains/losses		Not including deferred interest					Closing balance			
	Including deferred interest	Deferred interest	Not including deferred interest	Income statement	Other income	Purchases	Sales	Settlements	Transfers to Level 3	Transfers from Level 3	Not including deferred interest	Deferred interest	Including deferred interest	Gains/losses on financial instruments held as at end of reporting period
	1 Apr. 2010			1 Apr. 2010 - 31 Mar. 2011		31 Mar. 2011					31 Mar. 2011			1 Apr. 2010 - 31 Mar. 2011
Assets														
Fair value through profit or loss														
Held for trading	**-**	**-**	**-**	**-161.6**	**-**	**-**	**-**	**-1.3**	**380.8**	**-**	**217.9**	**15.0**	**232.9**	**1.1**
Assets held for trading	-	-	-	-161.6	-	-	-	-1.3	380.8	-	217.9	15.0	232.9	1.1
Fair value option	**260.4**	**0.4**	**260,0**	**-35.0**	-	**1.1**	**-9.4**	**-**	**-**	**-5.0**	**211.7**	**0.4**	**212.1**	**-31.4**
Investment securities	260.4	0.4	260,0	-35.0	-	1.1	-9.4	-	-	-5.0	211.7	0.4	212.1	-31.4
Total	**260.4**	**0.4**	**260,0**	**-196.6**	**-**	**1.1**	**-9.4**	**-1.3**	**380.8**	**-5.0**	**429.6**	**15.4**	**445.0**	**-30.3**
Equity and liabilities														
Fair value through profit or loss														
Held for trading	**-**	**-**	**-**	**-20.9**	**-**	**-**	**-**	**-7.8**	**111.7**	**-**	**83.0**	**-0.8**	**82.2**	**-33.5**
Liabilities held for trading	-	-	-	-20.9	-	-	-	-7.8	111.7	-	83.0	-0.8	82.2	-33.5
Fair value option	**296.1**	**15.6**	**280.5**	**-**	**-**	**-**	**-**	**-256.9**	**-**	**-**	**23.6**	**-**	**23.6**	**-25.6**
Liabilities to banks	122.8	0.6	122.2	-	-	-	-	-122.2	-	-	-	-	-	-
Liabilities to customers	173.3	15.0	158.3	-	-	-	-	-134.7	-	-	23.6	-	23.6	-25.6
Total	**296.1**	**15.6**	**280.5**	**-20.9**	**-**	**-**	**-**	**-264.7**	**111.7**	**-**	**106.6**	**-0.8**	**105.8**	**-59.1**

The income statement column shows only measurement and realisation results and the gain on the amortisation of debt instruments. By contrast, accrued and deferred interest is not included.

As in the previous year, all derivatives whose risk of default is not covered by a collateral agreement are classified as level 3 instruments.

Sensitivity analysis for level 3 transactions

Due to the degree of uncertainty to which valuation models are subject, the parameters not observable on the market were varied for Level 3 transactions. The variation analysis of input parameters not observable on the market was performed on the basis of potential alternative assumptions at the balance sheet date and resulted in a range of fair values calculated using these positive and negative variations in input parameters.

The fair values of some of IKB's credit derivatives are determined to a large extent by parameters that are not observable on the market. In accordance with IFRS 7.27B (e), model input parameters should be changed to reflect suitable potential alternatives. IKB only performs stress testing for those parameters that are not directly observable on the market. Stress testing is not performed for those parameters that are directly observable on the market, as a change in the yield curve, for example, would directly contradict the available market information at the measurement date and hence would not constitute a suitable potential alternative.

The parameters not observable on the market relate to correlations and liquidity spreads from internal ratings for measuring unsecured derivatives and certain unobservable parameters of standard market interest rate structure models. The use of possible alternative assumptions in relation to the parameters not observable on the market as at 31 March 2012 would lead in total to a € -1.5 million decrease or a € -2.5 million increase in the fair value.

The following table provides an overview of the changes in the fair value of Level 3 transactions in response to the aforementioned parameter variations, with the transactions shown at product level.

in € million	**Positive change**		**Negative change**	
	31 Mar. 2012	**31 Mar. 2011**	**31 Mar. 2012**	**31 Mar. 2011**
Private equity transactions	5.0	6.5	-5.0	-6.5
Instruments with credit derivative components	**1.4**	**2.5**	**-1.2**	**-2.6**
First-to-default bonds	1.4	2.5	-1.2	-2.6
Derivatives without cash collateral	-7.9	-2.3	3.7	1.6
Unobservable parameters in yield structure models	-	0.3	-	-0.4
Total	**-1.5**	**7.0**	**-2.5**	**-7.9**

The parameter observed for "Derivatives without cash collateral" is the credit spread. In the event of a positive shift in the credit spread (i.e. the credit spread increases), the customer's credit rating deteriorates and there is a negative effect on the fair value. In the event of a negative shift in the credit spread, there is accordingly a positive effect on the fair value.

There were no transactions resulting in significant differences between the transaction price and the fair value calculated on a model basis in the year under review.

The difference between the carrying amount of financial liabilities at fair value and the redemption amount was € -673.6 million (previous year: € -730.6 million) and resulted from the following statement of financial position items:

in € million	Carrying amount		Difference between carrying amount and repayment amount on maturity	
	31 Mar. 2012	31 Mar. 2011*	31 Mar. 2012	31 Mar. 2011*
Liabilities to banks	655.2	653.0	50.2	18.0
Liabilities to customers	1,840.8	1,625.5	-232.9	-433.2
Securitised liabilities	2,224.1	6,896.4	-18.0	92.0
Subordinated capital	219.8	320.0	-472.9	-407.4
Total	**4,939.9**	**9,494.9**	**-673.6**	**-730.6**

*Figures adjusted

(62) Derivatives

IKB enters into forward transactions, which are mainly used to control and limit interest rate, credit and currency risks.

The nominal amount indicates the volume traded by the Bank and serves as a reference point for calculating the mutually agreed payments such as interest assets and or liabilities for interest rate swaps. In addition, the following table shows the positive and negative fair values of the derivatives concluded, which show the expenses the Bank or the counterparty would incur in replacing the originally concluded contracts with contracts of equal economic value. The positive fair value shows the Bank's maximum risk of counterparty default on the balance sheet date.

The measurement methods for financial instruments are shown in note (6).

The following table shows a breakdown of derivatives:

in € million	Nominal amount		Fair value					
			Positive		Negative		Total	
	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011
Interest rate derivatives	**68,096.1**	**57,353.7**	**2,277.8**	**673.3**	**3,665.4**	**1,881.0**	**-1,387.6**	**-1,207.7**
Remaining term up to one year			389.3	243.0	365.9	212.2	23.4	30.8
Remaining term between one and five years			350.1	166.0	447.3	295.7	-97.2	-129.7
Remaining term more than five years			1,538.4	264.3	2,852.2	1,373.1	-1,313.8	-1,108.8
Credit derivatives	**229.1**	**194.1**	**0.4**	**0.2**	**9.1**	**8.5**	**-8.7**	**-8.3**
Remaining term up to one year			0.3	-	0.3	-	-	-
Remaining term between one and five years			0.1	0.2	8.8	8.5	-8.7	-8.3
Remaining term more than five years			-	-	-	-	-	-
Currency derivatives	**3,776.9**	**2,190.8**	**137.9**	**109.9**	**161.1**	**114.1**	**-23.2**	**-4.2**
Remaining term up to one year			42.5	21.1	73.9	9.4	-31.4	11.7
Remaining term between one and five years			41.2	45.6	62.3	85.8	-21.1	-40.2
Remaining term more than five years			54.2	43.2	24.9	18.9	29.3	24.3
Total	**72,102.1**	**59,738.6**	**2,416.1**	**783.4**	**3,835.6**	**2,003.6**	**-1,419.5**	**-1,220.2**

The following table shows a breakdown of derivatives by counterparties.

in € million	Fair values as of 31 Mar. 2012		Fair values as of 31 Mar. 2011	
	Positive	**Negative**	**Positive**	**Negative**
OECD banks	1,958.8	3,816.5	562.2	1,963.9
Other OECD companies and OECD private persons	457.3	19.1	221.2	39.7
Non-OECD	-	-	-	-
Total	**2,416.1**	**3,835.6**	**783.4**	**2,003.6**

(63) Credit risk disclosures

The following table shows the maximum credit risk amount in accordance with IFRS 7.36 (a). The maximum credit risk encompasses both balance sheet and off-balance sheet financial instruments. Financial instruments reported on the balance sheet are recognised at their carrying amount less risk provisions for possible loan losses; off-balance sheet transactions are included in the amount of maximum utilisation after deduction of provisions for off-balance sheet lending. Guarantees and other credit enhancements are not taken into account.

As of 31 March 2012, the maximum credit risk compared to the previous year was as follows:

in € million	Maximum credit risk exposure		Credit risk exposure neither past due nor impaired		Renegotiated credit risk exposure		Credit risk exposure past due but not impaired		Impaired credit risk exposure		Fair value of corresponding collateral	
	31 Mar. 2012	31 Mar. 2011*	31 Mar. 2012	31 Mar. 2011*	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011
Fair value through profit or loss												
Held for trading	**2,464.0**	**787.7**	**2,464.0**	**787.7**	-	-	-	-	-	-	-	-
Assets held for trading	2,464.0	787.7	2,464.0	787.7	-	-	-	-	-	-	-	-
Fair value option	**2,073.7**	**2,291.2**	**2,073.7**	**2,291.2**	-	-	-	-	-	-	-	-
Loans and advances to customers	9.0	-	9.0	-	-	-	-	-	-	-	-	-
Financial assets	2,064.7	2,291.2	2,064.7	2,291.2	-	-	-	-	-	-	-	-
Hedging derivatives												
Assets held for trading	15.2	27.8	15.2	27.8	-	-	-	-	-	-	-	-
Fair value in equity												
Available for sale	**2,951.8**	**2,746.3**	**2,943.2**	**2,746.3**	**-**	**-**	**-**	**-**	**8.6**	**-**	**-**	**-**
Financial assets	2,951.8	2,746.3	2,943.2	2,746.3	-	-	-	-	8.6	-		-
Amortised cost												
Loans and receivables	**21,307.0**	**22,913.6**	**19,940.6**	**21,421.9**	**191.3**	**327.0**	**605.2**	**348.0**	**569.9**	**816.7**	**4,411.8**	**7,761.5**
Loans and advances to banks	3,023.6	2,316.2	3,023.6	2,316.2		-	-	-	-	-		-
Loans and advances to customers (including hedge fair value adjustments)	15,344.0	17,742.6	14,112.3	16,394.1	191.3	327.0	605.2	348.0	435.2	673.5	4,411.8	7,761.5
Financial assets	2,924.8	2,854.8	2,790.1	2,711.6	-	-	-	-	134.7	143.2	0.0	0.0
Non-current assets held for sale	14.6	-	14.6	-		-	-	-	-	-	-	-
Receivables from finance leases												
Loans and advances to customers	2,005.9	1,882.1	1,288.0	1,372.8	28.3	1.3	639.0	472.0	50.5	36.0	1,544.5	1,449.2
Less portfolio impairment	**83.4**	**112.3**										
Off-balance sheet transactions												
Contingent liabilities	**340.1**	**496.5**										
Other obligations	**1,609.7**	**1,664.2**										
Total	**32,684.0**	**32,697.1**										

* Figures adjusted

At IKB, financial assets are classified as past due within the meaning of IFRS 7 when they are in arrears by one day or more. This relates to either interest or principal payments in arrears.

IKB hedges against credit risks by obtaining collateral from borrowers that can be utilised or realised in the event of default. Collateral is generally accepted in the form of mortgages, transfers of ownership and other collateral such as assignment of receivables, participation rights or subordination after corresponding checks have been performed. In addition to these forms of collateral, risk transfers through Hermes guarantees, indemnifications and synthetic risk transfers serve to reduce credit risk. Broken down by type, 25.7% of collateral currently relates to risk transfers (previous year: 35.4%), 23.8% to mortgages (previous year: 27.4%), 14.8% to transfers of ownership (previous year: 13.9%), 21.4% to assets in collateral agreements (previous year: 6.4%) and 14.3% to other collateral (previous year: 17.0%).

In addition to these forms of collateral, credit derivatives and similar instruments also contribute to reducing credit risk. There were no credit derivatives or similar instruments related to liabilities for which the fair value option has been exercised in the year under review or the previous year.

The risk relief provided by collateral is dependent on the collateral type. At IKB, individual parameters and standardised processes are used to measure the collateral accepted. In addition to the value on recognition, the sustainable value of collateral plays a crucial role. Long-term risk mitigation can only be ensured by collateral, depending on its type, if the collateral is monitored constantly, including periodic valuations and updates.

The following table shows the credit quality of financial instruments that are neither past due nor impaired:

in € million	Credit quality of credit risk exposure neither past due nor impaired												Total	
	Rating class 1 to 4		Rating class 5 to 7		Rating class 8 to 10		Rating class 11 to 13		Rating class 14 and worse		No rating			
	31 Mar. 2012	31 Mar. 2011*	31 Mar. 2012	31 Mar. 2011*	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011*
Fair value through profit or loss														
Held for trading	**1,765.1**	**544.7**	**420.6**	**94.4**	**155.4**	**89.8**	**97.4**	**45.8**	**25.5**	**13.0**	**-**	**-**	**2,464.0**	**787.7**
Assets held for trading	1,765.1	544.7	420.6	94.4	155.4	89.8	97.4	45.8	25.5	13.0	-	-	**2,464.0**	**787.7**
Fair value option	**687.3**	**1,102.4**	**744.4**	**224.2**	**109.6**	**187.7**	**41.8**	**206.7**	**151.5**	**570.2**	**339.1**	**-**	**2,073.7**	**2,291.2**
Loans and advances to customers		-	9.0	-		-		-		-		-	**9.0**	**-**
Financial assets	687.3	1,102.4	735.4	224.2	109.6	187.7	41.8	206.7	151.5	570.2	339.1	-	**2,064.7**	**2,291.2**
Hedging derivatives														
Assets held for trading	-	-	-	-	-	-	-	-	-	-	15.2	27.8	**15.2**	**27.8**
Fair value in equity														
Available for sale	**2,288.5**	**2,509.3**	**547.2**	**59.8**	**86.2**	**122.9**	**21.3**	**0.0**	**0.0**	**0.0**	**0.0**	**54.3**	**2,943.2**	**2,746.3**
Financial assets	2,288.5	2,509.3	547.2	59.8	86.2	122.9	21.3	-		-	0.0	54.3	**2,943.2**	**2,746.3**
Amortised cost														
Loans and receivables	**5,943.2**	**6,520.3**	**6,528.6**	**6,222.1**	**5,089.3**	**5,335.4**	**1,862.0**	**2,567.7**	**323.5**	**667.4**	**194.0**	**109.0**	**19,940.6**	**21,421.9**
Loans and advances to banks	2,500.0	2,279.7	354.1	24.2	146.5	-	22.0	11.5	1.0	0.8		-	**3,023.6**	**2,316.2**
Loans and advances to customers (including hedge fair value adjustments)	1,040.5	1,903.0	6,056.7	6,011.4	4,734.5	5,335.4	1,783.0	2,515.4	303.6	519.9	194.0	109.0	**14,112.3**	**16,394.1**
Financial assets	2,402.7	2,337.6	117.8	186.5	193.7	-	57.0	40.8	18.9	146.7	-	-	**2,790.1**	**2,711.6**
Non-current assets held for sale	-	-	-	-	14.6	-	-	-	-	-	-	-	**14.6**	**-**
Receivables from finance leases														
Loans and advances to customers	0.5	0.2	148.3	112.9	461.1	465.5	407.3	352.2	264.9	433.5	5.9	8.5	**1,288.0**	**1,372.8**
Total	**10,684.6**	**10,676.9**	**8,389.1**	**6,713.4**	**5,901.6**	**6,201.3**	**2,429.8**	**3,172.4**	**765.4**	**1,684.1**	**554.2**	**199.6**	**28,724.7**	**28,647.7**

* Figures adjusted

The loans with renegotiated conditions shown in the table at the maximum credit risk amount are not past due and are not subject to long-term impairment because of a confirmed debt service ratio or sufficient security. A more detailed review is necessary, however, as the agreements with the borrowers for these loans have subsequently changed. This usually occurs as part of restructuring measures. In general, the interest and redemption structure is modified to ensure that the borrower is able to meet its obligations. Individual write-downs are not required to be recognised for the renegotiated loans or those in arrears shown below. However, these loans are taken into account in calculating portfolio write-downs. Please see the Group management report for more information on the calculation of portfolio write-downs.

The rating methods and procedures used by IKB are explained in the Group Management Report.

All financial instruments are subject to an ongoing review and reporting process. IKB has defined the so-called credit volume for reporting. The credit volume is based on the IKB business model and is a suitable means of illustrating the credit risk. Please see the Group management report for more information on the calculation of the credit volume.

As of the balance sheet date 31 March 2012, the following financial assets were in arrears:

31 Mar. 2012 in Mio. €	Financial assets past due but not impaired						Total	Fair value of corresponding collateral
	Between 1 and 5 days	Between 5 and 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 and 360 days	More than 360 days		
Amortised cost								
Loans and receivables	**500.6**	**20.5**	**18.0**	**23.1**	**22.7**	**20.3**	**605.2**	**138.7**
Loans and advances to customers (including hedge fair value adjustments)	500.6	20.5	18.0	23.1	22.7	20.3	605.2	138.7
Receivables from finance leases								
Loans and advances to customers	204.5	280.3	98.9	30.8	9.2	15.2	639.0	492.0
Total	**705.1**	**300.8**	**116.9**	**53.9**	**31.9**	**35.5**	**1,244.2**	**630.7**

31 Mar. 2011 in Mio. €	Financial assets past due but not impaired						Total	Fair value of corresponding collateral
	Between 1 and 5 days	Between 5 and 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 and 360 days	More than 360 days		
Amortised cost								
Loans and receivables	**108.2**	**84.9**	**41.9**	**82.8**	**3.8**	**26.4**	**348.0**	**193.1**
Loans and advances to customers (including hedge fair value adjustments)	108.2	84.9	41.9	82.8	3.8	26.4	348.0	193.1
Receivables from finance leases								
Loans and advances to customers	34.9	185.0	143.7	42.9	30.3	35.3	472.0	363.4
Total	**143.1**	**269.9**	**185.6**	**125.7**	**34.1**	**61.7**	**820.0**	**556.5**

Financial instruments that are in arrears by one or more days are classed as past due in accordance with IFRS 7. However, the first maturity range (one to five days in arrears) should be regarded as less meaningful due to the possibility of delays in settlement on the part of the borrower. There are no impairment losses for the past due financial instruments shown in this table.

The following financial assets were subject to individual write-downs as of the balance sheet date:

in € million	Carrying amount of impaired assets before impairment		Amount of impairment		Carrying amount of impaired assets after impairment		Fair value of corresponding collateral	
	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011
Amortised cost								
Loans and receivables	**1,542.3**	**2,108.0**	**972.4**	**1,291.3**	**569.9**	**816.7**	**455.6**	**585.9**
Loans and advances to customers (including hedge fair value adjustments)	852.4	1,372.1	417.2	698.6	435.2	673.5	455.6	585.9
Financial assets	689.9	735.9	555.2	592.7	134.7	143.2	-	-
Receivables from finance leases								
Loans and advances to customers	57.9	43.6	7.4	7.6	50.5	36.0	38.9	27.7
Total	**1,600.2**	**2,151.6**	**979.8**	**1,298.9**	**620.4**	**852.7**	**494.5**	**613.6**

In the financial year, the write-down for the reporting class "Available for sale financial assets at fair value in equity" amounted to € 8.6 million.

During the financial year, IKB generated collateral revenue in the amount of € 503.1 million (previous year: € 545.0 million).

Detailed information on risks can be found in the risk report in the Group management report.

Other disclosures

(64) Income taxes in other comprehensive income

in € million	Balance as of 1 Apr. 2011	Changes recognised directly in equity	Changes recognised in profit or loss	Balance before income tax effects as of 31 Mar. 2012	Income tax effects on changes recognised directly in equity	Income tax effects on changes recognised in profit or loss	Balance after income tax effects as of 31 Mar. 2012
Financial assets available for sale	-35.0	29.2	6.5	0.7	-9.1	-2.1	-10.5
Derivatives hedging fluctuations in future cash flows	-1.5	-5.0	-	-6.5	1.6	-	-4.9
Currency translation reserve	-17.5	-1.6	-	-19.1	-	-	-19.1
Actuarial gains/losses (IAS 19)	-24.6	-30.9	-	-55.5	9.7	-	-45.8
Total comprehensive income	**-78.6**	**-8.3**	**6.5**	**-80.3**	**2.2**	**-2.1**	**-80.3**

in € million	Balance as of 1 Apr. 2010	Changes recognised directly in equity	Changes recognised in profit or loss	Balance before income tax effects as of 31 Mar. 2011	Income tax effects on changes recognised directly in equity	Income tax effects on changes recognised in profit or loss	Balance after income tax effects as of 31 Mar. 2011
Financial assets available for sale	0.9	-38.1	-14.4	-51.5	12.1	4.3	-35.0
Derivatives hedging fluctuations in future cash flows	-7.8	9.2	-	1.4	-2.9	-	-1.5
Currency translation reserve	-17.2	-0.3	-	-17.5	-	-	-17.5
Actuarial gains/losses (IAS 19)	-33.8	13.4	-	-20.4	-4.2	-	-24.6
Total comprehensive income	**-57.9**	**-15.8**	**-14.4**	**-88.0**	**5.1**	**4.3**	**-78.6**

(65) Contingent assets/liabilities and other commitments

IKB's contingent liabilities and other commitments break down as follows:

in € million	31 Mar. 2012	31 Mar. 2011
Contingent liabilities	**340.1**	**496.5**
Other obligations	**1,609.7**	**1,664.2**
Commitments up to one year	995.1	834.3
Commitments of more than one year	614.6	829.9
Total	**1,949.8**	**2,160.7**

Contingent liabilities are offset by contingent assets in the same amount.

The figures presented reflect the amounts that would have to be paid if the respective customers were to use the relevant credit facilities in full, adjusted for provisions.

As part of the sale of 50% of the shares in Movesta Lease and Finance GmbH, Pullach i. Isartal (formerly: Düsseldorf), IKB AG and IKB Beteiligungen assumed joint and several guarantees and indemnity obligations including for the transferred GmbH shares and the proper settlement and fulfilment of historical obligations (e.g. submission of tax declarations and tax returns).

(66) Other financial obligations

As at the end of the reporting period, the Group's payment obligations from equities not fully paid in, investments in GmbHs, investments in non-consolidated subsidiaries, the interests held by IKB Private Equity GmbH and subordinated loans amounted to € 1.3 million (previous year: € 9.2 million).

Other financial obligations for rental agreements, leases and other agreements totalled € 279.3 million as at 31 March 2012 (previous year: € 302.1 million).

In accordance with section 5 (10) of the by-laws of the Deposit Protection Fund, IKB AG is required to indemnify the Association of German Banks from losses incurred by the latter due to assistance provided for another bank in which IKB AG holds the respective majority of the shares or over which it can directly or indirectly exercise control.

(67) Leases

Finance leases

Finance leases are generally part amortisation agreements under which the residual value is defined contractually with the lessee. During the non-cancellable lease term, the acquisition costs are only amortised in part. Amortisation is carried out on the basis of the implicit interest rates. A residual value is calculated at the end of the agreement. The residual value is based on the expected fair value of the leased item at the end of the agreement. Part amortisation agreements differ between agreements with a put option for IKB and agreements without a put option in respect of the lessee. Agreements without put options can also include hedges in the form of repurchase agreements with third parties. In foreign companies customers are sometimes offered call options under this type of agreement. Agreements without put options or with repurchase agreements can also be reported in the balance sheet as an operating lease depending on the calculated residual value.

In addition, there are also full amortisation agreements, puttable agreements and hire purchase agreements that are reported on the balance sheet as finance leases. For full amortisation agreements, the full acquisition cost is amortised over the non-cancellable lease term. These agreements are used for leased items that are not expected to have any significant fair value at the end of the term. Puttable agreements have a non-cancellable lease term after an automatic extension provided that the agreement is not cancelled by the customer. In the event of cancellation, the customer must make a final payment. This results in full amortisation. In hire purchase agreements and loan agreements used in foreign companies, legal ownership of the financed property passes to the customer on payment of the final instalment.

The finance lease ends once the contracting parties have fulfilled all their obligations in accordance with the agreement.

Receivables from lease transactions in € million	**31 Mar. 2012**	**31 Mar. 2011**
Gross investment value (maturities)		
up to one year	701.9	675.8
between one and five years	1,487.8	1,370.0
more than five years	91.4	107.4
Total gross investment value	**2,281.1**	**2,153.2**
of which:		
Non-guaranteed residual values	28.0	27.2
Unrealised financial income (maturities)		
up to one year	110.7	106.5
between one and five years	151.7	149.1
more than five years	5.3	8.0
Total unrealised financial income	**267.7**	**263.6**
Net investment value (maturities)		
up to one year	591.2	569.3
between one and five years	1,336.1	1,220.9
more than five years	86.1	99.5
Total net investment value	**2,013.4**	**1,889.7**
Contingent rent recognised in profit or loss	9.2	8.2
Cumulative impairment for irrecoverable outstanding minimum lease payments	0.5	0.9

Future minimum lease payments from non-cancellable finance leases are broken down by maturities as follows:

in € million	31 Mar. 2012	31 Mar. 2011
up to one year	562.1	614.1
between one and five years	1,155.2	1,243.2
more than five years	76.2	94.2
Total	**1,793.5**	**1,951.5**

Operating leases

Operating leases can result from part amortisation agreements and puttable agreements where a residual value is taken into account. The residual value is realised at the end of the agreement resulting from the sale or sub-leasing of the leased item. In vehicle part amortisation agreements, the lessee can also participate in additional proceeds under the terms of the agreement if the proceeds from realisation exceed the residual value. Puttable agreements are concluded for indefinite periods. The calculated term, the termination rights and the corresponding compensatory payments are agreed on a case-by-case basis.

Future minimum lease payments from non-cancellable operating leases are broken by maturities as follows:

in € million	31 Mar. 2012	31 Mar. 2011
up to one year	6.2	8.3
between one and five years	8.7	11.8
more than five years	0.0	0.1
Total	**14.9**	**20.2**

As in the previous year, no contingent rents were recognised in profit or loss in the year under review.

Two administrative buildings in Düsseldorf were leased for a fixed lease term of 20 years under an operating lease (rent agreement). The lease can be renewed on two occasions, in each case for five years, at the market conditions applicable at the time. In addition, IKB was granted a preferential purchase right and a preferential lease right. For the first three years of the lease agreement concluded in 2006, a price escalation clause of 1% p.a. was agreed. From the fourth year onwards, a provision applies with regard to contingent rents linking the increase of the rents to changes in the consumer price index.

The minimum lease payments to be made by IKB from non-cancellable operating leases break down as follows:

in € million	31 Mar. 2012	31 Mar. 2011
up to one year	9.9	9.9
between one and five years	53.0	53.0
more than five years	122.5	135.8
Total	**185.4**	**198.7**

IKB expects to receive rental payments from subleasing parts of the administrative buildings to third-party tenants of at least € 1.2 million p.a. (previous year: € 1.9 million).

(68) Disclosures on collaterals

Disclosures on collaterals provided for own liabilities and contingent liabilities

The following table provides an overview of all assets (except for cash collateral payments) pledged as collateral by IKB. This also includes collateral that the secured party can dispose of freely and for which the secured party has a customary right of resale.

in € million	**Assets provided as collateral**	
	31 Mar. 2012	**31 Mar. 2011**
Assets		
Fair value through profit or loss		
Held for trading	**12.3**	**13.7**
Assets held for trading	12.3	13.7
Fair value option	**843.5**	**820.7**
Financial assets	843.5	820.7
Fair value in equity		
Available for sale	**1,429.6**	**670.9**
Financial assets	1,429.6	670.9
Carried at amortised cost		
Loans and receivables	**10,974.8**	**11,097.9**
Loans and advances to banks	1.4	1.6
Loans and advances to customers	9,144.4	10,320.4
Financial assets	1,829.0	775.9
Total	**13,260.2**	**12,603.2**

Fixed-income securities with a nominal volume of € 3.0 billion (previous year: € 6.1 billion) have been transferred as collateral for the tender business of the European Central Bank and for general collateral pooling with Eurex Repo GmbH. In addition, loan receivables with a nominal amount of € 0.2 billion (previous year: € 0.6 billion) have been deposited with Deutsche Bundesbank.

As at the end of the reporting period, these credit facilities had been utilised to a total of € 4.8 billion (previous year: € 2.2 billion).

IKB AG has transferred a total of € 10,973.4 million (previous year: € 11,096.3 million) in loans and advances to customers and financial assets to other banks (particularly KfW) as collateral.

As at the end of the reporting period, there were cash collateral payments amounting to € 1.5 million (previous year: € 2.2 million) in connection with lending business.

Cash collateral in the amount of € 2.0 billion (previous year: € 1.5 billion) was assigned for OTC derivatives as part of collateral management.

Securities with a nominal value of € 184.2 million (previous year: € 197.0 million) have been deposited with Clearstream Banking AG, Frankfurt/Main, for compliance with payment obligations in securities transactions; a security with a nominal value of € 7.0 million (previous year: € 7.0 million) has been deposited as collateral at Clearstream Banking S.A., Luxembourg. In trading on EUREX Germany, securities for margin obligations have been lodged with Barclays, London, with a nominal value of € 22.0 million (previous year: € 22.0 million).

Securities with a nominal volume of € 417.4 million (previous year: € 87.4 million) have been pledged to KfW, Frankfurt/Main, to help hedge joint business concepts and cash collateral of € 230.0 million (previous year: € 230.0 million) has been provided. € 30.0 million (previous year: € 40.0 million) has been pledged as cash collateral at other banks. Additional securities with a nominal volume of € 165.0 million (previous year: € 141.0 million) were pledged as collateral to various banks to secure global loans.

(69) Securities repurchase agreements

In the context of genuine repurchase agreement business, securities with a nominal volume of € 3.8 billion (previous year: € 1.4 billion) were transferred as at the end of the reporting period. The carrying amounts of the financial assets transferred as at the end of the reporting period were € 2.1 billion (previous year: € 954.4 million) (repo transactions). These assets included collateral that can be resold or re-pledged.

Securities with a nominal volume of € 0.5 billion (previous year: € 0.5 billion) were deposited with SIX SIS Ltd., Switzerland, to hedge repo transactions with various Swiss counterparties.
The repurchase agreements resulted in deposits from other banks of € 2.0 billion (previous year: € 894.1 million).

in € million	Repurchase agreements		Corresponding purchase price liabilities (liabilities to banks or customers)	
	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011
Assets				
Fair value through profit or loss				
Fair value option	**257.7**	**169.8**	**248.8**	**165.6**
Financial assets	257.7	169.8	248.8	165.6
Fair value in equity				
Available for sale	**237.5**	**174.7**	**221.5**	**174.7**
Financial assets	237.5	174.7	221.5	174.7
Carried at amortised cost				
Loans and receivables	**1,601.6**	**609.9**	**1,511.4**	**553.8**
Financial assets	1,601.6	609.9	1,511.4	553.8
Total	**2,096.8**	**954.4**	**1,981.7**	**894.1**

As a borrower, IKB no longer holds any government bonds (previous year: fair value of € 151.7 million; reverse repo transactions) with an option for resale or reassignment. As at 31 March 2011, this resulted in loans and advances to banks with a carrying amount of € 151.4 million. In line with the usual conditions for repo agreements, there was a return obligation in the same amount for the government bonds received.

(70) Statement of changes in non-current assets

Non-current assets developed as follows in the previous financial year:

in € million	Property, plant and equipment				Intangible assets				Total
	Land and buildings	Operating and office equipment including low-value assets	Lease assets from operating leases	Total	Internally generated intangible assets	Other intangible assets	Intangible assets in development	Total	
Cost									
As of 31 Mar. 2011	**24.1**	**71.7**	**233.1**	**328.9**	**13.3**	**69.0**	**6.7**	**89.0**	**417.9**
Changes in the scope of consolidation	-	-0.1	-0.9	-1.0	-	-	-	-	-1.0
Foreign exchange differences	-	-0.1	-1.9	-2.0	-	-	-	-	-2.0
Additions	0.4	4.7	70.6	75.7	0.9	11.1	0.7	12.7	88.4
Reclassification	-	-	0.1	0.1	-	6.7	-6.7	-	0.1
Disposals	-	10.1	41.9	52.0	0.7	3.0	-	3.7	55.7
As of 31 Mar. 2012	**24.5**	**66.1**	**259.1**	**349.7**	**13.5**	**83.8**	**0.7**	**98.0**	**447.7**
Depreciation and amortisation expense									
As of 31 Mar. 2011	**12.0**	**55.2**	**94.2**	**161.4**	**9.9**	**59.8**	-	**69.7**	**231.1**
Changes in the scope of consolidation	-	-	-0.6	-0.6	-	-	-	-	-0.6
Foreign exchange differences	-	-	-1.1	-1.1	-	-	-	-	-1.1
Depreciation and amortisation	0.3	5.4	40.1	45.8	1.1	5.4	-	6.5	52.3
Impairment	-	-	0.1	0.1	-	-	-	-	0.1
Disposals	-	9.6	29.8	39.4	0.1	3.0	-	3.1	42.5
As of 31 Mar. 2012	**12.3**	**51.0**	**102.9**	**166.2**	**10.9**	**62.2**	-	**73.1**	**239.3**
Carrying amounts									
As of 31 Mar. 2011	**12.1**	**16.5**	**138.9**	**167.5**	**3.4**	**9.2**	**6.7**	**19.3**	**186.8**
As of 31 Mar. 2012	**12.2**	**15.1**	**156.2**	**183.5**	**2.6**	**21.6**	**0.7**	**24.9**	**208.4**

(71) Maturity structure

The remaining term is the period between the balance sheet date and the due date for each portion of an asset or liability. If there is a repricing date before the actual due date, this is shown as the due date.

The following table provides a breakdown of the carrying amounts of assets and liabilities by remaining term:

31 Mar. 2012 **in € million**	**up to** **3 months**	**between** **3 months and** **1 year**	**between** **1 and 5 years**	**more than** **5 years**	**Total**
Loans and advances to banks	2,964.7	7.9	43.8	7.2	**3,023.6**
Loans and advances to customers	1,668.1	2,603.2	9,712.8	3,799.5	**17,783.6**
Assets held for trading	361.4	83.6	421.6	1,612.6	**2,479.2**
Financial assets	318.0	560.0	3,481.2	3,582.1	**7,941.3**
Investments accounted for using the equity method	-	-	-	10.5	**10.5**
Non-current assets held for sale	14.6	-	-	-	**14.6**
Total	**5,326.8**	**3,254.7**	**13,659.4**	**9,011.9**	**31,252.8**
Liabilities to banks	2,291.8	2,867.1	6,321.2	1,741.7	**13,221.8**
Liabilities to customers	4,207.8	1,833.8	1,677.6	2,278.2	**9,997.4**
Securitised liabilities	97.4	2,083.7	73.9	22.2	**2,277.2**
Liabilities held for trading	317.6	122.4	518.4	2,877.2	**3,835.6**
Subordinated capital	15.2	95.1	669.5	237.9	**1,017.7**
Total	**6,929.8**	**7,002.1**	**9,260.6**	**7,157.2**	**30,349.7**

31 Mar. 2011 **in € million**	**up to** **3 months***	**between** **3 months and** **1 year**	**between** **1 and 5 years**	**more than** **5 years***	**Total***
Loans and advances to banks	2,243.2	5.1	56.3	11.6	**2,316.2**
Loans and advances to customers	1,630.7	2,757.6	10,922.4	5,020.2	**20,330.9**
Assets held for trading	231.4	39.8	231.5	312.8	**815.5**
Financial assets*	1,410.8	976.2	3,369.4	2,135.9	**7,892.3**
Investments accounted for using the equity method	-	-	-	10.8	**10.8**
Non-current assets held for sale	-	-	-	-	**-**
Total	**5,516.1**	**3,778.7**	**14,579.6**	**7,491.3**	**31,365.7**
Liabilities to banks	2,000.1	1,561.1	5,411.7	2,220.7	**11,193.6**
Liabilities to customers*	2,804.0	1,302.3	1,181.6	2,405.8	**7,693.7**
Securitised liabilities*	1,276.6	4,204.1	2,202.5	27.3	**7,710.5**
Liabilities held for trading	192.9	33.8	390.0	1,386.9	**2,003.6**
Subordinated capital	5.0	11.3	583.6	544.5	**1,144.4**
Total	**6,278.6**	**7,112.6**	**9,769.4**	**6,585.2**	**29,745.8**

*Figures adjusted

(72) Remaining contractual terms of financial liabilities

The following table shows the liquidity risk for derivative and non-derivative financial liabilities and off-balance sheet transactions in accordance with the requirements of IFRS 7.39(a). The maturity breakdown is based on the contractual terms of the respective items. Payments due are shown as undiscounted contractual cash flows. The earliest possible termination or utilisation date is applied.

The following table provides an overview of the remaining contractual terms of non-derivative liabilities:

31 Mar. 2012 in € million	Remaining contractual terms of financial liabilities					Total
	up to 1 month	between 1 and 3 months	between 3 months and 1 year	between 1 and 5 years	more than 5 years	
Liabilities to banks	795.6	1,525.7	3,053.1	6,957.9	1,955.2	**14,287.4**
Liabilities to customers	3,652.3	652.3	2,600.7	3,425.4	1,934.4	**12,265.1**
Securitised liabilities	46.8	36.6	2,158.0	75.7	-	**2,317.1**
Subordinated capital	193.1	41.0	393.6	1,296.0	810.6	**2,734.3**
Total	**4,687.7**	**2,255.6**	**8,205.4**	**11,755.0**	**4,700.2**	**31,603.9**
Off-balance sheet transactions	1,949.8	-	-	-	-	**1,949.8**

31 Mar. 2011 in € million	Remaining contractual terms of financial liabilities					Total
	up to 1 month	between 1 and 3 months	between 3 months and 1 year	between 1 and 5 years	more than 5 years	
Liabilities to banks	555.5	1,482.6	1,747.9	6,172.2	2,498.5	**12,456.6**
Liabilities to customers	1,867.1	1,022.6	2,147.7	2,625.1	2,670.5	**10,333.0**
Securitised liabilities	953.4	296.4	4,366.4	2,285.5	10.4	**7,912.1**
Subordinated capital	12.0	5.9	336.1	1,670.7	830.7	**2,855.4**
Total	**3,388.0**	**2,807.5**	**8,598.1**	**12,753.5**	**6,010.1**	**33,557.1**
Off-balance sheet transactions	2,160.7	-	-	-	-	**2,160.7**

Subordinated capital includes liabilities with perpetual maturity that grant the issuer an exclusive right of cancellation. The resulting cash flows are allocated to the respective maturity ranges; the last maturity range shows the nominal value of the liabilities.

The maturity breakdown of the contractual cash flows of derivative liabilities only includes liabilities held for trading that are not assigned to the trading book, as the due date of derivatives assigned to the trading book primarily depends on their value development on the market and not on the contractually agreed cash flows.

31 Mar. 2012 in € million	Remaining contractual terms of financial liabilities					Total
	up to 1 month	between 1 and 3 months	between 3 months and 1 year	between 1 and 5 years	more than 5 years	
Interest rate derivatives	31.9	122.4	328.9	1.429.0	3,627.9	**5,540.1**
Credit derivatives	-	-	0.3	8.8	-	**9.1**
Currency derivatives	2.4	0.6	61.6	27.3	6.4	**98.3**
Total	**34.3**	**123.0**	**390.8**	**1,465.1**	**3,634.3**	**5,647.5**

31 Mar.2011 in € million	Remaining contractual terms of financial liabilities					Total*
	up to 1 month	between 1 and 3 months	between 3 months and 1 year	between 1 and 5 years*	more than 5 years	
Interest rate derivatives	31.5	102.9	237.0	1,061.0	1,971.0	**3,403.4**
Credit derivatives	-	-	-	8.5	-	**8.5**
Currency derivatives	5.1	-	2.9	70.2	9.9	**88.1**
Total	**36.6**	**102.9**	**239.9**	**1,139.7**	**1,980.9**	**3,500.0**

* Figures adjusted

The item “Credit derivatives” was not shown in the previous year’s disclosures. The cash outflows from swaps are reported in the table for contractual remaining terms after netting against the cash inflows per financial instrument for each maturity range. All other derivatives are included at fair value. IKB assumes that the fair value most closely reflects the cash flow generated from the conclusion of derivative positions. Fair values are classified into various maturity ranges based on agreed maturities. In contrast, the fair value of credit derivatives with IKB as pledgor is allocated to the first maturity range. Where IKB is the borrower, the negative fair value is generally allocated to the contractual maturity range.

(73) Liquidity risk

IKB defines liquidity risk as the components of insolvency risk, liquidity maturity transformation risk and economic liquidity risk.

Insolvency risk or short-term (investment) liquidity risk is the risk of being unable to meet current or future payment obligations. This risk is relevant when the available cash and cash equivalents and cash inflows are insufficient to meet the relevant payment obligations, taking existing liquidity reserves into account. As a bank performing refinancing via the money and capital markets, this risk is particularly relevant for IKB if the money and capital markets and/or the Bank's own ability to act on the capital markets is disturbed on a sustained basis. This risk class is addressed by limiting the minimum daily liquidity balance taking into account various scenarios over a horizon of 365 days.

Liquidity maturity transformation risk is defined as the risk that it will only be possible to close future liquidity gaps at a higher cost or that it will not be possible to close such gaps on account of liquidity bottlenecks. Among other things, this risk class is addressed through the regular preparation of a long-term funding matrix (up to seven years). In order to ensure the diversification of cash inflows and outflows over the individual maturity ranges in terms of timing can be analysed and included in the controlling process, a detailed evaluation of liquidity is performed on a daily basis taking into account controlling measures over a seven-year horizon. As part of the Group planning process, liquidity and liquidity costs are also analysed in detail over a five-year period and controlling measures are derived on this basis.

Economic liquidity risk encompasses the risk that market distortions or a change in conditions could result in a crisis situation for IKB. This risk is analysed using regular stress tests. Bank-specific stress tests and market-oriented stress tests are developed for this purpose. In addition, combined stress scenarios are calculated on a regular basis and reviewed in accordance with MaRisk BTR 3.2 to determine whether the volume of highly liquid securities is sufficient for ensuring short-term liquidity.

Strategic liquidity management objectives are set by the Board of Managing Directors, while operational liquidity management is the responsibility of Treasury, which also plans the corresponding measures as part of daily liquidity risk reporting. The planned measures and the liquidity situation are discussed by Treasury and Risk Controlling once a week, taking the current market situation into account.

The planned measures and models are subjected to regular backtesting by Risk Controlling in order to identify necessary adjustments in a timely manner. Assumptions and methods are reviewed at least once a year and as required.

In the past financial year, the still strained market environment meant that liquidity controlling activities primarily focused on ensuring short and medium-term liquidity (365-day horizon) with adherence to regulatory requirements as a strict subsidiary condition. The liquidity ratio prescribed by the German Liquidity Ordinance is calculated on a daily basis by regulatory reporting and a forecast is prepared as part of Treasury controlling. IKB seeks to always maintain a liquidity ratio of at least 1.2 (regulatory requirement: 1.0). This target was largely achieved in the 2011/12 financial year.

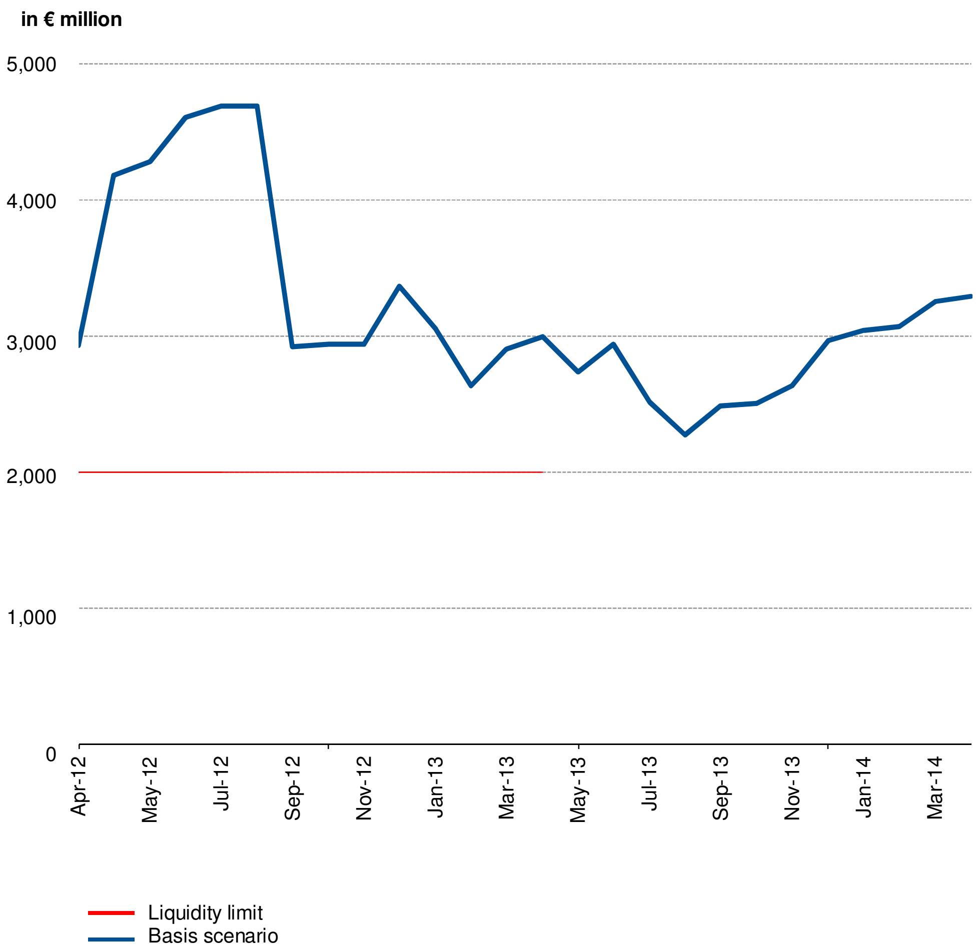
In addition, Treasury regularly examines access to the capital markets for the purposes of obtaining funds for refinancing (tactical liquidity). In the past 2011/12 financial year, IKB generated around € 3.2 billion in the form of fixed-term deposits and call money on the retail banking platform it launched at the start of the financial year. The Bank anticipates that this portfolio will continue to grow. Conversely, corporate client deposits (not including promissory note loans issues) gradually declined by almost € 1.0 billion to € 2.6 billion. The granularity of the customer deposit portfolio was increased further by way of selective steering measures.

IKB already returned € 1.8 billion in SoFFin guarantees to SoFFin before maturity in the 2011/12 financial year. Furthermore, maturing SoFFin guarantees with a total volume of € 3.2 billion were repaid on schedule, with the result that the outstanding SoFFin volume as at the end of the reporting period amounted to € 4.5 billion (€ 2.5 billion of which in the Bank's own portfolio).

Risk Controlling is responsible for liquidity risk controlling independently of trading. It monitors adherence to limits and daily liquidity risk reporting and calculates stress scenarios. The liquidity risk report includes the development of contracted business and the liquidity reserve (particularly securities and loans eligible as collateral with central banks) as well as models on existing holdings and additional planned measures based on various scenarios. All material Group companies are included in liquidity risk reporting and liquidity controlling.

The following diagram shows a funding matrix (basis scenario) for a horizon of two years reflecting the agreed liquidity measures. The bottom line depicts the limit of € 2 billion (365 days); the limit is the minimum liquidity that the Bank wishes to maintain over a period of 365 days.

2-year funding matrix as of 30 March 2012



The components of the funding matrix include:

- capital and interest cash flows from contracted business and models
- the liquidity reserve (securities and loans eligible as collateral with central banks, and fund units)
- new loans business extrapolated based on observed portfolio development
- maintenance of the portfolio of customer deposits and promissory note loans recognised as liabilities in their current amounts.

(74) Average number of employees

	2011/12	2010/11
Men	968	957
Women	576	577
Total	**1,544**	**1,534**

(75) Related party disclosures

The following table shows the related parties of the executive bodies of the Bank in the customer loans business:

Group	Credit volume (utilisation or amount of commitment) (€ thousand)		Average remaining term (years)		Average interest (%)	
	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011
Employee representatives in the Supervisory Board	**5**	29	**21.8**	22.8	**5.0**	5.0
Companies controlled by shareholder representatives	**136,411**	138,684	**3.0**	3.9	**3.4**	4.0
Total	**136,416**	138,713	**3.0**	3.9	**3.4**	4.0

All loans were granted at normal market conditions on the basis of IKB's standard principles of business and were secured with either real property liens or other collateral instruments. These exposures represent 0.4% (previous year: 0.4 %) of the total credit extended by the Group. There were no individual write-downs on these loans.

The remuneration of employee representatives on the Supervisory Board amounted to € 362 thousand in the 2011/12 financial year (previous year: € 408 thousand).

The following table shows the remaining related party transactions that were also conducted at normal market conditions:

Group	Type of transaction	Volume (€ thousand)		Average remaining term (years)		Average interest (%)	
		31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011
Companies controlled by shareholder representatives	Interest rate swaps	31,239	33,563	2.9	3.9	IKB pays variably: EURIBOR 3M fixed: 4.23 - 4.57% receives variably: EURIBOR 6M fixed: 3.60%	IKB pays variably: EURIBOR 3M and EURIBOR 6M receives: 3.60 to 4.57%
Companies controlled by shareholder representatives	Range-based interest rate swaps	-	8,713	-	0.2	-	IKB pays variably: EURIBOR 3M receives: 3.85% or EURIBOR 3M (depending on range)
Companies controlled by shareholder representatives	IHS	-	9,352	-	5.5	-	4.8

IKB AG has prepared a dependent company report in line with section 312 AktG. The dependent company report is not published. The closing statement by the Board of Managing Directors of the Bank in the dependent company report reads as follows: "According to the circumstances known to us at the time at which the transactions and measures stated in the dependent company report were executed, implemented or omitted, our Company received appropriate consideration for every transaction and was not disadvantaged by the implementation or omission of any measures."

Directors' dealings as defined by section 15a WpHG

Persons with management responsibilities, including in particular the members of the Board of Managing Directors and the Supervisory Board of IKB and persons closely related to them are legally required in line with section 15a of *Wertpapierhandelsgesetz* (*WpHG* – German Securities Trading Act) to disclose transactions with IKB shares or financial instruments based on them if the value of the transactions performed by the member and persons closely related to the member within a calendar year amounts to or exceeds a total of € 5,000.

No such notifications were received in the reporting year.

There were no reportable shareholdings as defined by item 6.6 of the German Corporate Governance Code as of 31 March 2012.

Receivables from and liabilities to non-consolidated subsidiaries and other investment companies

Related party transactions primarily relate to refinancing and capital strengthening measures by the parent of IKB's main shareholder LSF6 Europe Financial Holdings, L.P. and companies assigned to it. Loans and advances to customers primarily relate to loans issued to associated companies and other investees and investors that are non-consolidated subsidiaries.

The following table shows the related parties in accordance with IAS 24.19:

in € million	Companies allocated to the parent company		Subsidiaries		Joint venture/ Associates		Total	
	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011
Receivables								
Loans and advances to banks	6.9	3.6	-	-	-	-	6.9	3.6
Loans and advances to customers	-	-	18.6	60.0	50.1	73.9	68.7	133.9
Assets held for trading	-	-	3.2	1.4	2.2	1.8	5.4	3.2
Bonds and other fixed-income securities	-	-	0.4	0.5	2.5	2.4	2.9	2.9
Equities and other non-fixed-income securities	-	-	-	-	-	10.2	-	10.2
Total	**6.9**	**3.6**	**22.2**	**61.9**	**54.8**	**88.3**	**83.9**	**153.8**
Liabilities								
Liabilities to customers	311.4	343.7	-	1.2	-	1.0	311.4	345.9
Liabilities held for trading	6.8	3.3	-	-	-	0.7	6.8	4.0
Subordinated liabilities	-	13.4	-	-	-	-	-	13.4
Total	**318.2**	**360.4**	**0.0**	**1.2**	**0.0**	**1.7**	**318.2**	**363.3**

As part of the contractual negotiations with SoFFin on the increased guarantee framework, LSF6 Europe Financial Holdings, L.P., Delaware, was required to waive its claims arising from the subordinated bonds dated November and December 2008 in order to strengthen IKB's core capital. With regard to the mandatory convertible bond, it was agreed that LSF6 Rio S.à.r.l. would exercise conversion early with effect from 1 July 2009.

Letter of comfort

IKB undertakes to ensure that its subsidiaries indicated in the scope of consolidation (Note (80)) as protected by the letter of comfort are able to meet their contractual obligations with the exception of the event of political risk.

The letters of comfort for the foreign subsidiaries of IKB Leasing GmbH, Hamburg, and IKB Leasing GmbH, Berlin, were withdrawn. Subsequent liability risks could arise from existing liabilities to third parties of € 7 million.

IKB Projektentwicklung GmbH & Co. KG issued an unlimited letter of comfort for Lixxus Projektentwicklung GmbH & Co. KG so that this company can meet its obligations under a legal dispute.

IKB Private Equity GmbH issued a letter of comfort for IKB Equity Capital Fund GmbH (formerly: IKB Equity Capital Fund I GmbH & Co. KG) so that it can meet its obligations under loan and guarantee agreements transferred to it under a spin-off and transfer agreement, including the reimbursement of prosecution and legal costs.

In addition to the existing letter of comfort, IKB also issued a commitment to provide sufficient capital and liquidity for IKB Projektentwicklung GmbH & Co. KG in the 2011/12 financial year.

(76) Remuneration and loans to executive bodies

A detailed description of the principles of the remuneration and the compensation system for the members of the Board of Managing Directors and of the Supervisory Board is included in the remuneration report in the Group management report.

Remuneration of the Board of Managing Directors

Remuneration of the Board of Managing Directors for the 2011/12 financial year breaks down as follows: € 2.0 million relates to fixed remuneration, € 1.0 million – subject to a resolution of the Supervisory Board – to variable remuneration, € 0.2 million to pension compensation and € 28 thousand to additional benefits. The variable remuneration for the 2011/12 financial year has not yet been resolved by the Supervisory Board but has been set aside in the amount of the target bonuses agreed with each member of the Board of Managing Directors, i.e. in a total amount of € 2.6 million. If and to the extent that the Supervisory Board resolves the bonuses for the 2011/12 financial year, 40% of bonuses will become payable immediately after the resolution by the Supervisory Board, but not before three bank working days after the adoption of the consolidated financial statements for the financial year for which they are granted; a further 30% of bonuses will become payable 21 bank working days after the adoption of the consolidated financial statements for the first financial year and the remaining 30% of bonuses 21 bank working days after the adoption of the consolidated financial statements for the second financial year following the financial year for which the bonus was granted. Assuming the Supervisory Board resolves the variable remuneration in the amount of the target bonuses, the total remuneration of the Board of Managing Directors for the 2011/12 financial year amounts to € 4.9 million.

Regarding the prior financial year 2010/11, in its meeting on 28 June 2011, the Supervisory Board set the bonuses for the members of the Board of Managing Directors for the 2010/11 financial year as follows: Mr Schüttler € 1,000 thousand, Dr Glüder € 630 thousand, Mr Momburg € 460 thousand and Dr Wiedmann € 530 thousand.

Former and retired members of the Board of Managing Directors

The total remuneration for former members of the Board of Managing Directors and their surviving dependents amounted to € 3.5 million (previous year: € 3.2 million). Provisions of € 43.5 million were recognised for pension obligations to former members of the Board of Managing Directors and their surviving dependents (previous year: € 39.9 million).

With regard to the claims for the return of the performance-related remuneration for the 2006/07 financial year from the Board of Managing Directors, please refer to the information in the remuneration report.

Remuneration of the Supervisory Board

The total remuneration of the members of the Supervisory Board for the 2011/12 financial year (including VAT) amounted to € 258 thousand (previous year: € 257 thousand). This includes € 10 thousand (previous year: € 10 thousand) in reimbursed expenses.

Remuneration of the Advisory Board

€ 289 thousand (previous year: € 258 thousand) including VAT was paid to the members of the Advisory Board. The prior-year figures were reported € 84 thousand too low in the notes in the previous year.

Loans extended to members of executive bodies and the Advisory Board

As of 31 March 2012, IKB had extended loans of a total amount of € 0.1 million (previous year: € 0.1 million) to members of the Supervisory Board and the Advisory Board.

(77) German Corporate Governance Code

On 23 February 2012, the Board of Managing Directors and the Supervisory Board issued their annual declaration of conformity in accordance with section 161 AktG and made it permanently available to shareholders on the Company's website (www.ikb.de).

(78) Events after 31 March 2012

Please see the supplementary report in the Group management report for information on events after 31 March 2012.

(79) Executive bodies

The following list of members of the Supervisory Board and Board of Managing Directors shows

a) *their membership in other statutory supervisory boards and*
b) *similar offices held in comparable control bodies of German and foreign companies.*

Supervisory Board

Chairman

Bruno Scherrer, London
Senior Managing Director/Head of European Investments, Lone Star Management Europe Ltd.

a) *COREALCREDIT BANK AG (Chairman)*
Düsseldorfer Hypothekenbank AG (Deputy Chairman)

Deputy Chairman

Dr Karsten von Köller, Frankfurt
Chairman, Lone Star Germany GmbH

a) *Düsseldorfer Hypothekenbank AG (Chairman)*
MHB-Bank Aktiengesellschaft (Chairman)
COREALCREDIT BANK AG (Deputy Chairman)

b) *W.P. Carey & Co. LLC*

Members

Stefan Baustert, Krefeld
Managing Director of RENA GmbH

a) *NYCON ENERGY AG (Deputy Chairman)*

b) *AptarGroup*

Olivier Brahin, London (until 25 May 2012)
Head of European Real Estate Investments, Lone Star Management Europe Ltd.

a) *COREALCREDIT BANK AG*

Dr Lutz-Christian Funke, Oberursel
Director of KfW, Head of Business Strategy division of KfW Bankengruppe

a) *Dedalus GmbH & Co. KGaA (Deputy Chairman)*

Ulrich Grillo, Mülheim an der Ruhr
Chairman of the Board of Managing Directors, Grillo-Werke Aktiengesellschaft

a) *Baumarkt Praktiker Deutschland GmbH*
mateco AG
Praktiker Bau- und Heimwerkermärkte Holding AG

b) *HDF Hamborner Dach- und Fassadentechnik GmbH & Co. KG (Chairman)*
Grillo Zinkoxid GmbH
RHEINZINK GmbH & Co. KG
Zinacor S.A. (Belgium)

Arndt G. Kirchhoff, Attendorn
Managing Partner of KIRCHHOFF Automotive GmbH

a) *DEKRA SE*
KOSTAL Verwaltungsgesellschaft mbH

b) *DAL Deutsche Afrika Linien GmbH & Co. KG*
DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH
Großhaus GmbH (from 1 April 2011)
LEWA Attendorn GmbH

Bernd Klein, Mönchengladbach
Advisor on contracts and collateral, member of the Düsseldorf Works Council of IKB Deutsche Industriebank AG

Dr Claus Nolting, Munich
Chairman of the Board of COREALCREDIT BANK AG

Dr Thomas Rabe, Berlin (until 21 February 2012)
CEO of Bertelsmann AG

a) *Arvato AG (Chairman since 23 January 2012)*

BMG RM Germany GmbH (Chairman)
Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft (Chairman since 1 January 2012)
Symrise AG (Chairman since 18 May 2011)

b) Bertelsmann Capital Investment S.A.
Bertelsmann Digital Media Investments S.A.
Bertelsmann Inc.
Edmond Israel Foundation
RTL Group S.A.
Springer Science+Business Media S.A.

Nicole Riggers, Düsseldorf (from 7 September 2011)
Deputy Chairwoman of the Düsseldorf Works Council, Deputy Chairwoman of the Group Works Council of IKB Deutsche Industriebank AG

Dr Carola Steingräber, Berlin
Branch analyst, Chairwoman of the Berlin Works Council, member of the Group Works Council of IKB Deutsche Industriebank AG

Carmen Teufel, Neustetten
Sales analyst, Chairwoman of the Baden-Württemberg Works Council, member of the Group Works Council of IKB Deutsche Industriebank AG

Dr Andreas Tuczka, Vienna
Head of European Financial Institutions/Managing Director, Lone Star Management Europe Ltd.

a) Düsseldorfer Hypothekenbank AG

Ulrich Wernecke, Rommerskirchen
Chairman of the Düsseldorf Works Council, Chairman of the Group Works Council of IKB Deutsche Industriebank AG

Andreas Wittmann, Munich (until 7 September 2011)
Corporate consultant, Chairman of the Munich Works Council, member of the Group Works Council of IKB Deutsche Industriebank AG

Board of Managing Directors

Hans Jörg Schüttler (Chairman)

b) IKB Autoleasing GmbH
IKB Leasing Berlin Gesellschaft mit beschränkter Haftung
IKB Leasing Gesellschaft mit beschränkter Haftung
IKB Private Equity GmbH

Dr Dieter Glüder

b) IKB Data GmbH (Chairman)

Claus Momburg

b) *MD Capital Beteiligungsgesellschaft mbH (Chairman)*
Tempelhofer Hafen GmbH & Co. KG (Chairman since 15 April 2011)
IKB Autoleasing GmbH
IKB Leasing Berlin Gesellschaft mit beschränkter Haftung
IKB Leasing Gesellschaft mit beschränkter Haftung
IKB Private Equity GmbH

Dr Michael H. Wiedmann

b) IKB Private Equity GmbH (Chairman)
IKB Autoleasing GmbH
IKB Leasing Berlin Gesellschaft mit beschränkter Haftung
IKB Leasing Gesellschaft mit beschränkter Haftung

Offices held by employees

As of 31 March 2012, the following employees were represented in the statutory supervisory boards of large corporations:

Dr Reiner Dietrich
Tricor Packaging & Logistics AG

Dr Annette Littmann (until 30 June 2011)

Dortmunder Stadtwerke AG

Klaus Runzer
ae group ag
Oechsler AG

(80) Scope of consolidation as of 31 March 2012

	Letter of comfort	Share of capital in %
A. Consolidated subsidiaries		
1. Foreign banks		
IKB International S.A. in Liquidation, Luxembourg[3]	x	100
2. Other German companies		
Aleanta GmbH, Düsseldorf		100
Erste Equity Suporta GmbH, Düsseldorf		100[1]
Equity Fund GmbH, Düsseldorf		100[1]
IKB Autoleasing GmbH, Hamburg	x	100[1]
IKB Beteiligungen GmbH, Düsseldorf	x	100
IKB Data GmbH, Düsseldorf	x	100
IKB Equity Capital Fund GmbH, Düsseldorf	x	100[1]
IKB Grundstücks GmbH & Co. Objekt Holzhausen KG, Düsseldorf	x	100
IKB Grundstücks GmbH, Düsseldorf	x	100
IKB Leasing Berlin Gesellschaft mit beschränkter Haftung, Erkner	x	100[1]
IKB Leasing Gesellschaft mit beschränkter Haftung, Hamburg	x	100[1]
IKB Private Equity GmbH, Düsseldorf	x	100[1]
IKB Projektentwicklung GmbH & Co. KG i. L., Düsseldorf	x	100
Istop 1 GmbH, Düsseldorf		100
Istop 2 GmbH, Düsseldorf		100
Istop 4 GmbH, Düsseldorf		100
Istop 5 GmbH, Düsseldorf		100
IKB Struktur GmbH, Düsseldorf		100[1]
IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	x	100
ISTOS Beteiligungsverwaltungs- und Grundstücks- Vermietungsgesellschaft mbH, Düsseldorf	x	100
ISTOS Dritte Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf		100
ISTOS Erste Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf	x	100
ISTOS Zweite Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf		100
Projektbeteiligung TH GmbH & Co. KG, Düsseldorf		89.8
Tempelhofer Hafen GmbH & Co. KG, Düsseldorf		94.9[1]
MATRONA GmbH, Düsseldorf		100[1]
Zweite Equity Suporta GmbH, Düsseldorf		100[1]

1) Indirect interest
2) Subordinated letter of comfort
3) In liquidation (bank licence returned)
4) In liquidation

	Letter of comfort	Share of capital in %
3. Other foreign companies		
IKB Capital Corporation, New York[4]		100
IKB Finance B.V., Amsterdam	x	100
IKB Funding LLC II, Wilmington	x[2]	100
IKB Funding LLC I, Wilmington	x[2]	100
IKB Leasing Austria GmbH, Vienna		100[1]
IKB Leasing CR s.r.o., Praha 9		100[1]
IKB Leasing Finance IFN SA, Bucuresti		100[1]
IKB Leasing France S.A.R.L., Marne La Vallée Cedex 4		100[1]
IKB Leasing Korlátolt Felelösségü Társaság , Budapest		100[1]
IKB Leasing Polska Sp.z.o.o, Poznan (Posen)		100[1]
IKB Leasing SR, s.r.o, Bratislava		100[1]
IKB Leasing S.R.L. , Bucharest / Sektor 1		100[1]
IKB Lux Beteiligungen S.à.r.l, Luxembourg	x	100
IKB Pénzügyi Lízing zártkörüen müködö Részvénytársaság, Budapest		100[1]
STILL LOCATION S.à.r.l., Marne La Vallee Cedex 4		100[1]
IKBL Renting and Service S.r.l., Lainate (MI)		100[1]
IKB Leasing geschlossene Aktiengesellschaft, Moscow		100[1]
B. Joint ventures/associates		
Linde Leasing GmbH, Wiesbaden		30[1]
MD Capital Beteiligungsgesellschaft mbH, Düsseldorf		50[1]
C. Special purpose entities in accordance with SIC-12		
Bacchus 2008-1 Plc, Dublin		
Bacchus 2008-2 Plc, Dublin		
IKB Partner Fonds, Luxembourg		
Partner Fonds Europa Renten Teilfonds II, Luxembourg		
Partner Fonds Europa Renten Teilfonds I, Luxembourg		
Partner Fonds Eurobonds (Teilfonds I), Luxembourg		
Partner Fonds Government & Covered Select, Luxembourg		
Rio Debt Holdings Ltd., Dublin		

1) Indirect interest
2) Subordinated letter of comfort
3) In liquidation (bank licence returned)
4) In liquidation

The following list also shows the assets, liabilities, results and income of companies accounted for using the equity method in line with IFRS:

Name of company accounted for using the equity method in € million	Assets	Liabilities	Earnings	Revenue
Linde Leasing GmbH, Wiesbaden	482.1	448.9	1.5	26.8
MD Capital Beteiligungsgesellschaft mbH, Düsseldorf	1.7	0.0	-0.5	0.1

(81) List of shareholdings as of 31 March 2012

Share holdings of IKB Deutsche Industriebank AG in accordance with section 313 (2) HGB on the consolidated financial statements and the disclosures of section 285 no. 11 and 11a HGB	Financial Year	Letter of comfort	Share of capital in %	Equity in € thousand	Earnings in € thousand
1. Domestic subsidiaries (fully consolidated)					
Aleanta GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00	1,463	229
Equity Fund GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00	13,521	0
Erste Equity Suporta GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00	1,296	0
IKB Autoleasing GmbH, Hamburg	1 Apr. - 31 Mar.	X	100.00	14,000	0
IKB Beteiligungen GmbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.00	724,966	0
IKB Data GmbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.00	15,000	0
IKB Equity Capital Fund GmbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.00	31,353	2,110
IKB Grundstücks GmbH & Co.Objekt Holzhausen KG, Düsseldorf	1 Jan. - 31 Dec.	X	100.00	4,930	538 3)
IKB Grundstücks GmbH, Düsseldorf	1 Jan. - 31 Dec.	X	100.00	112	-15
IKB Leasing Berlin Gesellschaft mit beschränkter Haftung, Erkner	1 Apr. - 31 Mar.	X	100.00	8,000	0
IKB Leasing Gesellschaft mit beschränkter Haftung, Hamburg	1 Apr. - 31 Mar.	X	100.00	60,056	0
IKB Private Equity GmbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.00	479,867	0
IKB Projektentwicklung GmbH & Co. KG i. L., Düsseldorf	1 Jan. - 31 Dec.	X	100.00	-3,020	-6,441 3)
IKB Struktur GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00	103,750	0
IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.00	2,919	31
Istop 1 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00	122,525	0
Istop 2 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00	155,025	0
Istop 4 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00	190,025	0
Istop 5 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00	91,525	0
ISTOS Beteiligungsverwaltungs- und Grundstücks- Vermietungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.	X	100.00	78	2
ISTOS Dritte Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		100.00	271	-8 3)
ISTOS Erste Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.	X	100.00	25	-9 3)
ISTOS Zweite Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		100.00	136	-9 3)
MATRONA GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00	525	0
Projektbeteiligung TH GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		89.80	22	6 3)
Tempelhofer Hafen GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		94.90	-10,675	-1,865
Zweite Equity Suporta GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00	70,080	0
2. Foreign subsidiaries (fully consolidated)					
IKB Capital Corporation, New York 4)	1 Apr. - 31 Mar.		100.00	2,594	265
IKB Finance B.V., Amsterdam Zuidoost	1 Apr. - 31 Mar.	X	100.00	-2,678	120
IKB Funding LLC II, Wilmington	1 Apr. - 31 Mar.	X 2)	100.00	21,336	12,805
IKB Funding LLC I, Wilmington	1 Apr. - 31 Mar.	X 2)	100.00	2,734	2,215
IKB International S.A. in Liquidation, Luxembourg	1 Apr. - 31 Mar.	X	100.00	27,853	-3,413
IKB Leasing Austria GmbH, Vienna	1 Jan. - 31 Dec.		100.00	438	33
IKB Leasing CR s.r.o., Praha 9	1 Jan. - 31 Dec.		100.00	4,243	-695
IKB Leasing Finance IFN SA, Bucuresti	1 Jan. - 31 Dec.		100.00	1,194	-816
IKB Leasing France S.A.R.L., Marne La Vallée Cedex 4	1 Jan. - 31 Dec.		100.00	702	-85
IKB Leasing geschlossene Aktiengesellschaft, Moscow	1 Jan. - 31 Dec.		100.00	3,369	2,252
IKB Leasing Korlátolt Felelösségü Társaság , Budapest	1 Jan. - 31 Dec.		100.00	2,676	-1,545
IKB Leasing Polska Sp.z.o.o, Poznan (Posen)	1 Jan. - 31 Dec.		100.00	8,182	1,789
IKB Leasing S.R.L., Bucharest / Sektor 1	1 Jan. - 31 Dec.		100.00	394	108
IKB Leasing SR, s.r.o, Bratislava	1 Jan. - 31 Dec.		100.00	1,061	-929
IKBL Renting and Service S.r.l., Lainate (MI)	1 Jan. - 31 Dec.		100.00	990	-10
IKB Lux Beteiligungen S.à r.l, Luxembourg	1 Apr. - 31 Mar.	X	100.00	8,479	0
IKB Pénzügyi Lízing zártkörüen müködö Részvénytársaság, Budapest	1 Jan. - 31 Dec.		100.00	794	-458
STILL LOCATION S.à.r.l., Marne La Vallee Cedex 4	1 Jan. - 31 Dec.		100.00	13,421	-1,659

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	Financial Year	Letter of comfort	Share of capital in %
3. Domestic subsidiaries (not fully consolidated due to immateriality)[1)]			
Bella GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00
Boxhagener Str. 76/78 Berlin GmbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.00
Brunnenstraße 105-109 Berlin Grundbesitz GmbH, Münster	1 Jan. - 31 Dec.		94.90
Büroprojekt sechste Verwaltungsgesellschaft mbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.00
Büroprojekt vierte Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.00
Eaton Place 98 London GmbH, Norderfriedrichskoog	1 Jan. - 31 Dec.		100.00
Einsteinufer 63-65 Berlin GmbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.00
Feldmühleplatz 1 Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.00
FRANA Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.00
GAP 15 GmbH, Düsseldorf	1 Jan. - 31 Dec.		92.80
GARUMNA GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00
HARPE Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schloß Schweinsburg KG, Düsseldorf	1 Jan. - 31 Dec.		88.70
HAUSTUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Yachtzentrum Berlin KG, Düsseldorf	1 Jan. - 31 Dec.		94.67
IKB Projektentwicklungsverwaltungsgesellschaft mbH i.L., Düsseldorf	1 Jan. - 31 Dec.	X	100.00
IKB SWE GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00
ILF Immobilien-Leasing-Fonds Verwaltung GmbH & Co. Objekt Boxdorf KG, Düsseldorf	1 Jan. - 31 Dec.		93.44
ilmenau center Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.00
INCO Ingenieur Consult Geschäftsführungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.00
INCO Ingenieur Consult GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		100.00
Istop 3 GmbH, Düsseldorf	1 Jan. - 31 Dec.		100.00
MD Capital Solingen Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.00
MD Capital Stromstrasse Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.00
MD Capital Verwaltungs GmbH, Düsseldorf	1 Jan. - 31 Dec.		100.00
MD Objekt Lorsch Verwaltungs GmbH, Düsseldorf	1 Jan. - 31 Dec.		100.00
MD Objekt Solingen Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.00
MD Objekt Stromstrasse Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.00
MFRSI Beteiligungsholding Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.00
Objekt Pankow Verwaltungsgesellschaft mbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.00
Paxum GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00
RAVENNA Vermögensverwaltungs AG, Berlin	1 Jan. - 31 Dec.		100.00
Restruktur 1 GmbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.00
Restruktur 2 GmbH i.L., Düsseldorf	1 Apr. - 31 Mar.		100.00
Restruktur 3 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00
Robert Adams Str. 12 London GmbH i.L., Norderfriedrichskoog	1 Jan. - 31 Dec.		100.00
SEQUANA GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.00
4. Foreign subsidiaries (not fully consolidated due to immateriality)[1)]			
Eukelade G.m.b.H., Luxembourg	1 Apr. - 31 Mar.		100.00
Helike G.m.b.H., Luxembourg	1 Apr. - 31 Mar.		100.00
IKB Funding Trust II, Wilmington	1 Apr. - 31 Mar.		100.00
IKB Funding Trust I, Wilmington	1 Apr. - 31 Mar.		100.00
Kore G.m.b.H., Luxembourg	1 Apr. - 31 Mar.		100.00
Valin Funds GP Sà.r.l., Luxembourg	1 Apr. - 31 Mar.		100.00
Valin Funds S.C.A,, SICAV-SIF, Luxembourg	1 Apr. - 31 Mar.		100.00
5. German associated companies/Joint ventures (measured at equity)[1)]			
Linde Leasing GmbH, Wiesbaden	1 Jan. - 31 Dec.		30.00
MD Capital Beteiligungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		50.00

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	Financial Year	Letter of comfort	Share of capital in %
6. Domestic subsidiaries/Joint ventures (not measured at equity due to immateriality) and/or in accordance with IAS 28.1(a))[1)]			
alu-druckguss GmbH & Co. Brandenburg KG, Brieselang	1 Jan. - 31 Dec.		49.00
alu-druckguss Verwaltungs GmbH , Brieselang	1 Jan. - 31 Dec.		49.04
Argantis GmbH, Cologne	1 Jan. - 31 Dec.		50.00
Argantis Private Equity GmbH & Co. KG, Cologne	1 Jan. - 31 Dec.		28.86
Argantis Private Equity Gründer GmbH & Co. KG, Cologne	1 Jan. - 31 Dec.		36.46
AWEBA Werkzeugbau GmbH Aue, Aue	1 Jan. - 31 Dec.		25.10
AxIT AG, Frankenthal/Pfalz	1 Jan. - 31 Dec.		29.88
Chemtura Verwaltungs GmbH, Bergkamen	1 Jan. - 31 Dec.		50.00
equiNotes Management GmbH, Düsseldorf	1 Jan. - 31 Dec.		50.00
EWEKO GmbH, Hattingen	1 Jan. - 31 Dec.		30.08
FMD Feinmechanik GmbH, Weilheim	1 Apr. - 31 Mar.		49.03
FUNDIS Projektentwicklungsholding GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		50.00
FUNDIS Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		50.00
GIP Management GmbH & Co. KG, Eschborn	1 Jan. - 31 Dec.		47.50
GIP Verwaltungs GmbH, Eschborn	1 Jan. - 31 Dec.		50.00
GIP WestSite-Entwicklung GmbH & Co. KG, Eschborn	1 Jan. - 31 Dec.		47.50
Hafenspitze Verwaltungsgesellschaft mbH, Hamburg	1 Jan. - 31 Dec.		25.00
ilmenau center GmbH & Co. KG, Lüneburg	1 Jan. - 31 Dec.		50.00
MFRSI Beteiligungsholding GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		50.00
microTEC Gesellschaft für Mikrotechnologie mbH, Duisburg	1 Jan. - 31 Dec.		48.18
Mike's Sandwich GmbH, Hamburg	1 Jan. - 31 Dec.		35.59
MM Mezzanine Beteiligungsberatung GmbH i. L., Düsseldorf	1 Apr. - 31 Mar.		50.00
MOTORRAD-ECKE GmbH, Villingen-Schwennigen	1 Jan. - 31 Dec.		38.86
OCP GmbH Office Chemie Produktion, Hattingen	1 Jan. - 31 Dec.		25.10
ODS Business Services Group GmbH, Hamburg	1 Jan. - 31 Dec.		32.00
Projektgesellschaft Justus-von-Liebig-Straße mbH, Kronberg / Taunus	1 Jan. - 31 Dec.		50.00
Vermögensverwaltungsgesellschaft DVD Dassow GmbH, Dassow	1 Jan. - 31 Dec.		30.00
7. Domestic subsidiaries/Joint ventures (not measured at equity due to immateriality) and/or in accordance with IAS 28.1(a))1)			
Alu Druckguss Sp.z.o.o., Nowa Sól	1 Jan. - 31 Dec.		49.00
Infinigate Holding AG, Rotkreuz	1 Jan. - 31 Dec.		24.52
8. German equity investments in corporations and partnerships in which the interest exceeds 5% of voting rights[1)]			
ae group ag, Gerstungen	1 Jan. - 31 Dec.		12.40
AXA Immoselect Hauptverwaltungsgebäude GmbH Co Objekt Düsseldorf Uerdinger Straße KG, Düsseldorf	1 Jan. - 31 Dec.		5.10
CoBaLe Immobilien GmbH & Co. Objekt Stuttgart KG, Frankfurt am Main	1 Jan. - 31 Dec.		5.10
Feldmühleplatz 1 GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		5.10
Global Safety Textiles HoldCo One GmbH, Maulburg	1 Jan. - 31 Dec.		8.82
Oechsler Aktiengesellschaft, Ansbach	1 Jan. - 31 Dec.		10.00
9. Foreign equity investments in corporations and partnerships in which the interest exceeds 5% of voting rights[1)]			
EPL Acquisitions (SUB) N.V. in liquidatie, AZ Amsterdam	1 Jan. - 31 Dec.		5.70
Old HG Limited, Berkshire	1 Apr. - 31 Mar.		6.12
PSE Newco Limited, Yeadon Leeds	1 Jan. - 31 Dec.		5.70
Ring International Holding AG, Vienna	1 Jan. - 31 Dec.		9.37
10. Special-purpose entities (special-purpose entities included in the consolidated financial statements in line with IAS 27/SIC 12)			
Bacchus 2008-1 Plc, Dublin 2			
Bacchus 2008-2 Plc, Dublin 2			
IKB Partner Fonds, Luxembourg			
Partner Fonds Euro Bonds, Luxembourg			
Partner Fonds Europa Renten Teilfonds II, Luxembourg			
Partner Fonds Europa Renten Teilfonds I, Luxembourg			
Partner Fonds Government & Covered Select, Luxembourg			
Rio Debt Holdings (Ireland) Limited, Dublin 2			

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Düsseldorf, 1 June 2012

IKB Deutsche Industriebank AG
The Board of Managing Directors

Hans Jörg Schüttler	Dr. Dieter Glüder
Claus Momburg	Dr. Michael H. Wiedmann

Auditor’s Report

We have audited the consolidated financial statements prepared by the IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 April 2011, to 31 March 2012. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company’s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 6 June 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Mark Maternus)	(ppa. Michael Meteling)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) OF IKB AG AS OF 31 MARCH 2011

Consolidated statement of comprehensive income of IKB Deutsche Industriebank AG for the period from 1 April 2010 to 31 March 2011

Consolidated income statement

in € million	Notes	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*
Net interest income	(24)	**139.6**	**178.5**
Interest income		1,854.9	2,002.5
Interest expenses		1,715.3	1,824.0
Provisions for possible loan losses	(25)	**70.8**	**493.9**
Net interest income after provision for possible loan losses		**68.8**	**-315.4**
Net fee and commission income	(26)	**-93.0**	**-51.5**
Fee and commission income		43.4	45.0
Fee and commission expenses		136.4	96.5
Net income from financial instruments at fair value	(27)	**71.4**	**-598.9**
Net income from financial assets	(28)	**42.3**	**159.2**
Net income from investments accounted for using the equity method	(29)	**1.6**	**-0.7**
Administrative expenses	(30)	**321.3**	**301.5**
Personnel expenses		167.2	164.2
Other administrative expenses		154.1	137.3
Other operating result	(31)	**242.9**	**164.7**
Other operating income		499.6	336.4
Other operating expenses		256.7	171.7
Operating result		**12.7**	**-944.1**
Taxes on income	(32)	-43.6	18.8
Other taxes		4.8	4.0
Consolidated net profit/loss		**51.5**	**-966.9**
Profit attributable to minority interests		-	0.2
Consolidated net profit/loss after minority interests		**51.5**	**-966.7**

* Figures adjusted

Earnings per share

	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*
Consolidated net profit/loss after minority interests (€ million)	51.5	-966.7
Average number of shares outstanding (million)	633.4	621.3
Earnings per share (€)	**0.08**	**-1.56**

* Figures adjusted

The number of no-par value shares included in calculating earnings per share did not change in the period under review. Accordingly, the average number of no-par value ordinary shares outstanding in the 2010/11 financial year was 633,384,923 (including these shares still to be converted).

Diluted earnings per share were not calculated.

Consolidated statement of total comprehensive income

in € million	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*
Consolidated net profit/loss	**51.5**	**-966.9**
Changes in financial assets available for sale recognised directly in equity	-38.1	37.4
Changes in financial assets available for sale recognised in profit or loss	-14.4	3.2
Changes in derivatives hedging fluctuations in future cash flows recognised directly in equity	9.2	0.8
Currency translation differences recognised directly in equity	-0.3	3.3
Changes due to actuarial gains/losses (IAS 19) recognised directly in equity	13.4	-9.5
Deferred taxes on other comprehensive income	9.4	-9.6
Other comprehensive income	**-20.7**	**25.6**
Total comprehensive income	**30.8**	**-941.3**

* Figures adjusted

The tax effects relating to the individual effects recognised directly in equity are discussed in note (146).

in € million	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*
Total comprehensive income attributable to		
Shareholders of IKB AG	30.8	-941.1
Minority interests	-	-0.2

* Figures adjusted

Consolidated balance sheet of IKB Deutsche Industriebank AG as of 31 March 2011

in € million	Notes	31 Mar 2011	31 Mar 2010*	31 Mar 2009**
Assets				
Cash reserve	(33)	84.8	14.9	4.2
Loans and advances to banks	(34)	2,316.2	2,518.3	2,979.5
Loans and advances to customers	(35)	20,330.9	23,665.1	27,927.9
Provisions for possible loan losses	(36)	-818.5	-1,072.2	-997.7
Assets held for trading	(37)	815.5	1,341.3	3,732.8
Financial assets	(38)	7,897.8	8,340.7	10,236.3
thereof as of 31 March 2011: € 954.4 million (31 March 2010: € 576.9 million; 31 March 2009: € 631.4 million) financial assets pledged as collateral, available for sale or reassignment by the secured party				
Investments accounted for using the equity method	(39)	10.8	9.5	7.5
Intangible assets	(40)	19.3	12.9	19.1
Property, plant and equipment	(41)	167.5	179.5	256.1
Current tax assets	(42)	36.1	42.7	57.7
Deferred tax assets	(43)	190.8	233.2	256.2
Other assets	(44)	386.0	258.5	228.2
thereof inventories as of 31 March 2011: € 97.0 million; 31. March 2010: -; 31 March 2009: -				
Non-current assets held for sale	(45)	-	197.9	3.1
Total		**31,437.2**	**35,742.3**	**44,710.9**

Equity and liabilities				
Liabilities to banks	(46)	11,193.6	11,998.0	15,318.7
Liabilities to customers	(47)	7,678.2	7,517.9	5,818.8
Securitised liabilities	(48)	7,703.4	10,788.6	14,025.9
Liabilities held for trading	(49)	2,003.6	2,481.9	5,480.0
Provisions	(20, 21, 50, 51)	137.1	156.8	172.3
Current tax liabilities	(16, 52)	107.0	109.8	94.8
Deferred tax liabilities	(16, 53)	30.3	103.3	139.6
Other liabilities	(17, 54)	468.1	432.1	547.9
Liabilities in connection with non-current assets held for sale	(18, 55)	-	2.6	-
Subordinated capital	(22, 56)	1,144.4	1,214.2	1,357.9
Equity	(23, 57)	971.5	937.1	1,755.0
Issued capital		1,621.3	1,621.3	1,497.8
Capital reserve		597.8	597.8	597.8
Retained earnings		-1,245.1	-291.2	-206.8
Currency translation reserve		-17.5	-17.2	-20.5
Revaluation surplus		-36.5	-6.9	-35.9
Minority interests		-	-	0.1
Consolidated profit/ loss		51.5	-966.7	-77.5
Total		**31,437.2**	**35,742.3**	**44,710.9**

* Figures adjusted

** See consolidated financial statements as of 31 March 2010

Consolidated statement of changes in equity

in € million	Issued capital	Capital reserve	Retained earnings		Currency translation reserve	Revaluation surplus		Net retained profits / net accumulated losses*	**Total ***	Earnings attributable to non-controlling interests	**Total equity***
			Actuarial gains/losses (IAS 19)	Other		Financial assets available for sale	Derivatives hedging fluctuations in future cash flows				
Equity as of 1 April 2009	**1,497.8**	**597.8**	**-27.1**	**-179.7**	**-20.5**	**-27.6**	**-8.3**	**-77.5**	**1,754.9**	**0.1**	**1,755.0**
Capital increase	123.5								**123.5**		**123.5**
Changes: Other				-0.2					**-0.2**	0.1	**-0.1**
Netting of consolidated net loss 1 April 2008 to 31 March 2009				-77.5				77.5	**0.0**		**0.0**
Total comprehensive income *			-6.7		3.3	28.5	0.5	-966.7	**-941.1**	-0.2	**-941.3**
Equity as of 31 March 2010	**1,621.3**	**597.8**	**-33.8**	**-257.4**	**-17.2**	**0.9**	**-7.8**	**-966.7**	**937.1**	**-**	**937.1**
Changes: Other				0.0					**0.0**		**0.0**
Changes: Basis of consolidation				3.6					**3.6**		**3.6**
Netting of consolidated net loss 1 April 2009 to 31 March 2010				-966.7				966.7	**0.0**		**0.0**
Total comprehensive income			9.2		-0.3	-35.9	6.3	51.5	**30.8**		**30.8**
Equity as of 31 March 2011	**1,621.3**	**597.8**	**-24.6**	**-1,220.5**	**-17.5**	**-35.0**	**-1.5**	**51.5**	**971.5**	**-**	**971.5**

* Figures adjusted

Cash flow statement for the period from 1 April 2010 to 31 March 2011

in € million		2010/11	2009/10 *
Consolidated net profit/loss		51.5	-966.9
Non-cash items included in consolidated net profit/loss for the year and reconciliation of net loss to cash flow from operating activities			
+/-	Write-downs, impairment, reversals of write-downs on receivables and addition to provisions for possible loan losses	83.2	500.8
+/-	Write-downs less reversals of write-downs on property, plant and equipment and financial assets	48.1	-96.7
+/-	Changes in other non-cash items (essentially changes in other provisions and certain liabilities and positive and negative fair values of derivative financial instruments)	-335.0	429.7
+/-	Gain on the disposal of financial assets	-2.3	93.8
+/-	Gain/loss on the disposal of property, plant and equipment	0.2	-12.6
+/-	Other adjustments (essentially the reclassification of interest including net income from leases and income taxes)	-155.4	-148.7
Sub-total		**-309.7**	**-200.6**
Changes in assets and liabilities from operating activities after adjustment for non-cash components			
+/-	Loans and advances to banks	202.1	-373.0
+/-	Loans and advances to customers	2,951.3	3,531.1
+/-	Assets held for trading	449.9	475.8
+/-	Other assets from operating activities	5.3	-29.2
+/-	Liabilities to banks	-801.5	-3,268.5
+/-	Liabilities to customers	660.1	1,163.3
+/-	Liabilities held for trading	-396.7	-267.9
+/-	Securitised liabilities	-2,852.6	-3,484.7
+/-	Other liabilities from operating activities	-53.8	-163.3
+	Interest received	1,114.0	1,356.9
+	Dividends received	7.0	2.6
-	Interest paid	-1,036.5	-1,252.4
+/-	Income tax payments	-12.7	-47.8
Cash flow from operating activities		**-73.8**	**-2,557.7**
Proceeds from the disposal of			
+	financial assets	3,400.4	5,741.8
+	Property, plant and equipment	12.8	96.6
Payments for the acquisition of			
-	financial assets	-3,200.1	-3,098.2
-	Property, plant and equipment	-61.3	-55.8
Effects of the changes in the scope of consolidation		8.7	-0.1
Change in cash and cash equivalents from other investment activities		7.1	0.0
Cash flow from investing activities		**167.6**	**2,684.3**
-	Repayment of subordinated capital	-23.9	-115.9
+	Issue of subordinated capital	-	-
Cash flow from financing activities		**-23.9**	**-115.9**
Cash and cash equivalents at end of the previous period		**14.9**	**4.2**
+/-	Cash flow from operating activities	-73.8	-2,557.7
+/-	Cash flow from investing activities	167.6	2,684.3
+/-	Cash flow from financing activities	-23.9	-115.9
Cash and cash equivalents at end of the period		**84.8**	**14.9**

* Figures adjusted

Principles of Group accounting

The consolidated financial statements were prepared by the Board of Managing Directors and authorised for publication on 1 June 2011. It is possible that the Supervisory Board will not approve the consolidated financial statements without changes.

The consolidated financial statements of IKB Deutsche Industriebank AG (IKB AG), Wilhelm-Bötzkes-Str. 1, 40474 Düsseldorf, Germany, for the year ended 31 March 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable under EU law at the reporting date on the basis of Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and the related subsequent regulations. This includes the interpretations issued by the Standing Interpretations Committee (SIC), the International Financial Reporting Interpretation Committee (IFRIC) and the IFRS Interpretations Committee. The national regulations of section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) were also applied.

The consolidated financial statements include the balance sheet, the income statement, the statement of comprehensive income (two-statement approach), the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements. The segment reporting can be found in the notes.

The following individual regulations of IFRS 7 are met outside the consolidated financial statements in the risk report contained in the Group management report:

- IFRS 7.33: Qualitative disclosures on the risk arising from financial instruments
- IFRS 7.34(c): Disclosures on concentrations of risk
- IFRS 7.34 in conjunction with IFRS 7.40-42: Qualitative and quantitative disclosures on market risk
- IFRS 7.36(c): Disclosures on credit quality

Unless otherwise indicated, all amounts are stated in millions of euro (€ million). Amounts and percentages are generally rounded to one decimal place in accordance with standard commercial principles. Some totals and percentages may contain discrepancies between the various presentations due to rounding differences. The term “previous year” is used in these financial statements for disclosures of comparative figures from the prior-year period.

Overview of accounting standards

Ser. no.	Standard/Interpretation	Title	Date of publication by the IASB	Required to be applied for financial years beginning on or after the following date according to the IASB	Adoption into European law	
					on	from the start of the first financial year beginning after [date]
	Accounting standards to be applied for the first time in the 2010/11 financial year					
1	IFRS 3 / IAS 27	Business Combinations and Consolidated and Separate Financial Statements	10 January 2008	01 July 2009	03 June 2009	30 June 2009
2	IFRIC 15	Agreements for the Construction of Real Estate	03 July 2008	01 January 2009	22 July 2009	31 December 2009
3	IFRIC 16	Hedges of a Net Investment in a Foreign Operation	03 July 2008	01 October 2008	04 June 2009	30 June 2009
4	IAS 39	Financial Instruments: Recognition and Measurement of Exposures Qualifying for Hedge Accounting	31 July 2008	01 July 2009	15 September 2009	30 June 2009
5	IFRS 1	First-time Adoption of International Financial Reporting Standards - amended and revised 2008	27 November 2008	01 July 2009	25 November 2009	31 December 2009
	IFRS 1	First-time Adoption of International Financial Reporting Standards: second amendment	23 July 2009	01 January 2010	23 June 2010	31 December 2009
6	IFRIC 17	Distributions of Non-cash Assets to Owners	27 November 2008	01 July 2009	26 November 2009	31 October 2009
7	IFRIC 18	Transfers of Assets from Customers	29 January 2009	01 July 2009	27 November 2009	31 October 2009
8	AIP (2009)	Improvements to IFRS	16 April 2009	01 July 2009 / 01 January 2010	23 March 2010	31 December 2009
9	IFRS 2	Group Cash-Settled Share-Based Payment Transactions	18 June 2009	01 January 2010	23 March 2010	31 December 2009
10	IAS 32	Financial Instruments: Presentation: Classification of Subscription Rights and Similar Rights	08 October 2009	01 February 2010	23 December 2009	31 January 2010
	Accounting standards to be applied in the coming 2011/12 financial year					
11	IAS 24	Related Party Disclosures	04 November 2009	01 January 2011	19 July 2010	31 December 2010
12	IFRIC 14	Prepayments of a Minimum Funding Requirement	26 November 2009	01 January 2011	19 July 2010	31 December 2010
13	IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	26 November 2009	01 July 2010	23 July 2010	30 June 2010
14	IFRS 1 / IFRS 7	First-time Adoption of International Financial Reporting Standards: revision in conjunction with the amendments to IFRS 7	28 January 2010	01 July 2010	30 June 2010	30 June 2010
15	AIP (2010)	Improvements to IFRS	06 May 2010	01 July 2010 / 01 January 2011	19 February 2011	31 December 2010
	Standards published by the IASB but not yet adopted into EU law					
16	IFRS 9	Financial Instruments: Classification and Measurement for Financial Assets	12 November 2009 / 28 October 2010	01 January 2013		
17	IFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets	07 October 2010	01 July 2011		
18	IFRS 1	Severe hyperinflation and removale of fixed dates	20 December 2010	01 July 2011		
19	IAS 12	Deferred Taxes: Recovery of Underlying Assets	20 December 2010	01 January 2012		
20	IFRS 10	Consolidated Financial Statements	12 May 2011	01 January 2013		
21	IFRS 11	Joint Arrangements	12 May 2011	01 January 2013		
22	IFRS 12	Disclosure of Interests in Other Entities	12 May 2011	01 January 2013		
23	IFRS 13	Fair Value Measurement	12 May 2011	01 January 2013		

Over recent years, the International Accounting Standards Board (IASB) has published a number of amendments to standards. The following table provides a chronological overview of these amendments in order of their publication date.

Accounting standards applied for the first time in the consolidated financial statements

These consolidated financial statements are based on standards and interpretations that are mandatory within the European Union for the financial year.

1) While the application of the purchase method to business combinations was developed further in the revised IFRS 3 “Business Combinations”, the modified version of IAS 27 “Consolidated and Separate Financial Statements” contains in particular amended provisions for calculating minority interests and accounting for the loss of control over a subsidiary. Under the new provisions, changes to a parent’s interest in a subsidiary as a result of the acquisition of minority interests or the disposal of shares in minorities without losing control are recognised as equity transactions. Any difference between the

purchase price or the proceeds from the sale and the pro rata carrying amount of the recognised net assets of the subsidiary is offset in equity under retained earnings. However, sales of shares resulting in a loss of control are recognised in profit and loss. The amendments are not currently significant for IKB.

2) IFRIC 15 governs the recognition of revenue generated from the construction and sale of real estate. This may come under the scope of either IAS 11 "Construction Contracts" or IAS 18 "Revenue". The time when the revenue is recognised – either on completion of the real estate or in line with the percentage of completion – also depends on this allocation. The amendments do not currently have any significant effects for IKB.

3) The interpretation IFRIC 16, which deals with hedges of net investments in a foreign operation, is not relevant to IKB.

4) The amendment to IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items" relates to the hedging of inflation risk and the designation of options as hedging instruments at their intrinsic or fair value. The amendments do not have any effects for IKB.

5) The standard IFRS 1 includes regulations on the first-time adoption of International Financial Reporting Standards and therefore is not relevant to IKB.

6) The interpretation IFRIC 17 deals with accounting for distributions of non-cash assets and is not currently relevant to IKB.

7) The interpretation IFRIC 18, which deals with transfers of assets from customers, is not relevant to IKB.

8) As a result of the "Improvements to IFRS" amendment standard published in April 2009, a number of changes to existing standards were implemented with the general aim of remedying inconsistencies within or between existing standards or clarifying the wording of the standards. The amendments did not have any significant effects for IKB.

9) The amendments to the standard IFRS 2 include clarifying regulations on share-based payment. This standard is not currently relevant to IKB.

10) As a result of the amendments to IAS 32 "Classification of Rights Issues and Similar Rights", a clarification was made to accounting for rights issues for the purchase of a fixed number of equity instruments denominated in a currency other than the functional currency. If issued proportionally to the existing shareholders within the same class of capital, these rights issues are to be reported as equity rather than as a liability. The amendments are not currently relevant to IKB.

Accounting standards to be applied in future

The following section discusses the standards and interpretations published by the IASB and adopted by the European Union during the past financial year.

11) The amendments implemented in IAS 24 relate particularly to the definition of related parties. Another key focus of the revision was the introduction of a relief provision for entities under the control, joint control or significant influence of the government (government-related entities). As a result of the modification of the definition of related parties, IKB's group of related parties to which the disclosures relate may expand due to its current major shareholder.

12) The amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirement” relates to the accounting treatment of pension claims. The amendment relates to entities whose pension schemes stipulate minimum funding requirements and which make prepayments of the minimum funding. The amendment means that entities are now permitted to recognise the benefit of such prepayments as an asset. The amendments would not currently be relevant to IKB.

13) IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” applies when an entity issues equity instruments to extinguish all or part of a financial obligation. Accordingly, the liability is fully or partially derecognised to the extent that it is fully or partially extinguished with equity instruments. The equity instruments issued are measured directly at fair value if this can be reliably determined. If the fair value cannot be reliably determined directly, it is determined indirectly on the basis of the liability extinguished. Any difference between the carrying amount of the financial liability extinguished and the fair value of the equity instrument issued is recognised in profit or loss. The amendments would not currently be significant for IKB.

14) The revision of the standard IFRS 1 in conjunction with the amendments to IFRS 7 are not relevant to IKB.

15) In addition, further amendments to existing IFRS standards were implemented as part of the “Annual Improvements Project” in May 2010. These amendments generally consisted of remedying inconsistencies within the individual standards or between existing standards or adjusting the wording on the basis of consequential amendments. The majority of the amendments are applicable for financial years beginning on or after 1 January 2011.

Standards published by the IASB but not yet endorsed in EU law

The following standards and interpretations were published by the IASB but had not been endorsed in EU law as of 31 March 2011. The amendments to the standards and interpretations, which are expected to be implemented from the date on which they are required to be applied, could affect IKB’s accounting practice.

16) The regulations of IFRS 9 “Financial Instruments” are intended to improve the comprehensibility of the financial statements with regard to the classification and measurement of financial instruments. The previous classification of financial assets into four categories in accordance with IAS 39 is superseded by two measurement categories (measurement at amortised cost and measurement at fair value). On initial recognition, financial assets are allocated to one of the two categories based on their respective business model and contractual cash flows. The financial instruments are measured at fair value at the time of addition, taking any transaction costs into account. Subsequent measurement is based on amortised cost or fair value depending on the initial classification of the respective instrument. According to the current status of the standard, the regulations of IFRS 9 are applicable for financial years beginning on or after 1 January 2013.

    In addition, regulations on the treatment of financial liabilities were published and adopted in the standard on 28 October 2010. The amendments chiefly relate to financial liabilities for which an entity has exercised the fair value option. The part of changes in fair value resulting from own credit risk will be recognised under other comprehensive income rather than in the income statement as before. However, all other changes in fair value are still to be reported in the income statement. The new regulations allow for reporting of gains and losses due to changes in an entity’s own creditworthiness to be avoided under certain conditions. According to the current status of the standard, the supplementary regulations of IFRS 9 are applicable for financial years beginning on or after 1 January 2013.

17) On 7 October 2010, the IASB published amendments to IFRS 7 “Financial Instruments: Disclosures” as part of the “Derecognition of financial assets” project. The regulations on derecognition under

IAS 39 will remain unchanged. The new regulations stipulate additional disclosure requirements for financial assets that are transferred but not derecognised or not fully derecognised. The relationship between these assets and the associated liabilities should be set out in such cases. For transferred and derecognised financial assets, the type and possible risks from continuing involvement exposure must also be disclosed in the notes. The amended disclosure requirements are applicable for financial years beginning on or after 1 July 2011.

18) In contrast, the amendment to IFRS 1 "Severe Hyperinflation and Rectifying Fixed Transition Dates" published by the IASB on 20 December 2011 is not relevant to IKB.

19) In the amendment “Deferred Taxes: Recovery of Underlying Assets”, the IASB published amendments to IAS 12 “Income Taxes” which are to be applied for the first time for financial years beginning on or after 1 January 2012. The amendment to IAS 12 emphasises that recovery of the carrying amount of an asset covered by the scope of IAS 40 takes place through sale rather than through use. The new regulation relates solely to investment property as defined in IAS 40.

20) On 12 May 2011, the IASB published a uniform consolidation model for all companies in IFRS 10 “Consolidated Financial Statements”, which supersedes the consolidation guidelines of IAS 27 “Consolidated and Separate Financial Statements in Accordance with IFRS” and SIC 12 “Consolidation – Special Purpose Entities”. Under the new regulations, consolidation is required when a parent company receives variable returns from a subsidiary and can directly influence the subsidiary’s activities, meaning that it has a significant influence on these returns. The new regulations in this standard are applicable for financial years beginning on or after 1 January 2013.

21) IFRS 11 “Joint Arrangements”, published on 12 May 2011, supersedes the existing IAS 31 “Interests in Joint Ventures”. The new standard defines two types of joint arrangements: joint operations and joint ventures. The difference is that in the case of joint operations (e.g. a joint project) the operators have rights to assets and liabilities held jointly, whereas joint ventures grant the venturers rights to the net assets or earnings only. Entities participating in joint operations therefore recognise their interest on the basis of direct rights and obligations instead of on the basis of their participation in the joint arrangement. For joint ventures, equity accounting is mandatory, meaning that the previous option of proportionate consolidation no longer applies. The standard also stipulates regulations for entities that are participating in a joint arrangement but do not exercise joint control. This standard is applicable for financial years beginning on or after 1 January 2013.

22) IFRS 12 “Disclosure of Interests in Other Entities”, also published on 12 May 2011, specifies the disclosures required for entities applying the new standards IFRS 10 and IFRS 11. IFRS 12 requires disclosures that enable users of the financial statements to evaluate the type, risks and financial effects associated with the investment in other entities. With the publication of the standard, associated amendments to IAS 27 and IAS 28 were also announced. The amended disclosure requirements are applicable for financial years beginning on or after 1 January 2013.

23) With IFRS 13 “Fair Value Measurement”, the IASB issued a standard that replaces the existing regulations on measuring fair value in the individual current IFRS pronouncements with a single standard. In addition, extensive disclosures on the method used to determine fair value are required. This standard is applicable for financial years beginning on or after 1 January 2013.

Special matters

Aleanta GmbH

Aleanta was included in the interim consolidated financial statements for the first time as at 30 September 2010. The corporate purpose of Aleanta is to acquire, hold and sell equity interests in other entities. The company resulted from the division of parts of the assets of IKB Beteiligungen GmbH, Düsseldorf (IKB Beteiligungen). In accordance with the division plan and the approval resolution by the shareholders' meeting, both from 9 July 2010, Aleanta was established by way of division for new foundation through transfer of the assets of IKB Beteiligungen GmbH, Düsseldorf (transferring entity) to Aleanta. The assets transferred included the equity investment in Erste Equity Suporta GmbH, Düsseldorf (Erste Equity Suporta) and IKB Beteiligungen's distribution claim from the capital reserve of Erste Equity Suporta. In return, IKB Deutsche Industriebank AG, Düsseldorf (IKB AG) was granted shares in Aleanta (acquiring entity). The transfer date under commercial law is 1 April 2010. As part of the division, the existing profit transfer agreement between Erste Equity Suporta and IKB Beteiligungen is also transferred to Aleanta. The division became effective with its entry in the commercial register of the transferring entity on 25 August 2010. The difference between the carrying amount of the assets transferred and the share capital was added to the capital reserve of Aleanta. By way of agreement dated 28 May 2010, IKB Struktur GmbH, Düsseldorf (IKB Struktur) acquired all shares in a company from a business partner. Exercising its contractual substitution right, IKB Struktur transferred its rights and obligations from the purchase agreement to Aleanta on 25 August 2010. The agreement was implemented on 30 August 2010 (disposition transaction). The name of the acquired company was subsequently changed to Olessa GmbH, Düsseldorf (Olessa). The agreement on the merger of Olessa with Aleanta was concluded as at 30 September 2010. The merger was submitted to the register court of the transferring entity as at 9 November 2010 for entry and was entered in the commercial register on 11 November 2010. The entry at the acquiring entity took place as at 17 November 2010. The purchase price for all shares amounted to € 74.8 million. Bank balances of € 81.9 million were acquired and tax provisions of € 27.0 million assumed. The difference between the purchase price and the fair value of the assets acquired in the amount of € 19.9 million recognised as an expense. The tax provisions acquired were reversed as part of the fiscal entity.

End of accounting in line with IFRS 5 / transition to full consolidation

In the consolidated financial statements as at 31 March 2010, the equity investment in Tempelhofer Hafen GmbH, Düsseldorf, was accounted for as a non-current asset held for sale in line with IFRS 5, after IKB indirectly increased its interest in Tempelhofer Hafen GmbH, Düsseldorf, from the previous level of 50.0% to 94.9% through the acquisition of 89.8% of the shares in Projektbeteiligung TH GmbH & Co. KG, Düsseldorf, with effect from 24 March 2010, thus gaining control over the company. The purpose of the company is the acquisition, project planning, development, construction, leasing and administration of a plot of land. This classification in line with IFRS 5 was based on the existing contract on the sale of the company as at the balance sheet date, which was to be executed in July 2010. As the purchase agreement was reversed due to a contractually agreed right of rescission on the part of the buyer and new sale negotiations are not yet sufficiently concrete, the criteria for classification in line with IFRS 5 no longer exist as at the balance sheet date. The company was accounted for and measured as at 31 March 2011 in line with IFRS 3.

Investments in investment funds

As a component of liquidity provisioning, IKB invested in two investment funds structured as umbrella funds during the current financial year, each of which can launch independent sub-funds under a joint issue document. Partner Fonds Europa Renten, Luxembourg, consists of two independent sub-funds with a fair value of € 778.5 million as at the balance sheet date. Partner Fonds Euro Bonds, Luxembourg, initially consists of only one sub-fund with a fair value of € 29.8 million as at the balance sheet date. Both funds were included in the consolidated financial statements as special purpose entities.

Changes in line with IAS 8

These consolidated financial statements contain various changes as against the previous year. To ensure comparability between the different sets of financial statements, the adjustments described below were made to last year's consolidated financial statements prepared on 24 June 2010:

(a) Changes in estimates

(aa) Measurement of fair values for loans and advances to customers

Fair values for loans and advances to customers are determined using the spread from the total of funding, administrative cost, risk and cost of equity margins, as explicit market prices are not available. The definition of the funding and administrative costs included was altered as at 31 March 2011. The funding costs are now based on the refinancing costs of comparable banks. Recognition of the administrative cost margin was adjusted to IKB's new organisational structure. The valuation model was also brought in line with Basel II parameters.

As at 31 March 2011, the model adjustments resulted in an increase in the fair value of loans and advances to customers of € 198.5 million.

(ab) Change in estimate for Rio Debt Holdings (Ireland)

The fundamental valuation of the US RMBS bonds held at Rio Debt Holdings Ltd., Dublin, is carried out on the basis of a discounted cash flow method. In addition to the relevant parameters for calculating the future portfolio performance, yield curves are required for calculating the forward rates for cash flow generation and also for discounting the interest and principal repayment cash flows for the respective bond investment. In the original RMBS model, interest rates and forecasts from the data providers Intex and Bloomberg were used to calculate prices. As part of the continuous refinement of assumptions and in order to achieve greater independence and transparency, the Bank has changed over to using only internal interest rate forecasts to calculate fundamental values.

This change results in fundamental values that are approximately USD 1.5 million lower than the values based on the old calculation.

(ac) Measurement of CMBS transactions

In the measurement of CMBS transactions, impairment was previously derived in simplified form from the fair value of the assets. As at the current reporting date, a fundamental valuation of the securities took place for the first time. A present value of discounted cash flows of the loans underlying the securities is used for this. The loan-level analysis performed for this purpose takes into account the available information on the loan and property characteristics and calculates an expected loss, taking into consideration the inferred property value less outstanding credit volume. The spread of the security is applied for discounting purposes.

As of 31 March 2011, the adjustments to the parameters resulted in a change in value of € -4.7 million.

(ad) Measurement of CDOs of corporate transactions in the loans and receivables category

The measurement of collateralised debt obligations, which primarily reference securities with business risks, was refined as at the balance sheet date. In contrast to the previous method, the correlation of the reference securities in the portfolio is taken into account explicitly and the number of defaults is calculated stochastically. The change serves to improve the quality of the measurement method. The value is determined using a fundamental valuation which is based on a standard Monte Carlo simulation including rating-based default rates and correlation parameters. Consistent historical default rates of the rating agencies are referred to when calculating the expected defaults. Correlation assumptions are aligned with well-known market participants.

As at 31 March 2011, the model adjustments did not result in any changes in value.

(ae) Measurement of CDOs of ABS transactions in the loans and receivables category

In the measurement of CDOs of ABS transactions in the loans and receivables category, impairment was previously derived in simplified form from the fair value of the assets. For collateralised debt obligations referencing ABS securities with subprime shares, a present value is calculated on the basis of forecast cash flows for the first time this financial year. To do so, the cash flows for several default scenarios of the referenced ABS securities are estimated. The rankings in the CDO contract ("waterfall") are explicitly taken into consideration. Valuations for the different default scenarios are obtained by means of discounting the expected cash flows with the coupon of the respective tranche invested in.

As of 31 March 2011, the adjustments to the parameters resulted in changes totalling € 14.7 million.

(af) Measurement of CMS funding trust hedges

In the context of a model review, the Bank changed over to the replication approach, whereby the CMS coupons are derived directly from the interest rate and volatility data observable on the capital market, in order to optimise the calculation of the CMS swap coupons, particularly in the case of long-running transactions. Previously, the CMS coupons had been calculated approximately using a Hull-White one-factor model. The CMS swaption is still valued using a Hull-White one-factor model, but this is now calibrated to the CMS coupons with a new calculation method.

As of 31 March 2011, the altered measurement method resulted in a changeover effect of € -7.2 million.

(ag) CVA measurement of derivatives

In the current financial year, the method for measuring derivatives whose default risk is not covered by collateral agreements was optimised further. This relates in particular to interest rate and currency derivatives concluded with customers. These products are offered to a greater extent as part of the new strategic focus. For this reason, the Bank has further developed the method for calculating credit valuation adjustments (CVA) and applied it to the relevant derivatives. The creditworthiness of the contracting party is thus included mathematically in the fair value of the financial instruments. In the method applied, the potential default amount is weighted according to probability and calculated over the life of the derivative. To do so, estimates of the probability of default of the contracting party and the expected losses given default are derived from the Bank's internal models. This change in estimates represents a refinement of the method previously applied and did not result in any significant changes in the fair values at the date of transition.

(ah) Portfolio value allowances

Portfolio value allowances cover losses that have already been incurred but have not yet been identified individually. The Bank distinguishes between two sub-portfolios. One sub-portfolio relates to loans for which there is no objective indication of an individual impairment, and the other relates to loans that have been identified as problem loans but for which an individual loan loss provision was not considered necessary as a result of their collateralisation and/or cash flow expectation.

The loss estimate is calculated on the basis of historical data and expert assessments. The time delay until an incurred loss is identified or recognised is taken into account by applying a scale factor for the time between occurrence of the loss event and its identification (loss identification period factor). There were no changes in the method in the year under review as against 31 March 2010. In comparison to March 2010, the probability of default for rating class 15, which had been increased in the previous year to reflect adequately expected credit defaults due to the crisis, was lowered again.

If this probability of default had not been lowered, the level of portfolio value allowances would have been € 8 million higher as at 31 March 2011. In addition, if the economic assumptions applied at the beginning of the financial year had still been used as at 31 March 2011, the level of portfolio allowances would have been € 29 million higher.

(b) Correction of errors

As a result of the incorrect recognition of minority interests for a property company intended for sale, the other operating income reported in the consolidated financial statements as at 31 March 2010 was € 7.2 million too low. The correction leads to an increase in other operating income from € 329.2 million to € 336.4 million and an increase in non-current assets held for sale from € 190.7 million to € 197.9 million for the 2009/10 financial year. As a result, the consolidated net loss decreases from € -974.1 million to € -966.9 million and consolidated total comprehensive income decreases from € -948.5 million to € -941.3 million. Equity increases from € 929.9 million to € 937.1 million, while earnings per share decrease from € -1.57 to € -1.56.

In the case of disclosures in the notes with incorrect prior-year figures, please refer to the corresponding explanations in the footnotes under the relevant tables/in the text.

Accounting policies

(82)Accounting principles

In accordance with IAS 27, the accounting policies were applied consistently throughout the Group and the consolidated financial statements were prepared on a going concern basis.

Generally, the financial statements of the consolidated subsidiaries are prepared as of the reporting date of the parent company. The companies with a different reporting date of 31 December 2010 are stated in the list of shareholdings (note (163)). In the case of foreign leasing companies, the different reporting date as compared to IKB AG is due to the requirements of national reporting obligations and company law regulations. The second group of companies geared its different reporting date towards the special features of real estate business. As the difference in reporting dates between the parent company and the subsidiaries is no more than three months and the effects are not significant, no interim financial statements are prepared. Adjustments for significant effects in the transition period from 31 December 2010 to 31 March 2011 were recognised if material.

(83)Management estimates and assessments

The financial information provided is based partially on judgments and assumptions by the management on future developments and on past experience. These influence the measurement of assets and liabilities and the expenses and income included in the statement of comprehensive income. All assumptions, estimates and judgments were made in line with the respective standards and take into account circumstances as of the respective balance sheet date. If more extensive additional estimates and assumptions with a significant influence on valuation and involving considerable uncertainty were required, additional information is provided in the notes to the individual items.

In particular, this affects the following positions:

Determination of the fair value of specific financial assets and liabilities

In assessing the measurement of financial instruments carried at fair value, it is of significance whether the fair value is based on a market price on an active market or valuation models. A financial instrument is regarded as quoted on an active market if quoted prices are easily and regularly available from an exchange, dealer, broker, industry group, pricing service or a regulatory agency and these prices reflect current and regularly occurring market transactions at arm's length conditions. If there are no prices quoted in active markets, the Group uses appropriate measurement procedures for each financial instrument to determine its fair value. The parameters of the measurement models are derived from similar financial instruments traded on active markets. Assumptions and estimates, such as those for expected market risks, model risks and credit risks, are applied in implementing the models to show any uncertainty reflected in fair values. It is the responsibility of the management to assess the appropriateness of the parameters used in the models.

For fair values calculated on the basis of measurement techniques where the value would change significantly if one or more model assumptions were adjusted, IKB advises readers of this fact and explains its effects. Financial instruments whose fair value is calculated using initial parameters that are not fully based on observable market parameters are discussed separately in note (143) (Level classification).

Determination of amortised cost

Estimates and assumptions must also be applied in determining amortised cost. The determination of amortised cost using the effective interest method implies for liabilities in which, for example, interest deferral or loss participation can arise in particular that these liabilities are to be accounted for at present value. The present value is determined by way of a reassessment of the underlying interest and principal cash flow discounted using the original return on the instrument, i.e. the effective interest rate at the issue date (IAS 39 AG8). Estimation uncertainty arises in particular with regard to the amount and timing of the cash flows.

Calculation of impairment

Financial assets at amortised cost and financial assets classified under IFRS as available-for-sale financial assets are examined for objective indications of impairment at regular intervals. Estimation uncertainty arises in particular with regard to the amount and timing of the cash flows.

For the impairment of loans and advances to customers and banks classified under IFRS as loans and receivables, the objective indications of possible impairment taken into consideration include the increased probability of the debtor initiating insolvency proceedings, payments being in arrears by more than 90 days, restructuring measures or other negative developments. Estimation uncertainty arises in particular with regard to the amount and timing of the cash flows. Portfolio value allowances cover losses that have already been incurred but have not yet been identified individually. The loss estimate is calculated on the basis of historical data and expert assessments. Rating class-related probabilities of default and collateral-related loss assumptions are applied. An economic factor is also applied in order to reflect economic expectations. The time delay until a loss event is identified or recognised is taken into account by applying a scale factor for the time between occurrence of the loss event and its identification (loss identification period factor).

Determination of deferred tax assets

Deferred tax assets and liabilities result from the temporary difference between the IFRS carrying amounts and the tax carrying amounts of assets, liabilities and tax loss carryforwards and the resulting expected future income tax expenses or relief. Deferred tax assets are recognised and adjusted in line with management assessments of the items' value and the estimate of the taxable profit to be generated by the individual Group entities in future. The estimates made by the management are based on historical data and planning forecasts.

Determination of provisions for pensions and other provisions

A provision is recognised when an enterprise has a present legal or constructive obligation as a result of a past event, an outflow of resources will probably be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. In line with IAS 37, provisions are recognised in the amount of the present value of expected utilisation. The amount recognised as a provision is the best possible estimate by management of the expenditure required to fulfil the obligation.

Retirement benefits for active and former employees are based on defined benefit plans. In accordance with IAS 19.54, corresponding provisions are recognised that reflect the present value of the defined benefit obligation in line with the projected unit credit method less the fair value of the plan assets. Estimates of demographic data, expected increases in future salaries and benefit levels and employee turnover probabilities are applied in determining the present value of pension obligations and obligations for partial and early retirement and anniversaries.

The development of plan assets is also presented using simulation models on the basis of parameter variations.

(84)Scope of consolidation

In addition to the parent company, a total of 30 German companies (31 March 2010: 30; 31 March 2009: 27) and 17 foreign companies (31 March 2010: 17; 31 March 2009: 17) are included in the consolidated financial statements of IKB as of 31 March 2011 in accordance with IAS 27. IKB AG holds the majority of the voting rights in these companies.

The consolidated financial statements also include one associate in accordance with IAS 28 (31 March 2010: one; 31 March 2009: one) and one joint venture in accordance with IAS 31 (31 March 2010: one; 31 March 2009: one). The interests in both companies are consolidated using the equity method.

In accordance with SIC 12, the consolidated financial statements include no German special purpose entities (31 March 2010: none; 31 March 2009: one) and seven foreign special purpose entities (31 March 2010: four; 31 March 2009: six).

The consolidated companies are listed in note (162).

These were the following changes in the scope of consolidation as of 31 March 2011:

Aleanta GmbH, Düsseldorf (Aleanta) was included in the interim consolidated financial statements for the first time as at 30 September 2010. The corporate purpose of Aleanta is to acquire, hold and sell equity interests in other entities. In relation to this, please refer to the explanations in the section "Special matters".

94.9% of the interest in the limited partnership IKB Grundstücks GmbH & Co. Objekt Degerloch KG, Düsseldorf, was sold as at 31 July 2010. Due to the loss of control, the company was deconsolidated accordingly. The assets of this company chiefly comprise land and buildings. With proceeds from the sale amounting to € 2.7 million, the deconsolidation led to a loss of € 0.9 million.

The special purpose entity Partner Fonds Europa Renten, Luxembourg, was included in consolidation for the first time in December 2010. This fund is structured as an umbrella fund and comprises two independent, reinvesting sub-funds under a joint issue document. Investments in these newly launched investment funds are used to invest the Bank's surplus liquidity.

Istop 1 GmbH, Istop 2 GmbH, Istop 4 GmbH and Istop 5 GmbH, all based in Düsseldorf, were included in consolidation for the first time as at 31 December 2010. The purpose of the newly established companies is to acquire, hold and sell equity interests in other entities and to manage their own assets.

The company assets including all assets and liabilities of ICCO Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf, were accrued to the sole limited partner IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, as a result of the withdrawal of the general partner ICCO Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf. This had no effect on the consolidated financial statements. ICCO Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf, was liquidated as a result of the withdrawal of ICCO GmbH with effect from midnight on 31 December 2010. The entry was registered with the commercial register on 11 January 2011 and took place on 24 January 2011.

As a result of the withdrawal of the sole general partner, ISOS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, the company assets including all assets and liabilities of ISOS Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf, were transferred to the sole limited partner IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, by way of accrual. This had no effect on the consolidated financial statements. The withdrawal became effective as of midnight on 31 December 2010. ISOS Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf, was thus liquidated. The entry was registered with the commercial register on 11 January 2011 and took place on 18 January 2011.

IKB Grundstücks GmbH, Düsseldorf, the sole general partner of IKB Grundstücks GmbH & Co. Objekt Uerdinger Straße KG, Düsseldorf, withdrew from the company with effect from midnight on 31 December 2010. As a result of the withdrawal, the company assets including all assets and liabilities were accrued to the sole limited partner IKB AG and the company was accordingly liquidated. This was entered in the commercial register on 27 January 2011. This had no effect on the consolidated financial statements.

The legal form of IKB Immobilien Management GmbH, Düsseldorf, was converted to IKB Immobilien Management GmbH & Co. KG, Düsseldorf, with effect from 1 January 2011. This was entered in the commercial register on 25 March 2011. With the withdrawal of the sole general partner, Restruktur 2 GmbH, Düsseldorf, the entire company assets including all assets and liabilities were accrued to the sole limited partner IKB AG. This was entered in the register as at 12 April 2011. The company was thus liquidated. This had no effect on the consolidated financial statements.

For reasons of materiality, Equity Fund GmbH, Düsseldorf, was included in consolidation by way of full consolidation for the first time with effect from 31 March 2011. The purpose of this self-established company is to acquire, hold and sell equity interests, securities and financial instruments.

The special purpose entity Partner Fonds Euro Bonds, Luxembourg, was included in consolidation for the first time as at 31 March 2011. This fund is structured as an umbrella fund which initially comprises only one sub-fund. Investments in this newly launched investment fund, which can be liquidated at short notice, are an integral part of the Bank's liquidity provisioning.

Projektbeteiligung TH GmbH & Co. KG, Düsseldorf, was included in consolidation for the first time with effect from 31 March 2011. The purpose of the company is participation as a limited partner in Tempelhofer Hafen GmbH, Düsseldorf.

(85)Consolidation methods

Companies are consolidated using the purchase method, according to which all assets and liabilities of the relevant subsidiary are measured at fair value as at the time of acquisition. Under IFRS, new equity is calculated and the carrying amount of the investment is offset against this new equity. Any remaining positive difference is reported under intangible assets as goodwill. Any negative difference is recognised through profit and loss after the further review of the appropriate measurement of the assets and liabilities.

Inter-company receivables and liabilities, gains and losses and income and expenses from inter-company transactions are eliminated in accordance with IAS 27.

Associated companies are measured at equity and shown separately in the balance sheet as interests in companies balanced at equity. The carrying amounts of these investments and any goodwill are calculated as of the time of first inclusion in the consolidated financial statements. The same rules are applied as for subsidiaries. At subsequent reporting dates, the carrying amount is increased or reduced by the Group's interest in the profit or loss of the companies (including amounts taken directly to equity).

The measurement at equity option is used to show interests in joint ventures.

In accordance with IAS 28.1 in conjunction with IAS 39, direct investments of IKB Private Equity GmbH and IKB Equity Capital Fund GmbH are carried at fair value and reported in financial assets.

Subsidiaries acquired or sold during the course of the year are included in the consolidated income statement from the date of acquisition or until the date of disposal.

(86)Currency translation

Monetary assets and liabilities arising from foreign currency transactions are translated at the closing rate as of the balance sheet date in line with IAS 21. The closing rate is the reference rate of the European Central Bank on the balance sheet date. Foreign currency effects are reported in net income from financial instruments at fair value.

Non-monetary items measured at acquisition cost are translated at the historical rate. Non-monetary items measured at fair value in equity (or through profit and loss) are translated at the closing rate and translation differences are taken to equity (profit and loss).

Financial statements of foreign entities not prepared in the functional currency (the Euro) must be translated at the balance sheet date in accordance with the functional currency concept. The foreign-currency annual financial statements of foreign subsidiaries are translated in line with the modified closing rate method. With the exception of the revaluation surplus, equity is translated at the historical rate and all other balance sheet items are translated at the reference rate of the European Central Bank on the balance sheet date. All expenses and income are translated at the average rate. Any resulting foreign exchange gains and losses are recognised directly in equity. Foreign exchange gains or losses resulting from consolidation are also reported separately in equity.

(87)Financial instruments: recognition and measurement

Accounting for financial instruments is regulated in IAS 39 “Financial Instruments: Recognition and Measurement”. This states that all financial instruments are recognised at fair value plus any incidental costs of acquisition at the time of addition, providing that they are not recognised at fair value through profit or loss. In case of recognition at fair value through profit or loss, the incidental costs of acquisition are recognised in profit or loss at the date of addition. The date of initial recognition for derivatives is always the trade date. Financial instruments that are settled within a generally accepted settlement period are recognised or de-recognised by IKB at the settlement date. If financial instruments are not settled within this standard market period, they are carried at fair value as forward transactions.

All financial assets and liabilities must also be assigned to an IFRS measurement category. The classification of a financial instrument determines how it is measured in the balance sheet (at fair value, amortised cost) and the extent to which changes in measurement are shown in the income statement of the revaluation surplus. The IKB Group implements the regulations of IAS 39 as follows:

(a) Financial assets

Financial assets at fair value through profit or loss. Financial instruments in this category are measured at fair value both on addition and at subsequent balance sheet dates. Any net gain or loss on remeasurement is recognised in the income statement under net income from financial instruments at fair value. This category consists of the following:

Held for trading. Financial instruments acquired with the intention of generating a profit in the near future are classified as financial assets held for trading. Derivative financial assets are always classified in the IFRS category of financial assets held for trading unless they are for hedging and are used effectively. In this case, the hedge derivatives are reported separately under positive fair value of derivative hedging instruments in assets held for trading.

Fair value option. Under specific conditions, the fair value option of IAS 39 allows for financial assets not held for trading also to be irrevocably classified as financial instruments subsequently measured at fair value through profit or loss on first-time recognition. This does not include equity instruments for which there are no listed market prices on active markets and whose fair values cannot be reliably measured.

This voluntary allocation is only permitted if:

- accounting mismatches are avoided or substantially reduced as a result,
- the financial instrument contains one or more embedded derivatives or
- the management and performance measurement of a portfolio of financial instruments is based on its fair value.

Financial instruments for which the fair value option has been exercised are reported in their respective, product-specific balance sheet item. Changes in value are recognised in the income statement under net income from financial instruments at fair value. The corresponding interest is recognised in net interest income.

Loans and receivables. All non-derivative financial assets with fixed or determinable payments that are not traded in an active market are assigned to the loans and receivables category unless they are recognised at fair value through profit or loss.

Financial instruments in this category are carried at fair value plus transaction costs on addition. Subsequent measurement is at amortised cost. Premiums and discounts are recognised in profit and loss in net interest income over their remaining term in line with the effective interest method.

Held to maturity. IKB does not currently allocate any financial instruments to this category.

Available for sale. All non-derivative financial assets that are not allocated to any of the above categories are assigned to this category.

Initial and subsequent measurement in this category is at fair value. In cases where the fair value of equity instruments cannot be reliably measured, subsequent measurement is at acquisition cost.

The difference between the fair value and the amortised cost is reported separately in equity (revaluation surplus) until the asset is disposed of or impaired as defined by IAS 39.67. In the event of impairment, any change in value recognised in the revaluation surplus prior to this time is reclassified to the income statement (net income from investment securities). A distinction must be made between debt and equity instruments in the event of reversals of impairment. Reversals of impairment losses for equity instruments are recognised in equity in the revaluation surplus. Reversals of impairment losses for debt instruments are recognised in the income statement.

Premiums and discounts are recognised in profit and loss in net interest income over their term in line with the effective interest method.

(b) Financial liabilities

Financial liabilities at fair value through profit or loss

As on the assets side of the balance sheet, there are two sub-categories for financial liabilities in this category:

Held for trading. This category includes financial liabilities entered into with the intention of generating a profit in the near future. Derivative financial liabilities are always classified in the IFRS category of financial liabilities held for trading unless they are for hedging and are used effectively. In this case, the hedge derivatives are reported separately under “negative fair value of derivative hedging instruments” in liabilities held for trading.

Fair value option. The fair value option applies to financial liabilities under the same conditions as on the assets side of the balance sheet.

The accounting policies for financial obligations in this category are the same as those for the assets side of the balance sheet. It should be noted that the fair value of a financial liability is dependent on the credit rating of the Bank. An improvement (deterioration) in the credit rating of the Bank leads to an increase (reduction) in the fair value. The gains and losses relating to changes in the credit rating are explained in the notes.

Other financial liabilities (IAS 39.47)

The financial instruments held under “Other financial liabilities” are all the financial liabilities not recognised at fair value through profit or loss.

They are measured at amortised cost. Premiums and discounts are recognised in profit and loss in net interest income over their term in line with the effective interest method. Measurement at amortised cost using the effective interest method implies for liabilities in which, for example, interest deferral or loss participation can arise in particular that these liabilities are recognised at present value in line with IAS 39 AG 8. The present value is determined by way of a reassessment of the underlying interest and principal cash flows discounted using the original return on the instrument (effective interest rate at the issue date). Possible changes in carrying amount resulting from this are reported in profit and loss under other operating income. Accordingly, any loss participation or deferred interest is taken into account in the present value. The present value changes due to the passage of time (unwinding) even if expectations regarding the underlying interest and principal cash flows remain unchanged. This unwinding expense is reported in interest expenses.

This method applies to the following other financial liabilities:

- loans with debt waivers and compensation from future profits that are reported under liabilities to customers and

- subordinated liabilities, profit participation rights and silent partnerships/preferred shares reported under subordinated capital.

(c) Measurement policies

General

The fair value for financial instruments traded in an active market can be derived from the (quoted) market price of identical instruments as of the balance sheet date. If there are no prices available, the fair value is determined by comparison with similar market transactions.

If there are no similar market transactions available, suitable valuation models (such as the discounted cash flow method and option pricing models, e.g. the Black-Scholes model) are used to determine the fair value. Among other things, information on yield curves and volatility factors directly observed on the market are included in the valuation models. For more complex financial instruments and financial instruments that are considered to be unique on account of their specific structure and conditions, valuation models reflecting these characteristics are applied depending on the extent to which they are relevant for the respective financial instrument or class of financial instruments. In particular, these models involve assumptions on correlations, default rates and expected losses and other parameters that cannot be directly observed on the market in full. If interest rate derivatives have long-running CMS structures, the mean reversion used in the model, which also cannot be observed, is stressed positively and negatively in order to calculate corresponding fair value deltas for these items.

The fair value of customer derivatives is determined taking into account the credit valuation adjustment (CVA), which is used to account for counterparty default risks when measuring derivatives. The key input factor for calculating the CVA is the customer's probability of default, which is derived from the internal IKB rating and the remaining term of the derivative. Since the internal rating was prepared on the basis of information that is not available on the market, the fair value of the derivative is estimated under stressed rating assumptions. To do so, IKB has determined the average rating and average remaining term of the customer derivative portfolio. Using this information, the credit spread difference between the average rating and the rating level immediately below this is calculated for the given average remaining term. All credit spread curves are then shifted once each in a positive and in a negative direction and the resulting changes in fair value are reported as sensitivity of the derivative's fair value to its rating.

Calculations based on mid-market prices are adjusted to reflect the bid price (asset-side items) or the asking price (liability-side items) respectively. For sufficiently liquid securities with no directly observable bid or asking price, half of the average bid/asking price range of the securities held in IKB's portfolio is deducted from (asset-side items) or added to (liability-side items) the mid-market rate applied. In the case of derivatives, unsecured derivatives are identified by way of risk analysis. Calculations for such derivatives are also adjusted to reflect the respective bid or asking price (IAS 39 AG 72 ff).

Overview of valuation methods

Loans and advances to customers and banks carried at amortised cost. The fair values of loans and advances to customers and banks reported at amortised cost as determined for reporting in the notes are generally calculated on the basis of the discounted cash flow method. As part of this, a risk-adjusted credit spread is created for each loan. Discounting is carried out over the different terms of the swap rates with risk-adjusted credit spreads. The swap rate is based on the current market conditions on the valuation date. The credit spread for the loan fluctuates according to changes in the measured standard risk costs, which are determined by the customer rating, the security situation and the remaining term of the loan on the valuation date. Equity and funding costs also affect the credit spread. As such, any changes to the fair values compared to the carrying amounts can be triggered by funding, interest rates and credit ratings.

Cash reserves and current loans and advances and liabilities. The fair value is not calculated separately for cash reserves, current loans and advances or liabilities where the carrying amount represents a reasonable approximation of fair value.

Financial assets at fair value through profit or loss. For financial assets at fair value through profit or loss, the values calculated using the procedures described above and below were applied as the fair values.

Financial assets at amortised cost. Securities assigned to the loans and receivables category were examined to determine whether there were grounds for impairment and impairment losses were recognised as appropriate. Adjusting events were taken into consideration until the preparation date of the consolidated financial statements if the loss events had demonstrably already occurred as of the reporting date. If the grounds for impairment no longer apply, the impairment is reversed accordingly.

Liabilities to banks and customers. The fair value of liabilities to banks and customers is, as a matter of principle, calculated on the basis of the discounted cash flow method. Discounting is carried out using term-differentiated risk-free swap rates and market spreads. IKB's liabilities are measured using models which apply market spread as a significant influencing factor. Current senior liabilities are based on the spreads from reverse trading. Long-term senior liabilities and subordinated issues are based on CDS spreads. In the case of promissory note loans not held by banks, it is important to take into account the fact that the spreads are lower than for promissory note loans held by banks, since the guarantee fund generally provides cover. Spreads derived from current transactions are applied in discounting global loans.

Profit participation rights and Tier I issues (silent partnership contributions/preferred shares). Profit participation rights and Tier I issues in the fair value option are initially valued at market prices. Unlisted transactions are measured using a discounted cash flow model. Profit participation rights and Tier I transactions measured at amortised cost are recognised at their present value at each balance sheet date. This is calculated using an estimate of the expected interest and principal cash flows discounted using the original yield (IAS 39 AG8).

Portfolio investments

Securities are carried at a fair value of zero if IKB does not expect to receive either interest or principal payments in future based on fundamental analyses.

Measurement of asset-backed securities. If there is a price from an external data provider for the respective securities that has been verified using suitable methods, this is used to calculate the fair value of asset-backed securities (ABS). A present value is determined for the remaining securities on the basis of contractually agreed cash flows with spreads for securities with similar risk profiles.

Measurement of collateralised debt obligations referencing ABS securities with subprime shares. For securities measured at fair value, a present value is calculated on the basis of forecast cash flows. To do so, cash flows that are influenced in particular by expected defaults, expected losses given default and the option of early loan repayments are estimated for the underlying reference portfolios. Both empirical historical summaries and published estimates by market participants are used. It was assumed for the expected payments assigned to a specific CDO tranche that repayments of the ABS securities will be assigned to the highest-ranking tranche and losses will be assigned to the lowest-ranking tranche. In a subsequent step, the individual CDO portfolios are consolidated to calculate a total cash flow. Simplified assumptions regarding the rankings in the CDO contract ("waterfall") are taken into consideration. In determining the present values of this total cash flow, additional discounts are also recognised for the lack of market liquidity in these securities.

When measuring collateralised debt obligations at amortised cost which reference ABS securities with subprime shares, a present value is calculated on the basis of forecast cash flows. To do so, the cash flows for several default scenarios of the referenced ABS securities are estimated. The rankings in the CDO contract ("waterfall") are explicitly taken into consideration. The fair value for the different default scenarios is obtained by means of discounting the expected cash flows with the coupon of the respective tranche invested in.

The default behaviour of the referenced ABS securities is estimated in a standard Monte Carlo simulation including rating-based default rates and correlation parameters. Consistent historical default rates are referred to when calculating the expected defaults. Correlation assumptions are aligned with well-known market participants. The previously determined scenario prices are now weighted by probability, taking into account the default behaviour, so that the final price can be derived.

Measurement of CDO portfolios primarily referencing securities with business risks (CDO of corporates). The measurement of CDO portfolios recognised at fair value is based on the valuation methods typically used by market participants for these structures (copula model). If CDOs reference other CDOs (CDO^2), these are initially combined to form a single CDO. Any special features are taken into account when determining the lower and upper limits of the loss participation of the single CDO. The key measurement parameters – CDS spreads and correlations for the underlying business risks – were available on the market or were derived from market data and adjusted to any special features of the portfolio structure.

The amount of impairment on corporate CDO securities measured at amortised cost is calculated on the basis of a fundamental valuation. This is based on a standard market Monte Carlo simulation including rating-based default rates and correlation parameters. Consistent historical default rates are referred to when calculating the expected defaults. Correlation assumptions are aligned with well-known market participants.

Measurement of collateralised loan obligations (CLO). Impairment losses are calculated using a fundamental value model, which primarily covers the assumed probabilities of default for the credit ratings, the timing of defaults during the term of a transaction and, in particular, the special structural features of a transaction with regard to the priority of payments ("waterfall structures") for the securities invested. In order to forecast future cash flows, the expected cumulative default rate for the respective securitised credit portfolio is first determined. As a matter of principle, the expected loss per borrower is calculated on the basis of the default rates resulting from the models of the rating agencies. The default rates for borrowers with certain critical characteristics were also increased (notching). Impairment is calculated as the present value of the expected cash flows discounted using the effective interest rate.

Measurement of RMBS transactions. Impairment losses on the RMBS transactions sold to the special purpose entity Rio Debt Holdings (Ireland) Ltd. are calculated using a fundamental valuation method allowing a detailed loss allocation of the underlying credit portfolio according to the underlying types of loan or obligor, the timing of the credit defaults and the respective severity of losses. In addition, prepayments are parameterised. The fundamental value of the securities is the present value of the discounted expected cash flows taking into account the waterfall structures of the respective transaction. The spread of the respective security is applied for discounting the cash flows. Key input parameters are forecast on the basis of freely available market expectations, for example regarding interest rate and house price developments. The correlations were verified using a regression analysis. The calculation of fair value is described in the paragraph on the measurement of asset-backed securities.

Measurement of CMBS transactions. The new fundamental value of the securities is the present value of the discounted cash flows of the loans underlying the transactions. The loan-level analysis takes into account the current performance data and the assumptions of other market participants with regard to future rent developments and investors' current return expectations regarding the loan and property characteristics. On this basis, an expected loss is calculated taking into consideration the inferred property value less outstanding credit volume. The spread of the security is applied for discounting purposes. The calculation of fair value is described in the paragraph on the measurement of asset-backed securities.

(d) Hedge accounting

IKB uses derivatives as hedging instruments to reduce market price risks (e.g. interest rate and currency risks). As IAS 39 permits the use of different valuations for underlyings (e.g. loan receivables and obligations) and hedging transactions (derivatives), it also allows a special type of accounting, known as hedge accounting, to ensure accounting in line with the accrual principle.

A series of restrictive conditions must be met in order to be able to map financial hedges using hedge accounting. In addition to the formal documentation of the hedge, evidence must also be provided that the hedge offers effective risk compensation at the inception of the hedge and on subsequent balance sheet dates (prospective effectiveness). Documentation must also prove that the hedge satisfies the effectiveness criteria for the duration of the hedge (retrospective effectiveness). A fundamental distinction must be made between fair value hedge accounting and cash flow hedge accounting.

Fair value hedge accounting. A fair value hedge secures a recognised asset or liability or a firm commitment against changes in fair value attributable to certain risk factors (IAS 39.86). This hedge can be on the basis of a 1:1 relationship (micro hedges) or a portfolio with similar assets or liabilities being grouped together. Macro hedge accounting is only permitted when hedging fixed interest assets and liabilities against interest-induced changes in fair value; in this case, the portfolio consists of assets and liabilities with counter exposure (IAS 39.81A).

In fair value hedge accounting, changes in the fair value of the hedging derivatives and risk-related changes in the value of the underlying are offset in the result for the period. As a result, the carrying amounts of the designated underlyings are adjusted through profit or loss by the cumulative gains or losses on measurement due to a change in the hedged risk factors since the time the hedge was designated. In micro hedge relationships, these changes in carrying amount (hedge adjustments) are reported in the respective transactions. IAS 39.89A allows interest-induced changes in the value of the underlyings to be reported in a separate line item exclusively for macro hedge accounting for interest rate risks.

IKB uses macro hedge accounting for interest rate risks. Interest-induced changes in the value of the asset (liability) underlyings are reported in the respective item of the underlyings. Changes in the value of the underlying included in the hedge relationship are also reported in the fair value result along with fair value changes in the hedge derivative. Derivatives that are hedging instruments in an effective fair flow hedge are carried at fair value and reported under positive/negative fair values of derivative hedging instruments in assets/liabilities held for trading.

Due to the restrictive conditions of hedge accounting, it is impossible to apply hedge accounting to all hedges. For this reason, IKB applies the fair value option permitted in IAS 39.9 to financial instruments which are in a financial hedge and for which risk compensation is expected. Financial instruments that are subject to full fair value measurement as part of this are primarily fixed-interest financial instruments in a financial micro hedge.

Cash flow hedge accounting. IAS 39 permits the use of cash flow hedge accounting for derivatives used to hedge future variable cash flows. Risks exist regarding the amount of future cash flows, particularly for variable interest loans, securities and liabilities as well as forecast transactions (e.g. expected lending or investing). In addition, IAS 39 provides for the application of cash flow hedge accounting when hedging future cash flows from onerous contracts.

Derivatives that are hedging instruments in an effective cash flow hedge are carried at fair value and reported under positive/negative fair values of derivative hedging instruments in assets/liabilities held for trading. The gain or loss on remeasurement must be divided into an effective and an ineffective portion. The effective portion is the portion of the gain or loss on remeasurement that represents an effective hedge against the cash flow risk. This is taken directly to equity in a separate item in the revaluation surplus, "derivatives hedging fluctuations in future cash flows". The ineffective portion of the gain or loss on remeasurement is recognised in the income statement under the result from hedge relationships.

The general accounting policies described above do not change for the underlyings of the hedged cash flows.

In addition to the above requirements, the application of hedge accounting is dependent on a number of additional conditions. In particular, these relate to the documentation requirements for the hedge relationship and its effectiveness described above.

(e) Financial instruments with embedded derivatives

Accounting for financial instruments with embedded derivatives depends on whether or not the derivatives have to be reported separately from the host contract. Embedded derivatives must be accounted for separately if the financial characteristics of the host contract and embedded derivative are not closely related.

If there is a close financial association, the instruments cannot be separated. The instrument is then recognised using the same method as the host contract. If there is not a close association between the derivative and the host contract, the two instruments must be separated; the derivative is measured at fair value through profit or loss unless the instrument is reported at fair value through profit or loss. Securities with embedded derivatives are not reported separately at IKB. Instead, the fair value option is applied to report an instrument in the IFRS category of financial instruments at fair value through profit or loss. Embedded derivatives that have to be disclosed separately are only recognised separately in exceptional cases. In this case, the corresponding derivatives are recognised separately from the host contract in assets and liabilities held for trading at fair value. The host contract is reported according to its holding category.

(f) Financial guarantees

In accordance with IAS 39, a financial guarantee is a contract that obligates the guarantor to make specified payments. These payments reimburse the holders for a loss incurred because a debtor fails to make payment when due in accordance with the terms of a debt instrument.

The value of a financial guarantee at inception is zero as the premium under market conditions is identical to the value of the consideration. Subsequent measurements must review whether or not an obligation must be recognised.

A financial guarantee is recognised when the guarantee offer is accepted.

(g) Securities repurchase agreements

Securities repurchase agreements are combinations of securities spots and futures (sale and repurchase) with the same counterparty (repos). In repos, the securities reported in the repurchase agreement (spot sale) continue to be reported in the balance sheet. The inflow of liquidity from the transactions is reported in the balance sheet as an amount due to banks or customers depending on the counterparty. Reverse repos (spot buy of securities) are recognised as loans and advances to banks or customers. Securities accepted under repurchase agreements are not reported in the balance sheet. The repo rate received or paid is recognised in net interest income on a pro rata basis.

(h) Derecognition of financial instruments

The derecognition of financial assets must be examined on the joint basis of IAS 27 and SIC 12.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred. If transferred, it must be determined whether the Group has assumed the obligation to forward these cash flows to one or more recipients in the event of certain criteria without drawing any further benefit. A financial asset is fully derecognised if essentially all the risks and rewards incidental to ownership of the asset are transferred. However, derecognition does not occur if essentially all the risks and rewards are retained.

In the event of transactions in which essentially all the risks and rewards incidental to ownership of the asset are neither retained nor transferred, the transferred assets are only derecognised if control of this asset is surrendered. The rights and obligations retained under the transfer are recognised separately as assets and liabilities.

If not all the risks and rewards are transferred and control is retained, these assets continue to be reported in line with the extent of the continuing exposure.

A financial liability is derecognised when it has been repaid, i.e. when the obligations incidental to it have been discharged or cancelled or expired.

(88)Classification of financial instruments in accordance with IFRS 7

IKB implements the classification of financial instruments required by IFRS 7.6 as follows:

Assets	
Fair value through profit or loss	**Held for trading**
	Assets held for trading
	Derivative financial instruments recognised at fair value through profit or loss
	Non-current assets held for sale
	Fair value option
	Loans and advances to banks
	Loans and advances to customers
	Investment securities
Hedging derivatives	*Assets held for trading*
Fair value in equity	**Available for sale**
	Financial assets
	Non-current assets held for sale
Amortised cost	**Loans and receivables**
	Loans and advances to banks
	Loans and advances to customers (including hedge fair value adjustments)
	Investment securities
	Non-current assets held for sale
Receivables from finance leases	*Loans and advances to customers*
Other financial instruments not covered by IFRS 7	*Investments accounted for using the equity method*
Equity and liabilities	
Fair value through profit or loss	**Held for trading**
	Liabilities held for trading
	Derivative financial instruments recognised at fair value through profit or loss
	Negative fair values of non-current assets held for sale
	Fair value option
	Liabilities to banks
	Liabilities to customers
	Securitised liabilities
	Subordinated capital
Hedging derivatives	*Liabilities held for trading*
Amortised cost	**Other financial liabilities**
	Liabilities to banks
	Liabilities to customers
	Securitised liabilities (including hedge fair value adjustments)
	Subordinated capital
Off-balance sheet transactions	**Contingent liabilities**
	Other obligations

Reporting classes are grouped together in accordance with the IAS 39 holding categories for the corresponding balance sheet items. Derivatives in hedge relationships and receivables from finance leases are reported in separate reporting classes as these cannot be allocated to any of the holding categories under IAS 39. Off-balance sheet transactions are also covered by IFRS 7 and are therefore reported in a separate class. Financial instruments that are carried at equity in accordance with IAS 28 and IAS 31 do not fall within the scope of IFRS 7 and are therefore posted in a separate reporting class.

(89)Cash reserve

The cash reserve comprises cash-in-hand and balances at central banks. It is reported at nominal value.

(90)Loans and advances to and liabilities from banks/customers

At IKB, loans and advances to and liabilities from banks and customers not held for trading and not traded in an active market are measured at amortised cost. Premiums and discounts are reported under the corresponding balance sheet item. They are amortised through profit or loss over their expected life using the effective interest method and recognised under net interest income. Further information on impairment can be found in the Provisions for possible loan losses section.

Separable embedded derivatives are recognised separately and at fair value under assets or liabilities held for trading.

Finance leases

IAS 17 classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Under finance leases the Bank, as the lessor, reports lease receivables at their net investment value within the balance sheet item loans and advances to customers.

Finance leases are generally part amortisation agreements under which the residual value is defined contractually with the lessee. During the non-cancellable lease term, the acquisition costs are only amortised in part. Amortisation is carried out on the basis of the implicit interest rates. A residual value is calculated at the end of the agreement. The residual value is based on the expected fair value of the leased item at the end of the agreement. Part amortisation agreements differ between agreements with a put option for IKB and agreements without a put option in respect of the lessee. Agreements without put options can also include hedges in the form of repurchase agreements with third parties. In foreign companies customers are sometimes offered call options under this type of agreement. Agreements without put options or with repurchase agreements can also be reported in the balance sheet as an operating lease depending on the calculated residual value.

In addition, there are also full amortisation agreements, puttable agreements and hire purchase agreements that are reported on the balance sheet as finance leases. For full amortisation agreements, the full acquisition cost is amortised over the non-cancellable lease term. These agreements are used for leased items that are not expected to have any significant fair value at the end of the term. Puttable agreements have a non-cancellable lease term after an automatic extension provided that the agreement is not cancelled by the customer. In the event of cancellation, the customer must make a final payment. This results in full amortisation. In hire purchase agreements, legal ownership of the financed property passes to the customer on payment of the final instalment.

The finance lease ends once the contracting parties have fulfilled all their obligations in accordance with the agreement.

(91) Provision for possible loan losses

To assess whether a loss event has arisen at an individual level, all the Bank’s significant credit relationships are checked for objective indications of impairment at least once per quarter. Debtors are examined for any financial difficulties.

Impairment on individual assets is recognised in the amount of the potential default as soon as the probability of the interest and repayment receivables defaulting is sufficiently large. Loans are tested for impairment if one of the following criteria is met: existing impairment, insolvency, arrears of 90 days or more, or restructuring measures. The potential default is calculated as the differences of the current carrying amount and the present value of the cash flows still expected. The discount factor is equal to the original effective interest rate of the receivable.

Portfolio provisions are recognised for credit risks on the basis of empirical default/loss rates; these provide risk cover for acute default risks that exist but have not yet become apparent. The delay between the occurrence of a loss event and the time when it is identified or becomes known is taken into account by portfolio-oriented parameters (loss identification period factor).

For impaired financial instruments classified as loans and receivables, the interest income is calculated by unwinding future forecast cash flows using the original effective interest rate. Thus, the present value as of the next reporting date (unwinding) is recognised rather than the contractually agreed interest income.

Risk provisions are reported on the assets side of the balance sheet with a minus sign. The item includes impairment requirements on loans and advances to banks and customers. Financial assets are always reported net of impairment. Irrecoverable debts are written off directly; recoveries on loans previously written off are recognised through profit and loss. If the basis for a direct write-down no longer applies, the write-down is reversed to not more than the amortised cost.

The procedure for determining provisions for off-balance sheet obligations for possible loan losses resembles the method used for loans. Impairment losses are recognised in the balance sheet as provisions for possible loan losses under other provisions and recognised in the income statement as an element of the provision for possible loan losses.

(92) Assets and liabilities held for trading

All derivatives are allocated to assets and liabilities held for trading in accordance with IAS 39. These are carried at fair value. In addition, financial instruments held for trading, which essentially comprise holdings in promissory note loans and bonds that the Bank intends to place on the market, are allocated to these items.

Please refer to note (87) for information on the procedure for determining the fair value of assets held for trading. The net gain or loss on remeasurement and realised gains and losses are reported under net income from financial instruments at fair value. Interest income and interest expenses are reported in net interest income.

(93) Financial assets

Financial assets include all bonds and other fixed-income securities, equities and other non-fixed income securities and other investments not held for trading.

Financial instruments for which there is no active market are measured at amortised cost unless the fair value option has been exercised. Any premiums or discounts are allocated directly to the corresponding financial instruments and distributed over the remaining term using the effective interest method and the resulting gains or losses are reported under net interest income.

All other holdings reported under financial assets are measured at fair value on addition and on each subsequent reporting date. If the fair value of equity instruments cannot be reliably determined, they are recognised at acquisition cost. Investments recognised at acquisition cost include shares in limited liability companies (GmbH) and shares in partnerships for which there is a significant degree of fluctuation in the reasonable estimates of the fair value and for which the probability of the various estimates cannot be reasonably assessed.

The gains and losses on the measurement of holdings in the IFRS category “financial assets available for sale” are reported in the revaluation surplus under equity. Gains and losses are only recognised in profit or loss under net income from financial assets when the holdings are realised, e.g. when the instruments are sold or an impairment loss is recognised. In accordance with IAS 39.59, financial assets must be examined for objective evidence of whether losses occurred after their initial recognition resulting in a reduction in the cash flows. For example, permanent or material impairment is considered to have occurred in the case of loss events, breach of contract or increased probability of default. In addition, there is objective evidence of impairment if the fair value falls significantly below acquisition cost over a considerable period of time. In this case, the remeasurement gains and losses are no longer reported in the revaluation surplus under equity, but are instead reported in net income from financial assets.

Impairment losses recognised in profit or loss for equity instruments in the IFSR category “financial assets available for sale” may not be reversed to profit or loss prior to realisation. Reversals of impairment losses for equity instruments in this category are taken directly to equity.

By contrast, if the fair value of a debt instrument in the IFRS category “financial assets available for sale” increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed and the amount of the reversal is recognised in profit or loss up to a maximum of the amortised cost of the item.

If there is objective evidence that an financial assets recognised at amortised cost is impaired, the amount of the impairment loss is the difference between the carrying amount and the present value of the expected cash flows. If the indications of impairment no longer apply at a future reporting date, the impairment loss is reversed up to a maximum of the amortised cost of the item.

The net gain or loss on remeasurement of holdings for which the fair value option was exercised is taken directly to the income statement under net income from financial instruments at fair value. The corresponding interest is reported in interest income.

(94) Companies accounted for using the equity method

All investments in associated companies and joint ventures that are accounted for using the equity method are reported under this item.

Gains and losses are reported separately in the consolidated income statement under net income from investments accounted for using the equity method.

(95) Intangible assets

In addition to internally generated intangible assets, which mainly result from the directly attributable development costs of internally generated software, IKB also reports purchased software that is not an integral part of hardware under intangible assets. They are measured at cost less cumulative amortisation. If intangible assets constitute qualifying assets within the meaning of IAS 23, the attributable borrowing costs are included in the calculation of cost.

Amortisation is recognised on a straight-line basis over a useful life of five years. Write-downs are recognised if there are indications of impairment. Assets are tested for impairment and the appropriateness of their useful lives at least every balance sheet date. Write-downs are reported in the income statement under administrative expenses.

(96) Property, plant and equipment

All land, buildings and operating and office equipment are reported under property, plant and equipment. Property, plant and equipment is measured at cost less cumulative depreciation in accordance with the standard useful life. In the case of self-constructed property, plant and equipment, the attributable borrowing costs are included in the calculation of cost.

Depreciation on buildings is recognised on a straight-line basis over a useful life of between 33 and 50 years; depreciation on operating and office equipment is recognised over a useful life of between three and 20 years. This is reported under administrative expenses.

Write-downs are recognised if there are indications of impairment due to technical or commercial obsolescence or a decline in market prices.

Gains on disposal are reported under other operating income, losses on disposal under other operating expenses.

Operating leases

IAS 17 classifies a lease as an operating lease if it does not transfer substantially all the risks and rewards incident to ownership to the lessee. Leased items that IKB recognises under operating leases as the lessor are reported under property, plant and equipment.

Leased items are recognised at acquisition cost less depreciation over the contractual useful life, taking the contractual residual value into account. Impairment losses are also recognised in the event of permanent impairment.

Operating leases can result from part amortisation agreements and puttable agreements where a residual value is taken into account. The residual value is realised at the end of the agreement resulting from the sale or sub-leasing of the leased item. In vehicle part amortisation agreements, the lessee can also participate in additional proceeds under the terms of the agreement if the proceeds from realisation exceed the residual value. Puttable agreements are concluded for indefinite periods. The calculated term, the termination rights and the corresponding compensatory payments are agreed on a case-by-case basis.

(97) Tax assets and liabilities/deferred tax assets and liabilities

Taxes are calculated for the individual Group companies in accordance with the tax laws in each country. Current tax expenses and income and expenses from changes in deferred tax assets or liabilities are reported in the income statement as taxes on income.

Current and deferred tax assets and liabilities are reported separately in the balance sheet as asset and liability items. Taxes are reported under the items current tax assets and liabilities in the amount of reimbursements by or payments to the tax authorities. Deferred tax assets and liabilities are reported under the item deferred tax assets and liabilities.

In line with IAS 12, deferred tax assets and liabilities are calculated on the basis of the balance sheet method. They arise from the differences between the carrying amount of assets/liabilities in the consolidated financial statements and their tax carrying amounts if they are expected to result in tax expenses or relief in the future (temporary differences). The temporary differences are measured in line with the country-specific tax rates that are expected to apply at the time that the differences reverse.

Deferred tax assets on an entity’s unused tax loss carryforwards are recognised when it is more than 50% likely that the entity will generate sufficient tax income in the coming years to use the respective loss carryforward.

Deferred taxes are not discounted. Deferred taxes are calculated on the basis of the applicable tax rates at the balance sheet date. Changes in tax rates are taken into account when calculating deferred tax assets and liabilities if it is certain that they will be in effect as of the balance sheet date.

Depending on the matter at hand, deferred tax assets are recognised and reversed either in profit or loss as taxes on income or in equity.

Other taxes not relating to income are reported separately in the income statement.

(98) Other assets/liabilities

Other assets/liabilities essentially include lease receivables, trade receivables and prepaid expenses and deferred income.

Receivables from leasing transactions primarily relate to leasing transactions that cannot be clearly classified until the terms and conditions of the lease are complete. Accordingly, advance payments are reported under receivables from leasing transactions as the lease is not classified as an operating or finance lease until the agreement is concluded.

Activities in connection with real estate project development are reported under inventories. In accordance with IAS 2.9, inventories are measured at the lower of cost and net realisable value. Cost is calculated in line with IAS 2.10 ff., while net realisable value is calculated in line with IAS 2.28 ff. The cost of the inventories is determined through specific allocation of the cost of individual items.

(99) Non-current assets held for sale/liabilities in connection with groups of assets held for sale

A non-current asset is classified as held for sale if it is available for immediate sale in its present condition, an active programme to locate a buyer has been initiated and its sale is highly probable within the next twelve months since the decision to sell it. The asset available for sale is reported in a separate balance sheet item, “non-current assets held for sale”. The liabilities of a disposal group classified as held for sale are also presented separately. Measurement at the reporting date is based on a comparison of the current carrying amount with the fair value less costs to sell. If the assets intended for sale constitute financial instruments, measurement is performed in accordance with IAS 39.

(100) Securitised liabilities

Securitised liabilities include issued bonds and money market securities (e.g. certificates of deposit, euro notes, commercial papers). These financial instruments are carried at either amortised cost (other financial liabilities) or fair value if the fair value option has been exercised.

(101) Provisions for pensions and similar obligations

Provisions are recognised for pension commitments to employees of IKB AG and the subsidiaries IKB Leasing GmbH, IKB Data GmbH, IKB Private Equity GmbH and IKB International S.A. The pension schemes are based on defined benefit plans.

In particular, IKB uses the provisions for pensions and similar obligations to cover payments under its company pension scheme on the basis of its indirect pension commitments. Under these schemes, pensions are paid from the start of retirement due to reaching pension age or early retirement on account of disability or to surviving dependents in the event of death. The amount of provisions for defined benefit pensions is dependent on the applicable pension fund plan (VO) regulations. While the pension fund plan for 1979 is essentially based on factors such as the eligible service period and eligible earnings, the plan for 1994 features a so-called benchmark model and a pension module system. Under the 1994 plan, the amount of obligations recognised as liabilities for income components below the upper income limit (in line with the applicable German calculation parameters for statutory pension insurance) is based on final salary and the benchmark value and, for income components above the social security contribution ceiling, on the amount of the pension module earned on an annual basis.

With the introduction of the 2006 pension scheme, IKB followed the trend emerging on the market of basing pensions more strongly on the development of the corresponding investments. The 2006 pension plan is a cash balance plan, which is performance-based but includes a minimum interest rate and additional benefits for incapacity or death. The 2006 pension plan applies to employees hired at IKB AG, IKB Data GmbH, IKB Private Equity GmbH and IKB Leasing GmbH from the 2006/07 financial year.

All pension obligations are calculated using the projected unit credit method in line with IAS 19. The carrying amounts of future obligations are based on actuarial opinions prepared by independent actuaries. These calculations take into account not only the pensions known and benefits acquired on the balance sheet date but also expected future increases in eligible salaries and pensions and rates of fluctuation. The current market interest rate for long-term investments is used to calculate the present value, with biometric probabilities taken into account using the 2005G Heubeck mortality tables.

The expense of direct commitments recognised through profit and loss is divided into the main components of interest and service costs. The former is reported under net interest income, the service cost under staff costs. Actuarial gains and losses can arise from changes in the actuarial parameters and accounting policies on which the original pension opinions were based and from changes in holdings. These increases or decreases in obligations, namely the difference from the originally estimated obligation, are recognised in full in retained earnings in the year in which they arise.

Similar obligations also include provisions for early retirement schemes and deferred compensation obligations, calculated on the basis of actuarial principles.

Provisions for anniversary bonuses, which are also determined on the basis of actuarial opinions, are reported under other provisions under IFRS.

In addition, IKB introduced a deferred income accounts scheme in 2006, which is also reported under similar obligations. Based on the *Gesetz zur sozialrechtlichen Absicherung flexibler Arbeitszeitregelungen* (*FlexiGesetz* – German Act on Social Protection for Flexible Working Times), employees can waive immediate salary components not relating to their regular monthly salary and instead invest these funds in fixed-income or equity funds under this scheme. With the future receipt of these investments with a guaranteed interest rate of 2.25%, this model supplements IKB's existing pension regulations and thereby offers a further option for deferred compensation and an instrument allowing a flexible transition into retirement. The deferred income accounts scheme is available to employees of IKB AG and its subsidiaries IKB Leasing GmbH, IKB Private Equity GmbH and IKB Data GmbH.

In the past, the pension obligations from the 1979 and 1994 pension fund plans, the assets hedging deferred compensation obligations and early retirement obligations and the deferred income accounts scheme assets were already spun off. The assets for the 2006 pension fund plan were similarly spun off at the start of the 2008/09 financial year. Under Under contractual trust arrangements (CTAs), IKB AG and the subsidiaries involved separated the assets necessary to meet pension claims from their other company assets and transferred them to a trustee.

The assets contributed by IKB to the CTAs constitute plan assets as defined by IAS 19 and are therefore netted against the corresponding obligations. Plan assets are measured at fair value. Differences between the plan income recognised in the income statement and current income are recognised in equity as actuarial gains and losses in retained earnings. The expected return on plan assets – together with the expense of unwinding obligations – is reported in net interest income.

(102) Other provisions

In accordance with IAS 37, other provisions are recognised for current legal or constructive obligations for which the date and/or the amount of the obligation are uncertain, and for which an outflow of resources required to settle the obligation is probable. The amount recognised for the provision is the best possible estimate of the amount required to meet the obligation on the balance sheet date, taking into account the risks and uncertainties of the obligations.

They are measured in the amount of expected utilisation. Provisions are carried at present value where the effect of the time value of money is material. Unwinding effects are reported in net interest income.

(103) Subordinated capital

Subordinated liabilities

Subordinated liabilities include liabilities that can only be repaid after all non-subordinated creditors in the event of insolvency or liquidation. Subordinated liabilities are own funds as defined by the *Kreditwesengesetz* (KWG – German Banking Act) and count as liable equity under certain conditions. If the liabilities have a remaining term of less than two years, they are only partially allocated to eligible capital. No provision is made for a participation in operating losses for subordinated liabilities; interest is due and paid irrespective of the Bank's net profit or loss for the year.

Profit participation certificates

Profit participation certificates fully participate in the loss of the Company. Interest payments are only made if the Company reports net income for the year or net retained profits. The claims of profit participation certificate bearers to capital repayment are subordinate to the claims of other creditors. Profit participation capital is used to strengthen liable capital in accordance with the provisions of the German Banking Act. If IKB posts a net loss for the year or net accumulated losses (under the German Commercial Code (HGB) the profit participation certificates participate in this fully by reducing their repayments amounts in proportion to their carrying amount for the equity reported in the annual financial statements of IKB AG (including profit participation certificates but not any other subordinated liabilities).

Silent partnership contributions/preferred shares

Silent partnership contributions include issues in the form of capital contributions made by silent partners. In addition, IKB also reports preferred shares of two US subsidiaries under this item.

These liabilities are carried at either amortised cost (other financial liabilities) or fair value if the fair value option has been exercised.

Silent partnership contributions participate in the net accumulated losses of IKB AG (HGB) in proportion to the silent partnership contributions at the total carrying amount value of the Bank's liable equity participating in the loss.

If IKB AG posts net accumulated losses, the preferred shares only participate in the subsequent financial year if payment is not made.

(104) Equity

Issued capital

This item includes IKB AG's share capital less the nominal amount of any treasury shares held.

Capital reserve

The capital reserve comprises the amount of the proceeds from the issuance of shares which exceeds the nominal value. Gains or losses from any transactions involving treasury shares are also offset directly in equity against capital reserve.

Retained earnings

Retained earnings are composed of legal reserves and other reserves. In accordance with IAS 19, the retained earnings reserve also includes actuarial gains or losses resulting from changes in calculation parameters and variations with regard to risk factors (i.e. disability or mortality figures) observable as of the balance sheet date compared to expectations. The item also includes the cumulative consolidated net retained profits/net accumulated losses from previous years.

Currency translation reserve

The currency translation reserve includes foreign exchange gains, or losses resulting from the translation of subsidiaries' equity denominated in a foreign currency.

Revaluation surplus

The revaluation surplus contains the net gains or losses from remeasurement of financial assets available for sale; the measurement effects of cash flow hedges are also disclosed here. Deferred taxes are calculated for each of the items listed and also included in the revaluation surplus.

Minority interests

Minority interests in the equity of subsidiaries are reported in a separate item within equity.

Notes on the consolidated income statement

(105) Net interest income

Net interest income includes interest income and interest expenses, dividends from securities, current income from shares in unconsolidated affiliated companies and investments as well as income and expenses from finance leases. Interest income and interest expenses are recognised on an accrual basis using the effective interest method. Interest income from finance leases is allocated over the basic lease term based on a pattern reflecting a constant periodic rate of return on the net investment.

in € million	**2010/11**	**2009/10***
Interest income from derivatives	659.4	590.3
Interest income from fair value option financial instruments	74.4	117.0
Interest income from securities held for trading	2.8	1.6
Total interest income from financial assets measured at fair value through profit or loss	**736.6**	**708.9**
Interest income from lending and money market transactions	986.0	1,117.0
Interest income from fixed and floating-rate securities	125.1	171.6
Income from shareholdings	4.8	3.9
Dividends	2.4	1.0
Total interest income from other categories	**1,118.3**	**1,293.6**
Total interest income	**1,854.9**	**2,002.5**
Interest expenses for derivatives	688.0	654.1
Amortisation from discontinued hedges IFRS 1 IG 60A	46.0	65.0
Interest expenses for fair value option financial liabilities	318.9	313.8
Total interest expenses from financial liabilities measured at fair value through profit or loss	**1,052.9**	**1,032.9**
Interest expenses for securitised liabilities	32.6	122.3
Interest expenses for other liabilities	538.6	563.4
Interest expenses for subordinated capital	30.1	44.5
Similar expenses to interest expenses including interest expenses for pension obligations	61.1	60.9
Total interest expenses from other categories	**662.4**	**791.1**
Total interest expenses	**1,715.3**	**1,824.0**
Net interest income	**139.6**	**178.5**

* Figures adjusted

€ 19.9 million was reclassified from interest income from securities held for trading to interest income from lending and money market transactions due to incorrect disclosure. As a result, interest income from securities held for trading declined from € 21.5 million to € 1.6 million and interest income from lending and money market transactions increased from € 1,097.2 million to € 1,117.0 million.

No current interest income is recognised for impaired loans and advances. Instead, the increase in the present value of future payments as a result of the passage of time is recognised as interest income (unwinding). The interest income resulting from the unwinding effect amounts to € 30.1 million (previous year: € 39.0 million). Interest expenses include unwinding effects of € 59.0 million (previous year: € 55.0 million) from the measurement of IKB's own liabilities in accordance with IAS 39 AG8. Interest effects from macro hedge accounting reduced net interest income by € 17.3 million (previous year: € 11.2 million).

The adjustment from fair value hedges as part of initial recognition under IFRS in accordance with IFRS 1.IG 60A was fully amortised in the year under review.

(106) Provision for possible loan losses

2010/11 in € million	Amortised costs		Receivables from finance leases	Provisions for off-balance sheet transactions	Total
	Loans and advances to customers	Financial assets	Loans and advances to customers		
Additions to specific impairment losses/provisions	264.8	-	10.5	11.1	286.4
Direct write-downs	24.7	-	-	-	24.7
Recoveries on loans previously written off	12.5	-	-	-	12.5
Additions to (+)/reversals of (-) portfolio value allowances	-73.8	-	1.0	-	-72.8
Reversal of specific valuation allowances/provisions	118.1	-	13.3	23.6	155.0
Provisions for possible loan losses	**85.1**	**-**	**-1.8**	**-12.5**	**70.8**
Additions to (+)/reversal of (-) impairment on financial assets (net income from financial assets)	-	-31.9	-	-	-31.9
Total	**85.1**	**-31.9**	**-1.8**	**-12.5**	**38.9**

2009/10 in € million	Amortised costs		Receivables from finance leases	Provisions for off-balance sheet transactions	Total
	Loans and advances to customers	Financial assets	Loans and advances to customers		
Additions to specific impairment losses/provisions	517.9	-	14.4	22.3	554.6
Direct write-downs	50.5	-	-	-	50.5
Recoveries on loans previously written off	6.8	-	-	-	6.8
Additions to (+)/reversals of (-) portfolio value allowances	0.4	-	1.1	-	1.5
Reversal of specific valuation allowances/provisions	84.0	-	11.1	10.8	105.9
Provisions for possible loan losses	**478.0**	**-**	**4.4**	**11.5**	**493.9**
Additions to (+)/reversal of (-) impairment on financial assets (net income from financial assets)	-	-128.2	-	-	-128.2
Total	**478.0**	**-128.2**	**4.4**	**11.5**	**365.7**

(107) Net fee and commission income

in € million	2010/11	2009/10
Net fee and commission income from lending business	30.7	24.8
Net fee and commission income from securitisation	-1.3	1.8
Net fee and commission expense for liquidity procurement	-126.2	-76.7
Other	3.8	-1.4
Total	**-93.0**	**-51.5**

The item “commission expenses for liquidity procurement” contains the guarantee fees paid to SoFFin in connection with the guaranteed bonds.

(108) Net income from financial instruments at fair value

in € million	2010/11	2009/10
Net trading result	33.4	61.6
Net result from fair value option	48.4	-648.4
Hedging result	-10.4	-12.1
Total	**71.4**	**-598.9**

The positive effects in net trading income primarily relate to the derivative result of € 53.4 million (previous year: € 39.3 million) and the securities trading result of € 0.4 million (previous year: € 18.8 million), and are offset by the negative currency result of € 20.3 million (previous year: positive result of € 1.5 million).

In the previous year, the derivatives result included valuations attributable to foreign currency effects. For improved presentation of this economic connection, these foreign currency effects will therefore be reported under the currency result. The figure stated for the previous year is therefore adjusted by € 22.4 million for the derivative result and by € -22.4 million for the currency result. Overall net trading income remains the same.

There are currency expenses of € 82.2 million from financial instruments not measured at fair value. These expenses include all spot rate-based matters from transactions not recognised at fair value, including cash flows from derivative financial instruments to date. This disclosure in accordance with IAS 21.52a is not significant for IKB, as the currency position is not managed on the basis of the categorisation of financial instruments and the net income from hedging transactions which is also attributable to these transactions is not included in the above expenses.

The use of the fair value option relates to some of the investments in international credit portfolios, European government and bank bonds held for liquidity provisioning, and financial instruments containing separable embedded derivatives. IKB also uses this category in risk-mitigating hedging strategies in accordance with IAS 39. The changes in the fair value of hedging swaps are recognised in this item, as are the changes in the fair value of the hedged items.

The result of the adoption of the fair value option is due to different effects from the measurement of the above financial instruments. Of this figure, around € -177 million (previous year: € 84 million) relates to fair value losses on long-term investments and derivatives from hedging swaps, € 47 million (previous year: € 137 million) to net fair value gains on portfolio investments and € -10 million (previous year: € -10 million) to impairment losses on direct investments of the IKB Private Equity Group. The fair value losses relating to long-term investments are mainly influenced by the development of risk premiums for government and bank bonds for refinancing purposes as a result of the sovereign debt crisis in the euro zone.

Liabilities for which the fair value option was exercised resulted in rating-driven income of € 187.7 million within net income from financial instruments at fair value (previous year: expenses of € 858.9 million) in the year under review due to the widening of the IKB credit spread. Until the planned repayment of these financial instruments, net income from financial instruments at fair value will continue to be affected by potential changes in credit spreads in future periods. The rating-driven changes in the fair value of own issues are broken down among the following balance sheet items:

in € million	Cumulative change in fair values due to changes in default risks		Change in fair values in the period due to changes in default risks	
	31 Mar 2011	31 Mar 2010	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010
Liabilities to banks	18.5	24.1	-0.5	-22.3
Liabilities to customers	492.6	379.6	176.6	-534.3
Securitised liabilities	0.2	17.4	-19.1	-140.4
Subordinated capital	423.3	486.8	30.7	-161.9
Total	**934.6**	**907.9**	**187.7**	**-858.9**

The result from fair value hedges is composed of the result from hedged items of € 18.1 million (previous year: € 89.5 million) and from hedging derivatives of € -28.5 million (previous year: € -101.6 million). Cash flow hedges did not make a contribution to earnings.

(109) Net income from financial assets

in € million	2010/11	2009/10
Net income/loss from securities	43.3	161.7
Net loss from investments and shares in affiliated companies	-1.0	-2.5
Total	**42.3**	**159.2**

Net income from financial assets includes net reversals of impairment losses in the amount of € 31.9 million (previous year: € 128.2 million) on securities in the IAS 39 loans and receivables category. The sale of investment securities resulted in net income of € 11.4 million (previous year: € 33.6 million).

Impairment of € 2.0 million (previous year: € 2.5 million) was recognised in profit and loss for investments. The sale of investments resulted in income of € 1.0 million (previous year: no value).

(110) Net income from investments accounted for using the equity method

in € million	2010/11	2009/10
Linde Leasing GmbH	1.7	1.2
MD Capital Beteiligungsgesellschaft mbH	-0.1	-1.0
Movesta Lease and Finance GmbH	-	-0.9
Total	**1.6**	**-0.7**

(111) Administrative expenses

in € million	2010/11	2009/10
Personnel expenses	167.2	164.2
Other administrative expenses	141.7	121.4
Write-downs on office and operating equipment, real estate and intangible assets	12.4	15.9
Total	**321.3**	**301.5**

The individual expense categories break down as follows:

Personnel expenses

in € million	2010/11	2009/10
Wages and salaries	137.6	132.4
Social security contributions	17.7	18.2
Expenses for pensions and other benefits	11.9	13.6
Total	**167.2**	**164.2**

Statutory pension premiums amounted to € 10.3 million (previous year: € 10.4 million).

The expenses for pensions and other benefits include the current service cost and insolvency protection contributions to PSVaG.

Other administrative expenses

in € million	2010/11	2009/10
Advisory fees	37.0	25.4
IT costs	28.0	22.5
Other administrative expenses (incl. audit expenses)	18.9	14.8
Occupancy expenses	18.1	19.7
Mandatory contributions, miscellaneous administrative expenses and company law expenses	16.6	16.9
Workstation costs	13.0	12.3
Travel expenses and vehicle costs	7.6	7.6
Advertising, public relation and representation costs	2.5	2.2
Total other administrative expenses	**141.7**	**121.4**

Other administrative expenses include expenses for consulting and other services for managing the crisis totalling € 20.3 million (previous year: € 12.8 million).

The item "mandatory contributions, miscellaneous administrative expenses" primarily contains expenses for contributions to the Deposit Protection Fund in the amount of € 13.1 million (previous year: € 13.7 million).

Of the audit expenses included in other administrative expenses, the following expenses relate to German auditors:

in € million	2010/11	2009/10
Audit of financial statements	5.4	3.3
Other assurance services	0.8	1.3
Tax advisory services	0.1	-
Other services	1.3	0.5
Total	**7.6**	**5.1**

Administrative expenses also include write-downs on operating and office equipment, real estate and intangible assets:

in € million	2010/11	2009/10
Operating and office equipment	5.5	7.0
Real estate used for bank operations	-	0.5
Intangible assets	6.9	8.4
Total	**12.4**	**15.9**

(112) Other operating result

in € million	2010/11	2009/10 *
Other operating income	499.6	336.4
Income from the remeasurement of compensation from future profits and hybrid financial instruments	322.2	127.0
Income from operating leases	118.7	120.1
Income from project development activities	6.4	-
Repurchase of own issues	1.2	25.5
Cost allocations	6.7	6.1
Reversals of provisions/write-downs on other receivables	16.8	14.3
Income for buildings not used for banking purposes	2.1	3.4
Income from the sale of non-financial assets	0.5	13.4
Remaining other operating income	25.0	26.6
Other operating expenses	256.7	171.7
Expenses for derecognition of difference	19.9	-
Expenses for the remeasurement of compensation from future profits and hybrid financial instruments	1.7	-
Expenses for operating leases	114.9	117.3
Impairment losses from the remeasurement of inventories	57.3	-
Restructuring expenses	3.4	6.4
Settlement of portfolio investments	8.0	7.0
Expenses for buildings not used for banking purposes (including depreciation)	5.3	4.7
Additions to provisions/write-downs on other receivables	9.9	26.5
Voluntary social benefits (including donations)	1.5	1.8
Expenses from the sale of non-financial assets	0.1	0.4
Repurchase of own issues	10.0	0.4
Remaining other operating expenses	24.7	7.2
Total	**242.9**	**164.7**

* Figures adjusted

- The restructuring expenses reported separately in the previous year are contained in other operating expenses in the amount of € 6.4 million.
- Other operating income includes the amendment to IAS 8 (see changes in accordance with IAS 8(b): correction of errors).
- In the previous year, settlement of portfolio investments and repurchase of own issues were included in miscellaneous other operating expenses.

The expenses from the derecognition of a difference result from the difference between the purchase price for shares and the fair value of the net asset acquired. Details on this can be found in the section “Aleanta GmbH” under “Special matters”.

Impairment losses from the measurement of inventories relate solely to amounts offset against the cost of a property in the reporting period.

Measurement of liabilities in accordance with IAS 39 AG8 led to a remeasurement gain of € 320 million (previous year: € 127 million) in other operating result. Measurement is based on IKB’s income planning and capital planning. Due to the expected increase in regulatory capital requirements, increased profit retention to strengthen capital was expected as compared to the previous years. This change in planning led to lower present values being recognised in the IAS 39 AG8 valuation. Income from the remeasurement of compensation from future profits and hybrid financial instruments (IAS 39 AG8) is explained in note (128) “Liabilities to customers” and note (137) “Subordinated capital”.

(113) Taxes on income

in € million	2010/11	2009/10
Current income taxes	-22.4	38.4
for the current year	1.6	42.3
from prior years	-24.0	-3.9
Deferred taxes	-21.2	-19.6
Total	**-43.6**	**18.8**

Current income taxes primarily relate to taxes in Germany. Based on the Group's operating result for 2010/11 and taking trade tax into account, tax expenses of € 2.5 million (previous year: tax income of € 297.1 million) would have been expected applying the rate of corporation tax in Germany including the solidarity surcharge. The following table shows a reconciliation of the expected tax expense to the reported tax expense:

in € million	2010/11	2009/10*
Profit/loss before taxes	7.9	-948.1
Applicable tax rate (%)	**31.3**	**31.3**
Expected income taxes	2.5	-297.1
Tax effects	-	-
from prior years	-4.4	-4.0
from tax rate changes	2.1	-
from differences between tax rates in Germany and abroad	2.9	-20.4
from tax-free income	-13.0	-2.3
from non-deductible expenses	47.1	16.1
from unrecognised deferred taxes	-135.7	340.9
from changes in permanent effects of an accounting nature	39.0	-20.6
from other differences	15.9	6.2
Taxes on income	**-43.6**	**18.8**

* Figures adjusted

The income tax rate used as the basis for the reconciliation is composed of the corporate income tax rate of 15.0% applicable in Germany as of 2008 (previous year: 15.0%), plus a solidarity surcharge of 5.5% (previous year: 5.5%) on corporate income tax and an average trade tax rate of 15.5% (previous year: 15.5%). In total, this is equivalent to a domestic income tax rate of 31.3% (previous year: 31.3%).

Income tax effects due to differences in tax rates result from differences between domestic income tax rates and foreign income tax rates applicable to foreign Group companies and entities, which still range from 12.5% to 46.2%, and different trade tax assessment rates in Germany.

To the extent permitted under IAS 12, deferred taxes have been recognised for temporary differences resulting from investments in subsidiaries, foreign branches and associates as well as interests in joint ventures.

The tax effect of € -135.7 million (previous year: € 340.9 million) from the change in unrecognised deferred taxes primarily relates to temporary differences in the German tax group.

Notes on the consolidated balance sheet (assets)

(114) Cash reserve

in € million	31 Mar 2011	31 Mar 2010
Cash in hand	0.1	0.1
Balances with central banks	84.6	14.7
Other	0.1	0.1
Total	**84.8**	**14.9**

As of the balance sheet date, € 84.3 million (previous year: € 14.4 million) of balances at central banks related to balances at Deutsche Bundesbank.

(115) Loans and advances to banks

in € million	31 Mar 2011	31 Mar 2010
Loans and advances to banks (remaining term up to 1 year)	2,248.3	2,399.0
Loans and advances to banks (remaining term 1-5 years)	56.3	85.5
Loans and advances to banks (remaining term more than 5 years)	11.6	33.8
Total	**2,316.2**	**2,518.3**

(116) Loans and advances to customers

in € million	31 Mar 2011	31 Mar 2010
Loans and advances to customers (remaining term up to 1 year)	3,821.0	4,434.7
Loans and advances to customers (remaining term 1-5 years)	9,700.0	10,928.0
Loans and advances to customers (remaining term more than 5 years)	4,920.3	6,485.0
Finance lease receivables	1,889.6	1,817.4
Total	**20,330.9**	**23,665.1**

The decrease in loans and advances to customers is primarily attributable to the reduction in loans in certain areas (e.g. Real Estate Finance) due to the EU requirements.

Due to the full amortisation, loans and advances to customers no longer include any hedge adjustments from the transition to IFRS in accordance with IFRS 1.IG 60A (previous year: € 46.0 million).

The carrying amount of loans and advances to customers includes hedge adjustments from hedged items in the amount of € 108.3 million (previous year: € 177.5 million).

(117) Provision for possible loan losses

in € million	Impairment		Portfolio allowances	Provisions for off-balance sheet transactions	Total
	Amortised cost	Receivables from finance leases			
	Loans and advances to customers	Loans and advances to customers			
Opening balance (1 April 2010)	877.0	10.1	185.1	53.9	**1,126.1**
Utilisation	311.2	0.0	0.0	5.9	**317.1**
Reversal	118.1	13.3	76.8	23.6	**231.8**
Unwinding	17.7	0.0	0.0	0.1	**17.8**
Addition	264.8	10.5	4.0	11.1	**290.4**
Reclassification	0.0	0.2	0.0	0.0	**0.2**
Effects of exchange rate changes	3.8	0.1	0.0	-0.2	**3.7**
Closing balance (31 March 2011)	**698.6**	**7.6**	**112.3**	**35.2**	**853.7**
less provisions	-	-	-	35.2	**35.2**
Provisions for possible loan losses reported as of 31 March 2011	**698.6**	**7.6**	**112.3**	**0.0**	**818.5**

in € million	Impairment		Portfolio allowances	Provisions for off-balance sheet transactions	Total
	Amortised cost	Receivables from finance leases			
	Loans and advances to customers	Loans and advances to customers			
Opening balance (1 April 2009)	806.4	6.7	184.6	58.2	**1,055.9**
Utilisation	334.0	0.0	0.0	15.4	**349.4**
Reversal	84.0	11.1	21.6	10.8	**127.5**
Unwinding	24.4	0.0	0.0	0.4	**24.8**
Addition	517.9	14.4	23.1	22.3	**577.7**
Effects of exchange rate changes	-4.9	0.1	-1.0	0.0	**-5.8**
Closing balance (31 March 2010)	**877.0**	**10.1**	**185.1**	**53.9**	**1,126.1**
less provisions	-	-	-	53.9	**53.9**
Provisions for possible loan losses reported as of 31 March 2010	**877.0**	**10.1**	**185.1**	**0.0**	**1,072.2**

Special provisions for possible loan losses and provisions for off-balance sheet transactions are recognised in order to hedge against identifiable risks in the Bank's lending business.

As at 31 March 2011, provisions for possible loan losses in the form of individual impairments and provisions amounted to € 741.4 million (previous year: € 941.0 million).

In addition, any further risks which have occurred but not yet been identified and which are not covered by individual write-downs are accounted for by way of portfolio impairments. Portfolio impairments amounted to € 112.3 million as of 31 March 2011 (previous year: € 185.1 million).

Risk provisions for credit risks by customer group are as follows:

in € million	Specific impairment losses, provisions (loans and receivables) and portfolio impairment losses		Utilisation of specific impairment losses and provisions		Provision for possible loan losses (income statement)	
	31 Mar 2011	31 Mar 2010	2010/11	2009/10	2010/11	2009/10
German customers	**581.5**	**743.5**	**246.3**	**190.7**	**112.5**	**346.3**
Production	255.9	297.9	161.7	77.3	37.4	150.3
Trade	28.9	36.9	12.8	6.4	2.8	21.8
Services	286.2	381.9	69.1	97.6	72.5	160.4
Transport	2.3	5.0	2.7	8.4	0.1	0.1
Other	8.2	21.8	0.0	1.0	-0.3	13.7
Foreign customers	**151.1**	**192.8**	**70.8**	**158.7**	**27.3**	**141.5**
Production	54.6	96.3	26.8	110.4	-8.3	66.0
Trade	30.5	18.5	2.0	7.3	15.0	11.7
Services	42.6	31.8	40.5	36.8	19.7	32.2
Transport	7.2	15.8	0.0	4.0	-0.5	16.2
Other	16.2	30.4	1.6	0.2	1.4	15.4
Portfolio investment	**8.8**	**4.7**	**0.0**	**0.0**	**3.8**	**4.6**
Portfolio impairment losses	**112.3**	**185.1**	**0.0**	**0.0**	**-72.8**	**1.5**
Total	**853.7**	**1,126.1**	**317.1**	**349.4**	**70.8**	**493.9**

Key figures for the provision for possible loan losses:

in %	2010/11	2009/10
Addition ratio	0.2	1.7
Default ratio	1.1	1.4
Risk ratio	2.7	3.9

The key figures for the provision for possible loan losses are defined as follows:

Addition ratio = net provisions for risks (additions less reversals of impairment losses as well as provisions for commercial loans and country loans and global valuation allowances plus the balance of direct write-downs and recoveries on loans previously written off) in relation to total credit volume.

Default ratio = defaults (utilisation of impairment losses and provisions for commercial loans as well as country loans plus the balance of direct write-downs and recoveries on loans previously written off) in relation to total credit volume.

Risk ratio = total loan loss provisions (balance of valuation allowances and provisions for counterparty risks from commercial loans, country risks and global valuation allowances) in relation to total credit volume.

(118) Assets held for trading

in € million	31 Mar 2011	31 Mar 2010
Bonds and other fixed-income securities	-	94.8
Promissory note bonds carried as trading assets	32.2	38.1
Derivatives with positive fair values	598.0	941.3
Derivatives with positive fair values on fair value option financial instruments	157.5	237.5
Hedging derivatives with positive fair values	27.8	29.6
Total	**815.5**	**1,341.3**

The securities carried under assets held for trading in the previous year were fully marketable and listed.

The decrease in bonds and other fixed-income securities is due to maturities.

(119) Financial assets

Financial assets include the following items:

in € million	31 Mar 2011	31 Mar 2010
Bonds and other fixed-income securities	7,792.8	8,207.2
Investments	104.8	133.3
of which in banks	0.3	0.3
Shares in non consolidated affiliated companies	0.2	0.2
Total	**7,897.8**	**8,340.7**

The change in bonds and other fixed-income securities primarily resulted from maturities, sales and remeasurement effects.

Financial assets can be broken down into the following holding categories defined in IAS 39:

in € million	31 Mar 2011	31 Mar 2010
Fair value option investment securities	**2,296.7**	**2,758.7**
Bonds and other fixed-income securities	2,207.6	2,643.0
Investments	89.1	115.7
Financial assets available for sale	**2,746.3**	**1,594.9**
Bonds and other fixed-income securities	2,730.4	1,577.1
Shares in affiliated companies	0.2	0.2
Investments	15.7	17.6
of which carried at amortised cost	15.5	17.3
Loans and receivables	**2,854.8**	**3,987.1**
Bonds and other fixed-income securities	2,854.8	3,987.1
Total	**7,897.8**	**8,340.7**

The carrying amount of all negotiable securities reported under investment securities breaks down as follows:

31 March 2011 in € million	Total negotiable	listed	non-negotiable
Bonds and other fixed-income securities	6,997.6	6,859.3	138.3
Investments	23.1	-	23.1

31 March 2010 in € million	Total negotiable	listed	non-negotiable
Bonds and other fixed-income securities	7,832.3	7,793.2	39.1
Investments	54.8	11.2	43.6

As of 31 March 2011, the Company did not hold any marketable shares in unconsolidated subsidiaries (previous year: none).

(120) Investments accounted for using the equity method

in € million	31 Mar 2011	31 Mar 2010
Linde Leasing GmbH	9.9	8.5
MD Capital Beteiligungsgesellschaft mbH	0.9	1.0
Total	**10.8**	**9.5**

See note (110) for information on net income from investments accounted for using the equity method.

Impairment testing on investments accounted for using the equity method did not identify any need for impairment (previous year: € 1 million).

(121) Intangible assets

Intangible assets include internally generated software in the amount of € 3.4 million (previous year: € 3.9 million).

(122) Property, plant and equipment

in € million	31 Mar 2011	31 Mar 2010
Operating lease assets	138.9	141.7
Land and buildings including advance payments and assets under construction	12.1	20.6
Operating and office equipment	16.5	17.2
Total	**167.5**	**179.5**

The decrease in land and buildings is primarily attributable to the sale and associated deconsolidation of a subsidiary.

(123) Current tax assets

in € million	31 Mar 2011	31 Mar 2010*
Germany	28.3	24.8
Outside Germany	7.8	17.9
Total	**36.1**	**42.7**

* Figures adjusted
Tax assets of foreign branches amounting to € 9.5 million were allocated to foreign business.

(124) Deferred tax assets

Deferred tax assets relate to the following items:

in € million	31 Mar 2011	31 Mar 2010
Loans and advances to customers/provision for possible loan losses	30.7	159.5
Assets held for trading	34.4	6.3
Investment securities	266.4	304.5
Property, plant and equipment	1.4	3.2
Loss carryforwards	48.5	26.2
Liabilities to banks	12.5	45.0
Liabilities held for trading	284.6	375.0
Pension provisions	13.8	22.8
Subordinated capital	1.9	9.1
Other balance sheet items	50.9	86.4
Sub-total	**745.1**	**1,038.0**
Netting against deferred tax liabilities	-554.3	-804.8
Total	**190.8**	**233.2**

Deferred tax assets and liabilities were offset in accordance with IAS 12 within tax groups and companies on the basis of maturities.

Deferred tax assets recognised on the basis of planning amount to € 142.0 million in Germany (previous year: € 107.7 million) and € 19.2 million outside Germany (previous year: € 21.9 million). These are expected to be utilisable in future based on planning and the restructuring measures implemented.

No deferred tax assets were recognised for temporary differences of € 751.1 million (previous year: € 1,069.1 million).

In total, € 1,085.8 million (previous year: € 841.1 million) in corporation tax loss carryforwards and € 998.6 million (previous year: € 769.1 million) of trade tax loss carryforwards were not recognised. Details can be found in the following table:

in € million	31 Mar 2011	31 Mar 2010
Corporate income tax – loss carryforwards unrecognised as of the reporting date	**1,085.8**	**841.1**
of which expired in 2009/10		-
of which expired in 2010/11		-
of which expired in 2011/12		-
of which expired in 2012/13	0.1	0.2
of which expired in 2013/14	0.9	0.7
of which expired in 2014/15	-	-
of which expired in 2015/16	1.0	
of which expiring after 2015/16	0.3	-
of which may be carried forward for an unlimited period	1,083.5	840.2
Trade tax – loss carryforwards unrecognised as of the reporting date	**998.6**	**769.1**
of which may be carried forward for an unlimited period	998.6	769.1

(125) Other assets

in € million	31 Mar 2011	31 Mar 2010
Receivables from leasing transactions	105.1	104.6
Trade receivables	89.8	54.5
Accrued items	37.3	36.0
Inventories	97.0	-
Other receivables	56.8	63.4
Total	**386.0**	**258.5**

The carrying amount of one property is reported under inventories, as this land with unfinished buildings which was acquired as part of full consolidation is intended to be sold. For further information, please see note (112).

(126) Non-current assets held for sale

In the previous year, the item "non-current assets held for sale" primarily consisted of a company intended for sale. As the sale did not take place due to a contractually agreed right of rescission, the criteria for qualification in line with IFRS 5 are no longer met as at 31 March 2011 and the company is fully consolidated as at the balance sheet date.

In the previous year, this item also included loans and receivables to customers held for sale in the amount of € 54.7 million, which were sold in the current financial year.

Notes on the consolidated balance sheet (equity and liabilities)

(127) Liabilities to banks

in € million	31 Mar 2011	31 Mar 2010
Liabilities to banks (remaining term up to 1 year)	3,561.2	3,744.4
Liabilities to banks (remaining term 1-5 years)	5,411.6	5,282.6
Liabilities to banks (remaining term more than 5 years)	2,220.8	2,971.0
Total	**11,193.6**	**11,998.0**

Fixed-rate liabilities are hedged against interest rate risks partly by using derivatives (interest rate swaps). In order to achieve appropriate recognition in the balance sheet and the income statement, corresponding fixed-rate liabilities are accounted for under the fair value option on initial recognition.

The decrease results primarily from the lower level of borrowings on the interbank market and the decrease in individual refinancing committed to a specific purpose.

(128) Liabilities to customers

in € million	31 Mar 2011	31 Mar 2010
Liabilities to customers (remaining term up to 1 year)	4,106.4	3,279.9
Liabilities to customers (remaining term 1-5 years)	1,181.6	1,420.7
Liabilities to customers (remaining term more than 5 years)	2,390.2	2,817.3
Total	**7,678.2**	**7,517.9**

The loans with debt waivers and compensation from future profits measured in accordance with IAS 39 AG8 and reported in this item are measured at their present value at each reporting date. This is calculated using an estimate of the expected interest and principal cash flows discounted using the original yield. The carrying amount was € 320.1 million (previous year: € 548.0 million). This decrease in the carrying amount of the liabilities with a remaining term of more than five years is attributable to unwinding expenses (increase in carrying amount) of € 52.1 million (previous year: € 49.1 million) and a remeasurement gain (decrease in carrying amount) of € 280.0 million (previous year: € 49.9 million).

(129) Securitised liabilities

in € million	31 Mar 2011	31 Mar 2010
Bonds issued (remaining term up to 1 year)	5,473.6	2,753.6
Bonds issued (remaining term 1-5 years)	2,202.5	7,972.5
Bonds issued (remaining term more than 5 years)	27.3	62.5
Total	**7,703.4**	**10,788.6**

The change in securitised liabilities is primarily due to repayments of € 3.1 billion (31 March 2010: € 6.4 billion).

Securitised liabilities include changes in value of € 6.8 million (previous year: € 10.6 million) from hedged items.

(130) Liabilities held for trading

in € million	31 Mar 2011	31 Mar 2010
Derivatives with negative fair values	1,593.4	1,971.6
Derivatives with negative fair values on fair value option financial instruments	297.4	320.0
Hedging derivatives with negative fair values	112.8	190.3
Total	**2,003.6**	**2,481.9**

(131) Provisions for pensions and similar obligations

The type and the amount of pension payments to eligible employees are governed by the applicable pension rules (see also note (101)).

The value of covered pension obligations is calculated annually by an independent actuary using the projected unit credit method. The difference in the items recognised in the balance sheet (pension provisions and capitalised excess assets) results from the fair value of the plan assets. Covered pension obligations and the plan assets for defined benefit pension plans developed as follows in previous years:

in € million	31 Mar 2011	31 Mar 2010	31 Mar 2009	31 Mar 2008	31 Mar 2007
Pension obligations (defined benefit obligation)	243.9	260.5	223.4	204.9	218.6
- fair value of plan assets	239.3	237.3	206.8	206.5	215.9
= Excess (+)/deficit (-)	-4.6	-23.2	-16.6	1.6	-2.7
recognised as an asset	1.8	1.0	0.1	5.1	0.0
recognised as a liability	6.4	24.2	16.7	3.5	2.7

The defined benefit obligation for pension obligations amounted to € 243.9 million as of 31 March 2011 (previous year: € 260.5 million). Of this figure, € 241.7 million (previous year: € 258.6 million) related to obligations covered by funds and € 2.2 million (previous year: € 1.9 million) to obligations not covered by funds.

As of the balance sheet date, the covered obligations are covered almost in full by the assets in the CTAs. The change in comparison to the previous year is due among other things to the decrease in the obligation resulting from the change in the discount rate. In line with IAS 19, the amount reported for pension provisions is reduced to the amount of pension obligations not covered by corresponding assets; these amounted to € 6.4 million as of 31 March 2011 (previous year: € 24.2 million).

Pension obligations developed as follows in the last two financial years:

in € million	2010/11	2009/10
Opening balance of pension obligations as of 1 April	**260.5**	**223.4**
Pension payments	11.0	11.1
Employee contributions	0.1	0.4
Additions	19.8	19.8
of which current service cost	8.9	6.7
of which future service cost	-2.4	0.0
of which interest cost	13.3	13.1
-/+ actuarial gains and losses	-25.5	28.0
Closing balance of pension obligations as of 31 March	**243.9**	**260.5**
Plan assets under IAS 19	239.3	237.3
Net balance sheet position as of 31 March	**-4.6**	**-23.2**

The total pension expense consists of the following components:

in € million	2010/11	2009/10
Current service cost	8.9	6.7
Past service cost	-2.4	0.0
Interest expense	13.3	13.1
Plan income	-12.6	-10.9
Pension expenses	**7.2**	**8.9**

As of 31 March 2011, pension obligations have a total value of € 243.9 million (previous year: € 260.5 million). The decrease in pension obligations as against the previous year is essentially due to actuarial gains of € 25.5 million (previous year: actuarial losses of € 28.0 million), € -1.7 million of which (previous year: € 2.4 million) relate to changes in holdings. The main factor causing the actuarial gains in obligations was the increase in the interest rate.

As of the balance sheet date, the total actuarial gains arising in the financial year (offset against gains on plan assets) amounted to € 13.5 million (previous year: loss of € 9.5 million).

The development of actuarial gains/losses taken directly to equity in the past financial year are as follows:

in € million	Pension obligations	Plan assets	Total
Cumulative gains/losses recognised in the condensed statement of comprehensive income as of 31 March 2005	**16.6**	**0.0**	**16.6**
-/+ actuarial gains and losses	19.0	0.0	19.0
of which changes to actuarial parameters and calculation bases	14.0	0.0	14.0
of which adjustments due to inventory changes	5.0	0.0	5.0
Cumulative gains/losses recognised in the condensed statement of comprehensive income as of 31 March 2006	**35.6**	**0.0**	**35.6**
-/+ actuarial gains and losses	-20.3	0.0	-20.3
of which changes to actuarial parameters and calculation bases	-21.9	0.0	-21.9
of which adjustments due to inventory changes	1.6	0.0	1.6
Cumulative gains/losses recognised in the condensed statement of comprehensive income as of 31 March 2007	**15.3**	**0.0**	**15.3**
-/+ actuarial gains and losses	-24.2	21.5	-2.7
of which changes to actuarial parameters and calculation bases	-31.6	0.0	-31.6
of which adjustments due to inventory changes	7.4	0.0	7.4
Cumulative gains/losses recognised in the condensed statement of comprehensive income as of 31 march 2008	**-8.9**	**21.5**	**12.6**
-/+ actuarial gains and losses	14.4	12.8	27.2
of which changes to actuarial parameters and calculation bases	9.1	0.0	9.1
of which adjustments due to inventory changes	5.3	0.0	5.3
Cumulative gains/losses recognised in the condensed statement of comprehensive income as of 31 March 2009	**5.5**	**34.3**	**39.8**
-/+ actuarial gains and losses	28.0	-18.5	9.5
of which changes to actuarial parameters and calculation bases	25.6	0.0	25.6
of which adjustments due to inventory changes	2.4	0.0	2.4
Cumulative gains/losses recognised in the condensed statement of comprehensive income as of 31 March 2010	**33.5**	**15.8**	**49.3**
-/+ actuarial gains and losses	-25.5	12.0	-13.5
of which changes to actuarial parameters and calculation bases	-23.8	0.0	-23.8
of which adjustments due to inventory changes	-1.7	0.0	-1.7
Cumulative gains/losses recognised in the condensed statement of comprehensive income as of 31 March 2011	**8.0**	**27.8**	**35.8**

The plan assets offsetting the obligations developed as follows in the last two financial years:

in € million	2010/11	2009/10
Opening balance of plan assets as of 1 April	**237.3**	**206.8**
Expected return on plan assets	12.6	10.9
-/+ actuarial gains and losses	-12.0	18.5
IKB contribution additions	1.3	0.7
Employee contributions	0.1	0.4
Pension payments	0.0	0.0
Closing balance of plan assets as of 31 March	**239.3**	**237.3**

The plan assets generated a gain of € 2.0 million in the 2010/11 financial year (previous year: gain of € 29.4 million). This relates to reversals of impairment losses and reinvestments of CTA distributions, which were higher than forecast.

Plan assets broke down as follows on the current and last reporting date:

in %	31 Mar 2011	31 Mar 2010
Cash and cash equivalents	5.9	6.0
Shares	10.3	22.5
Fixed-income securities	66.7	67.3
Real estate	17.0	4.1
Other	0.1	0.1

Calculations were based on the following actuarial assumptions:

	31 Mar 2011	31 Mar 2010
Discount rate	5.75	5.25
Forecast increase in pensionable remuneration	3.00	3.00
Forecast rate of pension increases (including inflation)	2.00	2.25
Employee turnover (by age groups)	1.00-6.50	1.00-6.50
Expected return on plan assets for 79+94 plans, deferred compensation and early retirement	5.25	5.25
Expected return on plan assets for 2006 plan and deferred income accounts scheme	5.00	5.00

The expected return on plan assets for the coming financial year is based on the target allocation and the long-term expected return on assets per asset class. The performance assumptions are not a historical analysis; rather, they are a forecast based on a capital market model in which a number of asset classes are extrapolated in the future using simulation models.

The expected contributions to plan assets are based on the future change in the projected unit credit of pension obligations. The Company is (still) aiming to cover its obligations in full with the plan assets.

No appropriations to plan assets are forecast for the 2011/12 financial year. The expected pension payments amount to € 12.6 million (previous year: € 12.0 million).

With all other assumptions remaining unchanged, a change of 25 basis points in the interest rate would have led to a change in pension obligations of € 8.5 million (previous year: € 10.0 million).

(132) Other provisions

in € million	Opening balance as of 1 April 2010	Utilisation	Reversal	Addition	Unwinding	Reclassific-ation	Effects of exchange rate changes	Closing balance as of 31 March 2011
Risks for possible loan losses	53.9	5.9	23.6	11.1	0.1	-	-0.2	35.2
Provisions for interest on taxes	13.7	-	-	4.8	-	-	-	18.5
Provisions for anniversary bonuses	3.8	0.3	-	0.2	-	-	-	3.7
Tax provisions not including income tax	3.6	2.6	0.6	3.3	-	-	-	3.7
Litigation and recourse claims	13.9	13.3	0.1	3.6	-	-0.3	-	3.8
Restructuring	26.3	9.3	2.8	3.6	-	-0.3	-	17.5
Miscellaneous	17.4	5.8	11.6	48.3	-	-	-	48.3
Total	**132.6**	**37.2**	**38.7**	**74.9**	**0.1**	**-0.6**	**-0.2**	**130.7**

Provisions for anniversary bonuses were calculated in the same way as pension obligations using actuarial opinions from independent actuaries and the interest rate stated in note (131).

Risks for possible loan losses include the provision for risks relating to off-balance sheet items such as guarantees.

In light of a market environment that remains uncertain and the restructuring situation at IKB, the Bank is exposed to legal risks that it seeks to hedge against by recognising provisions for litigation and recourse claims as well as restructuring provisions.

The decrease in restructuring provisions was primarily due to the implementation of the headcount reduction measures.

The other provisions include additions of € 14.0 million for project development activities and provisions for rent obligations in the amount of € 8.0 million.

In accordance with IAS 37.91, the Bank chose not to make the disclosures in line with IAS 37.86 f. for the provisions mentioned for reasons of practicability.

(133) Current tax liabilities

Current tax liabilities break down as follows:

in € million	31 Mar 2011	31 Mar 2010*
Germany	102.9	109.0
Outside Germany	4.1	0.8
Total	**107.0**	**109.8**

*Figures adjusted: tax liabilities of foreign branches amounting to € 0.3 million were allocated to foreign business.

(134) Deferred tax liabilities

Deferred tax liabilities relate to the following:

in € million	31 Mar 2011	31 Mar 2010
Loans and advances to customers/provision for possible loan losses	68.5	176.6
Assets held for trading	95.2	332.8
Financial assets	27.3	26.0
Property, plant and equipment	9.2	6.7
Liabilities	166.8	99.8
Liabilities held for trading	28.5	5.4
Pension provisions	8.2	0.3
Other liabilities	22.4	43.1
Subordinated capital	140.9	133.1
Other balance sheet items	17.6	84.3
Sub-total	**584.6**	**908.1**
Netting against deferred tax assets	-554.3	-804.8
Total	**30.3**	**103.3**

Deferred tax assets and liabilities were offset in accordance with IAS 12 within tax groups and companies on the basis of maturities.

(135) Other liabilities

in € million	31 Mar 2011	31 Mar 2010
Trade payables	128.6	93.4
Deferred items	30.9	16.0
Restructuring liabilities	1.0	1.5
Other liabilities	307.6	321.2
Total	**468.1**	**432.1**

Other liabilities include an ABS transaction under which lease receivables were sold to an unconsolidated special purpose entity. However, the ABS transaction did not result in derecognition, meaning that IKB still reports lease receivables of € 212.0 million (previous year: € 276.8 million) as well as a liability to the buyer under other liabilities.

(136) Liabilities in connection with assets held for sale

In the previous year, the item “liabilities in connection with assets held for sale” included obligations of € 2.6 million from a subsidiary intended for sale.

(137) Subordinated capital

in € million	31 Mar 2011	31 Mar 2010
Subordinated liabilities	889.4	908.4
Profit participation certificates	65.7	76.5
Silent partnership contributions/preferred shares	189.3	229.3
Total	**1,144.4**	**1,214.2**

Subordinated capital includes subordinated liabilities, profit participation rights, silent partnerships and preferred shares classified as other financial liabilities and measured in accordance with IAS 39 AG8 at amortised cost at each balance sheet date. In the event of changes in expectations with regard to payments, a new present value is calculated using the original effective interest rate and the valuation effect is recognised immediately in profit or loss. This procedure led to a change in present value in both the year under review and the previous year. The effects are summarised in the following table:

in € million	Unwinding (interest expense)	Changes in present value (other operating income)	Unwinding (interest expense)	Changes in present value (other operating income)
	2010/11		2009/10	
Subordinated liabilities	-2.8	32.1	-0.3	74.6
Profit participation certificates	-1.5	-1.7	-2.2	2.5
Silent partnership contributions/preferred shares	-2.6	10.1	-3.4	0.0
Total	**-6.9**	**40.5**	**-5.9**	**77.1**

Expenses are shown with a minus sign.

As well as the effects of the application of IAS 39 AG8, the changes in the carrying amounts are primarily due to rating- and interest-driven changes in the fair values of the holdings measured using the fair value option.

Subordinated liabilities

€ 383.9 million (previous year: € 3.2 million) of subordinated liabilities mature in less than two years. As in the previous year, there was no Tier III capital as defined in section 10 KWG (HGB).

As of 31 March 2011, there were the following significant subordinated liabilities in excess of € 100.0 million:

Start of term	Original nominal amount in € million	Currency	Interest rate in %	Maturity
2003/2004	310.0	EUR	4.50	9 July 2013
2006/2007	128.6	EUR	2.56	23 January 2017
2008/2009	101.5	EUR	12.00	27 November 2018

In the 2010/11 financial year, interest expenses for subordinated liabilities amounted to € 35.6 million (previous year: € 48.6 million), including unwinding expenses of € 2.8 million (previous year: € 0.3 million).

Revaluation (IAS 39 AG8) resulted in income of € 32.1 million (previous year: € 74.6 million), which is reported under other operating income (note (112)).

Profit participation certificates

in € million	31 Mar 2011	31 Mar 2010
Total	**65.7**	**76.5**
of which: section 10 KWG requirements	29.5	45.4
of which: within two years	36.2	31.1

The profit participation capital breaks down as follows:

Year of issue	Original nominal amount in € million	Currency	Interest rate in %	Maturity
2001/2002	100.0	EUR	6.50	31 Mar 2012
2001/2002	74.5	EUR	6.55	31 Mar 2012
2004/2005	30.0	EUR	4.50	31 Mar 2015
2005/2006	150.0	EUR	3.86	31 Mar 2015
2006/2007	50.0	EUR	4.70	31 Mar 2017
2007/2008	70.0	EUR	5.63	31 Mar 2017

Unwinding expenses amounted to € 1.5 million (previous year: € 2.2 million).

Revaluation (IAS 39 AG8) resulted in expenses of € 1.7 million (previous year: income of € 2.5 million).

Silent partnership contributions/preferred shares

The carrying amount of silent partnership contributions/preferred shares was € 189.3 million as of 31 March 2011 (previous year: € 229.3 million). This includes preferred shares with a carrying amount of € 128.7 million (previous year: € 141.8 million) that were issued by two US subsidiaries formed for this purpose, and silent partnership contributions with a carrying amount after loss participation of € 60.6 million (previous year: € 87.5 million).

In line with section 10 KWG, silent partnership contributions are allocated to regulatory capital. IFRS classifies them as financial liabilities.

The interest expense for silent partnership contributions/preferred shares results from unwinding and amounted to € 2.6 million for the Group (previous year: € 3.4 million). See note (87) b (Financial liabilities) for information on the loss participation.

Revaluation (IAS 39 AG8) impacted earnings in the amount of € 10.1 million in the year under review (previous year: € 0.0 million).

(138) Equity

in € million	31 Mar 2011	31 Mar 2010 *
Issued capital	1,621.3	1,621.3
Capital reserve	597.8	597.8
Retained earnings	-1,245.1	-291.2
Currency translation reserve	-17.5	-17.2
Revaluation surplus	-36.5	-6.9
Consolidated profit/loss	51.5	-966.7
Total	**971.5**	**937.1**

* Figures adjusted

No treasury shares were held in the 2010/11 financial year, nor were there any additions or disposals of the same.

No employee shares were issued in the year under review.

Authorisations to acquire own treasury shares

By a resolution of the Annual General Meeting on 27 August 2009, the Board of Managing Directors was authorised to acquire and sell treasury shares for the purpose of securities trading until 26 February 2011. The amount of shares acquired for this purpose may not exceed 5% of the share capital at the end of any one day. Together with the treasury shares acquired for other reasons held by the Company or assigned to it in accordance with sections 71a ff. AktG, the own treasury shares acquired on the basis of this authorisation may not exceed 10% of the share capital at any time. This authorisation was not utilised in the 2010/11 financial year.

At the Annual General Meeting held on 27 August 2009, the Company was also authorised to acquire treasury shares of up to 10% of the share capital for purposes other than securities trading until 26 February 2011. The shares can be acquired on the stock exchange or by way of a public bid to all shareholders. The acquisition of shares may be carried out using put or call options. Such share acquisitions are limited to shares of a maximum volume of 5% of the share capital at the time of the resolution on this authorisation by the Annual General Meeting on 27 August 2009. The terms of the options must end by 26 February 2011 at the latest. Together with the treasury shares acquired for trading purposes and other reasons held by the Company or assigned to it in accordance with sections 71a ff. AktG, the treasury shares acquired on the basis of these authorisations may not exceed 10% of the share capital of the Company at any time. In line with a decision by the Board of Managing Directors, the acquired shares can be sold on the stock exchange or in some other way or, in full or in part, called in. These authorisations were not utilised in the 2010/11 financial year.

By a resolution of the Annual General Meeting on 26 August 2010, the Board of Managing Directors was authorised to acquire and sell treasury shares for the purpose of securities trading until 25 August 2015. The amount of shares acquired for this purpose may not exceed 5% of the share capital at the end of any one day. Together with the treasury shares acquired for other reasons held by the Company or assigned to it in accordance with sections 71a ff. AktG, the treasury shares acquired on the basis of this authorisation may not exceed 10% of the share capital at any time. This authorisation was not utilised in the 2010/11 financial year. The authorisation to acquire treasury shares for the purpose of securities trading granted by the Annual General Meeting on 27 August 2009 and limited until 26 February 2011 was revoked by way of resolution of the Annual General Meeting on 26 August 2010 for the period from the new authorisation coming into effect.

By a resolution of the Annual General Meeting held on 26 August 2010, the Company was authorised to acquire treasury shares of up to 10% of the share capital for purposes other than securities trading until the end of 25 August 2015. The shares can be acquired on the stock exchange or by way of a public bid to all shareholders. The acquisition of shares may be carried out using put or call options. Such share acquisitions are limited to shares of a maximum volume of 5% of the share capital at the time of the resolution on this authorisation by the Annual General Meeting on 26 August 2010. The terms of the options must end by 25 August 2015 at the latest. Together with the treasury shares acquired for trading purposes and other reasons held by the Company or assigned to it in accordance with sections 71a ff. AktG, the treasury shares acquired on the basis of this authorisation may not exceed 10% of the share capital of the Company at any time. In line with a decision by the Board of Managing Directors, the acquired shares can be sold on the stock exchange or in some other way or, in full or in part, called in. This authorisation was not utilised in the 2010/11 financial year. The authorisation to acquire and use treasury shares in line with section 71 (1) no. 8 AktG granted by the Annual General Meeting on 27 August 2009 and limited until 26 February 2011 was revoked by way of resolution of the Annual General Meeting on 26 August 2010 for the period from the new authorisation coming into effect.

Contingent capital

By way of resolution of the Annual General Meeting of IKB AG on 28 August 2008, the Board of Managing Directors was authorised to issue convertible and/or option bonds with a total nominal value of € 900,000,000.00 and a maximum duration of 20 years by 27 August 2013 and to grant the bearers of these bonds conversion or option rights to up to 48,339,843 no-par value bearer shares in the Company with a stake of up to € 123,749,998.08 in the share capital according to the relevant bond conditions. On 19 November 2008, the Board of Managing Directors of the Company resolved to issue subordinated bonds with a total nominal value of up to € 123,671,070.72 with a contingent conversion obligation and contingent conversion right for up to 48,309,012 shares in the Company from contingent capital with a shareholders' subscription right. A subsidiary of the Lone Star group, LSF6 Rio S.à.r.l., had undertaken to assume all bonds not subscribed to by other IKB AG shareholders. Bonds totalling € 150,174.72 were subscribed to by other shareholders and the remaining amount of € 123,520,896.00 was acquired by Lone Star (LSF6 Rio S.à.r.l.). A bond of nominally € 23.04 entitles the bearer to subscribe to nine new shares from contingent capital at a conversion price of € 2.56 per share. Since 1 July 2009, the conditions for the existence of a conversion obligation and a conversion right have been met. As a result, a conversion right has existed since this time. A conversion obligation shall exist not later than on 11 April 2012, or earlier if the Company falls below certain regulatory financial ratios. LSF6 Rio S.à.r.l. exercised its conversion right in full on 2 July 2009. On issuance of the subscribed shares on 14 July 2009, this increased the share capital of the Company by € 123,520,896.00 to € 1,621,315,228.16. The increase in the share capital was entered in the commercial register on 4 May 2010.

By way of a resolution of the Extraordinary General Meeting held on 25 March 2009, the Board of Managing Directors was authorised to issue convertible and option certificates and convertible and/or option bonds with a total nominal value of € 900,000,000.00 by 24 March 2014 and to grant the bearers of profit participation certificates or bonds conversion or option rights to shares in the Company with a stake of up to € 618,749,990.40 in the share capital according to the relevant bond conditions. The residual authorisation to issue convertible and/or option bonds of up to € 776,328,929.28 from 28 August 2008 was revoked by way of resolution of the Extraordinary General Meeting on 25 March 2009. Actions for annulment have been brought against these resolutions on which a verdict has not yet been reached. The resolution has not yet been entered in the commercial register.

By way of resolution of the Annual General Meeting on 26 August 2010, the share capital contingently increased by up to € 229,102.08 (Contingent Capital 2008) still existing from the resolution of the Annual General Meeting on 28 August 2008 was lowered to a maximum of € 150,174.72, comprising up to 58,662 new no-par value bearer shares with an entitlement to profits starting from the beginning of the financial year in which they are issued. Otherwise, the Contingent Capital 2008 remained unchanged. The reduction was entered in the commercial register on 8 November 2010.

By way of resolution of the Annual General Meeting on 26 August 2010, the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to issue bearer convertible and/or option bonds or combinations of these instruments (referred to together as "bonds" hereafter) with a total nominal value of up to € 400,000,000 on one or several occasions, with or without a limited term in each case, until 25 August 2015, and to grant the bearers of bonds conversion or option rights to subscribe to a maximum of 74,874,422 no-par value bearer shares of the Company with a proportionate amount of the share capital of up to € 191,678,520.32 in total in accordance with the terms of issue of the bonds. This authorisation was not utilised in the 2010/11 financial year. The resolution was entered in the commercial register on 8 November 2010.

Authorised capital

By way of resolution of the Annual General Meeting on 28 August 2008, the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to increase the share capital of the Company by a total of up to € 500,000,000.00 against cash or non-cash contributions by issuing up to 195,312,500 new no-par value bearer shares until 27 August 2013. With the approval of the Supervisory Board, the statutory subscription rights of shareholders can be disapplied under this authorisation. This authorisation was not utilised in the 2010/11 financial year. The authorised capital was entered in the commercial register on 3 November 2008.

By way of resolution of the Extraordinary General Meeting on 25 March 2009, the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to increase the share capital of the Company by a total of up to € 247,499,996.16 against cash or non-cash contributions by issuing up to 96,679,686 new no-par value bearer shares until 24 March 2014. With the approval of the Supervisory Board, the statutory subscription rights of shareholders can be disapplied under this authorisation. Actions for annulment have been brought against this resolution on which a verdict has not yet been reached. The resolution has not yet been entered in the commercial register.

Retained earnings

See statement of changes in equity

Revaluation surplus

in € million	2010/11	2009/10
Opening balance as of 1 April	-6.9	-35.9
Unrealised gains/losses from financial assets available for sale	-38.1	37.4
Reclassifications to the income statement due to financial assets available for sale	-14.4	3.2
Unrealised gains/losses on derivatives hedging fluctuations in future cash flows: Unrealised gains/losses for the period before taxes	9.2	0.8
Deferred taxes	13.6	-12.4
Closing balance as of 31 March	**-36.5**	**-6.9**

As of 31 March 2011, the revaluation surplus included carrying amounts of € -2.2 million from effective cash flow hedges (previous year: € -11.4 million).

The corresponding tax effects are discussed in note (146).

Capital management process / regulatory indicators

IKB's capital management process is based on the regulations applicable to German banks and bank groups under sections 10 and 10a KWG. These state that sufficient regulatory equity must be held within the group. Specifically, risk-weighted assets must be backed with at least 8% equity (solvency ratio). Risk-weighted assets that are backed with Tier I capital are subject to a minimum ratio of 4% (Tier I capital ratio). The SoFFin (German financial markets stabilisation fund) agreement dated 18 August 2009 stipulates that a Tier I capital ratio of 8% must be maintained at group level.

On the basis of the regulatory equity, a forecast of the changes in equity components and risk-weighted assets and the resulting equity ratios is prepared and reported to the Board of Managing Directors each week. The aim of capital management is to achieve and maintain the equity ratio targeted by the Board of Managing Directors, which is significantly higher than the requirements of the SoFFin agreement. Capital management is integrated in the overall management of the Bank.

A summary of the equity components of the IKB Group can be found in the following table:

in € million	31 Mar 2011	31 Mar 2010
Capital charge for credit risk	16,776	19,265
Capital charge for market risk	663	313
Capital charge for operational risk	782	1,100
Total of positions for which capital charges are required	**18,221**	**20,678**
Tier I capital	**2,120**	**2,257**
Issued capital	2,007	2,835
Other reserves	3,982	3,096
Minority interests	0	0
Other	913	912
Deductible items	-4,782	-4,586
Tier II capital	**919**	**1,030**
Unrealised reserves in investment securities and real estate	0	0
Profit participation certificates	40	51
Other long-term subordinated liabilities, if eligible according to BIZ	943	993
Other	-64	-14
Deductible items	-149	-216
Total liable equity	**2,890**	**3,071**
Tier III capital	0	0
Eligible own funds	**2,890**	**3,071**
Tier I capital ratio	**11.2%**	**10.4%**
Total capital ratio	**15.9%**	**14.9%**

Equity consists of liable capital, which in turns comprises Tier I, Tier II capital as well as Tier III capital. The core capital (Tier I) mainly consists of issued capital and reserves (Core or True Tier I) as well as hybrid funds that are allowable as core capital (Hybrid Tier I). Additional capital (Tier II) includes profit participation rights (Upper Tier II) and long-term subordinated liabilities (Lower Tier II). Tier III capital includes short-term subordinated liabilities and subordinated liabilities that have been capped at 50% of the core capital based on the standard limit imposed.

Since 1 January 2008 and the introduction of Basel II, new regulations apply under the SolvV (German solvency Regulation). Risk-weighted assets are now determined according to the credit risk approach. The Bank has exercised its option under section 64h KWG in conjunction with section 10a (6) and (7) so that, for the purposes of calculating regulatory equity, the aggregation method will continue to apply on the basis of HGB calculation bases. IKB AG is a trading book institution and applies the basic indicator approach for operational risks.

Notes on the consolidated cash flow statement

(139) Cash flow statement

In accordance with IAS 7, the cash flow statement analyses the changes in cash and cash equivalents classified by operating, investing and financing activities.

Cash flow from operating activities

This item includes payments related to loans and advances to banks and customers, as well as payments arising from securities of the trading portfolio and other assets attributable to operating activities. This item also includes changes in liabilities to banks and customers, securitised liabilities, and other liabilities attributable to operating activities as well as interest and dividend payments resulting from operating activities.

In addition, the cash flow from operating activities reflects all other cash inflows and outflows which are not reported under cash flows from investing activities or cash flows from financing activities.

Cash flow from investing activities

The cash flow from investing activities includes cash payments or receipts for acquisitions and disposals of investments or securities as well as property, plant and equipment. In addition, this item includes cash flows due to changes in the scope of consolidation.

Cash flow from financing activities

The cash flow from financing activities includes cash inflows and outflows from capital increases, dividend distributions and subordinated liabilities, as well as cash-related changes in reserves and minority interests.

Cash and cash equivalents in the reporting period are mainly composed of balances at central banks.

Notes on segment reporting

(140) Segment reporting

Segment reporting is based on the internal income statement, which forms part of IKB's management information system. The presentation is based on the internal management reporting that is used by the full Board of Managing Directors as the chief operating decision-maker (CODM) to assess the performance of the segments and to allocate resources. Segment reporting is prepared in accordance with IFRS 8.

Segment reporting is in line with the Bank's product units. Segment information is presented to show each segment as an independent enterprise responsible for its own earnings and with the required capital resources.

Segmentation

Since 1 April 2010, reporting takes place on the basis of a product-oriented approach with the following business segments:

- Credit Products
- Advisory and Capital Markets
- Treasury and Investments
- Head Office/Consolidation

The **Credit Products segment** contains the earnings components and asset items from the Bank's lending business. This includes regular loans and public programme loans, transactions of the IKB Leasing Group and the mezzanine financing for companies by the subsidiary IKB Private Equity GmbH. Gains and losses from collateralised loan obligations are also allocated to this segment.

The **Advisory and Capital Markets segment** firstly comprises the Bank's advisory activities in the fields of M&A, structuring, restructuring, structure/income optimisation and private equity. Secondly, the sub-segment Capital Markets offers capital market solutions for equity and debt capital, risk management solutions in the area of customer derivatives, the management of deposits from institutional and private investors and the structuring of own securitisation transactions, as well as advisory services and structuring for third-party securitisation transactions.

The **Treasury and Investments segment** contains the earnings components resulting from Treasury's investment decisions within the scope of asset-liability management. The segment also includes structured investments such as bonds and promissory note loans, the Bank's portfolio investments, which represent the Bank's investments in securitisation products including first loss pieces, and the Bank's proprietary trading activities. In the segment reporting by product, which was published for information purposes in the 2009/10 Annual Report for the first time, proprietary trading activities were reported in the Consultancy and Capital Markets segment. The impact on earnings resulting from the reclassification is not material for the earnings performance of the segments. Credit exposures that are no longer included in the strategic portfolio and assets of the Bank not related to customers and managed as investments are also assigned to the Treasury and Investments segment. These portfolios are intended to be reduced while protecting equity by way of active portfolio management.

Segment results and key figures

Income and expenses are allocated to the segments in accordance with their respective profit responsibility. Net interest income from lending business is calculated using the market interest method and is allocated to the segments on a theoretical basis. In accordance with IFRS 8.23, this is presented as a net amount rather than as separate items for interest income and interest expense. The segments are regarded as independent entities with their own capital resources. Capital is allocated based on risk-weighted assets (in accordance with the standard Basel II approach) with an equity ratio of 8%, taking into account existing hybrid funds. In addition to the investment income from this economic capital, net interest income also comprises expenditure for hybrid and subordinated capital. The interest rate for equity investments corresponds to a risk-free interest rate on the long-term capital market.

The reported carrying amount of the provision for possible loan losses in the segments corresponds to the difference between additions to and reversals of valuation allowances for credit defaults and the recoveries on loans and advances previously written off.

To the extent that such costs can be properly allocated, head office staff and operating expenses are allocated to the segments. Project costs are allocated to the segments if the projects were directly attributable to them. Administrative expenses for projects and corporate functions incurred for company law and regulatory reasons are allocated to the Head Office/Consolidation segment.

The performance of a segment is indicated by its operating result. The results are also measured on the basis of their return on equity and cost/income ratio. The return on equity is the ratio of the operating result to the average allocated equity, while the cost/income ratio is calculated as the ratio of administrative expenses to the earnings items reported not including the provision for possible loan losses.

Segment reporting

in €million	Credit Products		Advisory and Capital Markets		Treasury and Investments		Head Office/Consolidation		Total	
	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*
Net interest income	199.5	216.6	2.9	0.0	56.5	123.3	-119.3	-161.4	139.6	178.5
Provisions for possible loan losses	19.2	248.2	0.0	0.0	48.8	245.7	2.8	0.0	70.8	493.9
Net interest income after provision for possible loan losses	**180.3**	**-31.6**	**2.9**	**0.0**	**7.7**	**-122.4**	**-122.1**	**-161.4**	**68.8**	**-315.4**
Net fee and commission income	19.5	19.0	8.3	3.7	-122.6	-75.2	1.8	1.0	-93.0	-51.5
Net income from financial instruments at fair value	-2.1	-3.0	23.3	11.0	-114.5	262.8	164.7	-869.7	71.4	-598.9
Net income from financial assets	0.0	0.0	0.0	0.0	42.7	161.1	-0.4	-1.9	42.3	159.2
Net income from investments accounted for using the equity method	1.7	1.2	0.0	0.0	0.0	0.0	-0.1	-1.9	1.6	-0.7
Administrative expenses	117.8	159.2	70.8	11.0	58.5	71.8	74.2	59.5	321.3	301.5
Other operating result	8.1	-11.8	3.0	2.8	-65.3	19.4	297.1	154.3	242.9	164.7
Operating result	**89.7**	**-185.4**	**-33.3**	**6.5**	**-310.5**	**173.9**	**266.8**	**-939.1**	**12.7**	**-944.1**
Cost/income ratio in %	52.0	71.8	188.8	62.9	-28.8	14.6	-	-	79.4	-202.8
Return on equity in %	15.5	-31.2	0.0	0.0	-48.3	23.2	-	-	1.4	-53.8
Average allocated equity	578	594	0	0	643	753	-284	408	937	1,755
Credit volume *	15,431	16,991	0	29	16,592	18,925	58	445	32,081	36,390
Volume of new business *	3,477	2,637	0	0	235	359	0	0	3,712	2,996

* Figures adjusted

Head Office/Consolidation reconciliation

Within the reconciliation, the earnings and assets allocated to the segments on the basis of the internal reporting systems are reconciled to the consolidated financial statements. IKB's earnings are influenced by extraordinary factors that cannot be controlled by the operating units and for which they cannot be held responsible. In particular, these extraordinary factors include accounting effects from the rating-driven measurement of liabilities, the measurement of liabilities in accordance with IAS 39 AG8 and the amortisation of adjustments for realised hedged items in accordance with IFRS 1 IG 60A.

The "Consolidation" column is used to present the effects of methodological differences between management reporting and the consolidated financial statements as well as intra-Group consolidation matters separately for each item.

in € million	Other		Consolidation		Head Office/Consolidation	
	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*
Net interest income	-84.4	-118.3	-34.9	-43.1	-119.3	-161.4
Provisions for possible loan losses	2.8	0.0	0.0	0.0	2.8	0.0
Net interest income after provision for possible loan losses	**-87.2**	**-118.3**	**-34.9**	**-43.1**	**-122.1**	**-161.4**
Net fee and commission income	1.2	0.0	0.6	1.0	1.8	1.0
Net income from financial instruments at fair value	187.7	-858.9	-23.0	-10.8	164.7	-869.7
Net income from investment securities	-0.4	-1.9	0.0	0.0	-0.4	-1.9
Net income from investments accounted for using the equity method	-0.1	-1.9	0.0	0.0	-0.1	-1.9
Administrative expenses	74.2	59.5	0.0	0.0	74.2	59.5
Other operating result	296.6	154.0	0.5	0.3	297.1	154.3
Operating result	**323.6**	**-886.5**	**-56.8**	**-52.6**	**266.8**	**-939.1**
Credit volume *	0	0	58	445	58	445

* Figures adjusted

Results by geographical market

The allocation of income, expenditure and credit volumes is based on the domicile of the respective facility or Group company.

in € million	Germany		Rest of Europe		Americas		Total	
	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*	1 Apr 2010 - 31 Mar 2011	1 Apr 2009 - 31 Mar 2010*
Net interest income	79.0	64.3	54.4	110.4	6.2	3.8	139.6	178.5
Provisions for possible loan losses	22.8	360.3	48.0	111.8	0.0	21.8	70.8	493.9
Net interest income after provision for possible loan losses	**56.2**	**-296.0**	**6.4**	**-1.4**	**6.2**	**-18.0**	**68.8**	**-315.4**
Net fee and commission income	-98.1	-56.0	4.3	4.3	0.8	0.2	-93.0	-51.5
Net income from financial instruments at fair value	87.1	-619.2	-20.8	113.0	5.1	-92.7	71.4	-598.9
Net income from investment securities	-8.6	-6.0	50.9	156.4	0.0	8.8	42.3	159.2
Net income from investments accounted for using the equity method	1.6	-0.7	0.0	0.0	0.0	0.0	1.6	-0.7
Administrative expenses	276.9	254.1	44.4	44.0	0.0	3.4	321.3	301.5
Other operating result	191.4	170.1	41.3	-3.0	10.2	-2.4	242.9	164.7
Operating result	**-47.3**	**-1,061.9**	**37.7**	**225.3**	**22.3**	**-107.5**	**12.7**	**-944.1**
Credit volume *	28,223	29,030	3,851	7,359	7	1	32,081	36,390

* Figures adjusted

(141) Income according to holding category and reconciliation to the income statement

31 March 2011 in € million	IAS 39 category					Receivables from finance leases	Off-balance sheet transactions	Result from financial instruments covered by IFRS 7 Total	Result from other financial instruments not covered by IFRS 7	Total
	Loans and receivables	Available for sale	Held for trading	Fair value option	Other financial liabilities					
Net interest income	**888.1**	**45.3**	**-13.2**	**-303.1**	**-603.5**	**128.9**	**-**	**142.5**	**-2.9**	**139.6**
Interest income	888.1	45.3	658.9	77.7	-	145.5	-	1,815.5	39.4	**1,854.9**
Interest expenses	-	-	672.1	380.8	603.5	16.6	-	1,673.0	42.3	**1,715.3**
Net fee and commission income	**38.4**	**-**	**-0.4**	**-0.5**	**-130.1**	**-0.1**	**-**	**-92.7**	**-0.3**	**-93.0**
Fee and commission income	42.1	-	0.0	0.0	0.0	0.0	-	42.1	1.3	**43.4**
Fee and commission expenses	3.7	-	0.4	0.5	130.1	0.1	-	134.8	1.6	**136.4**
Net gains/losses	**-56.5**	**13.6**	**-157.0**	**210.5**	**322.5**	**1.9**	**-**	**335.0**	**-49.2**	**285.8**
Net income from financial instruments at fair value	-	-	-157.0	228.4	-	-	-	71.4	-	**71.4**
Net income from financial assets	28.7	13.6	-	-	.	-	-	42.3	-	**42.3**
Provisions for possible loan losses	85.2	-	-	-	-	-1.9	-	83.3	-12.5	**70.8**
Other operating result	-	-	-	-17.9	322.5	-	-	304.6	-61.7	**242.9**
Total	**870.0**	**58.9**	**-170.6**	**-93.1**	**-411.1**	**130.7**	**-**	**384.8**	**-52.4**	**332.4**

31 March 2010 in € million	IAS 39 category					Receivables from finance leases	Off-balance sheet transactions	Result from financial instruments covered IFRS 7 Total	Result from other financial instruments not covered by IFRS 7*	Total *
	Loans and receivables	Available for sale	Held for trading	Fair value option	Other financial liabilities					
Net interest income	**1,055.8**	**43.2**	**-52.2**	**-272.5**	**-725.8**	**129.8**	**-**	**178.3**	**0.2**	**178.5**
Interest income	1,055.8	43.2	580.0	128.1	-	147.5	-	1,954.6	47.9	**2,002.5**
Interest expenses	-	-	632.2	400.6	725.8	17.7	-	1,776.3	47.7	**1,824.0**
Net fee and commission income	**8.8**	**-**	**0.2**	**-0.5**	**0.0**	**-0.1**	**-**	**8.4**	**-59.9**	**-51.5**
Fee and commission income	12.3	-	0.2	0.0	0.0	0.0	-	12.5	32.5	**45.0**
Fee and commission expenses	3.5	-	-	0.5	0.0	0.1	-	4.1	92.4	**96.5**
Net gains/losses	**-323.0**	**4.2**	**135.2**	**-727.4**	**144.8**	**-4.4**	**-**	**-770.6**	**1.7**	**-768.9**
Net income from financial instruments at fair value	-	-	135.2	-734.1	-	-	-	-598.9	-	**-598.9**
Net income from investment securities	155.0	4.2	-	-	.	-	-	159.2	-	**159.2**
Provisions for possible loan losses	478.0	-	-	-	-	4.4	-	482.4	11.5	**493.9**
Other operating result	-	-	-	6.7	144.8	-	-	151.5	13.2	**164.7**
Total	**741.6**	**47.4**	**83.2**	**-1,000.4**	**-581.0**	**125.3**	**-**	**-583.9**	**-58.0**	**-641.9**

* Figures adjusted

The reconciliation to the income statement includes income and expense that is not covered by the scope of IFRS 7.

The income from financial assets reported in net profit and/or loss includes gains and losses from the disposal and valuation of investment securities. In addition to disposal and remeasurement gains, net income from financial instruments at fair value also includes interest income from hedged items and hedging transactions in the amount of € -5.9 million (previous year: € -2.7 million). Other operating income includes income and expenditure generated from the repurchase of own issues. With the exception of hedge accounting interest income, the interest and dividend income is not included in net profit and/or loss, but instead is disclosed in interest income for all IAS 39 holding categories.

(142) Classification of financial instruments in accordance with IFRS 7

The following table contains the carrying amounts of the Bank's financial instruments (before deduction of risk provisions) in accordance with the IFRS 7 reporting classes:

The cash reserve is presented in the balance sheet and is not included in the IFRS 7 presentation below.

IFRS 7 reporting categories for financial instruments in € million	31 Mar 2011	31 Mar 2010
Assets		
Fair value through profit or loss		
Held for trading	**787.7**	**1,311.7**
Assets held for trading	630.2	1,074.2
Derivative financial instruments recognised at fair value through profit or loss	157.5	237.5
Fair value option	**2,296.7**	**2,758.7**
Financial assets	2,296.7	2,758.7
Hedging derivatives		
Assets held for trading	27.8	29.6
Fair value in equity		
Available for sale	**2,746.4**	**1,594.9**
Financial assets	2,746.4	1,594.9
Carried at amortised cost		
Loans and receivables	**23,612.1**	**28,407.8**
Loans and advances to banks	2,316.2	2,518.3
Loans and advances to customers (including hedge fair value adjustments)	18,441.2	21,847.7
Financial assets	2,854.7	3,987.1
Non-current assets held for sale	0.0	54.7
Receivables from finance leases		
Loans and advances to customers	1,889.7	1,817.4
Other financial instruments not covered by IFRS 7		
Investments accounted for using the equity method	10.8	9.5
Total	**31,371.2**	**35,929.6**
Equity and liabilities		
Fair value through profit or loss		
Held for trading	**1,890.8**	**2,291.6**
Liabilities held for trading	1,593.4	1,971.6
Derivative financial instruments recognised at fair value through profit or loss	297.4	320.0
Fair value option	**9,479.5**	**10,914.8**
Liabilities to banks	653.0	946.6
Liabilities to customers	1,610.0	1,885.7
Securitised liabilities	6,896.5	7,739.1
Subordinated capital	320.0	343.4
Hedging derivatives		
Liabilities held for trading	112.8	190.3
Carried at amortised cost		
Other financial liabilities	**18,240.1**	**20,603.9**
Liabilities to banks	10,540.6	11,051.4
Liabilities to customers	6,068.2	5,632.2
Securitised liabilities	806.9	3,049.5
Subordinated capital	824.4	870.8
Total	**29,723.2**	**34,000.6**
Off-balance sheet transactions		
Contingent liabilities	496.5	628.4
Other obligations	1,664.2	2,265.7
Total	**2,160.7**	**2,894.1**

(143) Fair value of financial assets and liabilities

Comparison of fair values and the corresponding carrying amounts:

In Mio. €	Fair value		Carrying amount		Difference	
	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
Assets						
Loans and receivables	**22,417.1**	**26,769.7**	**22,913.5**	**27,530.8**	**-496.4**	**-761.1**
Loans and advances to banks	2,316.1	2,518.2	2,316.2	2,518.3	-0.1	-0.1
*Loans and advances to customers (including hedge fair value adjustments) * / ****	17,412.1	20,236.2	17,742.6	20,970.7	-330.5	-734.5
Investment securities	2,688.9	3,960.6	2,854.7	3,987.1	-165.8	-26.5
Non-current assets held for sale	-	54.7	-	54.7	-	0.0
Finance lease receivables	**1,882.1**	**1,807.3**	**1,882.1**	**1,807.3**	**0.0**	**0.0**
*Loans and advances to customers **	1,882.1	1,807.3	1,882.1	1,807.3	0.0	0.0
Assets after provision for possible loan losses	**24,299.2**	**28,577.0**	**24,795.6**	**29,338.1**	**-496.4**	**-761.1**
Equity and liabilities						
Other financial liabilities	**18,352.2**	**20,680.2**	**18,240.1**	**20,603.9**	**112.1**	**76.3**
*Liabilities to banks ***	10,585.2	11,302.7	10,540.6	11,051.4	44.6	251.3
Liabilities to customers	6,337.1	5,780.3	6,068.2	5,632.2	268.9	148.1
Securitised liabilities (including hedge fair value adjustments)	780.8	2,964.2	806.9	3,049.5	-26.1	-85.3
Subordinated capital	649.1	633.0	824.4	870.8	-175.3	-237.8
Equity and liabilities	**18,352.2**	**20,680.2**	**18,240.1**	**20,603.9**	**112.1**	**76.3**

* The carrying amount of loans and advances to customers is shown less of specific provisions in the amount of € 706.2 million (31 March 2010: € 887.1 million).

** The fair value was adjusted by € 270.9 million as of 31 March 2010, from € 11,031.8 million to € 11,302.7 million, due to incorrect disclosure.

*** Applying the change in estimates (see changes in accordance with IAS 8 (aa)), the fair value as of 31 March 2010 would have increased by € 251.0 million, from € 20,236.2 million to € 20,487.2 million, and the difference would have decreased by € 251.0 million, from € -734.5 million to € -483.5 million.

Level classification

IFRS 7 "Enhanced Disclosures on Financial Instruments" defines a three-level hierarchy (Levels 1 to 3) for the measurement methods used to determine fair value for the disclosures in the notes. The following section discusses the fundamental criteria for distinguishing between the individual level hierarchies to which financial instruments at fair value are allocated:

Level 1. Level 1 includes unadjusted quoted prices on active markets that can be applied by an entity for identical assets and liabilities at the measurement date.

A financial instrument is regarded as quoted on an active market if quoted prices are easily and regularly available from an exchange, dealer, broker, industry group, pricing service or a regulatory agency and these prices reflect current and regularly occurring market transactions at arm's length conditions.

An entity must also have access to the market on the respective measurement date. An active market is one on which transactions occur with sufficient frequency and in a sufficient volume to allow permanent price information to be available.

At IKB, the Level 1 hierarchy is primarily used to report corporate and government bonds. The assessment as to whether securities are traded on an active market is performed on a daily basis using a statistical analysis of prices obtained from various market participants. Instruments whose price information is provided by selected pricing services are also allocated to Level 1.

Level 2. Level 2 includes all financial instruments whose fair values can be derived from similar financial instruments on active markets, either directly or indirectly, or which are measured using valuation models whose input parameters are significant and are taken from active markets. Fair values calculated using DCF procedures or option models whose input parameters are derived from active markets are also reported in Level 2. At IKB, Level 2 includes all instruments that cannot be allocated to Level 1 or Level 3.

Level 3. Financial instruments for which no fair values can be observed on active markets are measured using valuation models. If measurement parameters have a significant influence on determining the fair value and these input factors cannot be observed, the fair values of these instruments are allocated to Level 3. The fair value must be determined from the perspective of knowledgeable, willing and independent market participants, meaning that significant unobservable input parameters must reflect the assumptions made by market participants in pricing, including risk assumptions.

For all instruments for which unobservable market data is applied in measurement, the significance of the influence of the unobservable market data in relation to observable market data is examined (IFRS 7.27A (c)). The key decision-making criterion with respect to significance is the sensitivity of the fair value to changes in unobservable input parameters in relation to its sensitivity to changes in observable input parameters. This procedure serves to fulfil the requirement that instruments are only classified as Level 3 when unobservable parameters have a significant influence on measurement.

The following table shows the allocation of financial instruments at fair value to the three different level hierarchies:

in € million	Level 1		Level 2		Level 3		Total	
	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
Assets								
Fair value through profit or loss								
Held for trading	**-**	**75.0**	**554.8**	**1,236.7**	**232.9**	**-**	**787.7**	**1,311.7**
Assets held for trading	-	75.0	554.8	1,236.7	232.9	-	787.7	1,311.7
Fair value option	**1,401.2**	**1,630.1**	**683.4**	**868.2**	**212.1**	**260.4**	**2,296.7**	**2,758.7**
Financial assets	1,401.2	1,630.1	683.4	868.2	212.1	260.4	2,296.7	2,758.7
Hedging derivatives								
Assets held for trading	-	-	27.8	29.6	-	-	27.8	29.6
Fair value in equity								
Available for sale	**2,303.4**	**1,496.9**	**427.0**	**80.2**	**-**	**-**	**2,730.4**	**1,577.1**
Financial assets	2,303.4	1,496.9	427.0	80.2	-	-	2,730.4	1,577.1
Total	**3,704.6**	**3,202.0**	**1,693.0**	**2,214.7**	**445.0**	**260.4**	**5,842.6**	**5,677.1**
Equity and liabilities								
Fair value through profit or loss								
Held for trading	**-**	**7.1**	**1,808.6**	**2,284.5**	**82.2**	**-**	**1,890.8**	**2,291.6**
Liabilities held for trading	-	7.1	1,808.6	2,284.5	82.2	-	1,890.8	2,291.6
Fair value option	**6,643.2**	**7,285.4**	**2,812.7**	**3,333.3**	**23.6**	**296.1**	**9,479.5**	**10,914.8**
Liabilities to banks	-	-	653.0	823.8	-	122.8	653.0	946.6
Liabilities to customers	-	-	1,586.4	1,712.4	23.6	173.3	1,610.0	1,885.7
Securitised liabilities	6,604.3	7,210.6	292.2	528.5	-	-	6,896.5	7,739.1
Subordinated capital	38.9	74.8	281.1	268.6	-	-	320.0	343.4
Hedging derivatives								
Liabilities held for trading	-	-	112.8	190.3	-	-	112.8	190.3
Total	**6,643.2**	**7,292.5**	**4,734.1**	**5,808.1**	**105.8**	**296.1**	**11,483.1**	**13,396.7**

Investments in equity instruments with no quoted market price on an active market are deducted from investment securities reported at fair value directly in equity.

Information on level transfers within the fair value hierarchy

A quarterly comparison of all transactions carried at fair value at the start and the end of the respective quarter is performed in order to identify those transactions for which level transfers have taken place. In the case of level transfers during the quarter, the values at the end of the period are applied as the addition and disposal amounts.

Transfers between the individual levels during the financial year are shown in the following table:

in € million	Addition Level 1				Addition Level 2				Addition Level 3			
	Disposal Level 2		Disposal Level 3		Disposal Level 1		Disposal Level 3		Disposal Level 1		Disposal Level 2	
	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
Assets												
Fair value through profit or loss												
Held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**380.8**	**-**
Assets held for trading	-	-	-	-	-	-	-	-	-	-	380.8	-
Fair value option	**42.9**	**5.4**	**5.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets	42.9	5.4	5.0	-	-	-	-	-	-	-	-	-
Fair value in equity												
Available for sale	**-**	**47.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets	-	47.5	-	-	-	-	-	-	-	-	-	-
Total	**42.9**	**52.9**	**5.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**380.8**	**-**
Equity and liabilities												
Fair value through profit or loss												
Held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**111.7**	**-**
Liabilities held for trading	-	-	-	-	-	-	-	-	-	-	111.7	-
Fair value option	**32.7**	**-**	**-**	**-**	**60.6**	**21.5**	**-**	**-**	**-**	**-**	**-**	**-**
Subordinated capital	32.7	-	-	-	60.6	21.5	-	-	-	-	-	-
Total	**32.7**	**-**	**-**	**-**	**60.6**	**21.5**	**-**	**-**	**-**	**-**	**111.7**	**-**

For information on the additions to Level 3 relating to the measurement of derivatives of specified interest rate structures and to derivatives without collateral agreements, please refer to the explanations in the section "Changes in accordance with IAS 8 (a) Changes in Accounting Estimates (af) und (ag)". The additions to Level 3 from derivatives without collateral agreements amount to € 380.8 million for assets held for trading and € 69.3 million for liabilities held for trading. The rest of the Level 3 additions (liabilities held for trading) result from derivatives of specified interest rate structures in the amount of € 42.4 million.

Reconciliation of Level 3 transactions

The following table shows all changes in Level 3 financial instruments during the year under review.

in € million	Opening balance			Total amount of gains/losses		Not including deferred interest						Closing balance			
	Including deferred interest	Deferred interest	Not including deferred interest	Income statement	Other income	Purchases	Sales	Issues	Settlements	Transfers to Level 3	Transfers from Level 3	Not including deferred interest	Deferred interest	Including deferred interest	Gains/losses on financial instruments held as at end of reporting period
	1 Apr. 2010			1 Apr. 2010 - 31 Mar. 2011		31 Mar. 2011									1 Apr. 2010 - 31 Mar. 2011
Assets															
Fair value through profit or loss															
Held for trading	**-**	**-**	**-**	**-161,6**	**-**	**-**	**-**	**-**	**-1,3**	**380,8**	**-**	**217,9**	**15,0**	**232,9**	**1,1**
Assets held for trading	-	-	-	-161,6	-	-	-	-	-1,3	380,8	-	217,9	15,0	232,9	1,1
Fair value option	**260,4**	**0,4**	**260,0**	**-35,0**	**-**	**1,1**	**-9,4**	**-**	**-**	**-**	**-5,0**	**211,7**	**0,4**	**212,1**	**-31,4**
Financial assets	260,4	0,4	260,0	-35,0	-	1,1	-9,4	-	-	-	-5,0	211,7	0,4	212,1	-31,4
Total	**260,4**	**0,4**	**260,0**	**-196,6**	**-**	**1,1**	**-9,4**	**-**	**-1,3**	**380,8**	**-5,0**	**429,6**	**15,4**	**445,0**	**-30,3**
Equity and liabilities															
Fair value through profit or loss															
Held for trading	**-**	**-**	**-**	**-20,9**	**-**	**-**	**-**	**-**	**-7,8**	**111,7**	**-**	**83,0**	**-0,8**	**82,2**	**-33,5**
Liabilities held for trading	-	-	-	-20,9	-	-	-	-	-7,8	111,7	-	83,0	-0,8	82,2	-33,5
Fair value option	**296,1**	**15,6**	**280,5**	**-**	**-**	**-**	**-**	**-**	**-256,9**	**-**	**-**	**23,6**	**-**	**23,6**	**-25,6**
Liabilities to banks	122,8	0,6	122,2	-	-	-	-	-	-122,2	-	-	-	-	-	-
Liabilities to customers	173,3	15,0	158,3	-	-	-	-	-	-134,7	-	-	23,6	-	23,6	-25,6
Liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities held for trading	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**296,1**	**15,6**	**280,5**	**-20,9**	**-**	**-**	**-**	**-**	**-264,7**	**111,7**	**-**	**106,6**	**-0,8**	**105,8**	**-59,1**

in € million	Opening balance			Total amount of gains/losses		Not including deferred interest						Closing balance			
	Including deferred interest	Deferred interest	Not including deferred interest	Income statement	Other income	Purchases	Sales	Issues	Settlements	Transfers to Level 3	Transfers from Level 3	Not including deferred interest	Deferred interest	Including deferred interest	Gains/losses on financial instruments held as at end of reporting period
	01.04.2009			1 Apr. 2009 - 31 Mar. 2010		31.03.2010									1 Apr. 2009 - 31 Mar. 2010
Assets															
Fair value through profit or loss															
Fair value option	**254,5**	**1,0**	**253,5**	**17,0**	**-**	**5,6**	**-16,1**	**-**	**-**	**-**	**-**	**260,0**	**0,4**	**260,4**	**-29,4**
Financial assets	254,5	1,0	253,5	17,0	-	5,6	-16,1	-	-	-	-	260,0	0,4	260,4	-29,4
Total	**254,5**	**1,0**	**253,5**	**17,0**	**-**	**5,6**	**-16,1**	**-**	**-**	**-**	**-**	**260,0**	**0,4**	**260,4**	**-29,4**
Equity and liabilities															
Fair value through profit or loss															
Fair value option	**478,3**	**9,2**	**469,1**	**154,0**	**-**	**-**	**-**	**-**	**-342,6**	**-**	**-**	**280,5**	**15,6**	**296,1**	**96,3**
Liabilities to banks	392,6	6,5	386,1	78,7	-	-	-	-	-342,6	-	-	122,2	0,6	122,8	23,7
Liabilities to customers	85,7	2,7	83,0	75,3	-	-	-	-	-	-	-	158,3	15,0	173,3	72,6
Total	**478,3**	**9,2**	**469,1**	**154,0**	**-**	**-**	**-**	**-**	**-342,6**	**-**	**-**	**280,5**	**15,6**	**296,1**	**96,3**

The income statement column is used solely for remeasurement gains and gains on disposal as well as the amortisation of debt instruments allocated to the “financial assets available for sale” category. By contrast, accrued and deferred interest is not included.

In the current financial year, the method for measuring derivatives whose default risk is not covered by collateral agreements was optimised further. In this context, the Bank has further developed the method for calculating credit valuation adjustments and applied it to the relevant derivatives. Under the new method, these derivatives were classified as Level 3 instruments in the current financial year (previously Level 2).

Sensitivity analysis for Level 3 transactions

Due to the degree of uncertainty to which valuation models are subject, the parameters not observable on the market were varied for Level 3 transactions. The variation analysis of input parameters not observable on the market was performed on the basis of potential alternative assumptions at the balance sheet date and resulted in a range of fair values calculated using these positive and negative variations in input parameters.

The fair values of some of IKB's credit derivatives are determined to a large extent by parameters that are not observable on the market. In accordance with IFRS 7.27B (e), model input parameters should be changed to reflect suitable potential alternatives. IKB only performs stress testing for those parameters that are not directly observable on the market. Stress testing is not performed for those parameters that are directly observable on the market, as a change in the yield curve, for example, would directly contradict the available market information at the measurement date and hence would not constitute a suitable potential alternative.

The parameters not observable on the market relate to correlations and liquidity spreads, credit spreads calculated from internal ratings for measuring unsecured derivatives, and certain unobservable parameters of standard market interest rate structure models. The use of possible alternative assumptions in relation to the parameters not observable on the market as at 31 March 2011 would lead in total to a € 7.0 million increase or a €- 7.9 million decrease in the fair value.

The following table provides an overview of the changes in the fair value of Level 3 transactions in response to the aforementioned parameter variations, with the transactions shown at product level.

in € million	Positive change		Negative change	
	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
Private equity transactions	6.5	5.7	- 6.5	- 5.8
Instruments with credit derivative components	**2.5**	**8.8**	**- 2.6**	**- 5.5**
First-to-default bonds	2.5	4.4	- 2.6	- 3.7
Portfolio investments	-	4.4	-	- 1.8
Derivatives without cash collateral	- 2.3	-	1.6	-
Unobservable parameters in yield structure models	0.3	-	- 0.4	-
Total	**7.0**	**14.5**	**- 7.9**	**- 11.3**

The parameter observed is the credit spread. In the event of a positive shift in the credit spread (i.e. the credit spread increases), the customer's credit rating deteriorates and there is a negative effect on the fair value. In the event of a negative shift in the credit spread, there is accordingly a positive effect on the fair value.

There were no transactions resulting in a difference between the transaction price and the fair value calculated on a model basis in the year under review.

The difference between the carrying amount of financial liabilities at fair value and the redemption amount was € -746.1 million (previous year: € -479.9 million) and resulted from the following balance sheet items:

in € million	Carrying amount		Difference between carrying amount and repayment amount on maturity	
	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
Liabilities to banks	653.0	946.6	18.0	34.3
Liabilities to customers	1,610.0	1,885.7	-448.7	-239.2
Securitised liabilities	6,896.4	7,739.1	92.0	197.5
Subordinated capital	320.0	343.4	-407.4	-472.5
Total	**9,479.4**	**10,914.8**	**-746.1**	**-479.9**

(144) Derivatives

IKB enters into forward transactions, which are mainly used to control and limit interest rate, credit and currency risks.

The nominal amount indicates the volume traded by the Bank and serves as a reference point for calculating the mutually agreed payments such as interest assets and or liabilities for interest rate swaps. In addition, the following table shows the positive and negative fair values of the derivatives concluded, which show the expenses the Bank or the counterparty would incur in replacing the originally concluded contracts with contracts of equal economic value. The positive fair value shows the Bank's maximum risk of counterparty default on the balance sheet date.

The measurement of financial instruments is shown in note (87).

The following table shows a breakdown of derivatives:

in € million	Nominal amount		Fair value					
			Positive		Negative		Total	
	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
Interest rate derivatives	**57,353.7**	**48,237.6**	**673.3**	**1,114.6**	**1,881.0**	**2,350.2**	**-1,207.7**	**-1,235.6**
Remaining term up to one year			243.0	289.1	212.2	320.9	30.8	-31.8
Remaining term between one and five years			166.0	322.0	295.7	465.4	-129.7	-143.4
Remaining term more than five years			264.3	503.5	1,373.1	1,563.9	-1,108.8	-1,060.4
Credit derivatives	**194.1**	**602.1**	**0.2**	**15.5**	**8.5**	**13.6**	**-8.3**	**1.9**
Remaining term up to one year			-	2.1	-	2.1	-	-
Remaining term between one and five years			0.2	12.9	8.5	11.3	-8.3	1.6
Remaining term more than five years			-	0.5	-	0.2	-	0.3
Currency derivatives	**2,190.8**	**3,041.9**	**109.9**	**78.3**	**114.1**	**118.1**	**-4.2**	**-39.8**
Remaining term up to one year			21.1	36.8	9.4	58.1	11.7	-21.3
Remaining term between one and five years			45.6	17.5	85.8	50.3	-40.2	-32.8
Remaining term more than five years			43.2	24.0	18.9	9.7	24.3	14.3
Total	**59,738.6**	**51,881.6**	**783.4**	**1,208.4**	**2,003.6**	**2,481.9**	**-1,220.2**	**-1,273.5**

The following table shows a breakdown of derivatives by counterparties.

in € million	Fair values as of 31 Mar 2011		Fair values as of 31 Mar 2010	
	Positive	Negative	Positive	Negative
OECD banks	562.2	1,963.9	876.9	2,457.1
Other OECD companies and OECD private persons	221.2	39.7	331.5	13.6
Non-OECD	-	-	-	11.2
Total	**783.4**	**2,003.6**	**1,208.4**	**2,481.9**

(145) Credit risk disclosures

The following table shows the maximum credit risk amount in accordance with IFRS 7.36 (a). The maximum credit risk encompasses both balance sheet and off-balance sheet financial instruments. Financial instruments reported on the balance sheet are recognised at their carrying amount less risk provisions for possible loan losses; off-balance sheet transactions are included in the amount of maximum utilisation after deduction of provisions for possible loan losses. Guarantees and other credit enhancements are not taken into account. The maximum credit risk amount includes to a lesser extent equities and similar equity instruments for which there is no credit risk.

As of 31 March 2011, the maximum credit risk compared to the previous year was as follows:

	Maximum credit risk exposure		Credit risk exposure neither past due nor impaired		Renegotiated credit risk exposure		Credit risk exposure past due but not impaired		Impaired credit risk exposure		Fair value of corresponding collateral	
in € million	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
Fair value through profit or loss												
Held for trading	**787.7**	**1,311.7**	**787.7**	**1,311.7**	**-**	**-**	**-**	**-**	-	-	-	-
Assets held for trading	787.7	1,311.7	787.7	1,311.7	-	-	-	-	-	-	-	-
Fair value option	**2,296.7**	**2,758.7**	**2,296.7**	**2,758.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets	2,296.7	2,758.7	2,296.7	2,758.7	-	-	-	-	-	-		
Hedging derivatives												
Held for trading	**27.8**	**29.6**	**27.8**	**29.6**	**-**	**-**	**-**	**-**	-	-	-	-
Assets held for trading	27.8	29.6	27.8	29.6	-	-	-	-	-	-	-	-
Fair value in equity												
Available for sale	**2,746.4**	**1,594.9**	**2,746.4**	**1,594.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Finacial assets	2,746.4	1,594.9	2,746.4	1,594.9	-	-	-	-	-	-		
Amortised cost												
Loans and receivables	**22,913.5**	**27,530.8**	**21,421.9**	**25,040.2**	**327.0**	**496.5**	**348.0**	**748.3**	**816.7**	**1,245.7**	**7,761.5**	**8,930.3**
Loans and advances to banks	2,316.2	2,518.3	2,316.2	2,518.3		-	-	-	-	-		
Loans and advances to customers (including hedge fair value adjustments)	17,742.6	20,970.7	16,394.2	18,863.1	327.0	496.5	348.0	748.3	673.5	862.7	7,761.5	8,930.3
Financial assets	2,854.7	3,987.1	2,711.5	3,604.1	-	-	-	-	143.2	383.0	0.0	0.0
Non-current assets held for sale	-	54.7	-	54.7			-		-		-	-
Receivables from finance leases												
Loans and advances to customers	**1,882.1**	**1,807.3**	**1,372.8**	**1,594.8**	**1.3**	**-**	**472.0**	**128.1**	**36.0**	**84.4**	**1,449.2**	**1,391.6**
Less portfolio impairment	**112.3**	**185.1**										
Off-balance sheet transactions												
Contingent liabilities	**496.5**	**628.4**										
Other obligations	**1,664.2**	**2,265.7**										
Total	**32,702.6**	**37,742.0**										

IKB hedges against credit risks by obtaining collateral from borrowers that can be utilised or realised in the event of default. Collateral is generally accepted in the form of mortgages, transfers of ownership and other collateral such as assignment of receivables, participation rights or subordination after corresponding checks have been performed. In addition to these forms of collateral, risk transfers through Hermes guarantees, indemnifications and synthetic risk transfers serve to reduce credit risk. Broken down by type, 35.4% of collateral currently relates to risk transfers (previous year: 37.5%), 27.4% to mortgages (previous year: 27.7%), 13.9% to transfers of ownership (previous year: 10.7%), 6.4% to cash collateral (previous year: 0.0%) and 17.0% to other collateral (previous year: 24.1%).

In addition to these forms of collateral, credit derivatives and similar instruments also contribute to reducing credit risk. Information on credit derivatives and similar instruments that are related to liabilities for which the fair value option has been exercised was not available in the year under review or the previous year.

The risk relief provided by collateral is dependent on the collateral type. At IKB, individual parameters and standardised processes are used to measure the collateral accepted. In addition to the value on recognition, the sustainable value of collateral plays a crucial role. Long-term risk mitigation can only be ensured by collateral, depending on its type, if the collateral is monitored constantly, including periodic valuations and updates.

The following table shows the credit quality of financial instruments that are neither past due nor impaired:

in € million	Credit quality of credit risk exposure neither past due nor impaired												Total	
	Rating class 1 to 4		Rating class 5 to 7		Rating class 8 to 10		Rating class 11 to 13		Rating class 14 and worse		No rating			
	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
Fair value through profit or loss														
Held for trading	**544.6**	**960.7**	**94.4**	**53.2**	**89.8**	**128.7**	**45.8**	**116.7**	**13.0**	**52.4**	**0.0**	**0.0**	**787.7**	**1,311.7**
Assets held for trading	544.6	960.7	94.4	53.2	89.8	128.7	45.8	116.7	13.0	52.4	0.0	0.0	787.7	1,311.7
Fair value option	**1,102.4**	**679.8**	**229.7**	**1,099.4**	**187.7**	**359.8**	**206.7**	**192.1**	**570.2**	**427.6**	**0.0**	**0.0**	**2,296.7**	**2,758.7**
Financial assets	1,102.4	679.8	229.7	1,099.4	187.7	359.8	206.7	192.1	570.2	427.6	0.0	0.0	2,296.7	2,758.7
Hedging derivatives														
Held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**27.8**	**29.6**	**27.8**	**29.6**
Assets held for trading	-	-	-	-	-	-	-	-	-	-	27.8	29.6	27.8	29.6
Fair value in equity														
Available for sale	**2,509.4**	**1,324.4**	**59.8**	**181.5**	**122.9**	**67.2**	**0.0**	**9.7**	**0.0**	**10.6**	**54.3**	**1.5**	**2,746.4**	**1,594.9**
Financial assets	2,509.4	1,324.4	59.8	181.5	122.9	67.2	0.0	9.7	0.0	10.6	54.3	1.5	2,746.4	1,594.9
Amortised cost														
Loans and receivables	**6,520.2**	**6,397.8**	**6,222.1**	**4,195.7**	**5,335.4**	**7,025.7**	**2,567.7**	**5,768.6**	**667.4**	**1,405.7**	**109.0**	**246.8**	**21,421.9**	**25,040.2**
Loans and advances to banks	2,279.8	2,465.3	24.2	21.9	0.0	-	11.5	-	0.8	14.7	0.0	16.4	2,316.2	2,518.3
Loans and advances to customers (including hedge fair value adjustments)	1,903.0	936.3	6,011.4	3,783.5	5,335.4	6,936.6	2,515.4	5,730.0	519.9	1,246.3	109.0	230.4	16,394.2	18,863.1
Financial assets	2,337.4	2,996.1	186.5	390.3	0.0	34.4	40.8	38.6	146.7	144.7	0.0	0.0	2,711.5	3,604.1
Non-current assets held for sale	-	-	-	-	-	54.7	-	-	-	-	-	-	-	54.7
Receivables from finance leases														
Loans and advances to customers	**0.2**	**1.6**	**112.9**	**218.3**	**465.5**	**634.0**	**352.2**	**413.4**	**433.5**	**305.5**	**8.6**	**21.9**	**1,372.9**	**1,594.8**
Total	**10,676.8**	**9,364.3**	**6,718.9**	**5,748.1**	**6,201.3**	**8,215.4**	**3,172.4**	**6,500.5**	**1,684.1**	**2,201.8**	**199.7**	**299.8**	**28,653.4**	**32,329.9**

The loans with negotiated conditions shown in the table at the maximum credit risk amount are not past due and are not subject to long-term impairment because of a confirmed debt service ratio or sufficient security. A more detailed review is necessary, however, as the agreements with the borrowers for these loans have subsequently changed. This usually occurs as part of restructuring measures. In general, the interest and redemption structure is modified to ensure that the borrower is able to meet its obligations. Individual write-downs are not required to be recognised for the renegotiated loans or those in arrears shown below. However, these loans are taken into account in calculating portfolio write-downs. Please see the Group management report for more information on the calculation of portfolio writedowns.

The rating methods and procedures used by IKB are explained in the Group Management Report.

All financial instruments are subject to an ongoing review and reporting process. IKB has defined the so-called credit volume for reporting. The credit volume is based on the IKB business model and is a suitable means of illustrating the credit risk. Financial instruments that are not included in the credit volume primarily consist of current loans and advances to banks and mortgages. These mainly relate to counterparties, such as OECD banks and credit insurers with an investment grade rating.

As of the balance sheet date 31 March 2011, the following financial assets were in arrears:

31 Mar. 2011 in € million	Financial assets past due but not impaired						**Total**	Fair value of corresponding collateral
	Between 1 and 5 days	Between 5 and 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 and 360 days	More than 360 days		
Amortised cost								
Loans and receivables	**108.2**	**84.9**	**41.9**	**82.8**	**3.8**	**26.4**	**348.0**	**193.1**
Loans and advances to customers (including hedge fair value adjustments)	108.2	84.9	41.9	82.8	3.8	26.4	348.0	193.1
Receivables from finance leases								
Loans and advances to customers	**34.9**	**185.0**	**143.7**	**42.9**	**30.3**	**35.3**	**472.0**	**363.4**
Total	**143.1**	**269.9**	**185.6**	**125.7**	**34.1**	**61.7**	**820.0**	**556.5**

31 Mar 2010 in € million	Financial assets past due but not impaired						**Total**	Fair value of corresponding collateral
	Between 1 and 5 days	Between 5 and 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 and 360 days	More than 360 days		
Amortised cost								
Loans and receivables	**589.5**	**17.8**	**59.7**	**50.0**	**8.4**	**22.8**	**748.3**	**366.5**
Loans and advances to customers (including hedge fair value adjustments)	589.5	17.8	59.7	50.0	8.4	22.8	748.3	366.5
Receivables from finance leases								
Loans and advances to customers	**11.8**	**31.4**	**53.2**	**13.8**	**11.1**	**6.6**	**128.1**	**0.0**
Total	**601.4**	**49.2**	**113.0**	**63.8**	**19.6**	**29.5**	**876.4**	**366.5**

Financial instruments that are in arrears by one or more days are classed as past due in accordance with IFRS 7. However, the first maturity range (one to five days in arrears) should be regarded as less meaningful due to the possibility of delays in settlement on the part of the borrower. There are no impairment losses for the past due financial instruments shown in this table.

The following financial assets were subject to individual write-downs as of the balance sheet date:

in € million	Carrying amount of impaired assets before impairment		Amount of impairment		Carrying amount of impaired assets after impairment		Fair value of corresponding collateral	
	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010 *
Amortised cost								
Loans and receivables	**2,108.1**	**3,325.5**	**1,291.4**	**2,079.8**	**816.7**	**1,245.7**	**585.9**	**814.9**
Loans and advances to customers (including hedge fair value adjustments)	1,372.1	1,739.7	698.6	877.0	673.5	862.7	585.9	814.9
Investment securities	735.9	1,585.8	592.7	1,202.8	143.2	383.0	-	-
Receivables from finance leases								
Loans and advances to customers	**43.6**	**91.6**	**7.6**	**7.2**	**36.0**	**84.4**	**27.7**	**65.0**
Total	**2,151.7**	**3,417.1**	**1,299.0**	**2,087.0**	**852.7**	**1,330.1**	**613.6**	**879.9**

* Figures adjusted
Owing to incorrect reporting, the fair value of the corresponding collateral of loans and advances to customers from finance leasing at 31 March 2010 was corrected from € 0.0 million to € 65.0 million.

During the financial year, IKB generated collateral revenue in the amount of € 545.0 million (previous year: € 581.1 million).

Detailed information on risks can be found in the risk report in the Group management report.

Other disclosures

(146) Changes in equity recognised directly in equity

in € million	Balance as of 1 Apr 2010	Changes recognised directly in equity	Changes recognised in profit or loss	Balance before income tax effects as of 31 Mar 2011	Income tax effects on changes recognised directly in equity	Income tax effects on changes recognised in profit or loss	Balance after income tax effects as of 31 Mar 2011
Financial assets available for sale	**0.9**	-38.1	-14.4	**-51.5**	12.1	4.3	**-35.0**
Derivatives hedging fluctuations in future cash flows	**-7.8**	9.2	-	**1.4**	-2.9	-	**-1.5**
Currency translation reserve	**-17.2**	-0.3	-	**-17.5**	-	-	**-17.5**
Actuarial gains/losses (IAS 19)	**-33.8**	13.4	-	**-20.4**	-4.2	-	**-24.6**
Total comprehensive income	**-57.9**	**-15.8**	**-14.4**	**-88.0**	**5.1**	**4.3**	**-78.6**

in € million	Balance as of 1 Apr 2009	Changes recognised directly in equity	Changes recognised in profit or loss	Balance before income tax effects as of 31 Mar 2010	Income tax effects on changes recognised directly in equity	Income tax effects on changes recognised in profit or loss	Balance after income tax effects as of 31 Mar 2010
Financial assets available for sale	**-27.6**	37.4	3.2	**13.0**	-11.2	-0.9	**0.9**
Derivatives hedging fluctuations in future cash flows	**-8.3**	0.8	-	**-7.5**	-0.3	-	**-7.8**
Currency translation reserve	**-20.5**	3.3	-	**-17.2**	-	-	**-17.2**
Actuarial gains/losses (IAS 19)	**-27.1**	-9.5	-	**-36.6**	2.8	-	**-33.8**
Total comprehensive income	**-83.5**	32.0	**3.2**	-48.3	**-8.7**	-0.9	**-57.9**

(147) Contingent assets/liabilities and other commitments

IKB's contingent liabilities and other commitments break down as follows:

in € million	31 Mar 2011	31 Mar 2010
Contingent liabilities	**496.5**	**628.4**
Other obligations	**1,664.2**	**2,265.7**
Commitments up to one year	834.3	1,108.1
Commitments of more than one year	829.9	1,157.6
Total	**2,160.7**	**2,894.1**

Contingent liabilities are offset by contingent assets in the same amount.

As part of the sale of 50% of the shares in Movesta, IKB AG and IKB Beteiligungen assumed joint and several guarantees and indemnity obligations including for the transferred GmbH shares and the proper settlement and fulfilment of historical obligations (e.g. submission of tax declarations and tax returns).

The figures presented reflect the amounts that would have to be paid if the respective customers were to use the relevant credit facilities in full, adjusted for provisions.

(148) Other financial obligations

As of the balance sheet date, the Group's payment obligations from equities not fully paid in, investments in GmbHs, investments in affiliated companies, the interests held by IKB Private Equity GmbH and subordinated loans amounted to € 9.2 million (previous year: € 22.1 million).

Other financial obligations for rental agreements, leases and other agreements totalled € 302.1 million as of 31 March 2011 (previous year: € 261.6 million).

There is a proportionate obligation to make additional contributions with respect to Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, in accordance with section 26 of the *Gesetz betreffend die Gesellschaften mit beschränkter Haftung* (*GmbHG* – German Limited Liability Companies Act). IKB also has a proportionate contingent liability for the fulfilment of the obligation to meet the contributions of other members of the Association of German Banks. Due to the current market situation, the negative impact resulting from this cannot be predicted. In accordance with section 5 (10) of the by-laws of the Deposit Protection Fund, IKB AG is also required to indemnify the Association of German Banks from losses incurred by the latter due to assistance provided for another bank in which IKB AG holds the respective majority of the shares or over which it can directly or indirectly exercise control.

(149) Leases

Finance leases

Receivables from lease transactions in € million	31 Mar 2011	31 Mar 2010
Gross investment value (maturities)		
up to one year	675,8	625,0
between one and five years	1.370,0	1.331,6
more than five years	107,4	128,7
Total gross investment value	**2.153,2**	**2.085,3**
of which:		
Non-guaranteed residual values	27,2	51,2
Unrealised financial income (maturities)		
up to one year	106,5	102,9
between one and five years	149,1	152,8
more than five years	8,0	12,3
Total unrealised financial income	**263,6**	**268,0**
Net investment value (maturities)		
up to one year	569,3	522,1
between one and five years	1.220,9	1.178,8
more than five years	99,5	116,4
Total net investment value	**1.889,7**	**1.817,3**
Contingent rent recognised in profit or loss	8,2	8,4
Cumulative impairment for irrecoverable outstanding minimum lease payments	0,9	0,6

Future minimum lease payments from non-cancellable finance leases are broken down by maturities as follows:

in € million	31 Mar 2011	31 Mar 2010
up to one year	614.1	519.9
between one and five years	1,243.2	1,111.8
more than five years	94.2	111.9
Total	**1,951.5**	**1,743.6**

Operating leases

Future minimum lease payments from non-cancellable operating leases are broken by maturities as follows:

in € million	31 Mar 2011	31 Mar 2010
up to one year	8.3	37.6
between one and five years	11.8	71.6
more than five years	0.1	0.9
Total	**20.2**	**110.1**

As in the previous year, no contingent rents were recognised in profit or loss in the year under review.

Two administrative buildings in Düsseldorf were leased for a fixed lease term of 20 years under an operating lease. The lease can be renewed on two occasions, in each case for five years, at the market conditions applicable at the time. In addition, IKB was granted a preferential purchase right and a preferential lease right. For the first three years of the lease agreement, a price escalation clause of 1% p.a. was agreed. From the fourth year onwards, a provision applies with regard to contingent rents linking the increase of the rents to changes in the consumer price index.

The minimum lease payments to be made by IKB from non-cancellable operating leases break down as follows:

in € million	31 Mar 2011	31 Mar 2010
up to one year	9.9	9.9
between one and five years	53.0	54.2
more than five years	135.8	153.5
Total	**198.7**	**217.6**

IKB expects to receive rental payments from subleasing parts of the administrative buildings to third-party tenants of at least € 1.9 million p.a. (previous year: € 2.0 million).

(150) Disclosures on collaterals

Disclosures on collaterals provided for own liabilities and contingent liabilities

The following table provides an overview of all assets (except for cash collateral payments) pledged as collateral by IKB. This also includes collateral that the secured party can dispose of freely and for which the secured party has a customary right of resale.

in € million	Assets provided as collateral	
	31 Mar 2011	31 Mar 2010
Assets		
Fair value through profit or loss		
Held for trading	**13.7**	**0.0**
Assets held for trading	13.7	0.0
Fair value option	**820.7**	**981.3**
Finacial assets	820.7	981.3
Fair value in equity		
Available for sale	**670.9**	**404.0**
Financial assets	670.9	404.0
Carried at amortised cost		
Loans and receivables	**11,097.9**	**9,929.8**
Loans and advances to customers	10,320.4	8,783.4
Financial assets	775.9	1,146.4
Total	**12,603.2**	**11,315.1**

As of the balance sheet date, there were cash collateral payments amounting to € 2.2 million (previous year: € 2.9 million) in connection with lending business.

Cash collateral in the amount of € 1,479.7 million (previous year: € 1,590.7 million) was assigned for OTC derivatives as part of collateral management.

Securities with a nominal value of € 197.0 million (previous year: € 240.0 million) have been lodged with Clearstream Banking AG, Frankfurt am Main, for compliance with payment obligations in securities transactions; a security with a nominal value of € 7.0 million (previous year: € 7.0 million) has been deposited as collateral at Clearstream Banking S.A., Luxembourg. In trading on EUREX Germany, securities for margin obligations have been lodged with Barclays, London, with a nominal value of € 22.0 million (previous year: € 22.0 million).

Securities in the amount of € 87.4 million (previous year: € 87.4 million) have been pledged to KfW, Frankfurt am Main, to help hedge joint business concepts and cash collateral of € 230.0 million (previous year: € 230.0 million) has been provided. € 40.0 million (previous year: € 10.0 million) has been pledged as cash collateral at other banks. Additional securities totalling € 141.0 million (previous year: € 124.0 million) were pledged as collateral to various banks to secure global loans.

A total of € 10.3 billion (previous year: € 8.8 billion) of loans and advances to customers is pledged as collateral. Of this amount, € 2.0 billion (previous year: € 2.1 billion) was provided as security at the European Central Bank as part of the tender and loan application process and € 8.3 billion (previous year: € 6.7 billion) at development banks.

(151) Securities repurchase agreements

In the 2010/11 financial year, IKB increased its genuine repurchase agreement business. As a pledgor, IKB transferred investment securities with a carrying amount of € 954.4 million (previous year: € 576.9 million) (repo agreements) as of the reporting date. These assets included collateral that can be resold or re-pledged. The repurchase agreements resulted in liabilities to banks of € 894.1 million (previous year: € 540.2 million).

in € million	Repurchase agreements		Corresponding purchase price liabilities (liabilities to banks or customers)	
	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
Assets				
Fair value through profit or loss				
Fair value option	**169.8**	**339.3**	**165.6**	**317.7**
Financial assets	169.8	339.3	165.6	317.7
Fair value in equity				
Available for sale	**174.7**	**0.5**	**174.7**	**0.5**
Financial assets	174.7	0.5	174.7	0.5
Carried at amortised cost				
Loans and receivables	**609.9**	**237.1**	**553.8**	**222.0**
Financial assets	609.9	237.1	553.8	222.0
Total	**954.4**	**576.9**	**894.1**	**540.2**

As a borrower, IKB also received government bonds with a fair value of € 151.7 million (previous year: € 132.0 million) (reverse repo transactions) with an option for resale or reassignment. As of the reporting date, this resulted in loans and advances to banks with a carrying amount of € 151.4 million (previous year: € 132.0 million). In line with the usual conditions for repo agreements, there is a return obligation in the same amount for the government bonds received.

(152) Statement of changes in non-current assets

Non-current assets developed as follows in the previous financial year:

in € million	**Intangible assets**	**Property, plant and equipment**			**Total**
		Land and buildings and buildings under construction not including investment property	Operating and office equipment including low-value assets	Lease assets from operating leases	
Acquisition and production costs					
As of 31 March 2010	**79.5**	**39.5**	**69.0**	**219.8**	**407.8**
Changes in the scope of consolidation	-	-15.2	-0.3	-	-15.5
Foreign Exchange differences	-	-	-0.1	1.8	1.7
Additions	12.9	0.4	5.6	46.3	65.2
Reclassification	-	-	-	-4.1	-4.1
Disposals	3.4	0.6	2.5	30.7	37.2
As of 31 March 2011	**89.0**	**24.1**	**71.7**	**233.1**	**417.9**
Depreciation and amortisation expense					
As of 31 March 2010	**66.6**	**18.9**	**51.8**	**78.1**	**215.4**
Changes in the scope of consolidation	-	-6.8	-0.2	-	-7.0
Foreign Exchange differences	-	-	-0.1	0.5	0.4
Depreciation and amortisation	6.9	-	5.5	35.6	48.0
Impairment	-	-	-	-	-
Reversals of impairment losses	-	-	-	-	-
Reclassification	-	-	-	-	-
Disposals	3.8	0.1	1.8	20.0	25.7
As of 31 March 2011	**69.7**	**12.0**	**55.2**	**94.2**	**231.1**
Carrying amounts					
As of 31 March 2010	**12.9**	**20.6**	**17.2**	**141.7**	**192.4**
As of 31 March 2011	**19.3**	**12.1**	**16.5**	**138.9**	**186.8**

(153) Maturity structure

The remaining term is the period between the balance sheet date and the due date for each portion of an asset or liability. If there is a repricing date before the actual due date, this is shown as the due date.

The following table provides a breakdown of the carrying amounts of assets and liabilities by remaining term:

31 March 2011 in € million	up to 3 months	between 3 months and 1 year	between 1 and 5 years	more than 5 years	**Total**
Loans and advances to banks	2,243.2	5.1	56.3	11.6	**2,316.2**
Loans and advances to customers	1,630.7	2,757.6	10,922.4	5,020.2	**20,330.9**
Assets held for trading	231.4	39.8	231.5	312.8	**815.5**
Financial assets	1,416.3	976.2	3,369.4	2,135.9	**7,897.8**
Investments accounted for using the equity method	-	-	-	10.8	**10.8**
Total	**5,521.6**	**3,778.7**	**14,579.6**	**7,491.3**	**31,371.2**
Liabilities to banks	2,000.1	1,561.1	5,411.7	2,220.7	**11,193.6**
Liabilities to customers	2,804.0	1,302.3	1,181.6	2,390.3	**7,678.2**
Securitised liabilities	1,269.5	4,204.1	2,202.5	27.3	**7,703.4**
Liabilities held for trading	192.9	33.8	390.0	1,386.9	**2,003.6**
Subordinated capital	5.0	11.3	583.6	544.5	**1,144.4**
Total	**6,271.5**	**7,112.6**	**9,769.4**	**6,569.7**	**29,723.2**

31 March 2010 in € million	up to 3 months	between 3 months and 1 year	between 1 and 5 years	more than 5 years	**Total**
Loans and advances to banks	2,387.1	11.9	85.5	33.8	**2,518.3**
Loans and advances to customers	1,917.2	3,039.5	12,108.1	6,600.3	**23,665.1**
Assets held for trading	290.2	53.6	425.5	572.0	**1,341.3**
Financial assets	1,514.5	1,216.6	2,331.1	3,278.5	**8,340.7**
Investments accounted for using the equity method	-	-	-	9.5	**9.5**
Non-current assets held for sale*	197.9	-	-	-	**197.9**
Total	**6,306.9**	**4,321.6**	**14,950.2**	**10,494.1**	**36,072.8**
Liabilities to banks	1,929.7	1,814.7	5,282.6	2,971.0	**11,998.0**
Liabilities to customers	1,950.5	1,329.4	1,420.7	2,817.3	**7,517.9**
Securitised liabilities	937.3	1,816.3	7,972.5	62.5	**10,788.6**
Liabilities held for trading	335.9	45.5	527.0	1,573.5	**2,481.9**
Subordinated capital	0.6	28.3	510.3	675.0	**1,214.2**
Total	**5,154.0**	**5,034.2**	**15,713.1**	**8,099.3**	**34,000.6**

*Figures adjusted

(154) Contractual remaining terms of financial liabilities

The following table shows the liquidity risk for derivative and non-derivative financial liabilities and off-balance sheet transactions in accordance with the requirements of IFRS 7.39(a). The maturity breakdown is based on the contractual terms of the respective items. Payments due are shown as undiscounted contractual cash flows. The earliest possible termination or utilisation date is applied.

The following table provides an overview of the remaining contractual terms of non-derivative liabilities:

31 March 2011 in € million	Remaining contractual terms of financial liabilities					Total
	up to 1 month	between 1 and 3 months	between 3 months and 1 year	between 1 and 5 years	more than 5 years	
Liabilities to banks	555.5	1,482.6	1,747.9	6,172.2	2,498.5	**12,456.6**
Liabilities to customers	1,867.1	1,022.6	2,147.7	2,625.1	2,670.5	**10,333.0**
Securitised liabilities	953.4	296.4	4,366.4	2,285.5	10.4	**7,912.1**
Subordinated capital	12.0	5.9	336.1	1,670.7	830.7	**2,855.4**
Total	**3,388.0**	**2,807.5**	**8,598.1**	**12,753.5**	**6,010.1**	**33,557.1**
Off-balance sheet transactions	2,160.7	0.0	0.0	0.0	0.0	**2,160.7**

31 March 2010 **in € million**	Remaining contractual terms of financial liabilities					Total
	up to 1 month	between 1 and 3 months	between 3 months and 1 year	between 1 and 5 years	more than 5 years	
Liabilities to banks	2,176.6	46.4	1,907.3	6,227.2	3,399.6	**13,757.1**
Liabilities to customers	937.2	1,093.2	1,942.4	2,363.2	2,804.8	**9,140.8**
Securitised liabilities	33.9	679.2	2,047.9	8,288.0	26.0	**11,075.0**
Subordinated capital	12.3	6.3	253.9	1,632.6	1,151.2	**3,056.3**
Total	**3,160.0**	**1,825.1**	**6,151.5**	**18,511.0**	**7,381.6**	**37,029.2**
Off-balance sheet transactions	2,894.1	0.0	0.0	0.0	0.0	**2,894.1**

Subordinated capital includes liabilities with perpetual maturity that grant the issuer an exclusive right of cancellation. The resulting cash flows are allocated to the respective maturity ranges; the last maturity range shows the nominal value of the liabilities.

The maturity breakdown of the contractual cash flows of derivative liabilities only includes liabilities held for trading that are not assigned to the trading book, as the due date of derivatives assigned to the trading book primarily depends on their value development on the market and not on the contractually agreed cash flows.

31 March 2011 **in € million**	Remaining contractual terms of financial liabilities					Total
	up to 1 month	between 1 and 3 months	between 3 months and 1 year	between 1 and 5 years	more than 5 years	
Interest rate derivatives	31.5	102.9	237.0	1,061.0	1,971.0	**3,403.4**
Currency derivatives	5.1	0.0	2.9	70.2	9.9	**88.1**
Total	**36.6**	**102.9**	**239.9**	**1,131.2**	**1,980.9**	**3,491.5**

31 March 2010 **in € million**	Remaining contractual terms of financial liabilities					Total
	up to 1 month *	between 1 and 3 months *	between 3 months and 1 year *	between 1 and 5 years	more than 5 years	
Interest rate derivatives	36.9	139.8	416.7	1,807.2	3,887.4	**6,288.0**
Currency derivatives *	47.0	14.2	7.2	44.9	4.3	**117.6**
Total	**83.9**	**154.0**	**423.9**	**1,852.1**	**3,891.7**	**6,405.6**

* Figures adjusted
The breakdown of remaining terms as at 31 March 2010 was restated in the following time bands due to the incomplete allocation of contractual cash flows:
Time band of up to 1 month from € 1,153.0 million by € -1,106.0 million to € 47.0 million,
Time band of between 1 and 3 months month from € 336.9 million by € -322.7 million to € 14.0 million,
Time band of up to 1 month from € 16.3 million by € -9.1 million to € 7.2 million,

The cash outflows from swaps are reported in the table for contractual remaining terms after netting against the cash inflows per financial instrument for each maturity range. All other derivatives are included at fair value. IKB assumes that the fair value most closely reflects the cash flow generated from the conclusion of derivative positions. Fair values are classified into various maturity ranges based on agreed maturities. In contrast, the fair value of credit derivatives with IKB as pledgor is allocated to the first maturity range. Where IKB is the borrower, the negative fair value is generally allocated to the contractual maturity range.

(155) Liquidity risk

IKB defines liquidity risk as the components of insolvency risk, liquidity maturity transformation risk and economic liquidity risk.

Insolvency risk or short-term (investment) liquidity risk is the risk of being unable to meet current or future payment obligations in full, on time or in an economical manner. This risk is relevant when the available cash and cash equivalents and cash inflows are insufficient to meet the relevant payment obligations, taking existing liquidity reserves into account. As a bank performing refinancing via the money and capital markets, this risk is particularly relevant for IKB if the money and capital markets and/or the Bank's own ability to act on the capital markets is disturbed on a sustained basis. This risk class is addressed by limiting the minimum daily liquidity balance taking into account various scenarios over a horizon of 180 days.

Liquidity maturity transformation risk is defined as the risk that it will only be possible to close future liquidity gaps at a higher cost or that it will not be possible to close such gaps on account of liquidity bottlenecks. Among other things, this risk class is addressed through the regular preparation of a long-term funding matrix (up to ten years). In order to ensure that the degree of the maturity transformation undertaken and the diversification of cash inflows and outflows in the individual maturity ranges in terms of timing can be analysed and included in the controlling process, a detailed evaluation of liquidity is performed on a daily basis taking into account controlling measures over a seven-year horizon. As part of the Group planning process, liquidity and liquidity costs are also analysed in detail over a five-year period and controlling measures are derived on this basis.

Economic liquidity risk encompasses the risk that market distortions or a change in conditions could result in a crisis situation for IKB. This risk is analysed using regular stress tests. Bank-specific stress tests and market-oriented stress tests are developed for this purpose. In addition, combined stress scenarios are calculated on a regular basis and reviewed to determine whether a more narrowly defined liquidity reserve for ensuring liquidity in the short term (7 days / 1 month) on the basis of MaRisk (Minimum Risk Requirements for Risk Management) is sufficient.

Strategic liquidity management objectives are set by the Board of Managing Directors, while operational liquidity management is the responsibility of Treasury, which also plans the corresponding measures as part of daily liquidity risk reporting. The planned measures are agreed and the liquidity situation discussed by Treasury and Risk Controlling regularly each week, taking the current market situation into account.

The planned measures and models are subjected to regular backtesting by Risk Controlling in order to identify necessary adjustments in a timely manner. Assumptions and methods are reviewed at least once a year and as required.

In the past financial year, the still strained market environment meant that liquidity controlling activities primarily focused on ensuring short-term liquidity (180-day horizon) with adherence to regulatory requirements as a strict subsidiary condition. The liquidity ratio prescribed by the German Liquidity Ordinance is calculated on a daily basis by regulatory controlling and a forecast is prepared as part of Treasury controlling. IKB seeks to always maintain a liquidity ratio of at least 1.25 (regulatory requirement: 1.0). This target was met at all times in the 2010/11 financial year.

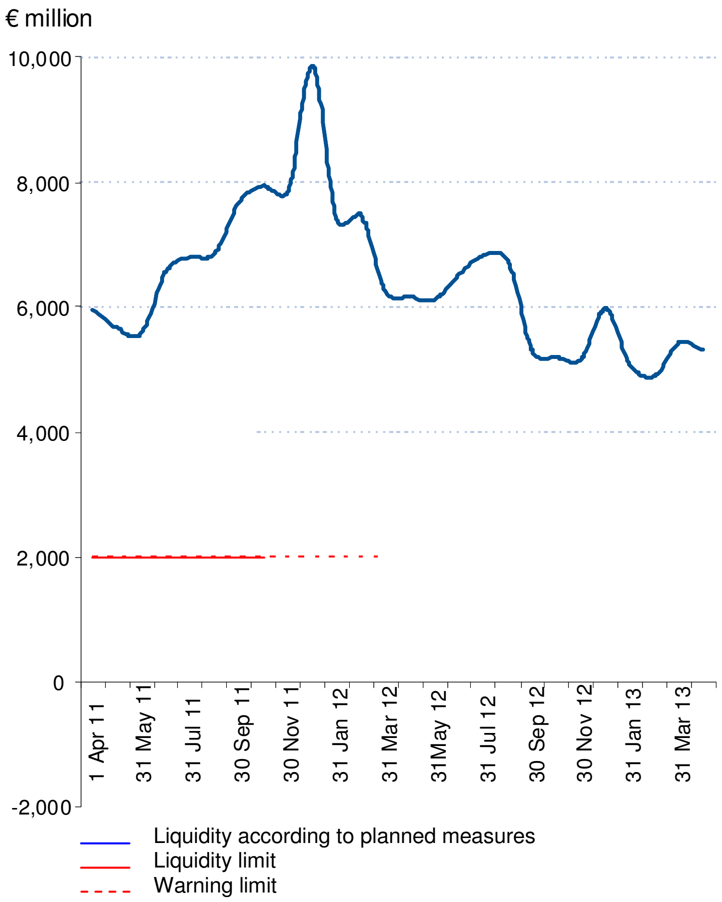
In addition, Treasury regularly examines access to the capital markets for the purposes of obtaining funds for refinancing (tactical liquidity). In the 2010/11 financial year, IKB successively increased its customer deposits (not including bond issues) by just under € 1.0 billion to € 3.6 billion. IKB also increased the granularity of the customer deposit portfolio with reduced individual investments by means of targeted control. In addition, a private customer platform was introduced at the end of the financial year via which the Bank intends to generate private customer deposits in the form of fixed-term deposits and call money. Here, too, a gradual expansion of the portfolio is planned.

The stabilisation of the liquidity situation is also reflected in the fact that IKB has already returned € 0.5 billion of the SoFFin guarantees to SoFFin before the final maturity date.

Risk Controlling is responsible for liquidity risk controlling independently of trading. It monitors adherence to limits and daily liquidity risk reporting and calculates stress scenarios. The liquidity risk report includes the development of contracted business and the liquidity reserve (particularly securities and loans eligible as collateral with central banks) as well as models on existing holdings and additional planned measures based on various scenarios. All material Group companies are included in liquidity risk reporting and liquidity controlling.

The following diagram shows a funding matrix for a horizon of two years reflecting the agreed liquidity measures. The bottom line depicts the limit of € 2 billion (180 days), while the dotted line depicts the warning threshold in the same amount (180 days to 365 days). The limit represents the minimum liquidity that the Bank seeks to maintain over a period of 180 days/365 days before liquidity measures. This limit was adhered to at all times in the 2010/11 financial year.

2-year funding matrix as of 31 March 2011



The components of the funding matrix include:

- Capital and interest cash flows from contracted business and models on existing holdings (e.g. drawdowns on credit facilities)
- Liquidity reserve (eligible collateral with central banks)
- The Bank's new business planning (loans and other liquidity investment)
- Assumed extensions of customer deposits and conclusion of new promissory note loans recognised as liabilities
- Assumed extensions within the loan portfolio
- Measures planned by Treasury (e.g. refinancing and asset sales)

(156) Average number of employees

	31 Mar 2011	31 Mar 2010
Men	957	987
Women	577	626
Total	**1,534**	**1,613**

(157) Related party disclosures

The following table shows the related parties of the executive bodies of the Bank in the customer loans business:

Group	Credit volume (utilisation or amount of commitment) (€ thousand)		Average remaining term (years)		Average interest (%)	
	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
Board of Managing Directors	-	-	-	-	-	-
Employee representatives in the SB	29	137	22.8	2.0	5.0	4.3
Shareholder representatives in the SB	-	-	-	-	-	-
Companies controlled by shareholder representatives	138,684	135,529	3.9	3.7	4.0	2.7
Companies controlled by former shareholder representatives	-	-	-	-	-	-
Total	**138,713**	**135,666**	**3.9**	**3.7**	**4.0**	**2.7**

All loans were granted at normal market conditions on the basis of IKB's standard principles of business and were secured with either real property liens or other collateral instruments. These exposures represent 0.4% (previous year: 0.5%) of the total credit extended by the Group. There were no individual write-downs on these loans.

The following table shows the remaining related party transactions that were also conducted at normal market conditions:

Group	Type of transaction	Volume (€ thousand)		Average remaining term (years)		Average interest (%)	
		31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
Companies controlled by shareholder representatives	Interest rate swaps	33,563	37,423	3.9	4.9	IKB pays variably: EURIBOR 3M and EURIBOR 6M receives: 3.60 to 4.57%	IKB pays variably: EURIBOR 3M and EURIBOR 6M receives: 3.60 to 4.57%
Companies controlled by shareholder representatives	Range-based interest rate swaps	8,713	10,501	0.2	1.2	IKB pays variably: EURIBOR 3M receives: 3.85% or EURIBOR 3M (depending on range)	IKB pays variably: EURIBOR 3M receives: 3.85% or EURIBOR 3M (depending on range)
Companies controlled by shareholder representatives	Customer deposits	-	4,000	-	< 1 month	-	0.9
Companies controlled by shareholder representatives	IHS	9,352	9,352	5.5	6.5	4.8	4.8

IKB AG has prepared a dependent company report in line with section 312 AktG. The dependent company report is not published. The closing statement by the Board of Managing Directors of the Bank in the dependent company report reads as follows: "According to the circumstances known to us at the time at which the transactions and measures stated in the dependent company report were executed, implemented or omitted, our Company received appropriate consideration for every transaction and was not disadvantaged by the implementation or omission of any measures."

Directors' dealings as defined by section 15a WpHG

Persons with management responsibilities, including in particular the members of the Board of Managing Directors and the Supervisory Board of IKB and persons closely related to them are legally required in line with section 15a of *Wertpapierhandelsgesetz* (*WpHG* – German Securities Trading Act) to disclose transactions with IKB shares or financial instruments based on them if the value of the transactions performed by the member and persons closely related to the member within a calendar year amounts to or exceeds a total of € 5,000.

No such notifications were received in the reporting year.

There were no reportable shareholdings as defined by item 6.6 of the German Corporate Governance Code as of 31 March 2011.

Loans and advances and liabilities to subsidiaries

Related party transactions primarily relate to refinancing and capital strengthening measures by the parent of IKB's main shareholder LSF6 Europe Financial Holdings, L.P. and companies assigned to it. Loans and advances to customers primarily relate to loans issued to associated companies and other investees and investors that are not required to be included in consolidation.

The following table shows the related parties in accordance with IAS 24.9:

in € million	Parent company		Companies allocated to the parent company		Subsidiaries		Associates		Total	
	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
Receivables										
Loans and advances to banks	-	0.2	3.6	-	-	-	-	-	3.6	0.2
Loans and advances to customers	-	-	-	-	60.0	30.3	73.9	64.9	133.9	95.2
Assets held for trading	-	0.1	-	-	1.4	-	1.8	0.4	3.2	0.5
Bonds and other fixed-income securities	-	-	-	-	0.5	-	2.4	-	2.9	-
Equities and other non-fixed-income securities	-	-	-	-	-	-	10.2	45.1	10.2	45.1
Total	**-**	**0.3**	**3.6**	**-**	**61.9**	**30.3**	**88.3**	**110.4**	**153.8**	**141.0**
Liabilities										
Liabilities to customers	-	-	343.7	721.3	1.2	1.4	1.0	0.5	345.9	723.2
Liabilities held for trading	-	-	3.3	-	-	-	0.7	-	4.0	-
Subordinated liabilities	-	29.3	13.4	13.4	-	-	-	-	13.4	42.7
Total	**-**	**29.3**	**360.4**	**734.7**	**1.2**	**1.4**	**1.7**	**0.5**	**363.3**	**765.9**

As part of the contractual negotiations with SoFFin on the increased guarantee framework, LSF6 Europe Financial Holdings, L.P., Delaware, was required to waive its claims arising from the subordinated bonds dated November and December 2008 in order to strengthen IKB's core capital. With regard to the mandatory convertible bond, it was agreed that LSF6 Rio S.à.r.l. would exercise conversion early with effect from 1 July 2009.

Letter of comfort

IKB undertakes to ensure that its subsidiaries indicated in the scope of consolidation (Note (162)) as protected by the letter of comfort are able to meet their contractual obligations with the exception of the event of political risk.

IKB Projektentwicklung GmbH & Co. KG has issued a letter of comfort to Zoo & Co. in the amount of € 340 thousand (previous year: € 340 thousand) for ilmenau center GmbH & Co. KG.

In addition to the excising letter of comfort, IKB also issued a commitment to provide sufficient capital and liquidity for IKB Projektentwicklung GmbH & Co. KG in the 2010/11 financial year.

(158) Remuneration and loans to executive bodies

A detailed description of the principles of the remuneration and the compensation system for the members of the Board of Managing Directors and of the Supervisory Board is included in the remuneration report in the Group management report.

Remuneration of the Board of Managing Directors

Remuneration of the Board of Managing Directors for the 2010/11 financial year breaks down as follows: € 2.0 million relates to fixed remuneration, € 2.6 million – subject to a resolution of the Supervisory Board – to variable remuneration, € 0.2 million to pension compensation and € 44 thousand to additional benefits. The variable remuneration for the 2010/11 financial year has not yet been resolved by the Supervisory Board but has been set aside in the amount of the target bonuses agreed with each member of the Board of Managing Directors, i.e. in a total amount of € 2.6 million. If and to the extent that the Supervisory Board resolves the bonuses for the 2010/11 financial year, payment of the portion of these bonuses attributable to the period from 1 April 2010 to 31 December 2010 will not fall due until after the SoFFin guarantees expire. Only the portion attributable to the period from 1 January 2011 to 31 March 2011 is payable immediately. Assuming the Supervisory Board resolves the variable remuneration in the amount of the target bonuses, the total remuneration of the Board of Managing Directors for the 2010/11 financial year amounts to € 4.9 million.

After the end of the period specified in the SoFFin conditions for remuneration limitation, it was agreed at the Supervisory Board meeting on 10 March 2011 to set the variable remuneration of the members of the Board of Managing Directors currently in office at € 2.6 million for the 2009/10 financial year and € 1.6 million for the 2008/09 financial year. However, due to the SoFFin conditions the variable remuneration for the 2008/09 and 2009/10 financial years will not be paid out until after the expiry of the last SoFFin guarantees. Granting of the bonuses is also subject to any ordinances of the German Financial Supervisory Authority (BaFin).

Former and retired members of the Board of Managing Directors

The total remuneration for former members of the Board of Managing Directors and their surviving dependents amounted to € 3.2 million (previous year: € 3.3 million). Provisions of € 39.9 million were recognised for pension obligations to former members of the Board of Managing Directors and their surviving dependents (previous year: € 50.0 million).

Variable remuneration in the amount of the contractually agreed pro rata minimum bonus of € 101 thousand was also paid in the 2010/11 financial year to the former Board of Managing Directors member Dr Reinhard Grzesik, who retired on 3 July 2009, for his work in the period from 1 April to 3 July 2009.

With regard to the claims for the return of the performance-related remuneration for the 2006/07 financial year from the Board of Managing Directors, please refer to the information in the remuneration report.

Remuneration of the Supervisory Board

The total remuneration of the members of the Supervisory Board for the 2010/11 financial year (including VAT) amounted to € 257 thousand (€ 254 thousand). This includes € 10 thousand (previous year: € 10 thousand) in reimbursed expenses.

Remuneration of the Advisory Board

€ 174 thousand (previous year: € 329 thousand) including VAT was paid to the members of the Advisory Board.

Loans extended to members of executive bodies and the Advisory Board

As of 31 March 2011, IKB had extended loans of a total amount of € 0.1 million (previous year: € 0.1 million) to members of the Supervisory Board and the Advisory Board.

(159) German Corporate Governance Code

On 10 March 2011, the Board of Managing Directors and the Supervisory Board issued their annual declaration of conformity in accordance with section 161 AktG and made it permanently available to shareholders on the Company's website (www.ikb.de).

(160) Events after 31 March 2011

The following new developments have arisen since 31 March 2011:

Changes in the Group

IKB Beteiligungen bought 100% of the shares in Movesta Development GmbH from MD Capital Beteiligungsgesellschaft mbH, in which IKB Beteiligungen and KfW IPEX-Bank GmbH each hold a 50% interest. The transaction took place on 1 April 2011. IKB intends to wind up Movesta Development GmbH.

Repayment of a SoFFin-guaranteed bond

In the 2010/11 financial year, IKB bought back SoFFin-guaranteed bonds before maturity and returned SoFFin guarantees with a nominal amount of € 0.5 billion. Of this amount, € 0.1 billion related to a tranche due on 29 April 2011. The remaining amount of € 0.9 billion was repaid as scheduled on 29 April 2011. The SoFFin guarantee framework for IKB was consequently reduced to a total of € 8.6 billion, falling due between 2012 and 2015.

(161) Executive bodies

The following list of members of the Supervisory Board and Board of Managing Directors shows

a) their membership in other statutory supervisory boards and
b) similar offices held in comparable control bodies of German and foreign companies.

Supervisory Board

Chairman

Bruno Scherrer, London
Senior Managing Director/Head of European Investments, Lone Star Management Europe Ltd.

a) COREALCREDIT BANK AG (Chairman)
MHB-Bank Aktiengesellschaft (Chairman) (until 8 March 2011)
Düsseldorfer Hypothekenbank AG (Deputy Chairman) (since 7 December 2010)

Deputy Chairman

Dr Karsten von Köller, Frankfurt
Chairman, Lone Star Germany GmbH

a) Düsseldorfer Hypothekenbank AG (Chairman) (since 7 December 2010)
MHB-Bank Aktiengesellschaft (Chairman) (since 8 March 2011)
COREALCREDIT BANK AG (Deputy Chairman)

b) W.P. Carey & Co. LLC

Members

Stefan Baustert, Krefeld
Consultant

b) NYCON ENERGY AG (Deputy Chairman) (since 21 June 2010)

b) AptarGroup

Wolfgang Bouché, Düsseldorf *(until 31 January 2011)*
Employee representative

Olivier Brahin, London
Head of European Real Estate Investments, Lone Star Management Europe Ltd.

a) COREALCREDIT BANK AG

Dr Lutz-Christian Funke, Frankfurt

Director of KfW, Head of Corporate Management of KfW-Bankengruppe

a) *Dedalus GmbH & Co. KGaA (Deputy Chairman)*

Ulrich Grillo, Mülheim an der Ruhr
Chairman of the Board of Managing Directors, Grillo-Werke Aktiengesellschaft

a) *Praktiker Bau- und Heimwerkermärkte Holding AG*
Praktiker Deutschland GmbH
mateco AG

b) *HDF Hamborner Dach- und Fassadentechnik GmbH & Co. KG (Chairman)*
Grillo Zinkoxid GmbH
RHEINZINK GmbH & Co. KG
Zinacor S.A. (Belgium)

Arndt G. Kirchhoff, Attendorn
Managing Partner of KIRCHHOFF Automotive GmbH

a) *DEKRA SE*
KOSTAL Verwaltungsgesellschaft mbH

b) *DAL Deutsche Afrika Linien GmbH & Co. KG (since 1 April 2010)*
DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH
LEWA Attendorn GmbH

Bernd Klein, Düsseldorf (since 1 February 2011)
Employee representative

Jürgen Metzger, Düsseldorf (until 26 August 2010)
Employee representative

Dr Claus Nolting, Munich
Chairman of the Board of COREALCREDIT BANK AG

Dr Thomas Rabe, Berlin
Member of the Board & CFO of Bertelsmann AG

a) *BMG RM Germany GmbH (Chairman)*
Arvato AG (Deputy Chairman)
Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft
Symrise AG

b) *Bertelsmann Capital Investment (S.A.)*
Bertelsmann Digital Media Investments S.A.
Bertelsmann Inc.
Edmond Israel Foundation
RTL Group S.A.
Springer Science + Business Media S.A. (since 20 April 2010)

Dr Carola Steingräber, Berlin (since 26 August 2010)

Employee representative

Carmen Teufel, Stuttgart
Employee representative

Dr Andreas Tuczka, London
Head of European Financial Institutions, Managing Director, Lone Star Management Europe Ltd.

a) *Düsseldorfer Hypothekenbank AG (since 7 December 2010)*

Ulrich Wernecke, Düsseldorf
Employee representative

Andreas Wittmann, Munich
Employee representative

Board of Managing Directors

Hans Jörg Schüttler
(Chairman)

b) IKB Autoleasing GmbH
IKB International S.A. (until 31 March 2011)
IKB Leasing Berlin GmbH
IKB Leasing GmbH
IKB Private Equity GmbH

Dr Dieter Glüder

b) IKB Data GmbH (Chairman)
IKB Immobilien Management GmbH (Chairman) (until 25 March 2011)
IKB International S.A. (Chairman) (until 31 March 2011)

Claus Momburg

b) MD Capital Beteiligungsgesellschaft mbH (Chairman)
IKB Autoleasing GmbH
IKB International S.A. (until 31 March 2011)
IKB Leasing Berlin GmbH
IKB Leasing GmbH
IKB Private Equity GmbH

Dr Michael H. Wiedmann

b) IKB Private Equity GmbH (Chairman)
Argantis GmbH (until 26 July 2010)
IKB Autoleasing GmbH
IKB Capital Corporation (until 28 April 2010)
IKB Leasing Berlin GmbH
IKB Leasing GmbH

Offices held by employees

As of 31 March 2011, the following employees were represented in the statutory supervisory boards of large corporations:

Dr Reiner Dietrich
Tricor Packaging & Logistics AG

Frank Kraemer
ae group ag (until 15 July 2010)

Dr Annette Littmann
Dortmunder Stadtwerke AG (until 25 June 2010 and from 7 September 2010)

Klaus Runzer
ae group ag (from 8 December 2010)
Oechsler AG (since 22 February 2011)

Christian Schaumkell
Oechsler AG (until 31 December 2010)

(162) Scope of consolidation as of 31 March 2011

	Letter of comfort	Share of capital in %
A. Consolidated subsidiaries		
1 Foreign banks		
IKB International S.A., Luxembourg	x	100
2 Other German companies		
Aleanta GmbH, Düsseldorf		100
Erste Equity Suporta GmbH, Düsseldorf		100[1)]
Equity Fund GmbH, Düsseldorf		100[1)]
ICCO Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf[4)]	x	100[1)]
IKB Autoleasing GmbH, Hamburg	x	100[1)]
IKB Beteiligungen GmbH, Düsseldorf	x	100
IKB Data GmbH, Düsseldorf	x	100
IKB Equity Capital Fund GmbH, Düsseldorf	x	100[1)]
IKB Grundstücks GmbH & Co. Objekt Hamburg KG, Düsseldorf[4)]	x	100
IKB Grundstücks GmbH & Co. Objekt Holzhausen KG, Düsseldorf[4)]	x	100
IKB Grundstücks GmbH, Düsseldorf	x	100
IKB Leasing Berlin Gesellschaft mit beschränkter Haftung, Erkner	x	100[1)]
IKB Leasing Gesellschaft mit beschränkter Haftung, Hamburg	x	100[1)]
IKB Private Equity GmbH, Düsseldorf	x	100[1)]
IKB Projektentwicklung GmbH & Co. KG, Düsseldorf[4)]	x	100
IKB Projektentwicklungsverwaltungsgesellschaft mbH, Düsseldorf	x	100
Istop 1 GmbH, Düsseldorf		100
Istop 2 GmbH, Düsseldorf		100
Istop 4 GmbH, Düsseldorf		100
Istop 5 GmbH, Düsseldorf		100
IKB Struktur GmbH, Düsseldorf		100[1)]
IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	x	100
ISOS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf[4)]	x	100[1)]
ISTOS Beteiligungsverwaltungs- und Grundstücks- Vermietungsgesellschaft mbH, Düsseldorf	x	100
ISTOS Dritte Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf[4)]		100
ISTOS Erste Beteiligungsverwaltungs- und Grundstücksvermietungsges. mbH & Co. KG, Düsseldorf[4)]	x	100
ISTOS Zweite Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf[4)]		100
Projektbeteiligung TH GmbH & Co. KG, Düsseldorf		89.8
Tempelhofer Hafen GmbH, Düsseldorf		94.9[1)]
Zweite Equity Suporta GmbH, Düsseldorf		100[1)]

1) Indirect interest
2) Subordinated letter of comfort
3) In liquidation
4) Company has used the exemption under section 264b HGB and has not prepared notes.

3 Other foreign companies		
IKB Capital Corporation, New York[3]		100
IKB Finance B.V., Amsterdam	x	100
IKB Funding LLC II, Wilmington	x[2]	100
IKB Funding LLC I, Wilmington	x[2]	100
IKB Leasing Austria GmbH, Vienna	x	100[1]
IKB Leasing CR s.r.o., Prague 9	x	100[1]
IKB Leasing Finance IFN SA, Bucharest	x	100[1]
IKB Leasing France S.A.R.L., Marne La Vallée Cedex 4	x	100[1]
IKB Leasing Korlátolt Felelösségü Társaság, Budapest	x	100[1]
IKB Leasing Polska Sp.z.o.o, Poznan (Posen)	x	100[1]
IKB Leasing SR, s.r.o, Bratislava	x	100[1]
IKB Leasing S.R.L., Bucharest/Sector 1	x	100[1]
IKB Lux Beteiligungen S.à.r.l, Luxembourg	x	100
IKB Pénzügyi Lízing zártkörüen müködö Részvénytársaság, Budapest	x	100[1]
STILL LOCATION S.à.r.l., Marne La Vallee Cedex 4	x	100[1]
IKB Leasing geschlossene Aktiengesellschaft, Moscow	x	100[1]
B. Joint ventures/associates		
Linde Leasing GmbH, Wiesbaden		30[1]
MD Capital Beteiligungsgesellschaft mbH, Düsseldorf		50[1]
C. Special purpose entities in accordance with SIC-12		
Bacchus 2008-1 Plc, Dublin		
Bacchus 2008-2 Plc, Dublin		
IKB Partner Fonds, Luxembourg		
Partner Fonds Europa Renten Teilfonds II, Luxembourg		
Partner Fonds Europa Renten Teilfonds I, Luxembourg		
Partner Fonds Eurobonds (Teilfonds I), Luxembourg		
Rio Debt Holdings Ltd., Dublin		

1) Indirect interest
2) Subordinated letter of comfort
3) In liquidation
4) Company has used the exemption under section 264b HGB and has not prepared notes.

The following list also shows the assets, liabilities, results and income of companies accounted for using the equity method in line with IFRS:

Name of company accounted for using the equity method in € million	Assets	Liabilities	Earnings	Revenue
Linde Leasing GmbH, Wiesbaden	444.9	412.1	5.5	26.4
MD Capital Beteiligungsgesellschaft mbH, Düsseldorf	2.5	0.1	-0.2	0.8

(163) List of shareholdings as of 31 March 2011

Shareholdings of IKB Deutsche Industriebank AG in accordance with section 285 no. 11 and 11a HGB and section 313 (2) HGB	Financial year	Letter of comfort	Share of capital in %	Equity in € thou	Earnings in € thou
1 German companies					
Aleanta GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	51,099	6,721
Equity Fund GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	13,521	0
Erste Equity Suporta GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	1,183	0
ICCO Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.0	48	0
IKB Autoleasing GmbH, Hamburg	1 Apr. - 31 Mar.	X	100.0	14,000	0
IKB Beteiligungen GmbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.0	677,071	0
IKB Data GmbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.0	15,000	0
IKB Equity Capital Fund GmbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.0	29,243	-7,469
IKB Grundstücks GmbH & Co.Objekt Hamburg KG, Düsseldorf	1 Jan. - 31 Dec.	X	100.0	2,457	-763 [3]
IKB Grundstücks GmbH & Co.Objekt Holzhausen KG, Düsseldorf	1 Jan. - 31 Dec.	X	100.0	4,392	835 [3]
IKB Grundstücks GmbH, Düsseldorf	1 Jan. - 31 Dec.	X	100.0	127	6
IKB Leasing Berlin Gesellschaft mit beschränkter Haftung, Erkner	1 Apr. - 31 Mar.	X	100.0	8,000	0
IKB Leasing Gesellschaft mit beschränkter Haftung, Hamburg	1 Apr. - 31 Mar.	X	100.0	45,025	0
IKB Private Equity GmbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.0	238,039	0
IKB Projektentwicklung GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.	X	100.0	-7,879	-2,310 [3]
IKB Projektentwicklungsverwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.	X	100.0	30	1
IKB Struktur GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	103,750	0
IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.0	2,888	428
ISOS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.0	48	0
Istop 1 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	122,525	0
Istop 2 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	155,025	0
Istop 4 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	190,025	0
Istop 5 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	91,525	0
ISTOS Beteiligungsverwaltungs- und Grundstücks- Vermietungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.	X	100.0	76	-11
ISTOS Dritte Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		100.0	280	-9 [3]
ISTOS Erste Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.	X	100.0	35	-11 [3]
ISTOS Zweite Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		100.0	145	-9 [3]
Projektbeteiligung TH GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		89.8	-67	-2
Tempelhofer Hafen GmbH, Düsseldorf	1 Jan. - 31 Dec.		94.9	24,080	-204
Zweite Equity Suporta GmbH, Düsseldorf	1 Jan. - 31 Dec.		100.0	70,080	0
2 Foreign companies					
IKB Capital Corporation, New York	1 Apr. - 31 Mar.		100.0	10,439	214
IKB Finance B.V., Amsterdam	1 Apr. - 31 Mar.	X	100.0	-2,797	-4,725
IKB Funding LLC II, Wilmington	1 Apr. - 31 Mar.	X[2]	100.0	408,532	13,056
IKB Funding LLC I, Wilmington	1 Apr. - 31 Mar.	X[2]	100.0	75,587	1,713
IKB International S.A., Luxembourg	1 Apr. - 31 Mar.	X	100.0	325,901	143,020
IKB Leasing Austria GmbH, Vienna	1 Jan. - 31 Dec.	X	100.0	405	70
IKB Leasing CR s.r.o., Prague 9	1 Jan. - 31 Dec.	X	100.0	2,527	591
IKB Leasing Finance IFN SA, Bucharest	1 Jan. - 31 Dec.	X	100.0	2,038	-544
IKB Leasing France S.A.R.L., Marne La Vallée Cedex 4	1 Jan. - 31 Dec.	X	100.0	724	-1,979
IKB Leasing geschlossene Aktiengesellschaft, Moscow	1 Jan. - 31 Dec.	X	100.0	-201	-1,961
IKB Leasing Korlátolt Felelösségü Társaság, Budapest	1 Jan. - 31 Dec.	X	100.0	-240	-840
IKB Leasing Polska Sp.z.o.o, Poznan (Posen)	1 Jan. - 31 Dec.	X	100.0	7,170	1,133
IKB Leasing S.R.L., Bucharest/Sector 1	1 Jan. - 31 Dec.	X	100.0	289	-119
IKB Leasing SR, s.r.o, Bratislava	1 Jan. - 31 Dec.	X	100.0	990	-164
IKB Lux Beteiligungen S.à.r.l, Luxembourg	1 Apr. - 31 Mar.	X	100.0	55,370	440
IKB Pénzügyi Lízing zártkörüen müködö Részvénytársaság, Budapest	1 Jan. - 31 Dec.	X	100.0	339	-255
STILL LOCATION S.à.r.l., Marne La Vallee Cedex 4	1 Jan. - 31 Dec.	X	100.0	11,440	-3,175

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2) Subordinated letter of comfort
3) Company has used the exemption under section 264b HGB and has not prepared notes

	Financial year	Letter of comfort	Share of capital in %
3 Other German companies (not included due to immateriality) [1]			
Bella GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0
Boxhagener Str. 76/78 Berlin GmbH, Norderfriedrichskoog	1 Jan. - 31 Dec.		100.0
Büroprojekt dritte GmbH & Co. KG i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
Büroprojekt dritte Verwaltungsgesellschaft mbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
Büroprojekt erste Verwaltungsgesellschaft mbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
Büroprojekt fünfte Verwaltungsgesellschaft mbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
Büroprojekt sechste Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
Büroprojekt siebte Verwaltungsgesellschaft mbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
Büroprojekt vierte Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
Eaton Place 98 London GmbH, Norderfriedrichskoog	1 Jan. - 31 Dec.		100.0
Einsteinufer 63-65 Berlin GmbH, Norderfriedrichskoog	1 Jan. - 31 Dec.		100.0
Elfte BauB GmbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
Feldmühleplatz 1 Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
FRANA Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
GAP 15 GmbH, Düsseldorf	1 Jan. - 31 Dec.		92.8
HARPE Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schloß Schweinsburg KG, Düsseldorf	1 Jan. - 31 Dec.		88.7
HAUSTUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Yachtzentrum Berlin KG, Düsseldorf	1 Jan. - 31 Dec.		94.7
IKB SWE GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0
ILF Immobilien-Leasing-Fonds Verwaltung GmbH & Co. Objekt Boxdorf KG, Düsseldorf	1 Jan. - 31 Dec.		93.4
ilmenau center Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
INCO Ingenieur Consult Geschäftsführungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
INCO Ingenieur Consult GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		100.0
Istop 3 GmbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
Iventus Real Estate Invest GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		90.0
Logistikprojekt vierte Verwaltungsgesellschaft mbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
Logistikprojekt zweite Verwaltungsgesellschaft mbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
MFRSI Beteiligungsholding Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
Objekt Pankow GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		94.9
Objekt Pankow Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
Paxum GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0
RAVENNA Vermögensverwaltungs AG, Berlin	1 Jan. - 31 Dec.		100.0
Restruktur 1 GmbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
Restruktur 2 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0
Robert Adams Str. 12 London GmbH, Norderfriedrichskoog	1 Jan. - 31 Dec.		100.0
TERMES GmbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
TUSSA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Wilhelm-Bötzkes-Straße KG, Pullach i. Isartal	1 Jan. - 31 Dec.		100.0
4 Other foreign companies (not included due to immateriality) [1]			
Arche G.m.b.H., Luxembourg	1 Apr. - 31 Mar.		100.0
Eukelade G.m.b.H., Luxembourg	1 Apr. - 31 Mar.		100.0
Helike G.m.b.H., Luxembourg	1 Apr. - 31 Mar.		100.0
IKB Funding Trust II, Wilmington	1 Apr. - 31 Mar.		100.0
IKB Funding Trust I, Wilmington	1 Apr. - 31 Mar.		100.0
Kore G.m.b.H., Luxembourg	1 Apr. - 31 Mar.		100.0
5 German associated companies [1]			
Linde Leasing GmbH, Wiesbaden	1 Jan. - 31 Dec.		30.0
MD Capital Beteiligungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		50.0

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3) Company has used the exemption under section 264b HGB and has not prepared notes

		Financial year	Letter of comfort	Share of capital in %
6	**German associated companies (not included due to immateriality)** [1]			
	4 Wheels Service + Logistik GmbH, Düsseldorf			38.4
	alu-druckguss GmbH & Co. Brandenburg KG, Brieselang	1 Jan. - 31 Dec.		49.0
	alu-druckguss Verwaltungs GmbH, Brieselang	1 Jan. - 31 Dec.		49.0
	Argantis GmbH, Cologne	1 Jan. - 31 Dec.		50.0
	Argantis Private Equity GmbH & Co. KG, Cologne	1 Jan. - 31 Dec.		28.9
	Argantis Private Equity Gründer GmbH & Co. KG, Cologne	1 Jan. - 31 Dec.		36.5
	AWEBA Werkzeugbau GmbH Aue, Aue	1 Jan. - 31 Dec.		25.1
	AxIT AG, Frankenthal/Pfalz	1 Jan. - 31 Dec.		29.9
	Brunnenstraße 105-109 Berlin Grundbesitz GmbH, Münster	1 Jan. - 31 Dec.		50.0
	Chemtura Verwaltungs GmbH, Bergkamen	1 Jan. - 31 Dec.		50.0
	equiNotes Management GmbH, Düsseldorf	1 Jan. - 31 Dec.		50.0
	EWEKO GmbH, Hattingen	1 Jan. - 31 Dec.		30.1
	FMD Feinmechanik GmbH, Weilheim	1 Apr. - 31 Mar.		49.0
	FUNDIS Projektentwicklungsholding GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		50.0
	FUNDIS Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		50.0
	GIP Management GmbH & Co. KG, Eschborn	1 Jan. - 31 Dec.		47.5
	GIP Verwaltungs GmbH, Eschborn	1 Jan. - 31 Dec.		50.0
	GIP WestSite-Entwicklung GmbH & Co. KG, Eschborn	1 Jan. - 31 Dec.		47.5
	Hafenspitze Verwaltungsgesellschaft mbH, Hamburg	1 Jan. - 31 Dec.		25.0
	ilmenau center GmbH & Co. KG, Lüneburg	1 Jan. - 31 Dec.		50.0
	MFRSI Beteiligungsholding GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		50.0
	microTEC Gesellschaft für Mikrotechnologie mbH, Duisburg	1 Jan. - 31 Dec.		48.2
	Mike's Sandwich GmbH, Hamburg	1 Jan. - 31 Dec.		35.6
	MM Mezzanine Beteiligungsberatung GmbH i. L., Frankfurt	1 Apr. - 31 Mar.		50.0
	MOTORRAD-ECKE GmbH, Villingen-Schwennigen	1 Jan. - 31 Dec.		38.9
	OCP GmbH Office Chemie Produktion, Hattingen	1 Jan. - 31 Dec.		25.1
	ODS Business Services Group GmbH, Hamburg	1 Jan. - 31 Dec.		32.0
	OPS-INGERSOLL Funkenerosion GmbH, Burbach	1 Apr. - 31 Mar.		44.7
	Projektgesellschaft Justus-von-Liebig-Straße mbH, Kronberg/Taunus	1 Jan. - 31 Dec.		50.0
	Vermögensverwaltungsgesellschaft DVD Dassow GmbH, Dassow	1 Jan. - 31 Dec.		30.0
7	**Foreign associated companies (not included due to immateriality)** [1]			
	Alu Druckguss Sp.z.o.o., Nowa Sól	1 Jan. - 31 Dec.		49.0
	Infinigate Holding AG, Rotkreuz	1 Jan. - 31 Dec.		24.5
	MM - Mezzanine S.à.r.l. i.L., Luxembourg	1 Jan. - 31 Dec.		50.0
	MM - Mezzanine SCS, SICAR i.L., Luxembourg	1 Jan. - 31 Dec.		50.0
8	**German equity investments in corporations and partnerships in which the interest exceeds 5% of voting rights** [1]			
	ae group ag, Gerstungen	1 Jan. - 31 Dec.		12.4
	AXA Immoselect Hauptverwaltungsgebäude GmbH Co Objekt Düsseldorf Uerdinger Straße KG, Düsseldorf	1 Jan. - 31 Dec.		5.1
	CoBaLe Immobilien GmbH & Co. Objekt Stuttgart KG	1 Jan. - 31 Dec.		5.1
	Feldmühleplatz 1 GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		5.1
	Global Safety Textiles HoldCo One GmbH, Maulburg	1 Jan. - 31 Dec.		8.8
	Oechsler Aktiengesellschaft, Ansbach	1 Jan. - 31 Dec.		10.0
	visionapp AG, Eschborn	1 Jan. - 31 Dec.		13.4
9	**Foreign equity investments in large corporations in which the interest exceeds 5% of voting rights** [1]			
	Old HG Limited, Berkshire			6.1
	PSE Newco Limited, Yeadon Leeds			5.7
	Ring International Holding AG, Vienna	1 Jan. - 31 Dec.		9.4
10	**Special-purpose entities (special-purpose entities included in the consolidated financial statements in line with IAS 27/SIC 12)**			
	Bacchus 2008-1 Plc, Dublin 2			
	Bacchus 2008-2 Plc, Dublin 2			
	IKB Partner Fonds, Luxembourg			
	Partner Fonds Euro Bonds, Munsbach			
	Partner Fonds Europa Renten Teilfonds I, Luxembourg			
	Partner Fonds Europa Renten Teilfonds II, Luxembourg			
	RIO DEBT HOLDINGS (IRELAND) LIMITED, Dublin 2			

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Düsseldorf, 1 June 2011

IKB Deutsche Industriebank AG
The Board of Managing Directors

Hans Jörg Schüttler	Dr. Dieter Glüder
Claus Momburg	Dr. Michael H. Wiedmann

Annex:

Accounting provisions applied

In accordance with section 315a (1) HGB in conjunction with EU Regulation 1606/2002, a new standard must be endorsed in EU law before it can be applied by the Bank. The date shown below ("applicable from") is the date of first-time adoption. New standards can often be applied earlier than required by the issuer of the standard. However, IKB did not exercise this option in these financial statements.

The abbreviation IFRS stands for the International Financial Reporting Standards passed since November 2003. The abbreviation IAS, International Accounting Standards, refers to all provisions published by 2002. If an IAS standard is revised fully, it is renamed as an IFRS.

The regulations of the German Accounting Standards Committee (DRSC) are only relevant if they apply in accordance with section 315a HGB and cover issues not regulated by the IFRS standards.

The following table shows only those standards relevant to IKB as of the reporting date rather than all of the existing standards:

International Financial Reporting Standards (IFRS)				
International Accounting Standards (IAS)	**Status**	**Title**	**Applicable since**	**Endorsed by EU regulation**
IAS 1	rev. 2007	Presentation of Financial Statements	1 Jan. 2007	1126/2008 of 3 Nov. 2008
IAS 2	rev. 1993	Inventories	1 Jan. 2005	1126/2008 of 3 Nov. 2008
IAS 7	rev. 1992	Statement of Cash Flows	1 Jan. 1994	1126/2008 of 3 Nov. 2008
IAS 8	rev. 2003	Accounting Policies, Changes in Accounting Estimates and Errors	1 Jan. 2005	1126/2008 of 3 Nov. 2008
IAS 10	rev. 2003	Events After the Reporting Period	1 Jan. 2005	1126/2008 of 3 Nov. 2008
IAS 11	rev. 1993	Construction Contracts	1 Jan. 1995	1126/2008 of 3 Nov. 2008
IAS 12	rev. 2000	Income Taxes	1 Jan. 1998	1126/2008 of 3 Nov. 2008
IAS 16	rev. 2003	Property, Plant and Equipment	1 Jan. 2005	1126/2008 of 3 Nov. 2008
IAS 17	rev. 2003	Leases	1 Jan. 2005	1126/2008 of 3 Nov. 2008
IAS 18	rev. 1993	Revenue	1 Jan. 1995	1126/2008 of 3 Nov. 2008
IAS 19	2004	Employee Benefits	1 Nov. 2005	1126/2008 of 3 Nov. 2008
IAS 20	rev. 2008	Accounting for Government Grants and Disclosure of Government Assistance	1 Jan. 2009	1126/2008 of 3 Nov. 2008
IAS 21	2005	The Effects of Changes in Foreign Exchange Rates	1 Jan. 2008	1126/2008 of 3 Nov. 2008
IAS 23	rev. 2007	Borrowing Costs	1 Jan. 2009	1260/2008 of 10 Dec. 2008
IAS 24	rev. 2003	Related Party Disclosures	1 Jan. 2006	1126/2008 of 3 Nov. 2008
IAS 27	rev. 2008	Consolidated and Separate Financial Statements	1 Jul. 2009	1606/2002 of 3 Jun. 2009
IAS 28	rev. 2003	Investments in Associates	1 Jan. 2006	1126/2008 of 3 Nov. 2008
IAS 31	rev. 2003	Interests in Joint Ventures	1 Jan. 2005	1126/2008 of 3 Nov. 2008
IAS 32	rev. 2003 (2009)	Financial Instruments: Presentation	1 Jan. 2005 (1 Feb. 2010)	1126/2008 of 3 Nov. 2008 (1293/2009 of 23 Dec. 2009)
IAS 33	rev. 2003	Earnings Per Share	1 Jan. 2005	1126/2008 of 3 Nov. 2008
IAS 34	1998	Interim Financial Reporting	1 Jan. 1999	1126/2008 of 3 Nov. 2008
IAS 36	rev. 2004	Impairment of Assets	31 Mar.2004	1126/2008 of 3 Nov. 2008
IAS 37	1998	Provisions, Contingent Liabilities Contingent Assets	1 Jul. 1999	1126/2008 of 3 Nov. 2008
IAS 38	rev. 2004	Intangible Assets	31 Mar.2004	1126/2008 of 3 Nov. 2008
IAS 39	2005 (2009)	Financial Instruments: Recognition and Measurement	1 Jan. 2006	1126/2008 of 3 Nov. 2008
IAS 40	rev. 2003	Investment Property	1 Jan. 2005	1126/2008 of 3 Nov. 2008

International Financial Reporting Standards (IFRS)	Status	Title	Applicable since	Endorsed by EU regulation
IFRS 3	rev. 2008	Business Combinations	1 Jul. 2009	1126/2008 of 3 Nov. 2008
IFRS 5	2004	Non-current Assets Held for Sale and Discontinued Operations	1 Jan. 2005	1126/2008 of 3 Nov. 2008
IFRS 7	2004 (2009)	Financial Instruments: Disclosures	1 Jan. 2007	1126/2008 of 3 Nov. 2008
IFRS 8	2007	Operating Segments	1 Jan. 2009	1126/2008 of 3 Nov. 2008

Standards Interpretations Committee (SIC)	Status	Title	Applicable since	Endorsed by EU regulation
SIC-10	1998	Government Assistance - No Specific Relation to Operating Activities	1 Aug.1998	1126/2008 of 3 Nov. 2008
SIC-12	2004	Consolidation - Special Purpose Entities	1 Jan. 2005	1126/2008 of 3 Nov. 2008
SIC-27	2001	Evaluating the Substance of Transactions involving in the Legal Form of a Lease	31 Dec. 2001	1126/2008 of 3 Nov. 2008

International Financial Interpretation Committee (IFRIC)	Status	Title	Applicable since	Endorsed by EU regulation
IFRIC 4	2004	Determining Whether an Arrangement Contains a Lease	1 Jan. 2006	1126/2008 of 3 Nov. 2008
IFRIC 9	2006 (2009)	Reassessment of Embedded Derivatives	1 Jan. 2007	1126/2008 of 3 Nov. 2008
IFRIC 10	2006	Interim Financial Reporting and Impairment	1 Jan. 2007	1126/2008 of 3 Nov. 2008
IFRIC 15	2008	Agreements for the Construction of Real Estate	1 Jan. 2009	1606/2002 of 22 Jul. 2009

German Accounting Standards (DRS)	Status	Title	Applicable since	Endorsed by EU regulation
DRS 5-10	2010	Risk Reporting by Financial Institutions and Financial Service Institutions	31 Dec. 2009	not relevant
DRÄS 4	2010	German Accounting Amendment Standard	31 Dec. 2009	not relevant
DRÄS 5	2010	German Accounting Amendment Standard	31 Dec. 2009	not relevant
DRS 7	2001	Group Equity and Total Recognised Results	30 Jun. 2001/31 Dec. 2002/ 31 Dec. 2003/31 Dec. 2004/ 31 Dec. 2005/31 Dec. 2009	not relevant
DRS 15	rev. 2005	Management Reporting	30 Dec. 2009	not relevant
DRS 16	2008	Interim Financial Reporting	31 Dec. 2007/31 Dec. 2009	not relevant
DRS 17	2007	Reporting on the Remuneration of Members of Governing Bodies	31 Dec. 2005/31 Dec. 2007	not relevant
DRS 19	2011	Duty to Prepare Consolidated Financial Statements, Basis of Consolidation	31 Dec. 2010	not relevant

Capital market-oriented provisions	Status	Title	Applicable since	Endorsed by EU regulation
WpHG	2007	*Wertpapierhandelsgesetz* – German Securities Trading Act, particularly section 37v to section 37z	1 Jan. 2007	not relevant
GCGC in conjunction with section 161 AktG	2010	German Corporate Governance Code	31 Dec. 2010	not relevant
FWBO	2010	Frankfurt Securities Exchange Ordinance	31 Dec. 2010	not relevant

Auditor’s Report

We have audited the consolidated financial statements prepared by the IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from April 1, 2010, to March 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 7 June 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Maifarth	ppa. Marc Lilienthal
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

ANNUAL FINANCIAL STATEMENTS (HGB) OF IKB AG AS OF 31 MARCH 2012

Balance sheet of IKB Deutsche Industriebank AG as at 31 March 2012

Assets	in €	in € thousand*	31 Mar. 2012 in €	31 Mar. 2011 in € thousand
1. Cash reserve				
a) Cash-in-hand			11,426.94	20
b) Balances with central banks			18,984,194.66	84,535
of which: at Deutsche Bundesbank	*18,979,653.37*	*(84,344)*		
c) Balances in postal giro accounts			0.00	24
			18,995,621.60	**84,579**
2. Loans and advances to banks				
a) Payable on demand			2,291,441,368.01	1,815,668
b) Other receivables			153,407,847.18	279,114
			2,444,849,215.19	**2,094,782**
3. Loans and advances to customers			**18,058,449,374.17**	**20,521,511**
of which: Secured by mortgage	*1,921,021,000.00*	*(1,808,861)*		
Public sector loans	*1,678,722,279.88*	*(2,282,090)*		
4. Bonds and other fixed-income securities				
a) Bonds and notes				
aa) Public-sector issuers			2,089,640,114.48	2,364,350
of which: eligible as collateral at Deutsche Bundesbank	*1,907,469,225.63*	*(2,145,544)*		
ab) Others issuers			5,325,757,810.15	5,236,044
of which: eligible as collateral at Deutsche Bundesbank	*3,744,967,546.90*	*(3,343,958)*		
			7,415,397,924.63	7,600,394
b) Own bonds			2,514,929,763.55	2,934,529
Nominal amount	*2,510,724,000.00*	*(2,929,644)*		
			9,930,327,688.18	**10,534,923**
5. Equities and other non-fixed-income securities			**78,283,941.75**	**29,533**
5a. Assets held for trading			**222,367,502.64**	**74,369**
6. Investments			**12,807,908.78**	**12,823**
of which: Banks	*248,057.15*	*(263)*		
7. Shares in affiliated companies			**777,856,302.73**	**1,077,150**
of which: Banks	*22,986,804.00*	*(267,916)*		
8. Trust assets			**867,470.76**	**873**
of which: Trustee loans	*867,470.76*	*(873)*		
9. Intangible assets				
a) Purchased concessions, industrial and similar rights and assets			15,008,793.16	11,221
b) Goodwill			35,666,285.32	39,989
			50,675,078.48	**51,210**
10. Tangible assets			**6,133,619.35**	**6,964**
11. Other assets			**285,357,333.24**	**383,527**
12. Prepaid expenses			**230,755,292.77**	**68,710**
13. Deferred taxes			**151,600,000.00**	**158,000**
14. Overfunded plan assets			**28,892,635.12**	**40,509**
Total assets			**32,298,218,984.76**	**35,139,463**

* Previous year's figures shown in brackets

Equity and liabilities	in €	in € thousand*	31 Mar. 2012 in €	31 Mar. 2011 in € thousand
1. Liabilities to banks				
a) Payable on demand			723,714,219.45	65,373
b) with agreed term or period of notice			12,484,931,905.72	11,327,947
			13,208,646,125.17	**11,393,320**
2. Liabilities to customers				
a) Other liabilities				
aa) Payable on demand			535,021,808.44	244,429
ab) with agreed term or period of notice			9,648,921,073.32	7,741,073
			10,183,942,881.76	**7,985,502**
3. Securitised liabilities				
a) Bonds issued			**4,788,307,344.24**	**10,706,219**
3a. Liabilities held for trading			**138,866,760.83**	**36,216**
4. Trust liabilities			**867,470.76**	**873**
of which: Trustee loans	*867,470.76*	*(873)*		
5. Other liabilities			**718,857,028.02**	**1,119,265**
6. Deferred item			**298,562,230.02**	**76,494**
7. Provisions				
a) Provisions for pensions and similar obligations			858,698.98	1,556
b) Tax provisions			102,698,181.63	102,833
c) Other provisions			268,576,390.15	355,166
			372,133,270.76	**459,555**
8. Subordinated liabilities			**996,802,932.28**	**1,478,034**
9. Profit participation certificates			**35,793,159.00**	**86,908**
of which: Due within two years	–	*(44,717)*		
10. Fund for general banking risks			**189,697,816.45**	**189,621**
of which: Special item in accordance with section 340e (4) HGB	*77,000.00*	*(–)*		
11. Equity				
a) Subscribed capital				
aa) Share capital			1,621,318,914.56	1,621,315
ab) Silent partnership constributions			–	572
			1,621,318,914.56	1,621,887
Contingent capital	*191,825,008.64*	*(191,828)*		
b) Capital reserve			1,750,681,194.97	1,750,681
c) Revenue reserves				
ca) Legal reserve			2,398,573.84	2,399
cb) Other revenue reserves			21,850,000.00	21,850
			24,248,573.84	24,249
d) Net accumulated losses			-2,030,506,717.90	-1,789,362
			1,365,741,965.47	**1,607,455**
Total equity and liabilities			32,298,218,984.76	35,139,463
1. Contingent liabilities				
a) Liabilities from guarantees and indemnity agreements			1,957,003,119.18	1,659,240
			1,957,003,119.18	**1,659,240**
2. Other obligations				
a) Irrevocable credit commitments			1,448,863,570.44	1,442,989
			1,448,863,570.44	**1,442,989**

* Previous year's figures shown in brackets

Income statement of IKB Deutsche Industriebank AG for the period from 1 April 2011 to 31 March 2012

Expenses	in €	in € thousand*	2011/12 in €	2010/11 in € thousand
1. Interest expenses			**2,228,465,304.24**	**2,018,773**
2. Commission expenses			**105,941,822.80**	**130,596**
3. Net trading portfolio expenses			**–**	**12,867**
4. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries			107,588,825.06	109,524
ab) Compulsory social security constribution and expenses for pensions and other employee benefits			20,448,901.57	15,923
of which: pension expenses	*7,853,632.31*	*(3,283)*		
			128,037,726.63	125,447
b) Other administrative expenses			118,214,132.88	135,796
			246,251,859.51	**261,243**
5. Amortisation/depreciation and write-downs on intangible and tangible assets			**8,814,251.27**	**7,631**
6. Other operating expenses			**24,570,687.10**	**24,133**
7. Amortisation/depreciation and write-downs on receivables, specific securities and additions to loan losses provisions			**4,281,368.75**	**55,328**
8. Amortisation/depreciation and write-downs on investments, shares in affiliated companies and long-term investment securities			**473,591,303.36**	**115,188**
9. Costs of loss absorption			**–**	**57,522**
10. Extraordinary expenses			**16,866,262.85**	**46,433**
11. Income taxes			**6,942,239.90**	**-53,271**
12. Other taxes not reported under "Other operating expenses"			**1,093,991.64**	**1,834**
Total expenses			**3,116,819,091.42**	**2,678,277**
1. Net loss for the year			**-254,840,568.16**	**-189,946**
2. Loss carryforward from the previous year			**-1,789,362,020.68**	**-1,631,041**
3. Withdrawals from profit participation certificates			**13,123,669.72**	**16,419**
4. Withdrawals from silent partnership contributions			**572,201.22**	**15,206**
Net accumulated losses			**-2,030,506,717.90**	**-1,789,362**

* Previous year's figures shown in brackets

Income	2011/12 in €	2010/11 in € thousand
1. Interest income from		
a) Lending and money market transactions	2,101,676,777.78	2,045,847
b) Fixed-income securities and debt register claims	228,799,342.84	199,464
	2,330,476,120.62	**2,245,311**
2. Current income from		
a) Equities and other non-fixed-income securities	363,569.56	37
b) Investments	687,681.69	1,143
c) Shares in affiliated companies	192,265,442.88	5,800
	193,316,694.13	**6,980**
3. Income from profit-pooling, profit transfer and partial profit transfer agreements	**211,014,995.08**	**850**
4. Commission income	**54,864,470.97**	**59,890**
5. Net income of assets held for trading	**691,309.67**	**–**
6. Income from reversals of write-downs on investments, shares in affiliated companies and long-term investment securities	**23,913,311.62**	**69,233**
7. Other operating income	**44,930,640.59**	**66,436**
8. Extraordinary income	**2,770,980.58**	**39,631**
9. Net loss for the year	**254,840,568.16**	**189,946**
Total income	**3,116,819,091.42**	**2,678,277**

Notes

Basis of preparation of the annual financial statements

The annual financial statements of IKB Deutsche Industriebank AG (IKB) for the 2011/12 financial year were prepared in line with the provisions of the *Handelsgesetzbuch* (HGB – German Commercial Code) as amended 22 December 2011 in conjunction with the *Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* (RechKredV – German Bank Accounting Directive) and in line with the relevant regulations of the *Aktiengesetz* (AktG – German Stock Corporation Act).

The financial year of IKB begins on 1 April and ends on 31 March.

In the interests of greater clarity of presentation, the additional information on items of the balance sheet and income statement required under statutory regulations and the additional information to be provided either in the balance sheet, the income statement or the notes has been presented in the notes.

Accounting policies

(1) Receivables

Loans and advances to banks and customers are reported at nominal amount, or cost for purchased receivables, less specific and general loan loss provisions (provision for possible loan losses). Differences between the nominal and payment amount are taken to deferred item and prepaid expenses and reversed.

General loan loss provisions are calculated in accordance with the letter from the Federal Ministry of Finance dated 10 January 1994. In so doing, historical credit losses are taken as a basis and multiplied by a cyclical factor in order to accommodate the general economic situation. This factor was lowered from 110% to 100% on account of the improved economic situation. Without reducing the cyclical factor, global valuation allowances would have been € 10 million higher. In order to reflect latent risks of default in financial assets, loans and advances to banks and irrevocable loan commitments, the Bank also recognised a general loan loss provisions for these risks based on an estimated expected loss for the first time with a total amount of € 6 million. This was offset by reversals of € 13 million. The total amount of global valuation allowances is € 111 million after € 118 million in the previous year.

(2) Securities/credit derivatives

Except for securities held for trading, securities as defined in RechKredV are reported under "Bonds and other fixed-income securities" and "Equities and other non-fixed-income securities" (not including shares in affiliated companies and equity investments). Securities held for trading are reported under "Assets held for trading".

If non-trading assets are classified as current assets they are measured at not more than the lower of cost of acquisition or at fair value in accordance with section 253 (1) sentence 1 HGB in line with the requirement to reverse impairment losses of section 253 (5) sentence 1 HGB (strict principle of lower of cost or market).

The long-term securities (securities classified as fixed assets) are, for example, government bonds and mortgage bonds, the issues of international industrial firms (corporate bonds) and securities from securitisation transactions, particularly in the form of credit-linked notes (CLNs), which IKB acquired with the intention to hold to maturity. The long-term investments are measured in line with the less strict principle of lower of cost or market value under section 340e (1) sentence 1 HGB in conjunction with section 253 (3) sentence 3 HGB.

The rise in inflation-linked bonds and the associated inflation derivatives due to inflation is recognised in "Bonds and other fixed-income securities" and "Other liabilities". In cases in which the Bank assumes impairment to be permanent, securities are written down to the lower of cost or market value. The Bank does not consider permanent impairment for held-to-maturity securities whose fair value is less than the carrying amount on account of strong spread widening as a result of the current market developments with no discernible deterioration in the credit quality of the underlying receivables or on account of liquidity discounts. Therefore they are not written down to the lower fair value. On account of the requirement to reverse write-downs under section 253 (5) sentence 1 HGB, such write-downs on securities in previous years were reversed to fair value, not exceeding the amortised cost. If significant, the differences between the cost and repayment amount (premiums/discounts) are distributed over the remaining term pro rata temporis.

Zero-bonds are carried at cost plus the respective interest receivable calculated on the basis of current capital market interest rates.

IKB bases its recognition of securities from securitisation transactions – particularly collateralised debt obligations (CDOs) and CLNs – on the interpretation of the HGB provisions on the recognition of structured products. Such instruments are only recognised separately in line with the statement on accounting of IDW RS HFA 22 “On the uniform or separate recognition of structured financial instruments” when the underlying instrument is linked to a derivative that is subject to additional risks other than the credit risk of the issuer (embedded derivative). Based on the “IDW position paper on accounting and valuation issues in connection with the subprime crisis”, an embedded credit derivative always exists when dealing with a security for which the credit risk of the reference portfolio was transferred to the issuer with a credit default swap (CDS). If the reference portfolio contains credit default swap transactions, the derivatives embedded in structured securities were reported in the accounting notes as contingent liabilities. In the event of permanent impairment of these securities on account of pending utilisation of the embedded credit derivative provisions for expected losses from executory contracts are recognised and the contingent liabilities reduced by the same amount. If the reference portfolio contains only receivables or securities, the security is recognised as a single asset in line with the general principals.

If a listed price is available for a security, this is the fair value. Otherwise, the following procedures are used to derive market value and fair value:

Where possible, fair values are calculated on the basis of price information from contractual suppliers while at the same time using suitable methods to check the plausibility of data. Otherwise, the value of securities is calculated on the basis of discounted cash flows that are discounted using the interest rates for securities with the same risk profile.

Impairment requirements for CDO portfolio are calculated on the basis of a fundamental value method. This allows a detailed loss allocation of the underlying credit portfolio, on the basis of which the present value of forecast cash flows is determined. In this process, cash flows are estimated for several default scenarios for the referenced asset-backed securities (ABS). The rankings in the CDO contract (“waterfall”) are explicitly taken into consideration. Discounting the forecast cash flows with the coupon of the respective invested tranche results in measurements for the various default scenarios. The default pattern for the referenced ABS securities is estimated in a standard Monte Carlo simulation including rating-based rates of default and correlation parameters. The consistent historic default rates of rating agencies are used in calculating expected defaults. Correlation assumptions are compared with renowned market participants. The previously calculated scenario valuations are now probability weighted, with the result that the final fundamental valuation can be derived.

When using valuation models to determine market and fair values, expert estimates, assumptions and subjective management assessments based on the available capital market information and past experience are needed owing to a lack of or implausible market data. If actual developments deviate from expected developments, the forecast uncertainty this entails can lead to different business results, affecting the assets, liabilities, financial position and profit or loss of the company.

(3) Assets held for trading

Asset financial instruments held for trading are carried at fair value less a risk deduction. The Bank charges the risk deduction in the amount of the value-at-risk calculated for regulatory purposes. The fair value was calculated in line with the measurement hierarchy of section 255 (4) HGB. The fair value is the amount for which a financial instrument could be exchanged between knowledgeable and willing parties in an arm’s length transaction as at the balance sheet date. The market price was used for financial instruments for which there is an active market. If there is no active market that can be used to calculate the fair value, the fair value was calculated using generally recognised measurement methods.

The calculation of value-at-risk is based on a holding period of ten days and a confidence level of 99%. The value-at-risk expresses the loss in value for the portfolio of the Bank over a period of ten days (holding period) which has a 99% probability (confidence level) of not being exceeded. The observation period is 250 bank working days. The risk deduction is calculated at the level of the entire trading portfolio and deducted from the financial instruments of the trading portfolio reported here. This measurement takes into account the creditworthiness of the counterparties. In line with section 340e (4) HGB, an amount of at least 10% of the net income of the trading portfolio must be added to the special reserve "Funds for general banking risks" in line with section 340g and reported there separately each financial year. This reserve can only be reserved to offset the net expenses of the trading portfolio or if it exceeds 50% of the average of the net income of the trading portfolio for the last five years. The Bank has classified all financial instruments with which it intends to generate a short-term trading gain to this portfolio. The criteria for this intention are taken from the regulatory requirements for allocation to the trading book. The change in these internal criteria was reported to the German Financial Supervisory Authority (BaFin) and the Bundesbank with notifications of change in accordance with section 1a (4) sentence 1 KWG as at 12 October 2011. Assets and liabilities held for trading are reported separately. The risk deduction calculated for the entire trading portfolio is deducted from the total portfolio of assets held for trading.

(4) Equity investments and shares in affiliated companies/tangible assets/intangible assets

Shares in affiliated companies and investments and associates are carried at the lower of cost or fair value. They are measured in line with the less strict principle of lower of cost or market value under section 340e (1) sentence 1 HGB in conjunction with section 253 (3) sentence 3 HGB. They are only written down to the lower of cost or market value in cases in which impairment can be assumed to be permanent.

Tangible and intangible assets are measured at cost less depreciation and amortisation respectively. The Bank does not exercise its option to capitalise internally generated fixed assets in accordance with section 248 (2) sentence 1 HGB.

Tangible assets are written down on a straight-line basis over their useful life. If the market values of individual fixed assets fall below their carrying amount, they are automatically written down if the impairment is expected to be permanent.

Intangible fixed assets purchased from third parties are capitalised at cost and written down pro rata temporis in their year of addition and on a straight-line basis over a standard useful life of five years.

The goodwill acquired in the context of the transfer of the new customer derivative business of our Luxembourg subsidiary (company being wound up due to EU requirements) is the result of comparing the cost against the value of the individual assets of the company less liabilities. In this case, this will be written down over a normal useful life of ten years. In case of permanent impairment it will be written down accordingly. If the reasons for impairment no longer apply, the lower carrying amount of the acquired goodwill is retained. The operating useful life is based on an estimate of the return over time on the basis of the identified components of this goodwill. In particular, these represent customer bases assumed in the acquisition.

Low-value assets with a net value of up to € 150 are written down in full in their year of acquisition and therefore immediately recognised in full as an expense as at the time of acquisition. Low-value assets with a net value of between € 150 and € 1,000 are written down over five years in line with section 6 (2a) of the *Einkommensteuergesetz* (EStG – German Income Tax Act). The low-value assets are grouped into an annual omnibus item and will even be written down if one of these assets comes loose over five years. The option under section 6 (2) sentence 1 EStG was not exercised.

(5) Securities repurchase agreements

In genuine securities repurchasing transactions, the transferred assets are still reported in the balance sheet in line with section 340b (4) HGB and a corresponding liability is recognised against the pension recipient. If IKB itself is the recipient, the pension assets are not recognised and a receivable from the pension provider is recognised in the amount of the assets transferred as collateral.

(6) Overfunded plan assets

In line with section 246 (2) sentence 2 HGB, assets that are withheld from other all creditors and used solely to satisfy pension or similar long-term liabilities are offset against these liabilities; if the fair value of the assets exceeds the amount of the liabilities, this amount is capitalised under a separate line item (excess of plan assets over pension liability).

The assets that are withheld from other creditors and used solely to satisfy pension or similar long-term liabilities are measured at fair value. The measurement of pension liabilities is presented in the accounting methods for provisions.

(7) Liabilities held for trading

Liabilities held for trading were measured at fair value. The market price was used for financial instruments for which there is an active market. If there is no active market that can be used to calculate the fair value, the fair value was calculated using generally recognised measurement methods. The risk deduction is calculated at the level of the entire trading portfolio and deducted from the asset financial instruments of the trading portfolio.

(8) Liabilities

With the exception of liabilities held for trading, liabilities are carried at settlement amount. The difference between this and the amount paid in is deferred and reversed in profit or loss as planned.

In the cases of the Bacchus 2008-1 plc, Dublin, and Bacchus 2008-2 plc, Dublin, transactions that took place in the 2008/09 financial year to generate liquidity, economic ownership was not transferred to the special purpose vehicles in accordance with IDW RS HFA 8. The transferred assets are therefore still reported on the balance sheet with an obligation shown in the same amount under other liabilities.

(9) Provisions

Provisions for pensions and similar obligations

Pension liabilities are measured at the necessary settlement amount. The 2005 G Heubeck mortality tables were again used to calculate the necessary settlement amount. The calculation was performed using the projected unit credit method with the following measurement assumptions:

Measurement factor	**Assumption**
Interest rate	5.13%
Wage and salary increase	3.0%
Fluctuation rate in line with grading by age and sex	
Age up to 35 m/f	6.5% / 4.5%
Age from 36 to 45 m/f	4.5% / 5.5%
Age over 45 m/f	1.5% / 1.0%
Pension trend	2.0%

The Bank discounts pension provisions at flat rate using the average market interest rate for an assumed remaining term of 15 years. The interest rate was announced by the Bundesbank on 18 November 2009 in line with the *Rückstellungsabzinsungsverordnung* (RückAbzinsV – German Ordinance on the Discounting of Provisions). Obligations for securities-linked commitments are carried in the amount of the fair value of the covered funds if a guaranteed minimum amount is exceeded.

The Bank exercises the option under section 67 (1) sentence 1 of the *Einführungsgesetz zum Handelsgesetzbuch* (EGHGB – Introductory Act to the German Commercial Code) to add one fifteenth of the additional provision required on account of the change in the measurement of pension obligations each financial year (see note 24).

Assets were spun off in previous years to secure the obligations from pension fund plans and similar regulations. As part of contractual trust arrangements (CTA), IKB separated the assets necessary to meet pension claims from its other company assets and transferred these to a trustee. As the assets are intended solely to cover pension obligations and cannot be accessed by the company or other creditors, the assets were measured at fair value and offset against the relevant obligations. If the fair value of the assets exceeds the associated obligations, an excess of assets over pension liability is reported (see notes 6 and 24). If the fair value of the assets is less than the associated obligations, a provision for pensions and similar obligations is reported. Owing to the interest rate change component of the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Act to Modernise Accounting Law), there are interest expenses of € 0.7 million (previous year: € 2.6 million) as part of the compound interest on provisions. In addition, there are further compound interest effects of € 11.6 million reported in interest expenses (previous year: € 11.6 million).

Tax provisions and other provisions

Provisions for taxes and other provisions are recognised in the necessary settlement amount. The necessary settlement amount includes future increases in prices and costs. Provisions for executory contracts are recognised in the amount of the obligation surplus. Provisions with a remaining term of more than twelve months were discounted in line with section 253 (2) HGB using the matched term interest rates of the RückAbzinsV. The provisions for interest on additional tax receivables to the financial authorities and the effects of compound interest on tax provisions are reported under other provisions. € 18.5 million (previous year: € 21.0 million) was reported as interest expenses for compound interest on provisions and € 2.5 million (previous year: € 11.1 million) was reported as interest income for discounting provisions. On first-time recognition of a long-term provision in the income statement, the full settlement amount (gross) of the obligation is recognised as an expense and the discounting of the provision is recognised as income (gross presentation). The expenses for the recognition of provisions for restructuring measures are reported under “Extraordinary expenses” and described in note 42.

(10) Contingent liabilities

Contingent liabilities are recognised at nominal amount less any recognised provisions.

(11) Derivatives

As executory contracts, derivative financial transactions (swaps, forwards, options) do not have to be reported on the balance sheet – with the exception of trading transactions. They are assigned to the banking or the trading book in line with their purpose on conclusion. If derivative financial transactions are assigned to the trading book, they are measured on the basis of current market values. Together with balance sheet financial transactions, derivative financial transactions concluded to cover and manage banking book interest and market price risks are subject to the uniform management and measurement of the interest rate risk. Changes in the fair value of these transactions are therefore not shown in the balance sheet.

The interest derivatives used in the asset/liability management of the general interest rate risk of receivables and liabilities in the banking book are a part of the total interest position together with the other interest-bearing financial instruments as part of the refinancing association. In accordance with IDW ERS BFA 3 and using the present value method taking into account management and risk costs, the present value of the interest-bearing transaction is offset against the carrying amounts. Any overall excess loss would be recognised as a provision for expected losses. A provision for expected losses was not required as a result of this calculation.

Deviating from the previous year, upfront payments on derivatives for which the payments are of an interest nature are now reported as deferred income/prepaid expenses instead of under other assets/liabilities in order to improve the presentation of the net asset situation (see note 27).

(12) Currency translation

In the non-trading portfolio, foreign-currency balance sheet and off-balance sheet transactions are translated in line with the principles of section 340h in conjunction with section 256a HGB. Thus, foreign currency assets and liabilities are translated at the middle spot exchange rate (ECB reference rate) as at the balance sheet date. The currency translation regulation according to of section 256a HGB apply to all traders with the proviso that income resulting from currency translation is reported in the income statement if the assets, liabilities or other futures are particularly covered in the same currency. If the requirements of special cover are not satisfied, currency translation is performed using the regulations that apply to all traders. For a remaining term of one year or less, the unrealised gains on currency translation are recognised in income. If the remaining term is more than one year, the unrealised gains on currency translation are recognised under other liabilities.

For special cover, balance sheet and off-balance sheet assets and liabilities within a currency are compared. According to IDW RS BFA 4, this special cover can only be realized if the currency risk is controlled by a currency position and the individual items are aggregated in a currency position. The Bank assigns non-trading, foreign currency transactions to the currency position of the respective currency and manages them using approved limits. Residual amounts that do not balance out have a remaining term of less than one year and are therefore recognised in income as unrealised gains/losses from currency translation.

In the income statement, in line with section 340a (1) in conjunction with section 277 (5) sentence 2 HGB, income from currency translation is reported under “Other operating income” and expenses from currency translation is reported in “Other operating expenses”. Both are presented separately in the notes (see notes 39 and 40).

If currency forwards are used to hedge interest-bearing balance sheet items, the forward rate is divided and its two elements (spot rate and swap rate) are taken into account separately in the earnings calculation. The mark-ups and mark-downs on the spot rate are offset pro rata temporis in net interest income and presented separately in the notes. For the above transactions, it is checked whether closing the positions with matched terms would result in losses and whether provisions should be recognised for these.

In line with section 340c (1) in conjunction with section 340e (3) HGB, foreign currency, trading portfolio financial instruments are measured at fair value less a risk deduction. After calculating the fair value in foreign currency, the trading portfolios are translated at the middle spot exchange rate as the balance sheet date and unrealised gains and losses are recognised in the net income or expenses of the trading portfolio respectively.

(13) Hedge accounting

Under section 254 HGB, hedge accounting exists if assets, liabilities, executory contracts or highly likely transactions can be combined to offset opposing changes in value or cash flows from similar risks with primary or derivative financial instruments. Under IDW RS HFA 35 the enterprise must decide for itself at the first level whether a specific risk should be hedged by creating an economic hedge relationship with one or more underlyings. It is then decided at a second level with a hedge entered into if risk management should also be presented in accounting as a hedge (option). If there is an economic hedge, the Bank decides on a case-by-case basis whether to apply hedge accounting.

In hedge accounting under section 254 HGB, losses resulting from hedged risks are not recognised for the individual transactions within the hedge if these losses are offset by unrealised gains of the same amount. This is done to the extent that and for the period in which opposing changes in value or cash flows from the hedged item and the hedging instrument offset each other.

The Bank uses the net hedge presentation method to present hedge accounting. In the net hedge presentation method, the offsetting changes in value of the hedged risk are not recognised. Any net unrealised gain resulting within the hedge is not taken into account in the earnings calculation. However, if there is a net loss from the ineffective portion of the changes in value, a corresponding provision is recognised. In the gross hedge presentation method, the offsetting positive and negative changes in value (effective amounts) of assets and liabilities due to the hedged risk are recognised in the balance sheet by adjusting the respective carrying amounts.

The Bank has applied micro hedge accounting. As a method for measuring effectiveness prospectively and retrospectively, the Bank compares the key contract data of the hedged item with those of the hedge. As they match, the changes in the values of the hedged item and the hedging instrument offset each other as anticipated (critical terms match).

(14) Deferred taxes

If there are differences between the accounting carrying amounts of assets, liabilities and deferred taxes and their tax carrying amounts that will reverse in subsequent financial years, any net tax expense resulting from this is recognised as a deferred tax liability. Any net tax relief resulting from this is recognised as a deferred tax asset. In calculating deferred tax assets, tax loss carryforwards that can be used for offsetting in the next five years are taken into account in loss offsetting. The option to report deferred tax assets in line with section 274 (1) sentence 2 HGB was still exercised. However, the option to report deferred taxes without netting in line with section 274 (1) sentence 3 HGB was no longer exercised.

The deferred taxes were measured using tax rates specific to the Bank that were in effect on the balance sheet date or that have already been approved by the legislator and are expected to apply at the time the deferred tax assets and liabilities are realised. In calculating German deferred taxes, a corporation tax rate of 15%, a solidarity surcharge of 5,5% on corporation tax and a trade tax rate of 15.5% were assumed. Deferred taxes for foreign operations are measured using the tax rates that apply there.

Owing to the tax entity structures within the Bank, the deferred tax assets and liabilities resulting from temporary differences at companies within these entities are reported at the level of the Bank (parent entity).

(15) Offsetting in the income statement

In accordance with section 246 (2) sentence 2 HGB, the Bank offsets expenses and income from assets for pensions against expenses and income from interest on or discounting of obligations if the requirements for the netting of assets and obligations are satisfied.

Notes on the balance sheet

(16) Structure of maturities of selected balance sheet items by remaining term

in € million	up to three months	between three months and one year	between one and five years	more than five years
Loans and advances to banks*				
31 Mar. 2012	97	8	44	5
31 Mar. 2011	206	5	56	12
Loans and advances to customers				
31 Mar. 2012	968	2,137	11,673	3,280
31 Mar. 2011	1,334	3,425	11,535	4,226
Liabilities to banks*				
31 Mar. 2012	1,563	2,842	6,301	1,779
31 Mar. 2011	1,923	1,530	5,599	2,276
Liabilities to customers*				
31 Mar. 2012	1,312	3,194	2,780	2,363
31 Mar. 2011	1,572	1,297	1,180	3,692

* excluding loans and advances or liabilities payable on demand

€ 1,160 million (previous year: € 637 million) of the bonds and other fixed-income securities reported in the balance sheet are payable in the following year. € 2,927 million (previous year: € 5,445 million) of the bonds issued and reported under securitised liabilities are payable in the following year.

(17) Trading portfolio financial instruments

Assets held for trading break down as follows:

in € million	31 Mar. 2012	31 Mar. 2011
Financial instruments		
Derivatives held for trading	129.4	34.3
Loans and advances to banks	59.2	40.3
Bonds and other fixed-income securities	25.4	0.0
Loans and advances to customers	10.1	0.0
Less risk deduction	-1.7	-0.2
Assets/liabilities held for trading	**222.4**	74.4

The trading book derivatives are interest swaps, spot transactions, caps/floors/collars, FX swaps, FX options, FX forwards, credit default swaps, loan trading transactions and swaptions. Fair values were determined for derivatives not traded on exchanges on the basis of financial and mathematical measurement models and market measurement parameters (including interest rates, interest rate volatilities, exchange rates). The amount, timing and certainty of cash flows are dependent on the development of interest rates, contractual regulations on payment dates for the respective financial instrument and the credit standing of the respective counterparty.

Liabilities held for trading essentially include derivative financial instruments in the amount of € 138.8 million (previous year: € 32.6 million).

After taking into account a risk deduction, trading activities generated net income of € 0.8 million for the 2011/12 financial year (previous year: net expense of € 12.9 million). This resulted in an addition to a special reserve in accordance with section 340e (4) HGB of € 77 thousand. There therefore remains net income of € 0.7 million.

On 12 October 2011, the Bank changed the criteria for allocation to the trading portfolio and notified the BaFin. Since October 2011, the results of loan trading (loans and advances to customers) have been included in the trading portfolio. This has resulted in a new item in net trading income for the 2011/12 financial year, as shown in the table above. This had no material effect on net trading income for the 2011/12 financial year.

(18) Hedge accounting

The Bank has hedged the majority of its foreign currency risk from negative fair values of certain US$ interest swaps in the amount of US$ 225.4 million (previous year: US$ 251.3 million/HGB carrying amount: € 0.00) by providing collateral (reported under loans and advances to banks) of US$ 214.2 million (previous year: US$ 244.1 million (nominal value)) with the respective counterparty. If there is a match in terms of the nominal amount between the hedged item and the hedge in the amount of the hedged risk and maturity (matching contract terms of the hedged item and the hedging instrument), the effectiveness of the hedged item and the hedging instrument is ensured until maturity. The opposing changes in value offset each other provided that the nominal value of the hedging instrument matches the hedged fair value of the hedged item. An adjustment of the hedge in line with the respective change in the hedged item is provided for in the hedge documentation. The corresponding changes in value relating to the hedged item and the hedging instrument based on the hedged foreign currency risk are not recognised on the balance sheet.

Hedge accounting is not applied to highly probable transactions.

Please see the reporting in the management report for information on the risk management of financial risks.

(19) Fixed assets

in € million	Cost	Additions	Disposals	Reversals of write-downs	Cumulative write-downs	Write-downs in financial year	Net book value 31 Mar. 2012	Net book value 31 Mar. 2011
Tangible assets	34.8	0.1	0.5	0.0	28.3	0.9	6.1	7.0
Intangible assets	103.1	7.8	0.4	0.0	59.8	7.9	50.7	51.2
Equity investments	13.0	0.0	0.0	0.0	0.2	0.0	12.8	12.8
Shares in affiliated companies	2,081.2	52.0	158.5	3.7	1,200.5	196.5	777.9	1,077.1
Bonds and other fixed-income securities	6,708.6	2,777.8	2,028.5	10.1	441.5	215.0*)	7,026.5	6,338.4
Equities and other non-fixed-income securities	39.6	40.4	0.0	0.0	1.7	1.2	78.3	29.5

* Write-downs for the whole year also contain write-downs on securities disposed of in the financial year.

Fixed assets include bonds and other fixed-income securities and equities with a volume of € 7.1 billion (previous year: € 6.4 billion). These are predominantly issues by international industrial firms (corporate bonds and CLNs), government bonds, mortgage bonds and CDOs and ABS bonds acquired with the intention to hold to maturity.

In total, long-term investments included hidden charges of € 626.0 million (previous year: € 642.9 million) on the balance sheet date. These holdings currently have lower fair values as a result in particular of spreads widening following the financial market crisis. IKB does not consider the difference between the fair values (€ 3,543 million) and the carrying amounts (€ 4,169 million) of securities holdings with hidden charges to be permanent impairment and therefore no write-downs have been recognised.

In the financial year, total write-downs and losses on disposals of € 255.8 million were incurred on fixed asset bonds from the Republic of Greece and first-to-defaults (FTDs) with Greek risks.

The carrying amount of shares in affiliated companies and equity investments did not exceed the fair value. The equity holding in Aleanta GmbH, Düsseldorf, was written down almost in full by € 49.0 million in the reporting year. A write-down of € 192.7 million was recognised on the carrying amount of the equity investment in IKB International S.A. i.L., Luxembourg, in the reporting year on account of the distribution of revenue and capital reserves. € 192.3 million of this write-down on IKB International S.A. i.L. was offset by current income of € 192.3 million. Furthermore, IKB International S.A. i.L. and IKB Lux Beteiligung S.a.r.l. i.L., both Luxembourg, distributed their revenue reserves of € 52.2 million and € 47.0 million respectively to IKB AG. In addition, three companies were integrated into IKB AG: Movesta Development GmbH & Co. KG, Düsseldorf, IKB Grundstücks GmbH & Co. Objekt Hamburg KG, Düsseldorf, and TUSSA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Wilhelm Bötzkes Straße KG, Düsseldorf.

Equities and other non-fixed-income securities consist of units in two specialised investment funds within the meaning of the Luxembourg law of 13 February 2007 on specialised investments funds. These two funds are for joint investments, the sole purpose of which is to invest the funds available in line with the principles of risk diversification for joint account and to grant the investors the results of the management of their assets. The funds are structured as an umbrella fund under section 71 of the Luxembourg law of 2007 and offer investors one or more sub-funds under one and the same investment fund. All the sub-funds together make up the fund. Each investor invests in the fund through an investment in a sub-fund. The funds predominantly invest in government and mortgage bonds of the euro area. The total net asset value (fair value) and the carrying amount of the funds was € 78.3 million as at the balance sheet date. No distributions were made in the current financial year. On the basis of the terms of the fund, the units can be returned. The management company can suspend the redemption of units if there are extraordinary circumstances that make it appear necessary to do so in the interests of the investors. Unusual circumstances in this context include closures of key markets and exchanges on which a considerable portion of the fund is invested. In the event of such a closure, the calculation of the value of the funds and the availability of their units will be substantially reduced, disrupted or prevented for a time. The management company has not exercised this right to date.

€ 475.1 million of the total disposals of bonds and other fixed-income securities of € 2,028.5 million relates to the mortgage bonds that were transferred to MATRONA GmbH (MATRONA), Düsseldorf, as consideration for the liability transfer from subordinated liabilities of € 475.1 million (see note 31).

The Bank reclassified securities in the amount of € 820.4 million from current assets to fixed assets in the 2011/12 financial year. Without this reclassification, write-downs of € 13.0 million would have been incurred.

The operating and office equipment is included in tangible assets at € 5.0 million (previous year: € 5.9 million). As in the previous year, this does not include any land or buildings used for banking operations.

(20) Negotiable securities

The negotiable securities included in the balance sheet items below break down as follows in terms of stock exchange listing:

in € million	**total**		**listed**		**non-listed**	
	31 Mar. 2012	**31 Mar. 2011**	**31 Mar. 2012**	**31 Mar. 2011**	**31 Mar. 2012**	**31 Mar. 2011**
Bonds and other fixed-income securities	9,930.3	10,533.0	9,930.3	10,491.6	0.0	41.4
Equities and other non-fixed-income securities	78.3	29.5	0.0	0.0	78.3	29.5

(21) Loans and advances to and liabilities to affiliated companies and investments and associates

in € million	Affiliated companies		Equity investments	
	31 Mar. 2012	31 Mar. 2011	31 Mar. 2012	31 Mar. 2011
Loans and advances to banks	1.8	9.3	0.0	0.0
Loans and advances to customers	2,606.0	2,914.3	48.6	68.7
Other assets	211.7	1.7	0.0	0.0
Liabilities to banks	17.5	203.0	0.0	0.0
Liabilities to customers	227.2	166.3	0.5	1.0
Other liabilities	0.0	65.6	0.0	0.0
Subordinated liabilities	0.0	475.1	0.0	0.0

(22) Trust activities

in € million	31 Mar. 2012	31 Mar. 2011
Loans and advances to customers	0.9	0.9
Trust assets	**0.9**	**0.9**
Liabilities to customers	0.9	0.9
Trust liabilities	**0.9**	**0.9**

The loans and advances to customers under trust assets are exclusively loans to insolvent borrowers. In line with the contractual agreements, these are still reported on the balance sheet until the trustee releases IKB from the trust relationship.

(23) Subordinated assets

Subordinated assets are included in the following asset item:

in € million	31 Mar. 2012	31 Mar. 2011
Loans and advances to customers	1,055.0	1,071.5

(24) Overfunded plan assets

The excess of plan assets over pension liability breaks down as follows:

Pension system in € million	Plan assets Cost	Plan assets Fair value	Pension liabilitiy	Overfunded plan assets
VO 1979 and 1994	214.1	200.0	172.5	27.6
Deferred Compensation	4.4	4.1	3.3	0.7
Early retirement	4.6	4.3	5.2	0.0
VO 2006	5.9	6.2	5.7	0.6
Work time account model	2.3	2.5	2.5	0.0
Total	**231.3**	**217.1**	**189.2**	**28.9**

The fair value was derived from the net asset value of the funds, which was determined by the investment company as at the balance sheet date in accordance with section 36 InvG. In the context of the first-time adoption regulations of the BilMoG, the option was exercised to distribute the additional amount to the pension provisions evenly over a term of 15 years. In the 2011/12 financial year, one fifteenth of the transfer amount was added to the pension provision. The outstanding addition as at 31 March 2012 was € 53.1 million (previous year: € 57.2 million).

In each case the plan assets for VO 1979 and 1994, the deferred compensation and the early retirement regulation are a German fund within the meaning of the Investmentgesetz (InvG – German Investment Act), the units of which are exclusively held by the Bank and Group companies. IKB AG acquired 2,251,143 (previous year: 2,180,375) of a total of 2,508,023 (previous year: 2,434,647) outstanding units. The fund invests in equities, fixed-income securities and open-ended property funds. The redemption price (fair value) per unit was € 92.63 as at the balance sheet date (previous year: € 95.51). The carrying amount of the units is the fair value. The distribution for the current financial year was € 2.78 per unit (previous year: € 2.82). On the basis of the "General Terms and Conditions", the units can be returned each trading day. The investment company can also suspend the redemption of units if there are extraordinary circumstances that make it appear necessary to do so in the interests of the investors. The investment company has not exercised this option to date.

The sole purpose of the assets of € 217.1 million (previous year: € 214.3 million) spun off under contractual trust arrangements (CTAs) is to cover the pension commitments to employees and obligations arising from deferred compensation, early retirement obligations and the work time account model and to generate current income to compensate the expense incurred. Furthermore, they also serve to secure the above obligations in the event of the Bank's insolvency. Since the 2010/11 financial year, the CTAs have been offset against the pension liability in full in the context of the first-time adoption of the regulations of the BilMoG (see note 6). The remaining difference is reported as an excess of plan assets over pension liability.

(25) Repurchase agreements

As a pension provider, the Bank transferred securities with a nominal value of € 3,844.8 million as at the reporting date (previous year: € 1,486.4 million). IKB did not receive any securities as a pension recipient (previous year: € 160.8 million).

(26) Foreign-currency assets and liabilities

The currency volumes translated into euro are shown in the table below. The differences between the assets and the liabilities are largely hedged by currency hedges.

in € million	31 Mar. 2012	31 Mar. 2011
Assets	2,793.5	3,287.1
Liabilities	1,480.0	2,398.1

(27) Other assets and other liabilities

As a result in the adjustment of interest payments on upfront payments of an interest nature, these were reported under prepaid expenses for the first time in the 2011/12 financial year to improve the presentation of the net asset situation. As at 31 March 2012, this resulted in a reduction of around € 232 million year-on-year in other assets due to paid premiums from derivatives transactions. Similarly, there was also a reduction in other liabilities as a result of this of € 175 million in "Upfront payments received".

The significant items under other assets are:

in € million	31 Mar. 2012	31 Mar. 2011
Receivables to affiliated companies	212	2
Receivables from tax authorities	24	31
Receivables to KfW (Kreditanstalt für Wiederaufbau/Reconstruction Credit Institute)	21	36
Deferred interest on derivative transactions	14	41
Premiums paid in derivative transactions	0	256

The significant items under other liabilities are:

in € million	31 Mar. 2012	31 Mar. 2011
Liabilities to special-purpose entities	516	644
Deferred interest for derivatives transactions	96	346 [1)]
Liabilities from profit participation certificates	38	0
Adjustment item for currency measurement	27	7
Interest liabilities from subordinated liabilities	14	16
Liabilities from the settlement of payments	5	17
Liabilities to tax authorities	4	7
Liabilities to affiliated companies	0	65

1) Including upfront payments in the previous year

In accordance with IDW RS HFA 8, this item includes liabilities to special-purpose entities of € 516 million (previous year: € 644 million) offset by securities holdings in the same amount as collateral as defined by section 285 no. 1 b) and no. 2 HGB.

The securities transferred to the SPE Rio Debt Holdings (Ireland) Limited, Dublin, by the total return swap (carrying amount as at 31 March 2012: € 130.7 million) are therefore still reported in the balance sheet under bonds and other fixed-income securities and measured in line with the provisions for long-term investments. A provision and a liability of the same amount measured using the same policies as the securities have been reported; the liability is reported under other liabilities.

Deferred interest on the derivative transaction is reported net.

(28) Prepaid expenses and deferred item

Prepaid expenses include € 31 million (previous year: € 51 million) of discounts from liabilities carried at their nominal value deferred in line with section 250 (3) HGB and section 340e (2) sentence 3 HGB. € 191 million (previous year: € 8 million) of this relates to discounts from assuming past liabilities.

Deferred item essentially includes € 40 million (previous year: € 37 million) in differences in accordance with section 250 (2) HGB and section 340e (2) sentence 2 HGB (discounts on receivables recognised at nominal value), € 237 million (previous year: € 19 million) in premiums from interest cap agreements and € 17 million (previous year: € 16 million) in deferred interest income from structured securities. Total discounts include € 9 million (previous year: € 15 million) from the assumption of receivables in the past.

In the previous year, upfront payments on derivatives of an interest nature were reported under other assets/liabilities. They are now reported under prepaid expenses and deferred income to improve the presentation of the net asset situation. Prepaid expenses from such transactions rose by € 175 million as at the end of the financial year. Deferred income rose as at the end of the year to € 232 million.

(29) Deferred tax assets

Deferred tax assets in accordance with section 274 HGB are reported in the amount of € 151.6 million (previous year: € 158.0 million) as at the balance sheet date. This value is essentially based on the differences between the financial accounts and the tax accounts that will reverse in subsequent years. In particular, this relates to provisions for expected losses for embedded derivatives (CDS) recognised in the financial accounts but not in the tax accounts and investment funds of the German Group. Furthermore, deferred tax assets on tax loss carryforwards are taken into account if the losses are sufficiently likely to be offset within the next five financial years from the next year-end reporting date. Local tax rates were used in each case. The resulting tax expenses and relief have been reported net.

(30) Pension provisions

The reported pension provisions of € 0.9 million (previous year: € 1.5 million) relate to early retirement benefits resulting from the net total of obligations of € 5.2 million (previous year: € 5.9 million) and the fund assets of € 4.3 million (previous year: € 4.4 million).

The remainder of the obligation that would have to be recognised for the first time on account of the regulations of the BilMoG in the 2010/11 financial amounts to € 53.1 million (previous year: € 57.2 million) and breaks down as follows:

Pension system in € million	Pension obligation with full consideration of conversion amount	Pension liability	Obligation not yet considered
VO 1979 and 1994	225.1	172.5	52.6
Early retirement obligations	5.2	5.2	0.0
Deferred Compensation	3.4	3.3	0.1
VO 2006	6.1	5.7	0.4
Work time account model	2.5	2.5	0.0
Total	**242.3**	**189.2**	**53.1**

(31) Subordinated liabilities

Subordinated liabilities are eligible as equity within the meaning of the *Kreditwesengesetz* (KWG German Banking Act) and represent € 708 million of the Bank's liable equity (previous year: € 881 million). As at 31 March 2012, there were no ineligible shares in subordinated liabilities in tier II capital, and therefore no shares of the same eligible for use as tier III capital to back market price risks (previous year: € 19 million).

There is no early repayment obligation. In the event of insolvency or liquidation, they can only be repaid after all non-subordinated creditors. Participation in the losses of operating activities is not provided for here. Interest is owed and paid regardless of the Bank's net profit or loss for the year.

In return for the transfer of mortgage bonds in a corresponding amount by the Bank, MATRONA assumed subordinated liabilities of the Bank with a carrying amount of € 475.1 million, thereby discharging the previous debtor.

The subordinated liabilities amounted to € 1.0 billion (previous year: € 1.5 billion) as at the reporting date. Interest expenses on these amounted to € 49.7 million in the financial year (previous year: € 49.2 million).

Individual items exceeding 10% of the total amount:

Year of issue	Carrying amount in € million	Issue currency	Interest rate in %	Maturity
2003/04	284.0	EUR	4.50	9 Jul. 2013
2005/06	118.7	JPY	2.76	21 Jul. 2035
2006/07	120.0	EUR	1.95	23 Jan. 2017

(32) Profit participation capital

After loss allocation, profit participation capital amounted to € 35.8 million as at the balance sheet date (previous year: € 86.9 million). € 34.2 million of this amount (previous year: € 40.0 million) meets the requirement of section 10 (5) KWG and therefore serves to increase liable equity. The nominal value as at the balance sheet date was € 300.0 million (previous year: € 474.5 million). In line with terms and conditions, profit participation capital participates fully in the net loss for the year or net accumulated losses. Depending on the issue, interest payments are only made in conjunction with existing net retained profits or net income for the year. The claims of profit participation certificate bearers to capital repayment are subordinate to the claims of other creditors. As at 31 March 2012, profit participation capital with a nominal amount of € 174.5 million (carrying amount: € 38.0 million) became due and was therefore reported under other liabilities.

The loss participation of profit participation certificate bearers or the replenishment of profit participation capital are calculated in different ways on account of the various terms and conditions of profit participation capital. The loss participation of the respective profit participation certificate bearers is calculated on the basis of the pro rata net loss for the year or net accumulated losses (in part not taking into account the loss carryforward) in proportion to the balance sheet equity including total profit participation capital or all capital shares participating in net accumulated losses up to the repayment amount. The replenishment of the repayment amount after a loss participation and a repayment of suspended distributions are expressly provided for in the issue conditions when certain conditions are met within the term of the issue or after the end of a four-year recovery period.

The profit participation certificates break down as follows:

Year of issue	Original nominal value in € million	Issue currency	Interest rate in %	Maturity
2004/05	30.0	EUR	4.50	31 Mar. 2015
2005/06	150.0	EUR	3.86	31 Mar. 2015
2006/07	50.0	EUR	4.70	31 Mar. 2017
2007/08	70.0	EUR	5.63	31 Mar. 2017

After loss participation, no interest was incurred on profit participation certificates for the 2011/12 financial year. Without the net loss for the year or net accumulated losses, interest of € 24.8 million (previous year: € 24.8 million) would have been payable on profit participation certificates in the 2011/12 financial year.

The Extraordinary General Meeting on 25 March 2009 authorised the Board of Managing Directors to issue bearer profit participation certificates on one or several occasions until 24 March 2014. The profit participation certificates must satisfy the requirements of the German Banking Act, under which the capital paid in to grant the profit participation certificates is attributable to liable equity. Bearer option rights can be attached to the profit participation certificates or they can be equipped with a conversion right for the bearer. According to the terms and conditions of the option or convertible profit participation certificates (hereinafter the “profit participation certificate terms and conditions”), the option and conversion rights provide for bearers to subscribe to bearer shares in the company. Recessionary and revocation claims have been brought against this resolution on which a verdict has not yet been reached. This has not been entered in the commercial register to date.

The total nominal amount of the profit participation certificates, option and convertible bonds issued under this authorisation cannot exceed € 900 million. Option and conversion rights can only be issued for shares of the company with a pro rata amount of share capital of up to nominally € 618,749,990.40. As well as in euro, the profit participation certificates and bonds can be issued in the legal currency of an OECD state – up to the corresponding euro value of € 900 million.

(33) Fund for general banking risks

Owing to the net income in the trading portfolio of € 0.8 million, there was an addition to the fund for general banking risks in accordance with section 340e (4) HGB of € 77 thousand in the 2011/12 financial year. The fund for general banking risks recognised in previous years in accordance with section 340g HGB is reported at the unchanged amount of € 189.6 million.

(34) Development of capital

1. Treasury shares

By a resolution of the Annual General Meeting on 26 August 2010, the Board of Managing Directors was authorised to acquire and sell treasury shares for the purpose of securities trading until 25 August 2015. The amount of shares acquired for this purpose cannot exceed 5% of the share capital at the end of any one day. Together with the treasury shares acquired for other reasons held by the company or assigned to it in accordance with sections 71a ff. AktG, the shares acquired on the basis of this authorisation cannot exceed 10% of the share capital at any time. This authorisation was not utilised in the 2011/12 financial year.

By way of resolution of the Annual General Meeting held on 26 August 2010, the company was also authorised to acquire treasury shares of up to 10% of the share capital for purposes other than securities trading until 25 August 2015. The shares can be acquired on the stock exchange or by way of a public bid to all shareholders. The acquisition of shares may be carried out using put or call options. Such share acquisitions are limited to shares of a maximum volume of 5% of the share capital at the time of the resolution on this authorisation by the Annual General Meeting on 26 August 2010. The terms of the options must end no later than on 25 August 2015. Together with the treasury shares acquired for trading purposes and other reasons held by the company or assigned to it in accordance with sections 71a ff. AktG, the treasury shares acquired on the basis of this authorisation cannot exceed 10% of the share capital of the company at any time. In line with a decision by the Board of Managing Directors, the acquired shares can be sold on the stock exchange or in some other way or, in full or in part, called in. This authorisation was not utilised in the 2011/12 financial year.

No treasury shares were held in the 2011/12 financial year, nor were there any additions or disposals of the same.

2. Equity

By way of resolution of the Annual General Meeting on 28 August 2008, the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to increase the share capital of the company by a total of up to € 500,000,000.00 against cash or non-cash contributions by issuing up to 195,312,500 new no-par value bearer shares until 27 August 2013. With the approval of the Supervisory Board, the statutory subscription rights of shareholders can be disapplied under this authorisation. This authorisation was not utilised in the 2008/09 to 2011/12 financial years. The authorised capital was entered in the commercial register on 3 November 2008.

By way of resolution of the Extraordinary General Meeting on 25 March 2009, the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to increase the share capital of the company by a total of up to € 247,499,996.16 against cash or non-cash contributions by issuing up to 96,679,686 new no-par value bearer shares until 24 March 2014. With the approval of the Supervisory Board, the statutory subscription rights of shareholders can be disapplied under this authorisation. Recessionary and revocation claims have been brought against this resolution on which a verdict has not yet been reached. This has not yet been entered in the commercial register.

By way of resolution of the Annual General Meeting of IKB AG on 28 August 2008, the Board of Managing Directors was authorised to issue convertible and option bonds with a total nominal value of € 900,000,000.00 and a maximum duration of 20 years by 27 August 2013 and to grant the bearers of these bonds conversion or option rights to up to 48,339,843 no-par-value bearer shares in the company with a stake of up to € 123,749,998.08 in the share capital according to the relevant bond conditions. On 19 November 2008, the Board of Managing Directors of the company resolved to issue subordinate bonds with a total nominal value of up to € 123,671,070.72 with a contingent conversion obligation and contingent conversion privilege for up to 48,309,012 shares in the company from contingent capital with a shareholders' subscription right. A subsidiary of the Lone Star group, LSF6 Rio S.à.r.l., had undertaken to assume all bonds not subscribed to by other IKB AG shareholders. Bonds totalling € 150,174.72 were subscribed to by other shareholders and the remaining amount of € 123,520,896.00 was acquired by Lone Star (LSF6 Rio S.à.r.l.). A bond of nominally € 23.04 entitles the bearer to subscribe to nine new shares from contingent capital at a conversion price of € 2.56 per share. Since 1 July 2009, the conditions for the existence of a conversion obligation and a conversion privilege have been met. As a result, a conversion privilege has existed since this time. A conversion obligation existed on 11 April 2012 at the latest. LSF6 Rio S.à.r.l. exercised its conversion right in full on 2 July 2009. On issuance of the subscribed shares on 14 July 2009, this increased the share capital of the company by € 123,520,896.00 to € 1,621,315,228.16. The increase in share capital was entered in the commercial register on 4 May 2010. Also, a further creditor of the convertible bond exercised its conversion right on 20 January 2012. As a result, and on issuance of the subscribed shares on 30 January 2012, this increased the share capital of the company by € 3,686.40 to € 1,621,318,914.56. With reference to the mandatory conversion implemented on 11 April 2012, refer to the chapter "Events after 31 March 2012 (Supplementary report)". The increase in share capital was entered in the commercial register on 2 May 2012.

By way of a resolution by the Extraordinary General Meeting on 25 March 2009, the Board of Managing Directors was authorised to issue convertible and option certificates and convertible and option bonds with a total nominal amount of up to € 900,000,000.00 and to grant the bearers of profit participation certificates or bonds conversion or option rights to shares of the company with a share of capital of up to € 618,749,990.40 in line with the respective terms and conditions of the bonds until 24 March 2014. The residual authorisation of 28 August 2008 to issue convertible and option bonds of up to € 776,328,929.28 was revoked by way of resolution of the Extraordinary General Meeting on 25 March 2009. Actions for annulment have been brought against this resolution that have not yet been resolved. This has not yet been entered in the commercial register.

By way of resolution of the Annual General Meeting of 26 August 2010, the remaining contingent capital increase from the Annual General Meeting of 28 August 2008 of up to € 229,102.08 (Contingent Capital 2008) was reduced to up to € 150,174.72 divided into up to 58,662 new bearer shares with profit participation rights from the start of the financial year in which they are issued. With the exception of the conversion described, the Contingent Capital 2008 remained unchanged. The reduction was entered in the commercial register on 8 November 2010.

By way of resolution of the Annual General Meeting of 26 August 2010, the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to issue bearer convertible and option bonds or combinations of these instruments (referred to collectively below as "bonds"), dated or undated, on one or several occasions up to a total nominal amount of € 400,000,000.00 until 25 August 2015 and to grant the bearers of bonds conversion or option rights to up to 74,874,422 no-par-value bearer shares of the company with a pro rata amount of share capital totalling up to € 191,678,520.32 in line with the issue conditions of the bonds to be stipulated in more detail. This authorisation was not utilised in the 2011/12 financial year. The resolution was entered in the commercial register on 8 November 2010.

3. Capital reserve

The capital reserve was reported unchanged at € 1,750.7 million in the financial year.

4. Revenue reserves

The revenue reserves still amount to € 24.2 million.

5. Hybrid capital instruments (silent partnership contributions)

As at 31 March 2012, the hybrid tier I capital after loss allocation amounted to € 0.0 million (previous year: € 0.6 million). Its nominal value is unchanged at € 400 million.

The term hybrid capital instruments includes issues in the form of asset contributions by silent partners. These contributions by silent partners – which otherwise have unlimited terms – can only be cancelled by the issuers. They cannot be cancelled before 2013 and 2014 respectively and only then if the repayment value has returned to the original nominal value of the contribution.

In addition, in the event of insolvency, silent partner contributions can only be repaid after all subordinated liability and profit participation certificate issues have been served.

The loss ratio is calculated by the ratio of the silent partner contribution to balance sheet equity including profit participation certificates. The repayment claims of the silent partners were reduced by € 0.6 million in the financial year as a result of the loss participation (previous year: € 15.2 million). The replenishment of the repayment amount after loss participation is expressly provided for when certain conditions are met.

As in the previous year, no interest was paid on hybrid capital instruments.

6. Development of capital

in € million	1 Apr. 2011	Withdrawals	Additions	Distribution of loss for year	31 Mar. 2012
a) Subscribed capital					
aa) Share capital	1,621.3	0.0	0.0	0.0	1,621.3
ab) Silent partnership contribution	0.6	-0.6[1])	0.0	0.0	0.0
	1,621.9	-0.6	0.0	0.0	1,621.3
b) Capital reserve	1,750.7	0.0	0.0	0.0	1,750.7
c) Revenue reserves					
ca) Legal reserve	2.4	0.0	0.0	0.0	2.4
cb) Other revenue reserves	21.9	0.0	0.0	0.0	21.9
	24.3	0.0	0.0	0.0	24.3
d) Net accumulated losses	-1,789.4	0.0	0.0	-241.1	-2,030.5
Capital	**1.607,5**	**-0.6**	**0.0**	**-241.1**	**1,365.8**
For information purposes:					
Unutilised					
authorised capital [2)]	500.0	0.0	0.0	0.0	500.0
contingent capital [2), 3)]	191.9	-0.1	0.0	0.0	191.8

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

1) Loss participation of the silent partnership contributions for the 2011/12 financial year

2) The data shown is the same as the data entered in the commercial register. These values could still change on account of the actions for annulment. In this context please see the comments under point 2 in note 34.

3) The effects of exercising the conversion right on unutilised authorised capital amount to € 4 thousand.

In line with the notification submitted to the banking regulatory authorities as at the balance sheet date, the regulatory equity funds as per the German Banking Act amounted to a total of € 2.2 billion (previous year: € 2.7 billion). The calculation of equity assuming the set balance sheet values produced a value of € 2.2 billion (previous year: € 2.6 billion).

Distribution restriction

The distribution restrictions break down as follows:

in €	Gross income	Deferred tax assets	Deferred tax liabilities	Amounts reserved for distribution
Unrealised gains on plan assets for pensions	397,041.73	0.00	-6,220.65	-6,220.65
Recognition of deferred taxes		157,173,145.28	-5,566,924.63	151,606,220.65
Total	**397,041.73**	**157,173,145.28**	**5,573,145.28**	**151,600,000.00**

(35) Significant shares in voting rights

The Bank had received the following notifications in accordance with section 21 of the German Securities Trading Act as at 31 March 2012:

Date of change	Notifying party	Location	Threshold reached, exceeded or fallen below	Held directly	Held indirectly	Total
29 October 2008	John P. Grayken	USA	Threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% exceeded		90.81%	90.81%
29 October 2008	Lone Star Europe Holdings, Ltd. (Bermuda)	Hamilton (Bermuda)	Threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% exceeded		90.81%	90.81%
29 October 2008	Lone Star Europe Holdings, L.P. (Bermuda)	Hamilton (Bermuda)	Threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% exceeded		90.81%	90.81%
29 October 2008	LSF6 Europe Partners, L.L.C. (Delaware)	Dallas (Texas)	Threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% exceeded		90.81%	90.81%
29 October 2008	LSF6 Europe Financial Holdings, L.P. (Delaware)	Dallas (Texas)	Threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% exceeded	90.81%		90.81%
15 July 2009	LSF6 Rio S.à.r.l.	Luxembourg (Luxembourg)	Threshold of 3% and 5% exceeded	7.62%		7.62%
15 July 2009	Lone Star Capital Investments S.à.r.l.	Luxembourg (Luxembourg)	Threshold of 3% and 5% exceeded		7.62%	7.62%
15 July 2009	Lone Star Global Holdings, Ltd.	Hamilton (Bermuda)	Threshold of 3% and 5% exceeded		7.62%	7.62%
20 July 2009	LSF6 Rio S.à.r.l.	Luxembourg (Luxembourg)	Threshold of 5% and 3% fallen below	0%		0%
20 July 2009	Lone Star Capital Investments S.à.r.l.	Luxembourg (Luxembourg)	Threshold of 5% and 3% fallen below		0%	0%
20 July 2009	Lone Star Global Holdings, Ltd.	Hamilton (Bermuda)	Threshold of 5% and 3% fallen below		0%	0%

(36) Contingent liabilities/other obligations

On the balance sheet date, contingent liabilities of € 1,957.0 million (previous year: € 1,659.2 million) also included CDSs (Bank as pledgor) under guarantees and warranties. Here, IKB has assumed the default risk for a pre-defined credit event for specific credit portfolios.

The risk of the utilisation of contingent liabilities is assessed on the basis of parameters from credit risk management. Provisions are recognised if utilisation is expected in full or in part due to the deterioration of the credit standing of a borrower. On the basis of the current credit standing, utilisation of the reported contingent liabilities is not expected. Details on the process within credit risk management are explained in the risk report of the management report.

By way of the liability transfer by MATRONA and with regard to the subordinated liabilities, the Bank issued a warrant for MATRONA, whereby it assumes liability for MATRONA's payment obligations in connection with the transfer of subordinated liabilities by MATRONA (see note 31).

Furthermore, derivative components of structured products (CDS) reported under "Bonds and other fixed-income securities" are also included in the item "Guarantee and warranty agreements" at € 0.8 billion (previous year: € 0.8 billion). Provisions of € 0.1 billion (previous year: € 0.2 billion) were recognised for these products as part of the measurement of embedded CDS transactions reported off-balance sheet.

IKB AG and IKB Beteiligungen GmbH assumed guarantees as part of the sale and transfer agreement for 50% of shares in Movesta Development GmbH in December 2009. These include, for example, the transferred GmbH shares and the proper settlement of and compliance with obligations from the past (including issuing tax returns).

On 31 March 2012, the "Other obligations" line item of € 1,448.9 million (previous year: € 1,443.0 million) included commitments of up to one year of € 837.7 million (previous year: € 611.7 million) and commitments of more than one year of € 617.1 million (previous year: € 831.3 million). There were provisions for commitments totalling € 5.9 million on 31 March 2012.

Notes on the income statement

(37) Income by geographical market (section 34 (2) RechKredV)

The total amount of interest income, current income from equities and other non-fixed-income securities, equity investments and shares in affiliated companies, commission income, net income from the trading portfolio and other operating income breaks down among the different geographical markets as follows:

in € million	2011/12	2010/11
Federal Republic of Germany	2,629.4	2,278.6
Europe not including Germany	220.8	87.2
Total	**2,850.2**	**2,365.8**

Income is allocated to geographical regions on the basis of the head office of operations.

(38) Administrative and brokerage services for third parties

IKB performs administrative services for credit and custody business, particularly in guarantee credit business. The income from these activities is included in commission income.

(39) Other operating income

Other operating income essentially includes income from a close-out agreement on swaps of € 20.0 million (previous year: € 0.0 million), overheads charged to Group companies of € 5.8 million (previous year: € 7.2 million) and income from the reversal of provisions of € 14.8 million (previous year: € 18.3 million).

(40) Other operating expenses

This item essentially includes the following:

in € million	2011/12	2010/11
Addition to provision for expected losses	12.8	1.6
Rental expenses	4.9	15.9
Currency gains from non-trading book transactions	1.8	3.6
Addition to provision from damages	1.6	0.0
Catering, entertainment and canteen expenses	0.9	1.0

(41) Income from profit transfer agreements

This predominantly relates to the profit transfer by IKB Beteiligungen GmbH of € 210.4 million (previous year: loss absorption of € 57.5 million), which, in the amount of € 193.4 million, essentially resulted from the contribution of capital shares in MATRONA at market value to IKB Private Equity GmbH by way of an additional non-cash payment in its capital reserve.

(42) Extraordinary income and expenses

This includes expenses for the reimbursement of legal costs to KfW in connection with the settlement of portfolio investments in the amount of € 1.7 million. This item also includes the earnings effect of the transfer to provisions as part of the restructuring measures. In total, the expenses for the restructuring in the reporting period amounted to € 11.1 million. This includes expenses for the termination of employment agreements, provisions for rent and for early retirement obligations. Furthermore, extraordinary income includes higher realisation proceeds from intragroup receivables of € 2.8 million.

The expenses from the first-time adoption of the BilMoG (distribution of the additional expense from the remeasurement of pension provisions) are also reported in the income statement.

(43) Income taxes

Income tax expenses of € 6.9 million (previous year: income of € 53.3 million) was incurred in the reporting year.

In particular, the expenses result from the € 6.4 million reduction in deferred tax assets recognised. Taxes on income relate exclusively to the ordinary activities of the Bank.

Other disclosures

(44) List of shareholdings of IKB Deutsche Industriebank AG

List of shareholdings of IKB Deutsche Industriebank AG in accordance with section 285 no. 11 and 11a HGB	Financial year 2011/12 (31 Mar. 2012)				
	Financial year	Letter of comfort	Equity interest in %	Equity in € thousand	Result in € thousand
1. Domestic subsidiaries (fully consolidated)					
Aleanta GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	1,463	229
Equity Fund GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	13,521	0
Erste Equity Suporta GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	1,296	0
IKB Autoleasing GmbH, Hamburg	1 Apr. - 31 Mar.	X	100.0	14,000	0
IKB Beteiligungen GmbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.0	724,966	0
IKB Data GmbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.0	15,000	1,109
IKB Equity Capital Fund GmbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.0	31,353	2,110
IKB Grundstücks GmbH & Co.Objekt Holzhausen KG, Düsseldorf	1 Jan. - 31 Dec.	X	100.0	4,930	538 3)
IKB Grundstücks GmbH, Düsseldorf	1 Jan. - 31 Dec.	X	100.0	112	-15
IKB Leasing Berlin Gesellschaft mit beschränkter Haftung, Erkner	1 Apr. - 31 Mar.	X	100.0	8,000	0
IKB Leasing Gesellschaft mit beschränkter Haftung, Hamburg	1 Apr. - 31 Mar.	X	100.0	60,056	0
IKB Private Equity GmbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.0	479,867	0
IKB Projektentwicklung GmbH & Co. KG i.L., Düsseldorf	1 Jan. - 31 Dec.	X	100.0	-3,020	-6,441 3)
IKB Struktur GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	103,750	0
IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	1 Apr. - 31 Mar.	X	100.0	2,919	31
Istop 1 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	122,525	0
Istop 2 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	155,025	0
Istop 4 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	190,025	0
Istop 5 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	91,525	0
ISTOS Beteiligungsverwaltungs- und Grundstücks- Vermietungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.	X	100.0	78	2
ISTOS Dritte Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		100.0	271	-8 3)
ISTOS Erste Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.	X	100.0	25	-9 3)
ISTOS Zweite Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		100.0	136	-9 3)
Matrona GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0	525	0
Projektbeteiligung TH GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		89.8	22	6 3)
Tempelhofer Hafen GmbH, Düsseldorf	1 Jan. - 31 Dec.		94.9	-10,675	-1,865
Zweite Equity Suporta GmbH, Düsseldorf	1 Jan. - 31 Dec.		100.0	70,080	0
2. Foreign subsidiaries (fully consolidated)					
IKB Capital Corporation, New York 4)	1 Apr. - 31 Mar.		100.0	2,594	265
IKB Finance B.V., Amsterdam	1 Apr. - 31 Mar.	X	100.0	-2,678	120
IKB Funding LLC II, Wilmington	1 Apr. - 31 Mar.	X 2)	100.0	21,336	12,805
IKB Funding LLC I, Wilmington	1 Apr. - 31 Mar.	X 2)	100.0	2,734	2,215
IKB International S.A. i.L., Luxembourg	1 Apr. - 31 Mar.	X	100.0	27,853	-3,413
IKB Leasing Austria GmbH, Vienna	1 Jan. - 31 Dec.		100.0	438	33
IKB Leasing CR s.r.o., Prague 9	1 Jan. - 31 Dec.		100.0	4,243	-695
IKB Leasing Finance IFN SA, Bucuresti	1 Jan. - 31 Dec.		100.0	1,194	-816
IKB Leasing France S.A.R.L., Marne La Vallée Cedex 4	1 Jan. - 31 Dec.		100.0	702	-85
IKB Leasing geschlossene Aktiengesellschaft, Moscow	1 Jan. - 31 Dec.		100.0	3,369	2,252
IKB Leasing Korlátolt Felelösségü Társaság , Budapest	1 Jan. - 31 Dec.		100.0	2,676	-1,545
IKB Leasing Polska Sp.z.o.o, Poznan (Posen)	1 Jan. - 31 Dec.		100.0	8,182	1,789
IKB Leasing S.R.L. , Bucharest / Sektor 1	1 Jan. - 31 Dec.		100.0	394	108
IKB Leasing SR, s.r.o, Bratislava	1 Jan. - 31 Dec.		100.0	1,061	-929
IKB Lux Beteiligungen S.à.r.l, Luxembourg	1 Apr. - 31 Mar.	X	100.0	8,479	0
IKB Pénzügyi Lízing zártkörüen müködö Részvénytársaság, Budapest	1 Jan. - 31 Dec.		100.0	794	-458
IKBL Renting and Service S.r.l., Lainate (Milano)	1 Jan. - 31 Dec.		100.0	990	-10
STILL LOCATION S.à.r.l., Marne La Vallee Cedex 4	1 Jan. - 31 Dec.		100.0	13,421	-1,659

1) The information in accordance with section 285 no. 11 HGB on equity and results is not shown for companies not included in the consolidated financial statements in accordance with section 286 (3) sentence 1 no. 1 HGB.
2) Subordinated letters of comfort
3) Company exercised exemption under section 264b HGB and did not prepare notes
4) in liquidation

		Financial year	Letter of comfort	Equity interest in %
3.	**Other German companies (not included due to immateriality)[1]**			
	Bella GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0
	Boxhagener Str. 76/78 Berlin GmbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
	Brunnenstraße 105-109 Berlin Grundbesitz GmbH, Münster	1 Jan. - 31 Dec.		94.9
	Büroprojekt sechste Verwaltungsgesellschaft mbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
	Büroprojekt vierte Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
	Eaton Place 98 London GmbH, Norderfriedrichskoog	1 Jan. - 31 Dec.		100.0
	Einsteinufer 63-65 Berlin GmbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
	Feldmühleplatz 1 Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
	FRANA Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
	GAP 15 GmbH, Düsseldorf	1 Jan. - 31 Dec.		92.8
	GARUMNA GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0
	HARPE Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schloß Schweinsburg KG, Düsseldorf	1 Jan. - 31 Dec.		88.7
	HAUSTUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Yachtzentrum Berlin KG, Düsseldorf	1 Jan. - 31 Dec.		94.7
	IKB Projektentwicklungsverwaltungsgesellschaft mbH i.L., Düsseldorf		X	100.0
	IKB SWE GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0
	ILF Immobilien-Leasing-Fonds Verwaltung GmbH & Co. Objekt Boxdorf KG, Düsseldorf	1 Jan. - 31 Dec.		93.4
	ilmenau center Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
	INCO Ingenieur Consult Geschäftsführungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
	INCO Ingenieur Consult GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		100.0
	Istop 3 GmbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
	MD Capital Solingen Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
	MD Capital Stromstrasse Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
	MD Capital Verwaltungs GmbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
	MD Objekt Lorsch Verwaltungs GmbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
	MD Objekt Solingen Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
	MD Objekt Stromstrasse Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
	MFRSI Beteiligungsholding Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		100.0
	Objekt Pankow Verwaltungsgesellschaft mbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
	Paxum GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0
	RAVENNA Vermögensverwaltungs AG, Berlin	1 Jan. - 31 Dec.		100.0
	Restruktur 1 GmbH i.L., Düsseldorf	1 Jan. - 31 Dec.		100.0
	Restruktur 2 GmbH i.L., Düsseldorf	1 Apr. - 31 Mar.		100.0
	Restruktur 3 GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0
	Robert Adams Str. 12 London GmbH i.L., Norderfriedrichskoog	1 Jan. - 31 Dec.		100.0
	SEQUANA GmbH, Düsseldorf	1 Apr. - 31 Mar.		100.0
4.	**Other foreign companies (not inlcuded due to immateriality)[1]**			
	Eukelade G.m.b.H., Luxembourg	1 Apr. - 31 Mar.		100.0
	Helike G.m.b.H., Luxembourg	1 Apr. - 31 Mar.		100.0
	IKB Funding Trust II, Wilmington	1 Apr. - 31 Mar.		100.0
	IKB Funding Trust I, Wilmington	1 Apr. - 31 Mar.		100.0
	Kore G.m.b.H., Luxembourg	1 Apr. - 31 Mar.		100.0
	Valin Funds GP S.à.r.l., Luxembourg	1 Apr. - 31 Mar.		100.0
	Valin Funds S.C.A,, SICAV-SIF, Luxembourg	1 Apr. - 31 Mar.		100.0
5.	**German associated companies (measured at equity)[1]**			
	Linde Leasing GmbH, Wiesbaden	1 Jan. - 31 Dec.		30.0
	MD Capital Beteiligungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		50.0

1) The information in accordance with section 285 no. 11 HGB on equity and results is not shown for companies not included in the consolidated financial statements in accordance with section 286 (3) sentence 1 no. 1 HGB.

		Financial year	Letter of comfort	Equity interest in %
6.	**Other German companies (not measured at equity)[1)]**			
	alu-druckguss GmbH & Co. Brandenburg KG, Brieselang	1 Jan. - 31 Dec.		49.0
	alu-druckguss Verwaltungs GmbH , Brieselang	1 Jan. - 31 Dec.		49.0
	Argantis GmbH, Cologne	1 Jan. - 31 Dec.		50.0
	Argantis Private Equity GmbH & Co. KG, Cologne	1 Jan. - 31 Dec.		28.9
	Argantis Private Equity Gründer GmbH & Co. KG, Cologne	1 Jan. - 31 Dec.		36.5
	AWEBA Werkzeugbau GmbH Aue, Aue	1 Jan. - 31 Dec.		25.1
	AxIT AG, Frankenthal/Pfalz	1 Jan. - 31 Dec.		29.9
	Chemtura Verwaltungs GmbH, Bergkamen	1 Jan. - 31 Dec.		50.0
	equiNotes Management GmbH, Düsseldorf	1 Jan. - 31 Dec.		50.0
	EWEKO GmbH, Hattingen	1 Jan. - 31 Dec.		30.1
	FMD Feinmechanik GmbH, Weilheim	1 Apr. - 31 Mar.		49.0
	FUNDIS Projektentwicklungsholding GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		50.0
	FUNDIS Verwaltungsgesellschaft mbH, Düsseldorf	1 Jan. - 31 Dec.		50.0
	GIP Management GmbH & Co. KG, Eschborn	1 Jan. - 31 Dec.		47.5
	GIP Verwaltungs GmbH, Eschborn	1 Jan. - 31 Dec.		50.0
	GIP WestSite-Entwicklung GmbH & Co. KG, Eschborn	1 Jan. - 31 Dec.		47.5
	Hafenspitze Verwaltungsgesellschaft mbH, Hamburg	1 Jan. - 31 Dec.		25.0
	ilmenau center GmbH & Co. KG, Lüneburg	1 Jan. - 31 Dec.		50.0
	MFRSI Beteiligungsholding GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		50.0
	microTEC Gesellschaft für Mikrotechnologie mbH, Duisburg	1 Jan. - 31 Dec.		48.2
	Mike's Sandwich GmbH, Hamburg	1 Jan. - 31 Dec.		35.6
	MM Mezzanine Beteiligungsberatung GmbH i.L., Düsseldorf	1 Apr. - 31 Mar.		50.0
	MOTORRAD-ECKE GmbH, Villingen-Schwennigen	1 Jan. - 31 Dec.		38.9
	OCP GmbH Office Chemie Produktion, Hattingen	1 Jan. - 31 Dec.		25.1
	ODS Business Services Group GmbH, Hamburg	1 Jan. - 31 Dec.		32.0
	Projektgesellschaft Justus-von-Liebig-Straße mbH, Kronberg / Taunus	1 Jan. - 31 Dec.		50.0
	Vermögensverwaltungsgesellschaft DVD Dassow GmbH, Dassow	1 Jan. - 31 Dec.		30.0
7.	**Foreign associated companies (not measured at equity)[1)]**			
	Alu Druckguss Sp.z.o.o., Nowa Sól	1 Jan. - 31 Dec.		49.0
	Infinigate Holding AG, Rotkreuz	1 Jan. - 31 Dec.		24.5
8.	**German equity investments in corporations and partnerships in which the interest exceeds 5% of voting rights[1)]**			
	ae group ag, Gerstungen	1 Jan. - 31 Dec.		12.4
	AXA Immoselect Hauptverwaltungsgebäude GmbH Co Objekt Düsseldorf Uerdinger Straße KG, Düsseldorf	1 Jan. - 31 Dec.		5.1
	CoBaLe Immobilien GmbH & Co. Objekt Stuttgart KG	1 Jan. - 31 Dec.		5.1
	Feldmühleplatz 1 GmbH & Co. KG, Düsseldorf	1 Jan. - 31 Dec.		5.1
	Global Safety Textiles HoldCo One GmbH, Maulburg	1 Jan. - 31 Dec.		8.8
	Oechsler Aktiengesellschaft, Ansbach	1 Jan. - 31 Dec.		10.0
9.	**Foreign equity investments in large corporation in which the interest exceeds 5% of voting rights[1)]**			
	EPL Acquisitions (SUB) N.V. in liquidatie, AZ Amsterdam	1 Jan. - 31 Dec.		5.7
	Old HG Limited, Berkshire	1 Apr. - 31 Mar.		6.1
	PSE Newco Limited, Yeadon Leeds	1 Jan. - 31 Dec.		5.7
	Ring International Holding AG, Vienna	1 Jan. - 31 Dec.		9.4
10.	**Special-purpose entities (special-purpose entities included in the consolidated financial statements in line with IAS 27/SIC 12)**			
	Bacchus 2008-1 Plc, Dublin 2			
	Bacchus 2008-2 Plc, Dublin 2			
	IKB Partner Fonds, Luxembourg			
	Partner Fonds Euro Bonds, Luxembourg			
	Partner Fonds Europa Renten Teilfonds II, Luxembourg			
	Partner Fonds Europa Renten Teilfonds I, Luxembourg			
	Partner Fonds Government & Covered Select, Luxembourg			
	RIO DEBT HOLDINGS (IRELAND) LIMITED, Dublin 2			

1) The information in accordance with section 285 no. 11 HGB on equity and results is not shown for companies not included in the consolidated financial statements in accordance with section 286 (3) sentence 1 no. 1 HGB.

(45) Disclosure of auditor's fees in line with section 285 no. 17 HGB

The total fee for audits of financial statements calculated by the auditor for the 2010/11 financial year is stated in the consolidated financial statements of IKB Deutsche Industriebank AG and is therefore not reported in the notes to the annual financial statements in accordance with section 285 no. 17 HGB.

(46) Other financial obligations

Other financial obligations essentially relate to rental, lease and other agreements and amounted to a total of € 256.5 million (previous year: € 288.9 million) on 31 March 2012. € 1.0 million (previous year: € 0.7 million) of this amount related to affiliated companies. As at the balance sheet date there were no payment obligations for equities, GmbH shares or other shares.

Long-term rent and lease agreements

The Bank has concluded rental agreements for properties used for banking operations for the head office in Düsseldorf and its branches and for the maintenance of these properties. € 236.7 million (previous year: € 256.3 million) of total other financial obligations relates to payment obligations under such rent agreements for the rental period. IKB has recognised provisions for expected losses from pending transactions the event that the expenses exceed the benefit of the rental agreement. The risk or opportunity lies in the fact that after the end of a limited rent agreement, the contract can be extended or a follow-up agreement can be concluded at less advantageous or more advantageous conditions.

In leases, the right to use an asset is transferred from the lessor to the lessee against regular payments. IKB has concluded leases for operating and office equipment assets. Payment obligations from future payments in connection with leases amount to € 6.6 million (previous year: € 9.1 million).

Purchase commitments for services

The Bank has concluded service agreements for ongoing banking operations. The obligations to purchase services occurring after 31 March 2012 amount to € 6.6 million (previous year: € 16.4 million). There is a risk with service agreements that the terms of the agreement are less favourable than at the time the agreement is fulfilled or that the costs of the agreement exceed the economic benefit.

Payment obligations to the Deposit Protection Fund

In accordance with section 5 (10) of the by-laws of the Deposit Protection Fund, the Bank is required to indemnify the Association of German Banks from any losses incurred by banks in which it holds a majority interest.

In February 2009, compensation payments to the investors of Lehman Brothers Bankhaus Aktiengesellschaft, Frankfurt/Main, were initiated by the Deposit Protection Fund of the Association of German Banks. The bank is the German subsidiary of the US bank Lehman Brothers Inc., which went into Chapter 11 in the US. Possible obligations to make additional contributions for IKB are unknown at the current time.

Subsequent assessment of bank levy

In the event that the Bank generates net profits in future, it is possible for the bank levy to be subsequently reassessed, with the result that the bank levy exceeds the minimum contribution already paid (subsequent assessment). This can result in the outflow of financial assets in future. The possible subsequent assessment contribution for the 2011 and 2012 periods amounts to € 11 million in total. Please see note 61 (Bank levy) for information on the calculation of the bank levy.

(47) Off-balance sheet transactions

The German Commercial Code stipulates the obligation to disclose in the notes the nature and purpose of risks and benefits of transactions not shown on the face of the balance sheet if this is essential in assessing the financial situation (section 285 no. 3 HGB). In particular, disclosures on transactions that are expected to have significantly improving or worsening effects on the financial situation or that can be considered unusual with regard to their timing or business partner can be necessary for an assessment of the financial situation.

Special purpose entities in connection with securitisation transactions

IKB has entered into various contractual positions in connection with the establishment of special purpose entities. The purposes of the SPEs were the synthetic transfer of risks (e.g. promise mobility) or a transfer of assets to generate liquidity (e.g. Bacchus 2008-1 and Bacchus 2008-2).

Off-balance sheet risks occur when legal ownership and credit risks are transferred to the acquirer but residual minor risks remain with IKB. These relate to liability for the legal validity of the receivables, the possibility of re-transfer for the event of the inefficiency of the transaction (clean-up call). These contractual obligations can lead to a future outflow of financial funds. If the transfer of assets has not resulted in derecognition as the credit risks remain with IKB, these risks must be taken into account in the measurement of the assets concerned.

In some transactions, IKB acts as a service provider with the obligation to receive capital and interest payments in connection with the assets transferred and to forward these to the special purpose entity. The opportunities here lie in the receipt of service charges for the period of the agreement. The costs of rendering service lead to an outflow of funds. Violations of contractual obligations can also lead to compensation obligations.

On assuming the function of investment manager, the Bank is required to make purchase and sale decisions for the special purpose entity. The opportunities lie in the receipt of management fees. The risks lie in any claims for damages owing to a violation of contractual obligations.

Sales of receivables in connection with the implementation of the EU conditions

Various assets were sold in connection with the implementation of the EU conditions. Part of the implementation of the EU conditions related to the reduction of the credit portfolio in connection with sales of receivables with a volume of € 345 million (previous year: € 685 million). Guarantees were issued in some cases which are reported in the relevant off-balance sheet line items (see note 36). The off-balance sheet risks lie in the liability for the legal validity of both this receivable and the collateral associated with it.

Derivatives

As at the balance sheet date there are obligations from contingent and non-contingent forwards. These are essentially for hedging interest and currency risks and lead to future inflows or outflows of cash. Please also see the notes on derivatives and futures (notes 51 and 52).

(48) Related party disclosures

Transactions with related parties were conducted at standard market terms. There were no significant transactions at non-standard market conditions that would have been reportable in line with section 285 no. 21 HGB.

(49) Letters of comfort

IKB shall ensure that its subsidiaries indicated in the list of shareholdings of IKB Deutsche Industriebank AG as protected by the letter of comfort are able to meet their contractual obligations with the exception of the event of political risk.

In addition to the existing letter of comfort, IKB issued an obligation to ensure sufficient capital and liquidity resources for IKB Projektentwicklung GmbH & Co. KG, Düsseldorf, in the 2011/12 financial year.

The letters of comfort for the foreign subsidiaries of IKB Leasing GmbH, Hamburg, and IKB Leasing GmbH, Berlin, were withdrawn. Subsequent liability risks could still arise from existing liabilities to third parties of € 7 million.

(50) Transfer of collateral for own liabilities

Fixed-interest securities with a nominal value in the amount of € 3.0 billion (previous year: € 6.1 billion) have been assigned as collateral for the ECB tender business and for the general collateral pool with Eurex Repo GmbH. In addition, credit receivables were lodged at Deutsche Bundesbank in the amount of € 0.2 billion (previous year: € 0.6 billion). Securities with a nominal value in the amount of € 3.8 billion were transferred in genuine repurchase agreements as at the reporting date (previous year: € 1.4 billion). Securities with a nominal value in the amount of € 0.5 billion (previous year: € 0.5 billion) were lodged with SIX SIS Ltd., Switzerland, as collateral for repo transactions with various Swiss counterparties.

On the balance sheet date, credit facilities totalling € 4.8 billion (previous year: € 2.2 billion) had been utilised.

IKB AG transferred a total of € 9,074.7 million (previous year: € 9,770.2 million) in loans and advances to customers and financial assets to other banks (particularly KfW) as collateral.

Cash collateral in the amount of € 2.0 billion (previous year: € 1.5 billion) was assigned to various banks for OTC derivatives as part of collateral management.

Securities with a nominal value of € 184.2 million (previous year: € 197.0 million) have been lodged with Clearstream Banking AG, Frankfurt, and Clearstream Banking S.A., Luxembourg, for compliance with payment obligations in securities transactions; securities with a nominal value of € 7.0 million (previous year: € 7.0 million) have been deposited as collateral. In connection with trading on the EUREX Deutschland exchange, securities with a nominal value of € 22.0 million (previous year: € 22.0 million) have been pledged with Barclays, London, to cover margin obligations.

Securities with a nominal value in the amount of € 417.4 million (previous year: € 87.4 million) have been pledged to KfW, Frankfurt/Main, to help hedge joint business concepts and cash collateral of € 230.0 million has been provided (previous year: € 230.0 million). Further securities with a nominal value of € 165.0 million (previous year: € 141.0 million) were pledged as collateral to various banks to hedge global loans.

Securities with a nominal volume of € 0.7 billion (previous year: € 0.9 billion) that were transferred to Rio Debt Holdings are also subject to a restriction on disposition.

In line with IDW RS HFA 8, legally transferred receivables are considered as an assignment of collateral to secure a received loan if there is no balance sheet disposal. These include loans and advances to customers of € 157.5 million (previous year: € 276.3 million) for the special-purpose entity Bacchus 2008-1 and of € 358.1 million (previous year: € 367.2 million) for the special-purpose entity Bacchus 2008-2.

(51) Forwards/fair values of derivatives/interest rate risks

The forwards concluded essentially serve to manage and limit interest rate risks and relate in particular to the credit refinancing portfolio and the investment portfolios. Derivative instrument trading is only conducted to a limited extent. The amount of interest rate risk is restricted by a limit system approved by the Board of Managing Directors and monitored on a daily basis in risk management. In addition, the volume of forward and derivative transactions is restricted by counterparty limits.

The interest rate risks of securities, loans and the associated refinancing funds are managed in the investment portfolios and the credit refinancing portfolio. Derivatives are used to eliminate or reduce mismatched maturities and interest and exchange rate risks. The derivatives used are predominantly interest derivatives. These interest derivatives have a net negative fair value as at 31 March 2012 of € -1,416.0 million (previous year: € -1,196.0 million). The negative fair values of these derivatives are offset by the positive fair values of loans and interest-bearing securities.

The investment portfolios comprise investments in government and sovereign bonds, mortgage bonds, bank bonds, corporate bonds and promissory note loans. They are used to secure the Bank's liquidity and therefore predominantly include securities used by the ECB for tender transactions or in GC pooling as collateral. Investments are mostly hedged against changes in interest rates by interest swaps. The reduction of these positions over past financial years has also left a portfolio of simple interest rate derivatives that is largely interest-risk neutral and contributes significantly to the negative fair value of derivatives at IKB.

(52) Fair values of derivatives

Derivatives business in € million	**Nominal**	**Fair value**		
	31 Mar. 2012	**positive 31 Mar. 2012**	**negative 31 Mar. 2012**	**Total**
Interest rate swaps	46,804.3	2,081.6	-3,479.0	-1,397.4
Forward rate agreement	13,971.4	17.7	-10.1	7.6
Credit derivative	1,509.1	0.4	-281.5	-281.1
of which: embedded derivatives*	(855.7)	(0.0)	(-257.3)	(-257.3)
Cross currency swap	1,084.6	108.0	-136.2	-28.2
FX swap	933.0	3.8	-3.7	0.1
Swaption	910.0	11.2	-13.6	-2.4
Forward interest rate swap	852.7	11.2	-12.8	-1.6
Cap/floor	641.1	4.7	-5.0	-0.3
FX option	176.7	6.2	-8.2	-2.0
Forward bond	35.0	0.0	0.0	0.0
Currency forwards	31.7	0.4	-0.6	-0.2
Forward cross currency swap	10.0	1.6	-1.7	-0.1
Forward forward deposits	1.1	0.0	0.0	0.0
Bond option	0.1	0.1	0.0	0.1
Bid-ask effects	0.0	0.0	-7.4	-7.4
Total	**66,960.8**	**2,246.9**	**-3,959.8**	**-1,712.9**

* Provisions of € 116 million (previous year: € 194 million) were recognised as a provision for possible loan losses for embedded derivatives.

Trading book derivatives:

Derivatives business in € million	Nominal	Fair value		
	31 Mar. 2012	positive 31 Mar. 2012	negative 31 Mar. 2012	Total
Interest rate swap	4,048.6	89.4	-111.4	-22.0
Forward interest rate swap	843.8	19.0	-7.5	11.5
FX option	752.2	5.1	-5.3	-0.2
Swaption	330.0	4.6	-5.4	-0.8
Currency forwards	298.0	4.8	-2.8	2.0
FX swap	291.5	2.7	-3.2	-0.5
Cap/floor	211.4	3.7	-3.2	0.5
Forward bond	14.0	0.1	0.0	0.1
Total	**6,789.5**	**129.4**	**-138.8**	**-9.4**

Derivatives were measured for exchange-traded transactions at the listed price as of the balance sheet date. Fair values were determined for derivatives not traded on exchanges on the basis of financial and mathematical measurement models and market measurement parameters (including interest rates, interest rate volatilities, exchange rates). The credit derivatives are predominantly CDSs on corporate bonds and government bonds in connection with structured securities. The measurement methods for portfolio credit default swaps are based on the measurement methods for CLNs. In line with market practice, the reported fair values include deferred accrued interest. The accrued interest for swaps is reported in assets and liabilities held for trading. The upfront payments for investment book derivatives are reported in prepaid expenses and deferred income.

(53) Remuneration and loans to executive bodies

A detailed description of the principles of the remuneration and the compensation system for the members of the Board of Managing Directors and of the Supervisory Board is included in the remuneration report, which is part of the (Group) management report.

(54) Remuneration of the Board of Managing Directors

For the 2011/12 financial year, the remuneration of the Board of Managing Directors breaks down as follows: € 2.0 million relates to fixed remuneration, € 1.0 million – subject to a resolution by the Supervisory Board – to variable remuneration, € 0.2 million to pension compensation and € 28 thousand to additional benefits. The variable remuneration for the 2011/12 financial year has not yet been resolved by the Supervisory Board, but provisions have been recognised in the amount of the target bonuses agreed with the members of the Board of Managing Directors, i.e. a total amount of € 2.6 million. If and to the extent that the Supervisory Board resolves the bonuses for the 2011/12 financial year, 40% of bonuses will become payable immediately after the resolution by the Supervisory Board, but not before three bank working days after the adoption of the consolidated financial statements for the financial year for which they are granted; a further 30% of bonuses will become payable 21 bank working days after the adoption of the consolidated financial statements for the first financial year and the remaining 30% of bonuses 21 bank working days after the adoption of the consolidated financial statements for the second financial year following the financial year for which the bonus was granted. Subject to the proviso that the Supervisory Board resolves the variable remuneration in the amount of the target bonuses, the total remuneration of the Board of Managing Directors for the 2011/12 financial year will amount to € 4.9 million.

Please see the remuneration report in the Group management report for the presentation of the remuneration for the members of the Board of Managing Directors.

(55) Former and retired members of the Board of Managing Directors

The total remuneration for former members of the Board of Managing Directors and their surviving dependents amounted to € 3.5 million (previous year: € 3.2 million). In the 2011/12 financial year, € 44.1 million was recognised for pension obligations to former members of the Board of Managing Directors and their surviving dependents (previous year: € 42.4 million).

Please see the comments in the remuneration report in the Group management report for details of the reduction in performance-based remuneration paid to the Board of Managing Directors for the 2006/07 financial year.

(56) Remuneration of the Supervisory Board

The total remuneration of the members of the Supervisory Board (including VAT) for the 2011/12 financial year amounted to € 258 thousand (previous year: € 257 thousand). This includes reimbursed expenses of € 10 thousand (€ 10 thousand).

The remuneration of employee representatives on the Supervisory Board – not including the above remuneration for work on the Supervisory Board – amounted to a total of € 362 thousand in the reporting period (previous year: € 408 thousand).

(57) Remuneration of the Advisory Board

The members of the Advisory Board received € 289 thousand (previous year: € 258 thousand), including VAT. The prior-year figures were reported € 84 thousand too low in the previous year.

(58) Loans extended to members of executive bodies and the Advisory Board

No loans were granted to members of the Board of Managing Directors or the Advisory Board. Loans of a total amount of € 0.1 million were extended to the members of the Supervisory Board (previous year: € 0.1 million).

(59) Average number of employees for the year (calculated on the basis of full-time employees)

	2011/12	**2010/11**
Men	702	675
Women	357	353
Total	**1,059**	**1,028**

(60) Corporate governance

The Board of Managing Directors and the Supervisory Board of the Bank issued the annual declaration of compliance in accordance with section 161 AktG on 23 February 2012 and made this permanently available to the shareholders on the company's website, www.ikb.de.

(61) Bank levy

When the Restrukturierungsfondsgesetz (German Act on the Creation of a Restructuring Fund for Banks) came into effect on 31 December 2010, the German Financial Market Stabilisation Authority created a restructuring fund as a government fund. The intended volume of this fund is € 70 billion. The restructuring fund serves to stabilise the financial market by overcoming portfolio and system threats. The RStruktFG is specified further by the Restrukturierungsfonds-Verordnung (RStruktFV – German Restructuring Fund Ordinance), which regulates the legal requirements for assessing annual and extraordinary contributions and the details of the assessment process.

The enterprises liable to pay contributions are all banks within the meaning of section 1 (1) KWG with a banking licence that must comply with RechKredV regulations and that were authorised under the KWG to conduct banking business as at 1 January of the year of contribution. As at 30 September of each calendar year, these banks must pay an annual contribution (section 1 (1) f RStruktFV) in the amount of the total of certain liability items and the total of the derivatives reported in the notes.

The calculation of the annual contribution will be based on the adopted annual financial statements for the last financial year prior to 1 March of the respective year of contribution (section 1 (3) RStruktFV). For IKB, owing to its different financial year, this is ordinarily the adopted annual financial statements as at 31 March of the financial year prior to the year of contribution.

The RStruktFV provides both a cap (the so-called "reasonable limit") and a minimum amount for the calculated annual contribution, whereby a liable enterprise must pay a minimum contribution of 5% of the calculated annual contribution (section 3 (2) RStruktFV). The minimum contribution must also be paid if the reasonable limit is lower.

If the calculated annual contribution exceeds the reasonable limit or if only the minimum contribution is paid, the difference (post-assessment amount) between the notional annual contribution and the actual contribution paid must be repaid in subsequent contribution years (section 3 (3) sentence 1 RStruktFV). Contributions that are no reassessed in the subsequent five contribution years no longer have to be charged (section 3 (3) sentence 4 RStruktFV).

Post-assessment amounts will be subsequently repaid in subsequent contribution years in an amount such that the total of the annual contribution for the current contribution year and the post-assessment contributions for previous years does not exceed the reasonable limit (section 3 (3) sentence 2 RStruktFV).

IKB's annual contribution amounts to € 5.0 million (previous year: € 8.5 million). On account of its results for the 2010/11 financial year, IKB must pay only the minimum contribution of € 0.2 million (previous year: € 0.4 million), which has been recognised in full as a liability as at 31 March 2011. The difference as against the previous year is due to the change in the calculation specifications of the RStruktFV (as at 25 July 2011) and the reduction in the equity and liabilities relevant to the contribution.

(62) Executive bodies

The following list of members of the Supervisory Board and Board of Managing Directors shows

a) *their membership in other statutory supervisory boards and*
b) *similar offices held in comparable governing bodies of German and foreign companies.*

The Supervisory Board

Chairman

Bruno Scherrer, London
Senior Managing Director/Head of European Investments, Lone Star Management Europe Ltd.

a) *COREALCREDIT BANK AG (Chairman)*
Düsseldorfer Hypothekenbank AG (Deputy Chairman)

Deputy Chairman

Dr Karsten von Köller, Frankfurt
Chairman Lone Star Germany GmbH

a) *Düsseldorfer Hypothekenbank AG (Chairman)*
MHB-Bank Aktiengesellschaft (Chairman)
COREALCREDIT BANK AG (Deputy Chairman)

b) *W.P. Carey & Co. LLC*

Members

Stefan A. Baustert, Krefeld
Managing Director of RENA GmbH

a) *NYCON ENERGY AG (Deputy Chairman)*

b) *AptarGroup*

Olivier Brahin, London
Head of European Real Estate Investments, Lone Star Management Europe Ltd.

a) *COREALCREDIT BANK AG*

Dr Lutz-Christian Funke, Oberursel
Director of KfW, Head of Business Strategy division of KfW Bankengruppe

a) *Dedalus GmbH & Co. KGaA (Deputy Chairman)*

Ulrich Grillo, Mülheim an der Ruhr
Chairman of the Board of Managing Directors of Grillo-Werke Aktiengesellschaft

a) Baumarkt Praktiker Deutschland GmbH
mateco AG
Praktiker Bau- und Heimwerkermärkte Holding AG

b) HDF Hamborner Dach- und Fassadentechnik GmbH & Co. KG (Chairman)
Grillo Zinkoxid GmbH
RHEINZINK GmbH & Co. KG
Zinacor S.A. (Belgium)

Arndt G. Kirchhoff, Attendorn
Managing Partner of KIRCHHOFF Automotive GmbH

a) DEKRA SE
KOSTAL Verwaltungsgesellschaft mbH

b) DAL Deutsche Afrika Linien GmbH & Co. KG
DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH
Großhaus GmbH (since 1 April 2011)
LEWA Attendorn GmbH

Bernd Klein, Mönchengladbach
Employee representative

Dr Claus Nolting, Munich
CEO of COREALCREDIT BANK AG

Dr Thomas Rabe, Berlin (until 21 February 2012)
CEO of Bertelsmann AG

a) Arvato AG (Chairman since 23 January 2012)
BMG RM Germany GmbH (Chairman)
Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft (Chairman since 1 January 2012)
Symrise AG (Chairman since 18 May 2011)

b) Bertelsmann Capital Investment (S.A.)
Bertelsmann Digital Media Investments S.A.
Bertelsmann Inc.
Edmond Israel Foundation
RTL Group S.A.
Springer Science + Business Media S.A.

Nicole Riggers, Düsseldorf (since 7 September 2011)
Employee representative

Dr Carola Steingräber, Berlin
Employee representative

Carmen Teufel, Neustetten
Employee representative

Dr Andreas Tuczka, Vienna

Head of European Financial Institutions, Managing Director Lone Star Management Europe Ltd.

a) Düsseldorfer Hypothekenbank AG

Ulrich Wernecke, Rommerskirchen
Employee representative

Andreas Wittmann, Munich (until 7 September 2011)
Employee representative

Board of Managing Directors

Hans Jörg Schüttler
(Chairman)

b) *IKB Autoleasing GmbH*
IKB Leasing Berlin GmbH
IKB Leasing GmbH
IKB Private Equity GmbH

Dr Dieter Glüder

b) *IKB Data GmbH (Chairman)*

Claus Momburg

b) *MD Capital Beteiligungsgesellschaft mbH (Chairman)*
Tempelhofer Hafen GmbH & Co. KG (Chairman since 15 April 2011)
IKB Autoleasing GmbH
IKB Leasing Berlin GmbH
IKB Leasing GmbH
IKB Private Equity GmbH

Dr Michael H. Wiedmann

b) *IKB Private Equity GmbH (Chairman)*
IKB Autoleasing GmbH
IKB Leasing Berlin GmbH
IKB Leasing GmbH

Offices held by employees

As at 31 March 2012, the following employees were represented in the statutory supervisory boards of large corporations:

Dr Reiner Dietrich
Tricor Packaging & Logistics AG

Dr Annette Littmann (until 30 June 2011)
Dortmunder Stadtwerke AG

Klaus Runzer
ae group ag
Oechsler AG

Düsseldorf, 22 May 2012

IKB Deutsche Industriebank AG
The Board of Managing Directors

Hans Jörg Schüttler

Dr. Dieter Glüder

Claus Momburg

Dr. Michael H. Wiedmann

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf, for the financial year from 1 April 2011 to 31 March 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 31 May 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Mark Maternus) Wirtschaftsprüfer (German Public Auditor)	(ppa. Michael Meteling) Wirtschaftsprüfer (German Public Auditor)

9. SIGNATURES

DÜSSELDORF

in August 2012

IKB DEUTSCHE INDUSTRIEBANK AG