Annual Report 2014/2015

IKB Deutsche Industriebank

Contents

Letter from the Chairman of the Board of Managing Directors

Dear shareholders,

Dear business partners of IKB,

The financial year 2014/15 was satisfactory on the whole, particularly in light of the very challenging conditions. Considerable uncertainty with regard to European economic development led to a reluctance to invest among our SME customers, the low-interest environment requires a high degree of flexibility in our strategic planning, and increasingly stringent regulation is accounting for significant time and cost.

In this environment, we again closed the financial year with positive consolidated net income despite the impact of rising costs and an extraordinary tax effect. We also successfully completed the comprehensive assessment of the European Central Bank (ECB), which involved a demanding test of the Bank's assets and stress resistance.

This success represents a sign of quality for IKB. We also further improved our equity base compared with the figures applied in the ECB test. With CET 1 capital of 10.9% at the end of March 2015, our base is solid. At 8.5%, our leverage ratio is also considerably above the minimum of 3% that is expected to be imposed by the supervisory authorities, while our current liquidity coverage ratio of 273% is well in excess of the figure of 60% that will be required to be maintained from October 2015 onwards. We consider our liquidity base to be secure.

Banking regulation is and remains a major challenge. The process of creating the banking union and the accompanying measures are entering the next phase. The planned and potential regulatory measures for banks (such as the "Basel IV" package) will have a not insignificant impact on medium-sized banks like IKB.

This makes it even more important that we continue to strengthen our focus on Mittelstand business. We are continuously expanding our tailored financing solutions, capital market finance and advisory for larger companies. Rounding off our range of midmarket services, we address SMEs via our leasing subsidiary, which has almost 20,000 customers.

Customers facing a complex situation can be provided with tailored solutions within a short time. We adopt a selective approach in order to generate appropriate income for the risks entered into and to ensure adequate margins in our lending business. Despite intense competition, we have succeeded in both of these aims in recent years. We are systematically reducing our non-SME exposures.

We have also recorded further growth in fee and commission income. We are on the right path and can now show to a large number of interesting transactions involving value creation for our customers. Another example of our new approaches to business is the launch of a senior debt fund at the beginning of the year. The fund volume of € 475 million will be invested in the midmarket by IKB.

Ladies and Gentlemen, I took over from Hans Jörg Schüttler as Chairman of the Board of Managing Directors in January 2015. Completing the European Central Bank's stress test shortly before this date was an important milestone for IKB. The Bank has a prudent liquidity base, sufficient equity and a realigned business model. With our dedicated and qualified employees, I believe we have every chance of intelligently combining our traditional business with our expansion into new business areas and helping to strengthen the international competitiveness of German SMEs.

Düsseldorf, June 2015

Dr Michael H. Wiedmann

Focus on the midmarket: SMEs from the major export industries have managed the weak economic years well

Despite crises and turbulence on the markets, the German economy has proven itself to be encouragingly stable over recent years. This was not least thanks to the larger SMEs, whose particularly robust growth makes then an important pillar for the development of the German economy. This is especially true of industrial SMEs and, above all, firms operating in the major export industries. Companies from these sectors are increasingly on the radar of international investors and financiers who are seeking to participate in the positive development of the German midmarket through attractive investments.

An evaluation by IKB Deutsche Industriebank AG analysed around 570 industrial companies with sales of between approximately € 20 million and € 5 billion. This included 90 mechanical engineering firms and automotive suppliers, 55 electro-technology/electronics companies and 45 chemical companies. The companies examined represented a total sales volume of around € 230 billion.

However, even German industry saw a considerable slowdown in economic momentum following the expansionary years of 2010 and 2011. Sales stagnated in 2012 and 2013, only picking up again slightly in 2014. The major export industries were not excluded from the economic downturn, with their sales in 2013 coming in lower or, at best, slightly above the levels recorded in 2011. However, SMEs from the mechanical engineering, electronics, automotive supply and chemical (excluding pharma) industries enjoyed better performance, as shown by IKB's analysis of their annual financial statements from 2011 to 2013 (including some interim financial statements from 2014).

All in all, the analysis comes to the conclusion that many SMEs from the major export industries – following restrained investment in recent years – are in an extremely healthy financial condition that is allowing them to expand their investment activities and hence reinforce the basis for future growth. In 2014, there were already signs that companies were prepared to increase their spending once again, before this confidence was curbed by economic and political uncertainty. However, the interim financial statements as at 30 June and 30 September 2014 suggest that companies were able to record higher sales growth last year than in the two preceding years. The supply industry saw sales rise by a good 8% during the year, while sales of mechanical engineering and electrotechnology companies increased by a good 5%. At the same time, EBT margins improved by between half a percentage point and as much as one percentage point.

This development should give companies the courage to look to the future with greater optimism, particularly in terms of their sales prospects in the emerging growth markets. In this respect, too, the medium-term outlook for industrial production in Germany is positive. Although IKB is only forecasting moderate growth in production for 2015, the upward trend is expected to intensify again in 2016. The major export industries will also play a large part in this development. In its latest industry forecast, IKB is anticipating the strongest growth in the automotive sector (2.5% in 2015 and over 3% in 2016), followed by electronics (1% and a good 3%) and mechanical engineering (1% and a good 2.5%). Growth of around 0.5% and 2% is forecast for the chemical industry. If the downward pressure on the euro exchange rate is sustained – and there are some signs that this will be the case – a significantly more pronounced upturn would be imaginable particularly in those sectors that are increasingly supplying sales markets outside the euro zone. As such, IKB expects the larger SMEs from these sectors to succeed in continuing their above-average growth and increasing their income.

(This page is not part of the Management Report.)

Report of the Supervisory Board

In the financial year 2014/15, the Supervisory Board fulfilled the duties and obligations incumbent upon it in accordance with statutory provisions and the Articles of Association and its by-laws. The Supervisory Board supervised the management of the company and advised the Board of Managing Directors on the management of the company. The Supervisory Board was involved in all decisions of fundamental importance to the bank.

Overview

In its supervisory and advisory activities, the Supervisory Board received regular, timely and comprehensive reports from the Board of Managing Directors, in both oral and written form. The Board of Managing Directors informed the Supervisory Board of the business operations and the economic and financial development of the IKB Group and IKB AG. Other focal points of regular reporting were the general development of IKB and the development of the Group's risk situation, in particular the implementation of the new requirements of the European Banking Supervision under the Capital Requirements Directive and other associated regulations (CRD IV) and the impact of the sovereign debt crisis. Furthermore, the Supervisory Board addressed the planning of the Board of Managing Directors for the financial year 2015/16, the medium-term planning and actual development of the business in the financial year 2014/15.

Reports by the Board of Managing Directors on the business situation and on specific issues were supplemented by written presentations and documentation which each member of the Supervisory Board received prior to the meeting for preparation purposes. The members of the Supervisory Board were also provided with the annual financial statements and consolidated financial statements and the auditors' reports in due time prior to the meeting. The members of the Risk and Audit Committee and the Supervisory Board plenary meeting also received the half yearly financial report and quarterly reports in due time for preparation purposes. The Supervisory Board Executive Committee approved management measures requiring approval, such as the approval of large exposure loans or intercompany loans.

The Supervisory Board held seven meetings in the financial year 2014/15. Regular meetings were held in June, September, November and March. The Supervisory Board also convened in September, following the Annual General Meeting for the financial year 2013/14, for a constitutive meeting. A conference call in October 2014 deliberated on the results of the stress test in the context of the ECB Comprehensive Assessment. In addition, the Supervisory Board convened in January 2015 due to Mr Hans Jörg Schüttler leaving the Board of Managing Directors. The Chairmen of the Supervisory Board and the Board of Managing Directors also consulted regularly on key developments and decisions. Individual members were unable to attend some meetings of the Supervisory Board and sent their apologies.

Topics of the Supervisory Board plenary meeting

At all Supervisory Board meetings in the reporting year 2014/15, the Supervisory Board was able to form a detailed opinion on the general development of the bank based on written and oral reporting by the Board of Managing Directors. In this respect, the Board of Managing Directors also provided the Supervisory Board with explanations concerning the development of business volume and result of the Group. Furthermore, the Board of Managing Directors examined in detail the development in the individual business segments and reported on the capital position, financial situation and Group risk. The Supervisory Board was continuously informed by the Board of Managing Directors about the implementation of regulatory requirements of the Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority) and the Deutsche Bundesbank and CRD IV and the status of material legal disputes.

One focal point of the activities of the Supervisory Board was the impact of the new European Banking Supervision including the increase in regulatory requirements associated therewith and IKB's participation in the ECB Comprehensive Assessment.

At its meeting convened to review the annual financial statements in June 2014, the Supervisory Board examined inter alia the annual financial statements, consolidated financial statements and the dependent company report. The Board of Managing Directors also gave a comprehensive written and oral explanation of the risk situation of the IKB Group. Internal Group Audit and the Chief Compliance Officer made their respective annual reports for 2013/14. Auditing company PwC reported on the audit findings, and the Chairman of the Risk and Audit Committee on preparations for the auditing of the annual financial statements and consolidated financial statements as of 31 March 2014 with the combined management report and dependent company report for the financial year 2013/14. The annual financial statements and consolidated financial statements were approved by the Supervisory Board. No objections were raised to the declaration of the Board of Managing Directors in the closing statement of the dependent company report. The report of the Supervisory Board for the financial year 2013/14 was also approved. Further topics explained by the Board of Managing Directors in written and oral form were the five-year plan and the remuneration systems for the company. The Supervisory Board further addressed the agenda for the Annual General Meeting 2014 of IKB and approved the Supervisory Board's proposed resolutions to the Annual General Meeting. Furthermore, the Supervisory Board determined the variable remuneration of the individual members of the Board of Managing Directors for the financial year 2013/14. The changes to the contracts of the Board of Managing Directors resulting from the revision of the Institutsvergütungs-verordnung (Remuneration Ordinance for Institutions) were approved.

At its following quarterly meetings, the Supervisory Board deliberated respectively on the business development and Group risk including the recovery indicators stipulated in the recovery plan and also addressed in this context the regulatory capital position, especially with respect to the further requirements under Basel III resp. CRD IV. The meetings in each case also addressed the Internal Group Audit report. The Board of Managing Directors informed the Supervisory Board on these topics both in written and oral form.

The Board of Managing Directors provided timely comprehensive information to the Supervisory Board in written and oral form on the business policy and fundamental management questions including the strategic further development of IKB.

Further topics in the reporting period were the business and risk strategy. The Supervisory Board also deliberated on medium-term quantitative and qualitative HR planning and development.

In organisational terms, the Supervisory Board deliberated on the rules of procedure for the Board of Managing Directors and Supervisory Board, and adapted these in particular to new regulatory requirements.

The Supervisory Board also deliberated on the handling of the crisis at IKB in the financial year 2007/08 and the assertion of any further damage claims against members of the Board of Managing Directors.

The special auditor, Dr Harald Ring, completed his audit in February 2014. The Board of Managing Directors of IKB was given access to the audit report on 28 February 2014. In summary, the report concludes that the members of the Supervisory Board at the time did not commit any violations of duty in connection with the circumstances which led to the Company's crisis. The report establishes isolated violations of duty by the members of the Board of Managing Directors at the time but these isolated violations of duty, according to the findings of the special report, did not lead or at least not with sufficient certainty to the Company's later crisis. At its meeting on 17 June 2014, the Supervisory Board discussed the report in detail. In this regard, the Supervisory Board decided, after thorough analysis, to assert damage claims against former members of the Board of Managing Directors for omitting to make an ad-hoc publication prescribed by law in July 2007 (matter of investor claims). By letter of 31 July 2014, the Supervisory Board then claimed damages from Mr Braunsfeld of € 1,436,099.43 and USD 300,329.73 and from Dr Doberanzke and Mr Ortseifen of € 1,623,094.26 and USD 300,329.73. In addition to this, no further damage claims against members of the Board of Managing Directors come into consideration based on the findings described above.

Activities of the Committees

To ensure that the Supervisory Board exercises its functions efficiently, the Supervisory Board has set up different committees: the Supervisory Board Executive Committee, the Risk and Audit Committee, the Remuneration Control Committee and the Nomination Committee. The Committees prepare the deliberations and resolutions for approval in the plenary meeting. Furthermore, the authority to approve resolutions has also been delegated to the Committees themselves.

The Supervisory Board Executive Committee essentially prepared the meetings of the Supervisory Board and focused on business development (including the approval of any transactions requiring approval) and in particular discussed with the Board of Managing Directors the situation of the bank and the Group including the discussion of strategic aspects. In addition, the Supervisory Board Executive Committee deliberated on the preparation of the Annual General Meeting and matters concerning the Board of Managing Directors.

The activities of the Risk and Audit Committee focused on monitoring accounting procedures, the efficiency of the internal control system, risk management, the internal audit system, risk strategy and compliance as well as the audit of the financial statements, in particular the independence of the auditor and the additional services provided by the auditor. The Committee advised on the preparation of the annual financial statements and the consolidated financial statements and the appointment of the auditor. The Risk and Audit Committee issued the audit assignment to the auditor and agreed on the audit fee.

The Nomination Committee discussed the proposals to the Supervisory Board regarding the election of Supervisory Board members by the Annual General Meeting on 4 September 2014. The Nomination Committee furthermore fulfilled the duties incumbent upon it according to statutory provisions.

The Remuneration Control Committee deliberated on the requirements of the Institutsvergütungsverordnung and its impact on the remuneration systems of IKB, in particular the Board of Managing Directors, too. The Remuneration Control Committee also deliberated on the adaptation of the employment contracts of the members of the Board of Managing Directors to the new regulatory framework, on questions of remuneration of the Board of Managing Directors and on questions relating to the pensions of former members of the Board of Managing Directors.

The members of the Committees also repeatedly engaged in deliberations among themselves and maintained ongoing contact with the Board of Managing Directors outside Committee meetings.

The plenary meetings were provided with accounts of the activities of the Committees.

Audit of the annual financial statements and consolidated financial statements

The Annual General Meeting appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungs-gesellschaft (PwC), Düsseldorf, as auditors for the annual financial statements and consolidated financial statements and for any reviews or any audits of the interim financial statements resp. interim consolidated financial statements and the interim management report resp. interim Group management report for the first half of the financial year 2014/15 and all other interim financial statements resp. interim consolidated financial statements and interim management reports resp. interim Group management reports which are prepared prior to the Annual General Meeting of 2015. PwC audited the annual financial statements of IKB AG and the Group and the combined management report for IKB AG and the Group and issued unqualified audit opinions. Reviews were performed of the condensed interim financial statements and the condensed interim consolidated financial statements in each case as of 30 June 2014 and of the condensed interim financial statements and the condensed interim consolidated financial statements together with the interim Group management report in each case for the first half of the financial year 2014/15.

Examination of and deliberation on the annual financial statements, the consolidated financial statements and the relevant combined management report and the related written audit reports of PwC for the financial year 2014/15 by the Risk and Audit Committee and the plenary meeting of the Supervisory Board took place on 15/16 June 2015. All members of the Supervisory Board resp. Committees received these documents in due time prior to the respective meeting. This enabled them, therefore, to deal with the respective contents in due time prior to the meeting. The auditors participated in these deliberations. In the meeting of the Supervisory Board on 16 June 2015 they reported on the key findings of their audit, including any findings with regard to the internal control system in respect of the accounting process and the risk management system of the bank, answered questions and provided additional information. There were no circumstances which gave reason to doubt the impartiality of the auditors.

The Supervisory Board approved the result of the audit of the financial statements at its meeting held on 16 June 2015. According to the final result of the Supervisory Board's own review of the annual financial statements and consolidated financial statements and combined management report, no objections were raised. The Supervisory Board approved the annual financial statements and consolidated financial statements of 27 May 2015, prepared by the Board of Managing Directors, at its meeting on 16 June 2015. The annual financial statements have thus been adopted.

Review and approval of the dependent company report for the financial year 2014/15

The report on business relationships with affiliated companies for the financial year 2014/15 (dependent company report) which was presented by the Board of Managing Directors was also examined by the auditors. The dependent company report was issued with the following unqualified audit opinion: "Having duly examined and assessed this report, we confirm that the factual statements made in the report are correct, the company's consideration with respect to the legal transactions listed in the report was not inappropriately high, and there are no circumstances that indicate a materially different assessment of the measures listed in the report from that given by the Board of Managing Directors."

At the meetings held on 15/16 June 2015, first the Risk and Audit Committee and then the Supervisory Board also deliberated on and reviewed the dependent company report. The members of the Supervisory Board resp. Committees received both the dependent company report and the related audit report of the auditors before the respective meeting, enabling them to deal with the respective contents in due time. The auditors also participated in the deliberations on the dependent company report of the Supervisory Board and the Risk and Audit Committee. In the meeting of the Supervisory Board on 16 June 2015 they reported on the result of their audit and were available to answer questions. The Supervisory Board approved the result of the auditors' audit at its meeting on 16 June 2015.

In accordance with the final result of its own review by the Supervisory Board, no objections were raised against the declaration of the Board of Managing Directors at the end of the dependent company report.

Personalia – Supervisory Board

Messrs Stefan A Baustert, Arndt G Kirchhoff and Bruno Scherrer, whose terms of office each ended at the close of the Annual General Meeting of 4 September 2014, were re-elected to the Supervisory Board by resolutions of the Annual General Meeting of 4 September 2014. Election was for the period 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 2016/17.

Mr Bruno Scherrer was re-elected as Chairman of the Supervisory Board at the constitutive meeting of the Supervisory Board. A re-election of employee representatives resulted in Ms Nicole Riggers being re-elected to the Supervisory Board. Ms Nicole Riggers was re-elected from among the employees as member of the Supervisory Board Executive Committee and as member of the Remuneration Control Committee.

Dr Andreas Tuczka resigned from his office as member of the Supervisory Board with effect as of 27 October 2014, Dr Karsten von Köller resigned from his office as member of the Supervisory Board with effect as of 15 February 2015. As a result, Messrs Benjamin Dickgießer and William Young were appointed as new members of the Supervisory Board by decision of the Local Court Düsseldorf of 17 February 2015.

Dr Karl-Gerhard Eick was elected as Deputy Chairman of the Supervisory Board as successor to Dr Karsten von Köller. As Deputy Chairman, Dr Karl-Gerhard Eick is also a member of all committees of the Supervisory Board of IKB. In addition, the members of the Risk and Audit Committee elected him as their new Chairman on 5 March 2015. Mr Benjamin Dickgießer was elected as member of the Supervisory Board Executive Committee, of the Risk and Audit Committee and of the Remuneration Control Committee by resolution of the Supervisory Board of 5 March 2015. Mr Bruno Scherrer left the Risk and Audit Committee with effect as of 5 March 2015.

The Supervisory Board would like to thank all retiring members for their contributions to the Supervisory Board.

Personalia – Board of Managing Directors

The Chairman of the Board of Managing Directors, Mr Hans Jörg Schüttler, left the Board of Managing Directors effective as at the end of 4 January 2015. The Supervisory Board appointed Dr Michael H Wiedmann as his successor as Chairman of the Board of Managing Directors effective as of 5 January 2015. On 13 February 2015, Dr Michael H Wiedmann was appointed for a further three years, until the end of 31 January 2018, as member of the Board of Managing Directors of IKB and for this period as Chairman of the Board of Managing Directors. Apart from Dr Michael H Wiedmann, the Board of Managing Directors comprises Dr Dieter Glüder and Mr Claus Momburg.

The Supervisory Board would like to thank the members of the Board of Managing Directors and all employees of the IKB Group for their personal commitment and contributions in the past financial year.

Düsseldorf, 16 June 2015

The Supervisory Board

Bruno Scherrer

Chairman

Focus on the midmarket: Promissory note loans on the rise – a study by IKB and FINANCE

Promissory note loans have enjoyed an impressive comeback in corporate financing over recent years. The market experienced a boom during the financial crisis, briefly expanding to more than € 18 billion in 2008. In these exceptional circumstances, even a number of DAX companies placed promissory note loans because traditional sources of financing were unavailable to them or the conditions were unacceptable. Since then, the market has stabilised at a high level. Many SMEs have adopted promissory note loans as the first step in the process of attracting new investors beyond relationship bank financing and positioning themselves on the capital markets.

Although promissory note loans play an important role as a financing instrument, no study had yet been conducted to systematically record the views of companies and investors. To shine more light on the promissory note loan market for the first time, IKB Deutsche Industriebank AG and FINANCE-Research have conducted a study with the participation of more than 400 companies and investors. Comparing the opinions of issuers and investors gave rise to interesting insights that allow conclusions to be drawn in terms of future market development.

As well as presenting the results of the survey, however, the publication also uses case studies to describe the experiences of IKB customers as promissory note loan issuers. They provide an insight into companies' financing strategies, their motivations for using promissory note loans, and how a successful promissory note loan placement works.

The key findings of the study:

- *Diversifying the financing structure is by far the most important argument for the placement of a promissory note loan.*
- *Promissory note loans have characteristics that many SMEs appreciate: a largely familiar investor base, relatively short preparation time, streamlined and flexible documentation, and little in the way of restrictive requirements in terms of accounting and publicity.*
- *At the same time, most of the companies surveyed are not currently using promissory note loans in their financing, as many of them do not currently have any financing requirements or are ineligible for other reasons (e.g. due to an insufficient credit rating). Well over one-third of those surveyed (38.5%) who do not currently use promissory note loans can imagine doing so in the future. This suggests that there is considerable market potential.*
- *Promissory note loans are considered to be an uncomplicated financing instrument. The only criticism noted was the complexity of creditor coordination in a crisis situation.*
- *The development of promissory note loans in corporate financing is benefiting from strong demand among investors, who see promissory note loans as a way of diversifying their portfolio and looking for higher yields in the current low-interest environment.*
- *Many investors also welcome the fact that promissory note loans can be carried at cost as they are not traded on a market, thereby preventing fluctuations due to fair value measurement.*
- *Savings banks and cooperative banks are the dominant investor groups, while foreign banks are becoming increasingly relevant.*
- *Investor requirements of the respective issuers are varied, although most investors pursue a more conservative approach.*

Most of the companies and investors surveyed believe that the importance of promissory notes will remain the same or increase.

In recent years, IKB has supported more than 50 SMEs with promissory note loan issues, in some cases on multiple occasions.

(This page is not part of the Management Report.)

Combined Management Report for the Financial Year 2014/15

1. Basic information on the Group

IKB's business model is concentrated on the midmarket. IKB Deutsche Industriebank AG ("IKB" as a synonym for the Group and "IKB AG" for the individual company) supports small and medium-sized enterprises ("SMEs") in Germany and Europe by providing loans, offering comprehensive capital market and advisory services, advisory on risk management issues and providing instruments for managing market risk. The leasing activities performed by the subsidiary IKB Leasing supplement IKB's range of financing and serve to expand the cooperation to include a large number of smaller midmarket companies. As well as providing financing from its own resources, IKB specialises in giving customers access to subsidy programmes and, increasingly, to bank-independent refinancing via the capital markets or through credit funds. Since its formation in 1924, IKB has enjoyed a close relationship with German companies and entrepreneurs as an independent private bank with a particular focus on long-term financing for high-growth companies and ambitious projects. The Bank's business model is built upon these long-standing, stable customer relationships and a pronounced understanding of the topics that matter to SMEs. In the years since the crisis, IKB has refocused its business model on the midmarket and significantly expanded its service range for these companies.

The restructuring measures conducted by the IKB Group during the post-crisis years and the adjustments to the business model are increasingly generating positive results. In particular, the Bank now has a solid tier 1 capital base once again. This was confirmed by the comprehensive assessment performed by the European Central Bank (ECB) in which IKB participated; further information can be found in sections 2. "Economic report" and 4. "Risk report". The existing tier 1 capital (ECB stress test assessment date: 31 December 2013) comfortably passed all of the tests, and the common equity tier 1 capital ratio (CET 1) has since increased further.

IKB is now a bank that can boast a stable, diversified deposit base for refinancing. Taking into account the use of subsidy programs for SMEs, IKB is almost entirely independent of the capital markets, unlike prior to the financial crisis.

IKB concentrates on customer business and its advisory, capital market, credit management and asset management activities. The integrated business strategy of regional sales, industry groups and product groups ensures a solutions-oriented, high-quality advisory service for customers. In its target customer segment, IKB has succeeded in acquiring new customers and building on active customer relationships. IKB's target customers are predominantly industrial SMEs, often fast-growing companies that IKB expects to increase their sales in the next few years and whose activities have already been internationalised.

IKB has a sales network of locations of IKB AG and the IKB Leasing Group that covers all regions of Germany. Domestic sales are supplemented by selected European locations. The IKB Leasing Group has a total of 14 leasing companies in ten European countries (Germany, France, Italy, Austria, Poland, Romania, Russia, Slovakia, Czech Republic and Hungary).

The Bank held a share of the market for long-term corporate loans to the German manufacturing industry of around 4.5% as at 31 December 2014. The market share for commercial public subsidy loans was around 9% at the same date. IKB has also succeeded in using and developing its expertise in syndication and placement for SMEs in its capital market business. IKB AG's strongest competitors are the major universal banks and selected larger institutions from the public and cooperative banking sector. In terms of acquisition finance, IKB works together with private equity companies.

IKB also develops financing solutions for its customers that do not impact on its balance sheet. This includes supporting companies in what may be their first venture into the capital markets, which can also initially involve the issue of promissory note loans. IKB has also established fund solutions (Valin funds) with a range of non-bank investors to provide companies with financing that also frees them up from reliance on bank loans. This allows interested companies to access extremely long-term financing as well as subordinated funds.

Following the establishment of the banking union and the assumption of banking supervisory activities by the ECB, IKB is classified as follows:

- There is no direct supervision by the ECB.
- IKB is supervised by the German Federal Financial Supervisory Authority (BaFin) and, on account of its classification, is required to prepare a recovery plan in accordance with the German Banking Act (KWG).

IKB's business model is predominantly influenced by the conditions imposed by the banking supervisory authorities in the form of a wide range of provisions and regulations. To date, the following consequences for IKB's business model have emerged:

- the provision of its own customers with funding will be organised via alternative financing sources to an increasing degree,
- credit periods for corporate financing will be shorter on the whole, even though there is corresponding demand for long-term financing among companies,
- hedging via derivatives will become more expensive for companies,
- the provision of short-term liquidity will become more expensive,
- customers will also be faced with higher credit costs due to increased capital requirements and the necessary price discipline,
- deposit-based financing must become a key element, and
- corporate loans in particular will be primarily refinanced from deposits where it is not possible for public loan programme to be used.

In the second phase of new regulation that is currently underway, banks' business models and governance are effectively being assessed to a greater degree and an economic review of the level of required capital and liquidity is being conducted on an individual basis. Generally speaking, the supervisory authorities want to be able to intervene at an earlier stage on the basis of comprehensive information. Banks' restructuring and settlement ability is also being continuously monitored and new capital requirements are being imposed in the form of a "bail-in" ratio. The significantly heightened notification requirements are accompanied by demands by the supervisory authorities in terms of the quality (accuracy, security, speed) of information systems, which are having a profound impact on banking processes and the IT architecture.

This regulation is also placing a considerable burden on the business model. One example is the highly complex and, in some cases, contradictory target system for overall bank management that has arisen and will continue to arise from the various regulations. There are many diseconomies of scale for smaller banks. Regulatory requirements now affect almost all areas/processes and are interwoven throughout the entire structural and procedural organisation. Accordingly, the Bank's business model will depend to a large extent on a high degree of cost discipline, particularly when it comes to implementing regulatory provisions, the optimisation of risk-weighted assets and the anticipation of potential future regulations. Other important factors include IT security and the establishment of an IT architecture that is suitable to ensure flexible and timely reporting for the banking authorities in particular.

2. Economic report

Macroeconomic and industry-specific conditions

The pace of global economic expansion slowed considerably in summer 2014. Geopolitical conflicts had a particularly negative impact on the world economy in the middle of the year, meaning that global economic momentum was below-average compared with historical levels.

The situation in the emerging economies became even more varied. The resource-rich emerging economies have been suffering from the significant fall in energy and commodity prices since the second half of the year. Many of the emerging markets also have a considerable need for political reform. In Russia, the political conflict with the West and the sanctions imposed by both sides had a further negative impact on economic development, investor confidence and the local currency. Momentum in China also slowed, although the growing size of the Chinese economy means that it is continuing to generate important impetus for global growth.

Among the industrialised nations, the euro zone and Japan are still making only limited contributions to global economic development. By contrast, the USA and the United Kingdom recorded robust growth rates and improved employment figures. The recovery in these countries is more advanced than in the euro zone and is being driven by the improved asset situation among private households, a relatively well capitalised banking sector and the highly expansive monetary policy that remains in place. Although the euro zone returned to growth in 2014 for the first time since 2011, the increase in gross domestic product (GDP) was a moderate 0.9%. In the summer half-year, economic development was curbed by the uncertainty concerning Ukraine and the accompanying mutual economic sanctions in connection with the political conflict with Russia. At the same time, low oil prices and the depreciation of the euro provided impetus for the economy, although this is likely to only have a more pronounced impact as 2015 progresses. In 2014, the euro zone economy was also negatively affected by the negotiations with Greece on new assistance programmes and the resulting fears of a “Grexit” (Greek withdrawal from the monetary union).

In the regions that are important for IKB, economic development was also varied. The UK economy has been improving since early 2013, and GDP increased by 2.6% year-on-year in 2014. By contrast, growth in Italy and France remains weak. The French economy recorded GDP growth of just 0.4%, while Italy’s GDP contracted by a further -0.4%. The situation in Spain is more positive, with the economy returning to growth for the first time since 2008 and GDP increasing by 1.4% as against the previous year.

The German economy recorded growth of 1.6% in 2014. Following the phase of weakness that stretched throughout long parts of 2014, the economy picked up speed considerably as the turn of the year approached. With the depreciation of the euro and falling oil prices, which began in mid-2014 and intensified towards the end of the year, some of the key economic data for Germany improved significantly. This resulted in the expansion of industrial production. However, the macroeconomic upturn was attributable to the domestic market in particular, with private consumption providing particular impetus. The already advantageous consumer environment, with tangible growth in real income and high employment, received an additional boost from falling energy prices. By contrast, capital expenditure provided little in the way of impetus throughout the year, although the low level of interest rates meant that investment in construction increased.

Monetary policy in the industrial nations developed as follows during the course of the year: In the USA, the asset purchase programme was gradually scaled back as a result of the economic recovery. The US key lending rate remains at the zero percent mark. It is expected to be raised in the second half of 2015. The Bank of England last increased the volume of purchased securities in July 2012. The key lending rate remains at 0.5% and is also likely to be increased in 2015.

Between October 2013 and October 2014, the ECB conducted a comprehensive assessment of the balance sheets of system-relevant banks, including a stress test, with the aim of identifying weaknesses in the European banking sector. Only 13 of the 130 participating banks were found to still have a capital shortfall when the results were published in October 2014; this did not include any German banks. The results mean that the majority of European banks should be well positioned, including with regard to various stress events.

In September 2014, the ECB cut the main refinancing operations rate in the euro zone to 0.05% and the deposit rate to -0.20% in response to the weakness of the economy. Various purchase programmes were also resolved. On 22 January 2015, the Governing Council of the ECB announced an expanded asset purchase program including the purchase of sovereign bonds as a response to the growing fears concerning price stability. The programme was launched in March 2015 with a monthly volume of € 60 billion. The monthly purchases are intended to be carried out in this volume until the end of September 2016, and in any case until the Governing Council sees a sustained adjustment in the path of inflation that is consistent with its aim of achieving inflation rates below, but close to, 2% over the medium term.

The decision to further relax monetary policy was driven by the continued reduction in inflation rates in the euro zone until recently. The medium- to long-term inflation outlook also declined further in the course of 2014, and it was assumed that the annual Harmonised Index of Consumer Prices (HICP) would be low or negative in the short term as a result of the muted development of energy prices. In addition, the previous extent of fiscal policy accommodation was not sufficient to counteract the increased risk of a sustained period of low inflation. However, the purchase programme met with sharp criticism in Germany in particular, with reference made to risks such as potential market distortion, bubble-building on the asset markets and the weakening pressure to enact reforms with regard to budget consolidation.

The external value of the euro declined substantially on the back of the various ECB measures and, in particular, the announcement of the purchase programme in January 2015. The divergence in terms of monetary policy is accompanied by significant shifts in the respective exchange rates. Some European currencies have recently come under considerable pressure to appreciate in relation to the euro. In January, the Swiss National Bank surprisingly discontinued the lower limit of CHF 1.20/EUR that it had defended since summer 2011, resulting in near-parity between the Swiss franc and the euro.

Corporate lending in the euro zone was again extremely muted, declining over the course of 2014 but showing signs of stabilisation towards the end of the year. Lending remains weak in IKB-relevant countries such as Italy and Spain in particular. In France and Germany, the downturn in corporate lending has at least come to a standstill, and the trend is starting to point upwards once again. In light of the continued reluctance to invest, however, bank lending to corporate clients in these markets also remained muted. In addition, German companies were also able to meet a large proportion of their overall financing requirements from own funds generated or they continued to make use of alternative financing sources such as the capital markets, thereby continuing a trend that has been visible for several years.

Irrespective of the generally positive result of the ECB's comprehensive assessment, the banking sector continues to face significant challenges. Following the decline in earnings in the industry, there is limited scope for increased profitability in the current year. The cost side is negatively impacted by restructuring measures and the heightened regulatory requirements. Demand for bank-specific products such as corporate loans remains weak, while the comfortable liquidity situation at companies means they are able to make use of alternative sources of financing via the capital markets. In Germany in particular, many companies are so well positioned that they have been able to finance most of their investments internally. The extremely low level of interest rates is also having a growing adverse effect on the margin development of many banks. Together with the wide range of regulatory provisions, pressure on earnings is rising in connection with the intense competitive environment. An adjustment of business policy is required in order to sustainably improve profitability and create scope for the continuous expansion of the capital base.

Significant events in the period under review

Participation of the Bank in the comprehensive assessment by the European Central Bank

IKB participated in the ECB’s comprehensive assessment, which incorporated a supervisory risk assessment, an asset quality review and a stress test.

On 26 October 2014, the ECB published the final results of its Europe-wide, multi-stage review of 130 European banks (comprehensive assessment). The ECB’s aim was to identify risks and weaknesses at the banks before the single supervisory mechanism for the euro zone came into force on 4 November 2014. Key elements of the comprehensive assessment included an examination of the quality of bank assets as at 31 December 2013 as part of the asset quality review (AQR) and a future-oriented stress test to examine banks’ resilience in the event of a deterioration in economic conditions. The stress test encompassed two different scenarios. The baseline scenario simulated typical economic development over a three-year period, while the adverse scenario assumed a serious economic crisis in the euro zone. For the purpose of the AQR, the ECB set a benchmark for common equity tier 1 capital (CET 1) of 8% as at 31 December 2013. For the stress test, the benchmark for the baseline scenario was also 8% for CET 1, while the benchmark for the adverse scenario was 5.5% for CET 1, albeit with a different capital definition to the AQR in both scenarios. Both the capital definition and the capital requirements that would result taking into account the pro rata phase-in regulations of the CRR (Capital Requirements Regulation) for the three-year analysis horizon were applied in the stress test. The stress test data was adjusted to reflect the results of the AQR in a process known as join-up.

IKB successfully completed the comprehensive assessment. IKB entered the comprehensive assessment with a CET 1 ratio of 9.36% on 31 December 2013. The AQR results led to an adjustment in the CET 1 ratio of 31 basis points to 9.05% for the purpose of the comprehensive assessment. IKB achieved a CET 1 ratio of 8.69% in the baseline scenario and 6.53% in the adverse scenario of the stress test. The results achieved by IKB in the comprehensive assessment meant that no capitalisation measures were required even as at 31 December 2013.

It should be noted that the methodology applied by the ECB for the purpose of the asset quality review differs from the accounting provisions of the German Commercial Code, in some cases significantly. The methodology on which the AQR is based serves solely to enable the ECB to assess capital resources. IKB examined the results of the AQR for their impact on accounting and came to the conclusion that no adjustments need to be made.

IKB remained under the direct supervision of the German Federal Financial Supervisory Authority (BaFin) and Deutsche Bundesbank even after 4 November 2014, as it was not classified as a major institution within the meaning of Art. 6 (4) of Regulation (EU) No. 1024/2013 (Single Supervisory Mechanism Regulation).

Recognition of intercompany profits in capital during the financial year

The IKB Group had a CET 1 ratio of 10.4% as at 31 March 2014 following the adoption of the consolidated financial statements. On 30 June 2014, IKB allocated intercompany profits for the first quarter of the financial year 2014/15 to common equity tier 1 capital (CET 1) subject to approval by BaFin. BaFin granted the approval required in accordance with Art. 26 (2) of Regulation (EU) No. 575/2013 (Capital Requirements Regulation – CRR) for the allocation of intercompany profits to common equity tier 1 capital (CET 1) at the reporting date. Based on the provisions of the CRR as at 1 January 2014 and the current interpretation of the European Banking Authority (EBA), the IKB Group had a common equity tier 1 capital ratio (CET 1) of 11.4% at the preparation date of the consolidated interim financial statements on 30 September 2014 (including intercompany profits as at 30 June 2014).

Classification as potentially posing a risk to the banking system

In accordance with section 47 of the German Banking Act (KWG) a.F., BaFin and Deutsche Bundesbank have classified IKB as a bank that potentially poses a risk to the banking system and, like all other banks classified in this manner, requested that IKB prepare a recovery plan in accordance with section 47a KWG a.F. In July 2014, IKB submitted the recovery plan to the German Federal Financial Supervisory Authority (BaFin). It will be necessary to adjust the recovery plan on an ongoing basis to changed statutory and supervisory requirements.

Changes in the Group

The special-purpose entity German Mittelstand Equipment Finance S.A. was included in the consolidated financial statements by way of consolidation for the first time as at 30 September 2014. The object of the company is the acquisition of lease receivables of IKB Group companies.

IKB Beteiligungsgesellschaft 2 mbH was included in the consolidated financial statements by way of consolidation as a subsidiary as at 30 September 2014. IKB Beteiligungsgesellschaft 1 mbH, IKB Beteiligungsgesellschaft 3 mbH, IKB Beteiligungsgesellschaft 4 mbH and IKB Beteiligungsgesellschaft 5 mbH were included in the consolidated financial statements by way of consolidation as subsidiaries as at 30 November 2014. Their purpose is the acquisition, holding and disposal of equity investments in companies and the management of their own assets.

European Liquid Bond S.A. SICAV-FIS was included in the consolidated financial statements as an associate for the first time as at 31 March 2014. IKB AG obtained an indirect controlling interest over the investment fund in June 2014, which resulted in the inclusion of European Liquid Bond S.A. SICAV-FIS in the consolidated financial statements as an affiliated company by way of consolidation. Transitional consolidation ended in November 2014 with the liquidation of the company and its deconsolidation.

The equity interest in Oechsler AG, Ansbach, held by IKB Equity Capital Fund GmbH, a subsidiary of IKB AG, was sold in February 2015.

Legally relevant events

Results of the special audit under German stock corporation law

The special auditor under German stock corporation law submitted his final report to the commercial register in early September 2014. IKB has also made the report available for viewing on its website. Further information on the results of the special audit under German stock corporation law can be found in the “Legal risk” subsection of section 4. “Risk report”. The special audit report will be included on the agenda of the 2015 Annual General Meeting.

Debt issuance programme

The debt issuance programme was updated as at 28 November 2014. This programme has since been used for various new issues.

Personnel changes

Supervisory Board

Mr Stefan A. Baustert, Mr Arndt G. Kirchhoff and Mr Bruno Scherrer, whose terms of office expired at the end of the Annual General Meeting on 4 September 2014, were re-elected to the Supervisory Board by resolutions of the Annual General Meeting on 4 September 2014. At the constituent meeting of the Supervisory Board on 4 September 2014, Mr Bruno Scherrer was re-elected as Chairman of the Supervisory Board.

As scheduled, Ms Nicole Riggers stepped down from the Supervisory Board at the end of the Annual General Meeting on 4 September 2014. She was re-elected by the employee representatives to the Supervisory Board. At its constituent meeting on 4 September 2014, the Supervisory Board re-elected Ms Nicole Riggers as a member of the Executive Committee and the Remuneration Control Committee.

Two members of the Supervisory Board stepped down in the period under review. Dr Andreas Tuczka stepped down from the Supervisory Board with effect from 27 October 2014, while Dr Karsten von Köller stepped down with effect from 15 February 2015. Dr Karl-Gerhard Eick, who has been a member of the Supervisory Board since 5 September 2013, was elected as the new Deputy Chairman of the Supervisory Board with effect from 16 February 2015. As the Deputy Chairman, Dr Karl-Gerhard Eick also succeeded Dr Karsten von Köller as a member of all of IKB's Supervisory Board committees. The members of the Risk and Audit Committee also elected him as the new Chairman of the Risk and Audit Committee on 5 March 2015.

At the request of the Board of Managing Directors, the two departing members of the Supervisory Board were replaced by Mr Benjamin Dickgießer and Mr William D. Young for the period until the end of the next Annual General Meeting by resolution of the Düsseldorf Local Court on 17 February 2015.

At its meeting on 5 March 2015, the Supervisory Board resolved to elect Mr Benjamin Dickgießer as a member of the Executive Committee and the Remuneration Control Committee to replace the departing Dr Andreas Tuczka. There was another personnel change in the Risk and Audit Committee. Mr Bruno Scherrer stepped down from this committee with effect from 5 March 2015 and Mr Benjamin Dickgießer was elected as a new member.

Board of Managing Directors

The previous Chairman of the Board of Managing Directors, Mr Hans Jörg Schüttler, stepped down from this position with effect from the end of 4 January 2015. The Supervisory Board appointed Dr Michael H. Wiedmann as the Chairman of the Board of Managing Directors with effect from 5 January 2015. On 13 February, Dr Michael H. Wiedmann was appointed as a member of the Board of Managing Directors of IKB for a further three years until the end of 31 January 2018 and was appointed as the Chairman of the Board of Managing Directors for this period.

Annual General Meeting on 4 September 2014

The Annual General Meeting of IKB for the financial year 2013/14 was held in Düsseldorf on 4 September 2014. The Annual General Meeting adopted all the resolutions proposed by the Bank's management by a large majority. The results of the individual votes can be found on the Bank's website at www.ikb.de. No legal proceedings were initiated against resolutions of the Annual General Meeting.

Valin funds

The investment fund Valin Mittelstand Senior Debt Fund S.A., SICAV-SIF, which was launched by IKB on 3 June 2014, was successfully closed in January 2015 with capital commitments from investors totalling around € 475 million. The investors are German and foreign institutional investors, who have the option of investing directly in units of the fund or in bonds with a rating. The investment strategy of the fund is to acquire senior loans from German SMEs with annual sales of at least € 250 million for the portfolio. IKB is the investment manager for the fund, which commenced investment activities in April 2015. For more information, see section 3. "Supplementary report".

Rio Debt Holdings

In December 2014, the Bank, acting via its Luxembourg-based subsidiary IKB Lux Beteiligungen S.à.r.l., purchased the mezzanine loan extended by LSF Aggregated Lendings S.à.r.l., a company of the Lone Star Funds Group, to Rio Debt Holdings (Ireland) Limited. The transaction was conducted at arm's-length conditions. The mezzanine loan, which has been repaid in full with the exception of one US dollar, entitles IKB Lux Beteiligungen S.à.r.l. to receive 20% of all further interest and principal payments on securities from the Rio portfolio. As the junior lender, IKB Invest GmbH is entitled to receive the remaining 80% of all further interest and principal payments on securities from the Rio portfolio.

Dissenting view of the tax authorities

Towards the end of the financial year 2014/15, the tax authorities informed IKB that they had a dissenting view on the application of section 8c of the German Corporate Income Tax Act (KStG)/section 10a of the German Trade Tax Act (GewStG) in connection with the capital increase implemented by IKB AG during the course of the year and the subsequent sale of KfW's shares in IKB to Lone Star in the financial year 2008/09, and that they intended to issue tax assessment notices to this extent.

Further information on the dissenting interpretation of sections 8c KStG/10a GewStG can be found in the "Legal risk" subsection of section 4. "Risk report" and in section 5. "Report on opportunities".

Net assets, financial position and results of operations

Unless noted otherwise, the comments below apply to both the Group management report (Group) and the management report of IKB AG (IKB AG).

Business development

Despite muted demand for credit on the market and selective lending by IKB, the Group's new business volume increased by € 0.5 billion year-on-year to € 3.2 billion in the financial year 2014/15. The majority of the new business volume relates to IKB AG. In the period under review, loans from own funds accounted for 55% of the new business volume (previous year: 39%), while public programme loans accounted for 27% (previous year: 36%) and equipment leasing accounted for 19% (previous year: 25%).

The decline in receivables from customers in spite of the increase in the new business volume is in line with the previous year's expectations. The positive developments on the capital markets meant that, as expected, measurement gains were generated from the sale of financial instruments on a net basis.

Results of operations

In the financial year 2014/15, IKB generated consolidated net income after additions to the fund for general banking risk in accordance with section 340g of the German Commercial Code (HGB) of € 5 million (previous year: € 32 million). Additions to the fund for general banking risk in accordance with section 340g HGB, which are recognised as an expense and hence to reduce consolidated net income, amounted to € 5 million in the financial year 2014/15 (previous year: € 402 million).

Key factors affecting the Group's results of operations were the net interest and lease income of € 290 million (previous year: € 310 million), other comprehensive income after additions to the fund for general banking risk in accordance with section 340g HGB in the amount of € 161 million (previous year: expense of € 73 million) and tax expenses of € 120 million (previous year: tax income of € 133 million).

As in the previous year, IKB AG reported net income of € 0 million after taxes and additions to the fund for general banking risk in accordance with section 340g HGB.

The main reasons for the sustained positive results of operations recorded by the IKB Group and IKB AG are the continued advantageous overall situation on the capital markets, which IKB harnessed to realise mark-to-market gains, and the slight reduction in interest rates, which had a positive impact on interest expense. After the German economy picked up pace once again in late 2014 and German exports benefited from the development of the EUR/USD exchange rate, the level of investment activity in the economy increased. This helped to drive the growth in IKB's business activities.

Net interest and lease income

Net interest income includes interest income and expenses, current income from financial instruments, equity investments, investments in affiliated companies, and close-out payments for the early dissolution of derivative transactions in the banking book in connection with ongoing portfolio management. Net lease income (Group only) consists of lease income, expenses and write-downs.

As forecast, the Group's net interest and lease income was down on the prior-year figure of € 310 million; however, the reduction was a moderate € 20 million, with net interest and lease income amounting to € 290 million in the year under review. € 14 million of the reduction was attributable to the mandatory retrospective first-time application of the opinion on the accounting treatment of credit derivatives in the non-trading portfolio in accordance with the German Commercial Code (new version) published by the banking committee of the Institut der Wirtschaftsprüfer on 4 May 2015 (IDW RS BFA 1 n.F.).

IKB AG's net interest income amounted to € 349 million in the year under review (previous year: € 233 million) as a result of the increased profit transfers by subsidiaries to IKB AG compared with the previous year. This meant that net interest income was significantly higher than expected.

Net fee and commission income

The Group recorded net fee and commission income of € 42 million (IKB AG: € 46 million), up on the prior-year figure of € 29 million (IKB AG: € 38 million). Fee and commission income increased as expected in connection with the lending business and financial market and advisory activities.

€ 7 million of the increase was attributable to the mandatory retrospective first-time application of IDW RS BFA 1 n.F., which was published on 4 May 2015.

All in all, net fee and commission income at the Group saw significant growth as expected, whereas net fee and commission income at IKB AG increased only slightly.

Administrative expenses

Administrative expenses comprise personnel expenses, other administrative expenses and depreciation and write-downs of intangible and tangible assets.

Personnel expenses increased by € 22 million to € 183 million at Group level (IKB AG: by € 21 million to € 148 million). This was due in particular to recruitment in front office in the financial year 2013/14, which was expensed in full in the financial year 2014/15. Personnel expenses were also affected by the adjustment to IKB's remuneration system (see the "Personnel risk" subsection of section 4. "Risk report"), the increase in pensions for former members of the Board of Managing Directors and the increase in variable performance-based remuneration for the financial year 2013/14 due to the adjustment of the Bank factor to reflect the Bank's positive economic development. The headcount increase is intended to boost sales activities at IKB.

Other administrative expenses and depreciation and write-downs of intangible and tangible assets increased by € 5 million to € 129 million at Group level (IKB AG: by € 27 million to € 143 million). This was primarily attributable to the additional expenses in connection with the new European bank levy and IKB's mandatory participation in the ECB's comprehensive assessment. The increase at IKB AG was largely due to the unscheduled write-down on the goodwill for the new customer derivative business acquired from IKB Luxemburg S.A. in an intragroup transaction in the financial year 2010/11.

This meant that, in contrast to forecasts, administrative expenses at Group level rose by € 27 million to € 312 million (IKB AG: by € 49 million to € 290 million).

Net other income

Net other income consists of other operating and extraordinary income and expenses, write-downs, reversals of write-downs and gains on the disposal of equity investments, investments in affiliated companies and long-term investments. As in the previous year, net other income also includes additions to the fund for general banking risk in accordance with section 340g HGB.

The main factors influencing net other income, which increased by € 234 million, from € -73 million to € 161 million (IKB AG: by € 172 million to € 83 million), are presented below.

The measurement and sale of long-term investments resulted in net income of € 384 million (IKB AG: € 330 million) after net income of € 141 million (IKB AG: € 126 million) in the previous year.

Close-out payments in connection with the strategic early dissolution of derivative transactions in the banking book resulted in net expenses of € 257 million (IKB AG: € 255 million) compared with net income of € 148 million in the previous year (IKB AG: € 144 million).

Expenses of € 25 million related to the net addition to provisions for interest on tax obligations (previous year: income of € 19 million from net reversal).

In the period under review, the recognition of a tax provision (see the “Legal risk” subsection of section 4. “Risk report”) led to a lower addition to the fund for general banking risk in accordance with section 340g HGB than anticipated in the 2013/14 annual report (€ 5 million; previous year: € 402 million), which was recognised as an expense in net other income. The common equity tier 1 capital of IKB increased by a corresponding amount.

Net risk provisioning

(Note: Additional information on risk provisioning can be found in the “Risk provisioning” table in section 4. “Risk report”.)

Net risk provisioning included in amortisation/depreciation and write-downs of receivables, specific securities and additions to loan loss provisions declined by € 23 million year-on-year to € -65 million (IKB AG: by € 12 million to € -71 million).

The provisions for possible loan losses included in this figure declined by € 21 million to € -66 million at Group level (IKB AG: by € 12 million to € -71 million).

Group provisions for possible loan losses include € 17 million (IKB AG: € 22 million) in net additions to specific valuation allowances, provisions, income from recoveries on receivables written off, and write-downs. This represents a year-on-year decrease of € 101 million (IKB AG: € 92 million). This was due in particular to the lower level of net additions to specific valuation allowances.

In terms of global valuation allowances for lending business in the Group, there was a net addition of € 49 million in the year under review (IKB AG: € 49 million) compared with a net reversal of € 31 million in the previous year (IKB AG: € 31 million). The addition was attributable to the increase in latent default risks in the areas of acquisition financing and PFI financing in connection with public-private partnerships, the impact of the EU sanctions against Russia and the more stringent legislation in the renewable energies segment in Southern Europe.

Net risk provisioning includes net income from securities in the liquidity reserve and derivatives in the amount of € +1 million (IKB AG: € 0 million) after € -1 million in the previous year (IKB AG: € +1 million).

Taxes

Tax expenses amounted to € 120 million in the period under review (IKB AG: € 125 million); this was largely due to the substantial impact of tax provisions for the financial year 2008/09 as described in the “Legal risk” subsection of section 4. “Risk report”. In the previous year, the Group recorded tax income of € 133 million (IKB AG: € 136 million), which was primarily attributable to the recognition of deferred taxes and income from the reversal of tax provisions no longer required.

Net income

In line with the forecast described in the “Outlook” section of the 2013/14 annual report, the Group generated net income in the year under review. Consolidated net income for the financial year 2014/15 amounted to € 5 million (previous year: € 32 million). As announced, net income at IKB AG remained unchanged at € 0 million.

Net assets

The Group’s total assets declined by € 2.3 billion in the period under review, amounting to € 22.4 billion on the reporting date (IKB AG: decrease of € 2.3 billion to € 21.7 billion).

The gross credit volume, which also includes off-balance-sheet business (see also section 4. “Risk report”), decreased from € 26.6 billion in the previous year to € 25.6 billion in the year under review (IKB AG: from € 27.4 billion to € 26.3 billion) and primarily comprises receivables from customers and banks, bonds, contingent liabilities and asset derivatives in the non-trading book.

Assets

Receivables from banks in the Group increased by € 0.1 billion to € 2.3 billion (IKB AG: from € 2.1 billion to € 2.2 billion).

As expected, receivables from customers in the Group decreased by € 1.2 billion to € 11.1 billion (IKB AG: by € 1.4 billion to € 12.9 billion), largely as a result of restrained credit demand on the market and selective lending by IKB. The increase in the new business volume was not sufficient to fully offset the repayments in the period under review.

Bonds and other fixed-income securities in the Group fell by € 1.0 billion to € 6.5 billion (IKB AG: reduction of € 1.1 billion to € 5.4 billion).

Equity and liabilities

Liabilities to banks decreased by € 1.3 billion to € 8.9 billion at Group level (IKB AG: by € 1.3 billion to € 8.9 billion), particularly due to the lower utilisation of public programme loans.

Liabilities to customers fell by € 1.5 billion to € 8.2 billion (IKB AG: by € 1.4 billion to € 8.2 billion), largely as a result of the reduction in the volume of customer deposits.

Securitised liabilities in the Group increased by € 0.4 billion to € 1.5 billion (IKB AG: from € 0.7 billion to € 1.0 billion); this was primarily due to the issue of new bearer bonds in the amount of € 0.7 billion (IKB AG: € 0.5 billion), which was offset by bonds maturing in the amount of € 0.3 billion (IKB AG: € 0.2 billion).

Subordinated liabilities were unchanged year-on-year at € 1.0 billion in the Group and € 0.5 billion at IKB AG.

The fund for general banking risks, which consists of section 340g HGB and section 340e HGB reserves that qualify as common equity tier 1 capital in accordance with the CRR and the CRD IV banking reform package, increased to € 580 million in the financial year 2014/15 as a result of additions amounting to € 6 million (of which € 5 million in accordance with section 340g HGB).

Equity

As a result of the consolidated net income and the changes in foreign exchange differences recognised in equity (which primarily related to the deconsolidation of IKB Capital Corporation i.L.) in the period under review in particular, equity increased by € 18 million, from € 983 million to € 1,000 million (IKB AG: unchanged at € 1,207 million).

When calculating regulatory own funds after approval of the accounts and including the allocation of the fund for general banking risk at the reporting date, the fund for general banking risk in the amount of € 580 million is taken into account as common equity tier 1 capital.

Unrealised gains and losses have arisen in recent financial years from financial instruments in the banking book in the form of securities, from derivatives and from the refinancing of the credit book without matching maturities as a result of changes in market interest rates, exchange rates and credit ratings. In view of the positive developments on the capital markets, the Group generated a net increase in the value of derivatives and securities of € 128 million in the period under review as a result of selling or changing derivative positions.

Despite this development, net unrealised gains and losses on the financial instruments not carried at fair value in the balance sheet items receivables from customers, bonds and other fixed-income securities and derivatives improved by € 560 million year-on-year to € -216 million at the reporting date. Further details on the calculation of unrealised gains and losses can be found in the "Other disclosures/"Unrealised gains and losses" section of the notes. Unrealised losses could lead to a lower level of net interest income or losses on disposal in future financial years. As in the previous year, the calculation in accordance with IDW RS BFA3 did not result in any provisioning requirements.

Financial position

IKB's liquidity situation is stable. The funding mix and the lower level of interest rates mean that refinancing is generally achievable at more favourable conditions than in the previous periods. In addition to earmarked and other secured refinancing, IKB is accepting revolving deposits from corporate clients and retail customers. The Bank is also issuing bearer bonds in the retail customer segment, further reducing its volume of non-strategic assets in order to generate liquidity and being selective when it comes to entering into new lending business.

Regarding the presentation of the maturities of liabilities, please refer to the breakdown of remaining terms in the notes. Regarding the liquidity and financing situation, please refer to section 4. "Risk report".

Overall assessment

Adjusted for the substantial impact of tax provisions for the financial year 2008/09, the Bank is satisfied with its results of operations. Net assets and the financial position are in order.

From the Bank's perspective, the course of business was positive on the whole.

Financial and non-financial performance indicators

Non-financial performance indicators are of minor importance in terms of management at IKB. In addition to a wide range of management-related sub-indicators, IKB applies the following key financial performance indicators for management purposes.

Regulatory tier 1 ratio

The regulatory tier 1 ratio or common equity tier 1 ratio is calculated as the ratio of tier 1 capital or CET 1 to regulatory risk-weighted assets. Details of the reconciliation of regulatory CET 1 and risk-weighted assets can be found in the information on the regulatory capital situation in section 4. “Risk report”.

As of 31 March 2015, the CET 1 ratio amounted to 10.9% for the IKB Group and 14.6% for IKB AG (for details see section 4. “Risk report”). As anticipated in the annual report for the year ended 31 March 2014, this meant that IKB exceeded the statutory minimum requirement (CRR) of 4.5% for the CET 1 ratio.

Leverage ratio

In addition to the risk-weighted capital requirements forming part of the solvency system, the provisions of the CRR introduced the leverage ratio as an indicator of indebtedness with effect from 1 January 2014.

The leverage ratio compares the largely unweighted total of balance sheet and off-balance sheet transactions with regulatory tier 1 capital. At present, this indicator is disclosed for monitoring purposes only and is not expected to become binding until 1 January 2019. Although the exact figure for this date is still to be determined, a benchmark of at least 3.0% has established itself internationally.

Applying the transitional provisions (excluding Delegated Regulation (EU) 2015/62 of 17 January 2015, which is expected to apply for the first time to notifications from 31 December 2015 at the earliest), the leverage ratio of the IKB Group in accordance with Article 429 CRR amounted to 8.5% as at 31 March 2015 (IKB AG: 8.1%), thereby comfortably exceeding the benchmark of 3.0% and, as forecast in the annual report for the year ended 31 March 2014, remaining essentially unchanged as against the previous year.

Net income after taxes and before additions to the fund for general banking risk (section 340g HGB)

As forecast in the 2013/14 annual report, IKB generated positive operating results in the financial year 2014/15 including disposals of financial instruments. These results were used to offset the substantial impact of the provisions for taxes in the financial year 2008/09. As in the previous year, the remaining excess was used to strengthen tier 1 capital. Consolidated net income before additions to the fund for general banking risk (section 340g HGB) amounted to € 9 million as at 31 March 2015 (IKB AG: net income of € 5 million). Additions of € 5 million were made to the fund for general banking risk in accordance with section 340g HGB.

Banking income and net banking income

The Group’s banking income, which consists of net interest and lease income and net fee and commission income (IKB AG: net interest income and net fee and commission income), amounted to € 332 million at Group level as at 31 March 2015 (IKB AG: € 395 million) compared with € 339 million in the previous year (IKB AG: € 271 million).

Net banking income is calculated as banking income less provisions for possible loan losses and amounted to € 267 million at Group level as at 31 March 2015 (IKB AG: € 324 million) compared with € 252 million in the previous year (IKB AG: € 188 million).

Liquidity ratio in accordance with section 2 (1) of the German Liquidity Regulation

The liquidity ratio in accordance with section 2 (1) of the German Liquidity Regulation (LiqV) is used to evaluate short-term liquidity risk. The LiqV defines the liquidity ratio as the ratio of the cash and cash equivalents available within a period of up to one month to the payment obligations callable during this period. A liquidity ratio of 1 or greater is necessary in order to meet the requirement.

With a liquidity ratio in accordance with section 2 (1) LiqV of between 1.74 and 2.37, IKB AG had an adequate liquidity buffer at all times during the entire period under review. The liquidity ratio was at the upper end or in excess of the forecast range of 1.25 to 2.00 for the financial year 2014/15 as announced by IKB in its annual report for the year ended 31 March 2014.

3. Supplementary report (events after 31 March 2015)

The following major developments have arisen since 31 March 2015:

Changes in the Group

The sale of the shares in Axit AG, Frankenthal, held by IKB Equity Capital Fund GmbH in February 2015 was followed by the transfer of the shares in early April 2015.

Valin funds

IKB sold all of its shares in the fund with effect from 8 April 2015. It remains indirectly invested in the fund via bonds with rights in the shares issued by a securitisation vehicle.

4. Risk report

Risk management organisation

The Bank operates a comprehensive risk management system in accordance with the Minimum Requirements for Risk Management (MaRisk) and other applicable pronouncements by the national and international supervisory authorities, which it develops on a continuous basis. All material risks are included in the risk management system.

The strategic business focus and the resulting opportunities are managed by the Strategic Planning unit separately from risk management (see section 5. "Report on opportunities").

The business and risk strategy outlook and the measures derived from this are set out in the business and risk strategy.

The companies included in risk management are defined on the basis of the materiality of the respective risks broken down by risk type (counterparty default risk, market price risk, etc.). Materiality is determined on the basis of the Group-wide risk inventory, which encompasses all material Group companies.

Individual tasks and areas of responsibility are documented in risk management rules and regulations, which specify the principles of the risk management system at IKB, taking into consideration statutory requirements and specific organisational instructions.

Supervisory Board

The Board of Managing Directors regularly discusses the risk situation, business and risk strategy and the risk management of the Bank in detail at meetings with the Supervisory Board.

Board of Managing Directors

The Board of Managing Directors of IKB AG is responsible for risk management. Based on the strategic business focus and risk-bearing capacity, it determines principles for risk management policy which, together with the limit structure, are firmly established within the business and risk strategy of IKB. When establishing these principles, the Board of Managing Directors also takes into consideration the quality of risk management processes, particularly monitoring.

Departmental responsibility was redefined following the departure of Mr Schüttler and the reduction in the number of members of the Board of Managing Directors to three. Departmental responsibility for back office functions in terms of transaction-related risk monitoring, intensive support and problem exposure management and departmental responsibility for compliance risk are held by Mr Momburg. Dr Glüder is responsible for risk controlling and monitoring earnings management and capital resources. Responsibility for monitoring the material legal risks lies with Dr Wiedmann. The Board of Managing Directors as a whole is responsible for managing risks associated with the strategic business focus and reputation risks.

Risk committees

Special committees set up to manage and monitor risk-relevant decisions support the Board of Managing Directors in risk management and decision-making. The most important is the Strategy and Risk Committee, which monitors the implementation of the targets defined in the business and risk strategy, incorporates current market developments and expectations into the measures required to achieve the targets, and discusses the areas of the business and risk strategy requiring adjustment. The Committee is composed of the members of the Board of Managing Directors and the heads of various front and back office divisions, and meets at least once a quarter.

Credit risk management

The key tasks of Credit Risk Management include activities associated with the credit approval process to be carried out independently of front office, as well as developing and monitoring Group-wide standards for the lending business and ongoing risk monitoring of counterparty default risks. This includes the voting process, independent of front office, for investments in securities and derivative instruments. The division also participated in credit portfolio management.

Exposures with an increased risk as well as restructuring and settlement cases are managed in special management units within Credit Risk Management, which are also responsible for the impairment process for these exposures. The aim of this special management is to take action in good time in order to maintain the company’s capacity for redevelopment, in the event that these endeavours fail, to reduce the economic losses. Particular attention is paid not only to non-performing loans – irrespective of whether permanent impairment is expected – but to all exposures where available information indicates that they require special and intensive management by units specialising in restructuring.

The credit approval and impairment process for securitisation and structured credit products is likewise performed by a specialised Credit Risk Management unit.

Risk controlling

The Risk Controlling division is responsible for calculating and analysing counterparty, market price and liquidity risks in the banking and trading book, monitoring compliance with the limits prescribed by the Board of Managing Directors and reporting on risk positions at Group level.

It also examines and improves the models and procedures used to measure financial instruments and manages and enhances the rating systems used.

The prompt and ongoing monitoring, analysis and reporting of the Bank’s total risk, the monitoring of the risk-bearing capacity and the validation of models used in risk quantification and credit assessment are also carried out in separate units.

Group-wide monitoring of operational risk is also located centrally in risk controlling. In addition to identifying, analysing and reporting on operational risk, this also includes developing and establishing methods for measuring operational risk in the Group. Central operational risk management is aided by local operational risk managers in the segments, subsidiaries and central divisions.

Business risk is another material risk that is taken into account in calculating risk-bearing capacity. Business risk is monitored by the Finance division.

Monitoring earnings development and capital resources

The Finance division prepares monthly performance analyses for existing and new business in the context of performance controlling and presents management reports to the Board of Managing Directors on a weekly basis, in which deviations from planning in income and assets are identified and analysed. This ensures that business risk is continually monitored and reported. The Board of Managing Directors is therefore able to react to negative developments even at short notice.

In addition, the Finance division carries out capital controlling and integrated capital planning and monitoring within IKB in line with regulatory and economic aspects.

Internal audit

The Group Audit central division is organised as a process-independent part of the risk management system and the internal control processes. It operates on behalf of the entire Board of Managing Directors, with no duty to comply with instructions, as an independent body that reports directly to the Board of Managing Directors. All relevant activities and processes throughout the Group are examined on the basis of risk-oriented process checks. It focuses on particularly risk-sensitive processes and quantitative methods as well as IT work flows in the lending, advisory and trading business. There is also a focus on loan reviews on a case-by-case basis. Group Audit also carries out special audits as required by order of the Board of Managing Directors. The processes and activities outsourced by IKB to other service providers are monitored as part of continuous outsourcing controlling and the dedicated audit activities performed by Group Audit at the outsourcing companies. The Board of Managing Directors receives ongoing reports on the audit findings. In its annual report, Group Audit informs the Board of Managing Directors of the significant and serious audit findings and their processing status in summarised format. The member of the Board of Managing Directors responsible for Group Audit then informs the Supervisory Board of current developments and material results on the basis of the annual report. Since the first quarter of 2014, Group Audit has also submitted a quarterly report to the Board of Managing Directors and the Supervisory Board in accordance with section 25c (4a) subsection 3g KWG on the development of the significant and serious audit findings during the course of the year and selected aspects of its work. Independently of this, it is ensured that the Chairman of the supervisory body or the Finance and Audit Committee can obtain information directly from the head of Group Audit with the involvement of the Board of Managing Directors.

Regulatory capital resources and risk-bearing capacity

Regulatory capital resources

Since 1 January 2014, the Bank has calculated its regulatory capital resources in accordance with the provisions of the CRR. It applies the standardised approach for credit risk for counterparty default risk, the standard method for the calculation of the credit valuation adjustment charge, the base indicator approach for operational risk, and the standard regulatory methods for market price risk (interest risk: duration method; option risk: delta plus method or scenario matrix method). The Bank continues to use the regulatory netting approach to determine the net basis of measurement for derivatives, taking account of existing netting agreements. The following tables provide an overview of the regulatory risk items, equity base and ratios as applicable on approval of the accounts.

Table: Regulatory capital situation at the IKB Group in accordance with CRR/CRD IV[1)]

Figures in € million	31 Mar. 2015	31 Mar. 2014
Counterparty default risk (including CVA charge € 123 million; previous year: € 162 million)	12,736	13,528
Market risk equivalent	153	252
Operational risk	451	289
Total risk-weighted assets (RWA)	**13,340**	**14,069**
Common equity tier 1 (CET 1)	1,453	1,464
Additional tier 1 (AT 1)	326	346
Total Tier 1 (T 1)	**1,779**	**1,810**
Tier 2 (T 2)	448	461
Own funds	**2,228**	**2,271**
CET 1 ratio	**10.9%**	**10.4%**
T 1 ratio	13.3%	12.9%
Own funds ratio	16.7%	16.1%

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

1) All figures after approval of the accounts and taking into consideration the addition to the fund for general banking risk in CET 1 at the reporting date and the phase-in and phase-out provisions of the CRR for 2015 and the previous year. The CET 1 ratios were calculated in accordance with the current legal status of the CRR as at 31 March 2015 and for the previous year, including transitional provisions and the interpretations published by the supervisory authorities. The possibility that future EBA/ECB standards and interpretations or other supervisory actions will lead to a retrospective change in the CET 1 ratio cannot be ruled out.

Table: Regulatory capital situation at individual Bank level in accordance with CRR/CRD IV[1)]

Figures in € million	31 Mar. 2015	31 Mar. 2014
Counterparty default risk (including CVA charge € 123 million; previous year: € 162 million)	11,670	11,837
Market risk equivalent	86	117
Operational risk	262	194
Total risk-weighted assets (RWA)	**12,018**	**12,148**
Common equity tier 1 (CET 1)	1,754	1,733
Additional tier 1 (AT 1)	0	0
Total Tier 1 (T 1)	**1,754**	**1,733**
Tier 2 (T 2)	306	366
Own funds	**2,060**	**2,099**
CET 1 ratio	**14.6%**	**14.3%**
T 1 ratio	14.6%	14.3%
Own funds ratio	17.1%	17.3%

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

1) All figures after approval of the accounts and taking into consideration the addition to the fund for general banking risk in CET 1 at the reporting date and the phase-in and phase-out provisions of the CRR for 2015 and the previous year. The CET 1 ratios were calculated in accordance with the current legal status of the CRR as at 31 March 2015 and for the previous year, including transitional provisions and the interpretations published by the supervisory authorities. The possibility that future EBA/ECB standards and interpretations or other supervisory actions will lead to a retrospective change in the CET 1 ratio cannot be ruled out.

The decrease in risk-weighted assets as at 31 March 2015 is primarily attributable to scheduled repayments, unscheduled repayments and sales of non-strategic assets accompanied by limited new business.

At 10.9% at Group level and 14.6% at individual Bank level, IKB's CET 1 ratios are in excess of the minimum level of 8% required by the ECB as part of its comprehensive assessment (AQR and stress test baseline scenario). This means that IKB significantly exceeds the statutory minimum requirements in terms of CET 1.

The Board of Managing Directors expects it to be possible to meet the statutory minimum requirements in the future (see also section 6. “Outlook”). Although the CRR has been binding since 1 January 2014, there remains uncertainty with regard to the interpretation of the new regulation. This is also reflected in the large number of interpretation issues raised with the EBA, which are extremely important when it comes to interpreting the regulation. Furthermore, many technical regulatory standards to be announced by the EBA are not yet available in their final version or their publication has been delayed compared with the EBA’s original timetable (see the addendum to the EBA’s work programme for 2015 dated 27 March 2015). Further uncertainty is provided by the fact that the results of the international banking regulation process and the European project for uniform bank supervision are not always foreseeable. This relates in particular to the implementation of the regulations arising from the Banking Recovery and Resolution Directive (BRRD) with national implementation in the form of the German Recovery and Resolution Act and preparations for the Supervisory Review and Evaluation Process (SREP) in accordance with the EBA guidelines. In addition, the Basel Committee (BCBS) has issued a number of consultation papers on the revision of the standardised approach for credit risk (BCBS 307), counterparty default risk (BCBS 279), revisions to the securitisation framework (BCBS 303), the trading book framework (BCBS 305), operational risk (BCBS 291) and capital floors for advanced measurement approaches (BCBS 306), the precise effect of which and the corresponding impact on future capital requirements cannot be definitively quantified at present. The binding date on which harmonised EU-wide banking supervisory legislation will come into force has also still yet to be defined.

Risk-bearing capacity

The maintenance of risk-bearing capacity is fundamental to risk-related bank management. The legislature laid the foundation for the maintenance of risk-bearing capacity as a major target value in section 25a KWG. The banking authorities subsequently made clarifications to this in the Minimum Requirements for Risk Management. According to MaRisk, banks must ensure on the basis of their overall risk profile that all risks classified as significant are covered by the available economic risk coverage capital.

In the context of risk-bearing capacity, IKB views the continuation of business activities while observing the regulatory minimum capital requirements as its primary objective. Even if both expected and unexpected losses are incurred in the one-year period of analysis, all regulatory minimum capital requirements must continue to be met. Against this backdrop, IKB uses the going-concern perspective as the leading control instrument. The Bank also analyses the overall risk position and risk coverage potential from a liquidation (gone concern) perspective.

The economic capital requirements in order to cover unexpected bank-wide risk [counterparty default risk, market price risk, liquidity risk (only in the going-concern perspective) and general business and operational risk] are determined using the Bank’s own quantitative models. As reputation risks are ultimately reflected in business and liquidity risk, they are not explicitly included again in the calculations of bank-wide risk. Economic capital is not currently calculated for investment risks; however, these are also subject to ongoing monitoring. Legal risks are part of operational risk.

In accordance with the “Supervisory assessment of bank-internal capital adequacy concepts” guideline published by the German Federal Financial Supervisory Authority (BaFin), IKB applies a fully accounting-based perspective for its going-concern perspective. On the basis of the regulatory equity items, the risk coverage potential is determined in such a way that all minimum capital requirements would be met in the analysis period even if the risk coverage funds were completely exhausted. If the regulatory minimum capital requirements change during the analysis period, this is accounted for in the calculation of the risk cover. In addition, when the risk coverage potential is determined, it is ensured that capital items that do not participate in current losses are not included.

Like the accounting-based derivation of risk coverage potential, all risks considered in the going-concern perspective are also calculated on the basis of accounting in order to determine the necessary economic capital requirements.

The following table compares the economic capital requirements in the going-concern perspective that could arise mathematically in a year to cover unexpected losses at a confidence level of 95% (value at risk) with the risk coverage potential that will be available in the next twelve months.

Table: Economic capital requirements – going-concern perspective

	31 Mar. 2015 in € million	31 Mar. 2015 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
Counterparty default risk	180	50%	206	50%
Market price risk	30	8%	58	14%
Operational risk	25	7%	25	6%
Business risk	99	27%	99	24%
Liquidity risk	28	8%	26	6%
Total	**362**	**100%**	**414**	**100%**
less diversification effects	-68		-74	
Overall risk position	**294**		**340**	
Risk coverage potential	**868**		**873**	

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

The overall risk position declined significantly by € 46 million year-on-year to € 294 million. This was primarily due to the reduction in counterparty default risk and market price risk.

As of 31 March 2015, the overall risk position amounted to 34% of the risk coverage potential (31 March 2014: 39%). This means that the risk coverage potential is comfortably sufficient to cover the economic capital requirements arising from the occurrence of unexpected risks across the risk horizon. All regulatory minimum capital requirements under Basel III will continue to be met – even excluding diversification effects – should these unexpected risks occur.

In addition to the above going-concern perspective, the Bank observes and analyses the overall risk position and risk coverage potential from a liquidation perspective. Unlike the primarily management-related going-concern perspective, risk coverage potential from the liquidation perspective is calculated as the sum of all the equity components available to the Bank, including profit participation capital and subordinated capital. At the same time, all hidden liabilities/reserves from loans, securities and derivatives are included in full.

Risk cover amounted to € 1,904 million in the liquidation perspective, an increase of € 312 million compared with the start of the financial year. This means that the risk cover is sufficient to cover the overall risk position at a confidence level of 99.76% (derived from a BBB rating) with utilisation of 78% (31 March 2014: utilisation of 77%). Even excluding diversification effects, the risk cover still exceeds the overall risk position.

Forecast calculations and stress tests

In light of the continued uncertainty with regard to macroeconomic development, the Bank prepares different forecast calculations for the next two financial years. These forecast calculations are based on the Bank's business plan. The Bank also performs various stress tests on a regular basis and as required. The outcome is that, assuming the business plan occurs in reality, the risk cover will exceed the economic capital requirements for unexpected risks in the going-concern perspective in the next two financial years.

An analysis of the stress tests shows that more extreme assumptions, such as the collapse of the euro zone with wider economic consequences for the entire European Economic Area, would mean that risk cover would no longer be sufficient to fully cover the resulting overall risk position.

Risk strategy

The individual risk strategies are a component of the integrated business and risk strategy. They set out the framework towards which IKB's business activities are geared. In the financial year 2014/15, all of the risk strategies were revised in order to reflect the current business focus and the economic situation. The areas of the strategies requiring adjustment as identified by the Strategy and Risk Committee were taken into account.

Credit risk strategy

In its lending business, the Bank intends to limit its overall risk in relation to its credit portfolio and thereby to further lower allowances for losses on loans and advances in the coming financial years to a low level. In addition to restricting new business to good credit standings to improve or stabilise the average credit rating over time, this also includes limiting concentration risks at individual borrower and borrower group levels. Over recent years, the application of different minimum credit rating requirements for new business depending on the respective product type has led to a continuous improvement in the average credit rating throughout the entire portfolio. Despite the high credit rating and risk requirements, the earnings contributions from lending business have also developed positively over recent years.

Given its core business, IKB's regional focus will remain on Germany in future. Its low-level activities outside Germany (other than leasing) are currently limited to Western Europe, particularly France, Italy and Spain. With regard to its target customers in the high-end SME segment, industry diversification is also highly significant. In assessing its limits, the Bank looks at both the significance of the industry to the German economy and an analysis of the industry in terms of its forecast development.

Market price risk strategy

The market price risk strategy describes the risk profile IKB is prepared to accept when entering into market price risk, how this is measured and controlled and what measures are taken to prevent undesirable risks. At present, market price risks primarily result from the investment portfolio and Treasury. The main risk drivers are credit spread risks and interest rate risks, which the Bank will continue to focus on with a view to its forecast net interest income in light of the continued expected low level of interest rates in the financial year 2015/16. For trading book transactions, the Bank largely restricts itself to highly liquid products denominated in euro and US dollar, while the maximum risk positions this entails are kept very low.

Liquidity strategy

The current liquidity protection is based on the acceptance of customer deposits guaranteed by the Deposit Protection Fund, the issuance of promissory note loans, secured borrowing on the interbank market and participation in the ECB tender procedure. In addition to ensuring that the Bank is able to meet its payment commitments at all times, the aim of liquidity management is to ensure permanent access to affordable, diversified refinancing options. A diversified portfolio of ECB-eligible liquid securities serves as a liquidity reserve.

Operational risk strategy

The primary objective of operational risk management at IKB is to reduce the losses resulting from operational loss events. Based on data from the business impact analysis, which records and evaluates the operational risks that are inherent to IKB's business, processes and systems, contingency plans are prepared for the risks classified as "critical" as a minimum. In each case, the contingency plan for the respective concrete situation describes the immediate measures to be taken and the measures that are required to ensure an orderly return to normal operation. In addition to the business impact analysis, a quarterly individual analysis of the operational risk situation is conducted with a view to human resources, processes, projects, legal risks and infrastructure as well as the measures initiated to reduce or prevent risk in each case.

Counterparty default risk

In the case of counterparty default risk, IKB distinguishes between credit risk and counterparty risk. A credit risk is present if a loan is not paid back – or not paid back in full – according to the loan agreement as a result of the default of a contracting party. At IKB, counterparty risk includes issuer risk and settlement risk in addition to replacement risk relating to derivatives that can result from the default of a contracting party. Issuer risk reflects the potential loss in the event of the default of the issuer of a security held by IKB, while settlement risk constitutes the risk of non-performance of the counterparty following advance payment of IKB in the context of the settlement process.

The starting point for the risk management process in the lending business is the planning process. Risk is explicitly included in planning based on risk-bearing capacity, new business and earnings targets. The target figures derived include not only new business volume, interest and commission income and personnel and material costs, but also the forecast risk provisioning requirement.

Credit approval process and individual exposure monitoring

Key tasks within the scope of the credit approval process (front office-independent credit analysis, loan approval) and exposure monitoring (intensive support, problem exposure processing) are carried out by the front office-independent Credit Risk Management central division and are thereby separated from front office functions (acquisition and business initiation) in accordance with regulatory requirements.

After approval by front office, all credit decisions are made in line with authorisation regulations either centrally by the person responsible within Credit Risk Management or by committees involving the Board of Managing Directors. This is subject to the size of the Group's existing credit exposure, the credit rating of the borrower and the collateral provided. Credit and counterparty (limit) decisions may only be arranged by the persons responsible within Credit Risk Management if industry and country limits and other criteria set out in the risk strategy are observed. If individual criteria are not observed, the corresponding decision is taken by the committee with the involvement of the Board of Managing Directors.

Loan and collateral agreements and subsequent adjustments are prepared by employees of Credit & Treasury Operations working independently of front office, with the involvement of the Legal department in more complex individual cases.

The basis for every credit decision is a detailed credit analysis which shows and evaluates the information relevant to the decision, and documents this clearly in a decision paper. In addition to the analysis of the economic circumstances of borrowers based on annual financial statements, forecasts and liquidity planning, credit analysis places a considerable focus on the sales and procurement markets of the respective borrowers, their positioning in the relevant markets and their prospects for the future. At the same time, a great deal of importance is attached to the mobility of loans, i.e. their eligibility for transfer or syndication.

In syndication transactions, acquisition finance and other individual cases of corporate finance involving the assumption of underwriting risks and subsequent transfer, there is a limit system for the size of individual underwriting positions and the aggregate of all underwriting positions, the aim of which is to ensure that even those risk positions that are intended only to be held in the credit book for a short period are syndicated during the approved period.

Credit decisions regarding investments in securities, securitisation, portfolio investments and other loan products are made either by the person holding powers of approval in the Credit Risk Management central division or by the Board of Managing Directors within the scope of existing approval power regulations.

Existing credit exposures are generally reviewed by Credit Risk Management every twelve months using the appropriate processes and approval procedures. Furthermore, individual sub-portfolios and key individual exposures are analysed with regard to their risk situation and exposure strategies derived on an annual basis. Regular portfolio analysis and measurement for all security investments, securitisations, portfolio investments and other structured loan products are also carried out by the Credit Risk Management central division.

Rating process and systems

IKB uses computer-aided rating systems tailored to the respective customer segment or the specific finance type to carry out credit assessments. The forecast overall economic performance is reviewed regularly and included in the rating. The individual rating classes are assigned probabilities of default based on the analysis of historical defaults.

In the case of classic corporate financing, IKB uses a corporate rating that assesses the economic situation of the borrower based on financial ratios using mathematical and statistical processes. Individual customer and industry characteristics (qualitative factors) are taken into consideration by means of expert opinions.

For acquisition finance, the Bank uses a system that has been specially developed for leveraged finance transactions, which takes into account the financing structure on the basis of key ratios as well as qualitative factors of the transaction.

Bank creditworthiness is also assessed using a specially developed system that applies quantitative and qualitative company information taking into account influences from the banking system and factors based on market data. The previous procedure was replaced by a new bank assessment system developed by an external service provider in the year under review. The further development, maintenance and operation of the rating system have been outsourced to the external service provider.

The development, maintenance and operation of the rating systems for acquisition finance and banks have been outsourced to an external service provider.

For project and special financing, IKB uses models that enable statements as to the debt service capacity by means of various scenarios, as the focus in this area is on the amount and sustainability of the cash flow for servicing interest payments and repayments which arise during the project duration. The real estate rating procedure used in commercial real estate financing rates creditworthiness on the basis of a variety of specific property data and investor information. As both project finance and real estate financing are no longer part of IKB's strategic focus and there will be no more new business, these rating methods will no longer be developed further.

Country risk

Country ratings are determined in a dedicated system using economic data and ratios regarding the economic development of the country and its solvency in conjunction with a qualitative assessment of the political and social situation in the country. The previous procedure was replaced by a new country assessment system developed by an external service provider in the year under review. The further development, maintenance and operation of the rating system have been outsourced to the external service provider.

Quantifying credit risk

An internally developed portfolio model is used to quantify counterparty default risk, which generates a distribution of potential credit losses, taking into consideration fluctuation ranges for statistical default probabilities. This model takes into account individual aspects of each loan or investment (amount, collateralisation, term, sector, group affiliation, rating) as well as a large number of other variables, for example default probability, likely collateral realisation quotas, sector/asset correlations based on the Bank's experience or on external reference sources.

Systems for preparing internal credit assessments and those for approval, monitoring and management processes in the lending business are regularly tested in the context of validation and benchmarking processes.

Portfolio monitoring and management

When monitoring portfolios, the central focus is on examining the entire credit portfolio. Industry and market changes are jointly observed in a timely manner by back office units specialising in industry risks. Their extensive industry expertise is an important component of risk management. The aim here is to recognise and limit sector risks in the lending business as early as possible, taking into consideration expected developments. In addition, monthly portfolio meetings are generally held between the company advisors and restructuring specialists in back office at the branches in order to discuss potential problem exposures at an early stage and initiate measures aimed at reducing counterparty default risk.

Regular monitoring by the Limit Committee, which comprises representatives from the Economic Research, Credit Risk Management and Risk Controlling central divisions and front office, is the starting point for determining concentration limits, which are oriented towards business policy target figures and risk policy guidelines. Sector limits are determined on the basis of the existing structures and portfolio key figures in due consideration of identified sector risks and economic influences on the individual sectors and, where appropriate, upper limits for individual loans and loans to company groups are also defined in order to prevent concentration risks. Furthermore, the credit portfolio is continuously monitored by risk analysts at Credit Risk Management specialising in industrial sectors.

Total exposure is restricted to the country risk limits for all countries. These limits are defined by the Limit Committee and apply to all transactions in these countries. Utilisation of fixed limits is monitored and reported promptly.

Structure of counterparty default risk

The credit volume as at 31 March 2015 was composed as follows:

Table: Credit volume

	Group			IKB AG		
in € million	**31 Mar. 2015**	**31 Mar. 2014**	**Change**	**31 Mar. 2015**	**31 Mar. 2014**	**Change**
Receivables from banks	2,300	2,235	65	2,158	2,109	49
Receivables from customers	11,090	12,263	-1,173	12,865	14,232	-1,367
Bonds and other fixed-income securities not including own bonds	5,764	6,820	-1,056	5,433	6,524	-1,091
Equities and other non-fixed-income securities	483	568	-85	1	-	1
Trading liabilities	271	318	-47	271	318	-47
Equity investments[1)]	23	25	-2	-	-	-
Lease assets	1,030	1,170	-140	-	-	-
Subtotal: Balance sheet assets	**20,961**	**23,399**	**-2,438**	**20,728**	**23,183**	**-2,455**
Contingent liabilities[2)]	2,184	1,376	808	3,116	2,370	746
Asset derivatives in the non-trading book[3)]	2,066	1,412	654	2,089	1,435	654
Write-downs[4)]	474	497	-23	445	455	-10
Leasing: Deferred income and advance payments for intangible assets	-74	-78	4	-	-	-
Provisions for expected losses for embedded derivatives	-52	-41	-11	-52	-41	-11
less portions of bonds and receivables from banks attributable to third parties	-	-15	15	-	-	-
Gross credit volume	**25,559**	**26,550**	**-991**	**26,326**	**27,402**	**-1,076**
For information purposes: other significant counterparty default risks outside the gross credit volume						
Irrevocable loan commitments	1,080	822	258	969	767	202
Investments[1)] and shares in associated and affiliated companies	39	73	-34	170	148	22

1) In the Group, investments after consolidation are part of the gross credit volume, at IKB AG they are outside the gross credit volume.
2) Not including derivative components of non-separated structured products (credit default swaps – CDS), which are reported under "Bonds and other fixed-income securities", before deducting risk provisions. This item contains the nominal value of all protection seller CDSs, including a nominal amount of € 1,222 million that is treated as a derivative for accounting purposes as at 31 March 2015 in accordance with the provisions of IDW RS BFA 1 n.F.
3) Including € 15 million in positive fair values for protection seller CDSs whose nominal values are treated as contingent liabilities for accounting purposes as at 31 March 2015 in accordance with the provisions of IDW RS BFA 1 n.F.
4) Not including provisions for expected losses for embedded derivatives in structured products; credit volume after deduction of valuation allowances on bonds and other fixed-income securities

The gross credit volume at the Group decreased by around € 1 billion in the past financial year. This was primarily due to the decrease in receivables from customers as a result of repayments, as well as the reduction in bonds. New protection seller CDSs and the higher level of asset derivatives led to an increase in the credit volume not reported as balance sheet assets.

Development at IKB AG was similar.

Table: Credit volume by size – Group

	31 Mar. 2015 in € million	31 Mar. 2015 in %	31 Mar. 2015 Number[1)]	31 Mar. 2014 in € million	31 Mar. 2014 in %
Under € 5 million	2,931	11%	20,908	3,254	12%
Between € 5 million and € 10 million	1,606	6%	225	1,809	7%
Between € 10 million and € 20 million	2,407	9%	174	2,867	11%
Between € 20 million and € 50 million	3,515	14%	113	3,050	11%
Over € 50 million	14,032	55%	63	13,555	51%
Subtotal	**24,491**	**96%**	**21,483**	**24,535**	**92%**
Risk transferred to third parties[2)]	1,068	4%	-	2,015	8%
Total	**25,559**	**100%**	**21,483**	**26,550**	**100%**

1) Borrower groups in accordance with section 19 KWG
2) Hermes guarantees, indemnifications, risks transferred

While there was an above-average reduction in the credit volume in both absolute and relative terms in the risk transferred to third parties and the categories up to € 20 million – particularly as a result of repayments – the share attributable to the “Over € 50 million” category increased by € 0.5 billion, from 51% to 55%. This was primarily due to new protection seller CDSs in the public sector. The volume attributable to the public sector in this category increased from € 4.1 billion to € 4.5 billion.

The credit volume attributable to banks and the financial sector in this category remained unchanged year-on-year at € 8.1 billion. This is also the case for the volume of corporate finance in this category, which amounted to € 1.5 billion as it did at the start of the financial year. The average exposure per borrower unit in this category is € 223 million (previous year: € 205 million) based on 63 borrower units.

In terms of both volume and number, the “Under € 5 million” category primarily consists of lease finance.

The volume of risks transferred to third parties declined by € 1 billion to € 1.1 billion, largely as a result of repayments of loans transferred or secured by way of securitisation transactions. They comprise liability sub-participations by banks (primarily KfW Bankengruppe – KfW) of € 880 million, public guarantees including Hermes cover of € 82 million and synthetic securitisations of € 106 million, in which KfW hedges the credit risk.

The Bank is secured against counterparty default risks by means of synthetic securitisations, although the loans are still reported in the balance sheet. Borrowers continue to be managed by IKB, even in the case of transferred loans.

Table: Credit volume by size – IKB AG

	31 Mar. 2015 in € million	31 Mar. 2015 in %	31 Mar. 2015 Number[1)]	31 Mar. 2014 in € million	31 Mar. 2014 in %
Under € 5 million	1,226	5%	1,006	1,537	6%
Between € 5 million and € 10 million	1,561	6%	218	1,707	6%
Between € 10 million and € 20 million	2,321	9%	166	2,741	10%
Between € 20 million and € 50 million	3,387	13%	108	3,099	11%
Over € 50 million	12,861	49%	59	12,033	44%
Subtotal	**21,356**	**81%**	**1,557**	**21,117**	**77%**
Risk transferred to third parties[2)]	1,068	4%	-	2,015	7%
Intragroup transactions	3,902	15%	-	4,270	16%
Total	**26,326**	**100%**	**1,557**	**27,402**	**100%**

1) Borrower groups in accordance with section 19 KWG
2) Hermes guarantees, indemnifications, risks transferred

Collateral, risk transfer and securitisation

The provision of cover by means of traditional collateral (property liens, transfers of ownership and guarantees) is still of considerable importance for the traditional lending business at IKB. The carrying amounts for collateral used as security are continually reviewed and updated. Leased assets are assigned to the “Transfers of ownership” category.

Table: Credit volume by type of collateral – Group

	31 Mar. 2015 in € million	31 Mar. 2015 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
Property liens and charges	3,247	13%	3,799	14%
Transfers of ownership and leased assets	2,393	9%	2,564	10%
Other collateral[1)]	2,711	11%	2,361	9%
Collateralised	2,057	8%	1,458	5%
Secured credit volume[2)]	**10,408**	**41%**	**10,182**	**38%**
Without collateral[3)]	14,083	55%	14,353	54%
Subtotal	**24,491**	**96%**	**24,535**	**92%**
Risk transferred to third parties[4)]	1,068	4%	2,015	8%
Total	**25,559**	**100%**	**26,550**	**100%**

1) e.g. assignment of receivables, participation rights, assignment of shares, ownership rights, subordinations, positive/negative pledges
2) Including credit portions beyond collateral value
3) Including collateral provided by the Bank on the interbank market in the form of term money and call money for derivatives
4) Hermes guarantees, indemnifications, risks transferred

Exposures secured by means of mortgage loans, transfers of ownership and other collateral decreased by a total of € 0.4 billion in the past financial year following repayments.

The increase in “Other collateral” is primarily due to new business for which collateral such as guarantees and positive/negative pledges have been agreed.

As the Bank does not offset derivatives with positive fair values against derivatives with negative fair values involving the same counterparty when presenting its credit volume, although it is permitted to do so in the event of counterparty default, the “Collateralised” category shows the derivative volume for which derivatives with positive fair values are accompanied by derivatives with negative fair values in the same amount. The higher credit volume in derivatives trading meant that the volume in the "Collateralised" category also increased. The volume increased from € 1.5 billion in the previous year to € 2.1 billion.

Where the Bank also provides collateral in the form of cash and term deposits for derivatives on the interbank market, these are reported under "Without collateral".

The above-average decrease in the transferred and secured volume meant that the proportion of the total credit volume attributable to unsecured loans increased from 54% to 55%. The majority of unsecured loans relates to banks and the financial sector (€ 6.5 billion; previous year: € 7.2 billion) and the public sector (€ 4.6 billion; previous year: € 4.2 billion). Unsecured loans relating to banks and the public sector primarily include securities that are assigned to the cash portfolio and are eligible at the ECB, currently including € 1.4 billion in mortgage bonds and covered bonds. € 3.0 billion of the unsecured loans relate to corporate financing (previous year: € 3.0 billion).

Table: Credit volume by type of collateral – IKB AG

	31 Mar. 2015 in € million	31 Mar. 2015 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
Property liens and charges	3,247	12%	3,798	14%
Transfers of ownership	523	2%	452	2%
Other collateral[1)]	2,711	10%	2,361	9%
Collateralised	2,057	8%	1,458	5%
Secured credit volume[2)]	**8,538**	**32%**	**8,069**	**29%**
Without collateral[3)]	12,818	49%	13,048	48%
Subtotal	**21,356**	**81%**	**21,117**	**77%**
Risk transferred to third parties[4)]	1,068	4%	2,015	7%
Intragroup transactions	3,902	15%	4,270	16%
Total	**26,326**	**100%**	**27,402**	**100%**

1) e.g. assignment of receivables, participation rights, assignment of shares, ownership rights, subordinations, positive/negative pledges
2) Including credit portions beyond collateral value
3) Including collateral provided by the Bank on the interbank market in the form of term money and call money for derivatives
4) Hermes guarantees, indemnifications, risks transferred

Geographical structure

The total credit volume can be broken down by region as follows:

Table: Credit volume by region – Group

	31 Mar. 2015 in € million	31 Mar. 2015 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
Germany	11,219	44%	11,687	44%
Outside Germany	13,272	52%	12,848	48%
Western Europe	10,420	41%	10,481	39%
Eastern Europe	1,179	5%	1,149	4%
North America	1,314	5%	1,099	4%
Other	359	1%	119	0%
Subtotal	**24,491**	**96%**	**24,535**	**92%**
Risk transferred to third parties[1)]	1,068	4%	2,015	8%
Total	**25,559**	**100%**	**26,550**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

The credit volume outside Germany increased in the past financial year. In North America, this development was due to the higher level of asset derivatives, protection seller CDSs and collateral provided. The proportion attributable to Eastern Europe remained essentially unchanged. Of the country obligations attributable to Eastern Europe in the amount of € 1.2 billion, around 11% relates to business activities in Russia. There are no business relationships with Ukraine. The increase in the Other category relates to new protection seller CDSs with China, Malaysia and Australia as reference.

Table: Credit volume by region – IKB AG

	31 Mar. 2015 in € million	31 Mar. 2015 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
Germany	9,823	37%	9,799	36%
Outside Germany	11,533	44%	11,318	41%
Western Europe	9,350	36%	9,643	35%
Eastern Europe	585	2%	528	2%
North America	1,239	5%	1,028	4%
Other	359	1%	119	0%
Subtotal	**21,356**	**81%**	**21,117**	**77%**
Risk transferred to third parties[1)]	1,068	4%	2,015	7%
Intragroup transactions	3,902	15%	4,270	16%
Total	**26,326**	**100%**	**27,402**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

Table: Breakdown of country lending obligations by IKB country rating – Group

31 Mar. 2015		Country ratings[1)]				
in € million	**Total[2)]**	**1-6**	**7-9**	**10-12**	**13-15**	**16-19**
Western Europe	10,420	9,408	981	31	-	-
Eastern Europe	1,179	829	100	250	-	-
North America	1,314	1,314	-	-	-	-
Other	359	304	1	44	10	-
Total	**13,272**	**11,855**	**1,082**	**325**	**10**	**-**

1) Excluding risks transferred to third parties; higher credit ratings reflect higher risk levels
2) Export credit guarantees are deducted from the figures presented above. No other adjustments for collateral are made.

In the Group, 89% of the credit volume attributable to countries outside Germany was assigned to the six best country ratings, 1-6. The country obligations in risk classes 13-15 primarily relate to one exposure in Iran and one exposure in Egypt.

Potential country risks are taken into account in the rating procedure of the Bank and when making calculations for the quantification of risk provisioning measures. As a matter of principle, country risk provisioning for country obligations starting from a credit rating of 8 takes the form of a global valuation allowance of at least the one-year expected loss. Above and beyond this, the Bank examines whether additional global country risk provisioning appears to be necessary on a case-by-case basis. Accordingly, as in the previous year, higher country risk provisioning within the published tax ranges was recognised for risk classes 13-15 as at 31 March 2015.

Table: Breakdown of country lending obligations by IKB country rating – IKB AG

31 Mar. 2015	Country ratings[1]					
in € million	**Total[2]**	**1-6**	**7-9**	**10-12**	**13-15**	**16-19**
Western Europe	9,350	8,456	863	31	-	-
Eastern Europe	585	502	-	83	-	-
North America	1,239	1,239	-	-	-	-
Other	359	304	1	44	10	-
Total	**11,533**	**10,501**	**864**	**158**	**10**	**-**

1) Excluding risks transferred to third parties; higher credit ratings reflect higher risk levels

2) Export credit guarantees are deducted from the figures presented above. No other adjustments for collateral are made.

Within Western Europe, risks relate to the following countries:

Table: Credit volume in Western Europe by risk – Group

31 Mar. 2015 in € million	Credit volume after risk mitigation	thereof public sector	thereof banks and financial sector[1]	Thereof other counterparty default risks
UK	2,893	-	2,121	772
France	1,620	349	841	430
Spain	1,527	896	225	406
EU[2]	1,403	631	772	-
Italy	971	493	121	357
Ireland	562	386	97[3]	79
Belgium	395	296	93	6
Netherlands	313	14	233	66
Switzerland	282	-	186	96
Austria	198	93	30	75
Denmark	123	116	7	-
Finland	41	-	2	39
Sweden	37	-	-	37
Portugal	31	-	-	31
Other	24	-	1	23
Total	**10,420**	**3,274**	**4,729**	**2,417**

1) Bank exposures in Spain and Italy primarily contain mortgage covered bonds.
2) European Commission, Council of Europe Development, European Stability Mechanism and European Investment Bank
3) The figure for Ireland contains portfolio investments of € 39 million held via special purpose entities in Ireland.

Table: Credit volume in Western Europe by risk – IKB AG

31 Mar. 2015 in € million	Credit volume after risk mitigation	thereof public sector	thereof banks and financial sector[1]	thereof other counterparty default risks
UK	2,869	-	2,097	772
Spain	1,493	896	191	406
EU[2]	1,270	526	744	-
France	1,198	349	625	224
Italy	854	493	8	353
Ireland	527	356	92[3]	79
Netherlands	299	-	233	66
Switzerland	282	-	186	96
Austria	184	93	30	61
Belgium	125	46	73	6
Denmark	123	116	7	-
Finland	41	-	2	39
Sweden	37	-	-	37
Portugal	31	-	-	31
Other	17	-	-	17
Total	**9,350**	**2,875**	**4,288**	**2,187**

1) Bank exposures in Spain and Italy primarily contain mortgage covered bonds.
2) European Commission, Council of Europe Development, European Stability Mechanism and European Investment Bank
3) The figure for Ireland contains portfolio investments of € 34 million held via special purpose entities in Ireland.

Sector structure

Table: Credit volume by sector – Group

	31 Mar. 2015 in € million	31 Mar. 2015 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
Industrial sectors	10,743	42%	11,173	42%
Mechanical engineering	1,130	4%	1,206	5%
Retail	787	3%	868	3%
Services	763	3%	744	3%
Metal products	727	3%	733	3%
Energy supply	682	3%	716	3%
Other industrial sectors	6,654	26%	6,906	26%
Real estate	622	2%	699	3%
Financial sector	1,726	7%	1,780	7%
Banks	6,714	26%	6,654	25%
Public sector	4,686	18%	4,229	16%
Subtotal	**24,491**	**96%**	**24,535**	**92%**
Risk transferred to third parties[1)]	1,068	4%	2,015	8%
Total	**25,559**	**100%**	**26,550**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

IKB allocates each customer to one of around 430 sectors based on an industrial sector system. These sectors are grouped and combined to form industry clusters.

The reduction in the credit volume is reflected in almost all of the industry clusters. The credit volume decreased by € 0.4 billion year-on-year in the industrial sectors and by € 0.1 billion in the real estate industry. The increase in the banking sector is primarily attributable to the development of the US dollar exchange rate.

The degree of diversification in the industrial sectors is still high, with no single sector accounting for more than 5% of the portfolio. With the exception of the services cluster, the volume declined in the largest industrial sectors at present, namely mechanical engineering and retail, as well as in the other sectors.

Table: Credit volume by sector – IKB AG

	31 Mar. 2015 in € million	31 Mar. 2015 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
Industrial sectors	8,726	33%	9,054	33%
Mechanical engineering	937	4%	932	3%
Retail	756	3%	836	3%
Energy supply	680	3%	713	3%
Services	576	2%	538	2%
Metal products	506	2%	478	2%
Other industrial sectors	5,271	20%	5,557	20%
Real estate	610	2%	682	2%
Financial sector	1,644	6%	1,660	6%
Banks	6,114	23%	5,531	20%
Public sector	4,262	16%	4,190	15%
Subtotal	**21,356**	**81%**	**21,117**	**77%**
Risk transferred to third parties[1)]	1,068	4%	2,015	7%
Intragroup transactions	3,902	15%	4,270	16%
Total	**26,326**	**100%**	**27,402**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

Credit rating structure

The credit volume is assigned to the internal rating classes as follows:

Table: Credit volume by credit rating structure[1)] – Group

	31 Mar. 2015 in € million	31 Mar. 2015 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
1-4	9,297	36%	7,781	29%
5-7	8,063	32%	8,270	31%
8-10	4,263	17%	4,907	18%
11-13	1,628	6%	2,165	8%
14-15	341	1%	387	1%
Non-performing assets[2)]	899	4%	1,025	4%
Subtotal	**24,491**	**96%**	**24,535**	**92%**
Risk transferred to third parties[3)]	1,068	4%	2,015	8%
Total	**25,559**	**100%**	**26,550**	**100%**

1) Higher rating classes reflect lower creditworthiness
2) Carrying amounts, i.e. after deducting losses from securities with specific valuation allowances
3) Hermes guarantees, indemnifications, risks transferred

With the credit volume declining overall, the share attributable to the two best credit rating categories (1-4 and 5-7) increased from 60% to 68% of the total credit volume. The higher volume in the extremely good rating classes of 1-4 is primarily due to business activities with banks, the financial sector and the public sector.

The lower volume in rating classes 8-10 is due to improvements in the creditworthiness of countries and banks.

The lower credit volume in the corporate sector is reflected in credit rating levels 11-13 in particular. A significant proportion of the 14-15 credit ratings relate to lease exposures for which the leased assets serve as collateral.

Table: Credit volume by credit rating structure[1] – IKB AG

	31 Mar. 2015 in € million	31 Mar. 2015 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
1-4	8,447	32%	7,152	26%
5-7	7,555	29%	7,504	27%
8-10	3,364	13%	4,011	15%
11-13	1,038	4%	1,398	5%
14-15	121	0%	131	0%
Non-performing assets[2]	831	3%	921	3%
Subtotal	**21,356**	**81%**	**21,117**	**77%**
Risk transferred to third parties[3]	1,068	4%	2,015	7%
Intragroup transactions	3,902	15%	4,270	16%
Total	**26,326**	**100%**	**27,402**	**100%**

1) Higher rating classes reflect lower creditworthiness
2) Carrying amounts, i.e. after deducting losses from securities with specific valuation allowances
3) Hermes guarantees, indemnifications, risks transferred

Non-performing assets (problem exposures)

Table: Non-performing assets[1] – Group

	31 Mar. 2015 in € million	31 Mar. 2014 in € million	Change in € million	Change in %
Assets with specific valuation allowances	638	838	-200	-24%
Non-impaired	290	227	63	28%
Total	**928**	**1,065**	**-137**	**-13%**
as % of credit volume	3.6%	4.0%		

1) Credit volume including losses from securities with specific valuation allowances (31 March 2015: € 29 million; 31 March 2014: € 40 million)

Non-performing assets are credit volumes with debtors that show a debtor default in accordance with section 178 of the Capital Requirements Regulation (CRR). Debtor default exists if insolvency proceedings have been initiated, interest or redemption payments have been in default for more than 90 consecutive days, or there are other clear indications that the debtor cannot fulfil its contractual obligations.

Securities are already classified as non-performing assets if the Bank considers permanent impairment to be probable.

If the Bank's individual reviews establish that the respective contractual obligations are highly unlikely to be fulfilled by way of later payment or the liquidation of collateral, the receivable is classified as permanently impaired and a specific valuation allowance is recognised. Non-performing assets classified as permanently impaired are reported separately as "Assets with specific valuation allowances". IKB takes the liquidation value of the available collateral into account when calculating the amount of the specific valuation allowance.

Non-performing assets without specific valuation allowances also include exposures for which crisis-related restructuring (forbearance) has been performed without this requiring the recognition of specific valuation allowances within a period of at least twelve months from the start of the restructuring measures.

In line with the proposed definition by the European Banking Authority (EBA)[1], exposures for which crisis-related restructuring (forbearance) has been performed without this requiring the recognition of specific valuation allowances are also allocated to non-performing assets within a period of at least twelve months from the start of the restructuring measures.

Non-performing assets do not include:

- Risks transferred to third parties for non-performing assets (€ 149 million; previous year: € 278 million), as these credit risks have been assumed by other banks, public sector entities or via collateralised loan obligations (CLOs) and are assigned to the party assuming liability (change in credit rating). The credit portions transferred are only considered to be non-performing assets if the party assuming liability also meets one of the default criteria (double default).
- Unutilised commitments for debtors whose residual exposure is classified as a non-performing asset (€ 19 million; previous year: € 20 million); open commitments are not included in the credit volume, and
- Securities transferred to Rio Debt Holdings – see the “Structured credit products” subsection of “Counterparty default risk” in section 4. “Risk report”.

Assets with specific valuation allowances declined significantly in the financial year 2014/15.

The increase in non-impaired non-performing assets is due in part to two new significant cases that required restructuring but not the recognition of specific valuation allowances.

Table: Non-performing assets[1)] – IKB AG

	31 Mar. 2015 in € million	31 Mar. 2014 in € million	Change in € million	Change in %
Assets with specific valuation allowances	604	754	-150	-20%
Non-impaired	256	194	62	32%
Total	**860**	**948**	**-88**	**-9%**
as % of credit volume	3.3%	3.5%		

1) Credit volume including losses from securities with specific valuation allowances (31 March 2015: € 29 million; 31 March 2014: € 27 million)

[1] “EBA FINAL draft Implementing Technical Standards On Supervisory reporting on forbearance and nonperforming exposures under article 99(4) of Regulation (EU) No 575/2013” (ITS) dated 21 October 2013

Table: Assets with specific valuation allowances – Group

	31 Mar. 2015 in € million	31 Mar. 2014 in € million	Change in € million	Change in %
Germany	321	431	-110	-26%
Outside Germany	254	318	-64	-20%
Loans with specific valuation allowances	**575**	**749**	**-174**	**-23%**
Securities with specific valuation allowances[1)]	63	89	-26	-29%
Assets with specific valuation allowances (total)	**638**	**838**	**-200**	**-24%**
as % of credit volume	2.5%	3.2%		

1) Carrying amounts plus losses from securities with specific valuation allowances (31 March 2015: € 29 million; 31 March 2014: € 40 million)

The € 174 million reduction in loans with specific valuation allowances was attributable to settlement and sales activities in Germany and abroad. The Bank also disposed of older non-performing assets and reversed the specific valuation allowances it had previously recognised. The reduction in securities with specific valuation allowances was due to derecognition.

Table: Assets with specific valuation allowances – IKB AG

	31 Mar. 2015 in € million	31 Mar. 2014 in € million	Change in € million	Change in %
Germany	305	400	-95	-24%
Outside Germany	236	284	-48	-17%
Loans with specific valuation allowances	**541**	**684**	**-143**	**-21%**
Securities with specific valuation allowances[1)]	63	70	-7	-10%
Assets with specific valuation allowances (total)	**604**	**754**	**-150**	**-20%**
as % of credit volume	2.3%	2.7%		

1) Carrying amounts plus losses from securities with specific valuation allowances (31 March 2015: € 29 million; 31 March 2014: € 27 million)

Provisions for possible loan losses

Table: Provisions for possible loan losses – Group

	31 Mar. 2015 in € million	31 Mar. 2014 in € million	Change in %
Additions to specific valuation allowances/provisions[1)]	133.8	213.2	-37%
Direct write-downs	2.7	6.0	-55%
Recoveries on loans previously written off	-13.8	-9.7	42%
Reversal and unwinding of specific valuation allowances/provisions[1)]	-106.3	-91.1	17%
Additions to/reversals of global valuation allowances[2)]	49.1	-30.9	
Provisions for possible loan losses	**65.5**	**87.5**	**-25%**
Embedded derivatives/recoveries on receivables from portfolio investments previously written off	0.3	-0.7	
Net addition to risk provisioning	**65.8**	**86.8**	**-24%**
Net income from securities and derivatives in the liquidity reserve	-1.0	0.7	
Net risk provisioning	**64.8**	**87.5**	**-26%**
Development of specific valuation allowances/provisions[3)]			
Opening balance	406.6	409.0	-1%
Utilisation	-120.8	-123.4	-2%
Reversal	-96.5	-80.0	21%
Reclassification and net interest expense and discounting	14.1	-	
Unwinding	-9.8	-11.1	-12%
Additions to specific valuation allowances/provisions	133.8	213.2	-37%
Effect of changes in exchange rates	3.3	-1.1	
Total specific valuation allowances/provisions	**330.7**	**406.6**	**-19%**
Global valuation allowances[4)]			
Opening balance	109.9	140.8	-22%
Addition/reversal	49.1	-30.9	
Reclassification	0.2	-	
Total global valuation allowances	**159.2**	**109.9**	**45%**
Total provisions for possible loan losses (including provisions)	**489.9**	**516.5**	**-5%**

1) Excluding global valuation allowance for contingent liabilities recognised as provisions, net addition of € 2.7 million in the period from 1 April 2014 to 31 March 2015; addition of € 1.0 million in prior-year period; prior-year figure restated
2) Including global valuation allowance for contingent liabilities recognised as provisions; prior-year figure restated
3) Excluding provisions for embedded derivatives, excluding global valuation allowance for contingent liabilities recognised as provisions in the amount of € 7.3 million at 31 March 2015 and € 4.6 million at 31 March 2014; prior-year figure restated
4) Including global valuation allowance for contingent liabilities recognised as provisions; prior-year figure restated

Risk provisions in the form of value adjustments are recognised for possible loan losses due to the anticipated permanent impairment of the respective loan. For contingent liabilities, a provision is recognised in the event of threatened utilisation. Risk provisions are also recognised in the form of a provision for the permanent impairment of CDSs as well as for CDSs embedded in credit-linked notes (CLNs). See also the disclosures in the notes under “5. Risk provisioning”.

At € 66 million, provisions for possible loan losses were down € 22 million on the prior-year figure of € 88 million. This was due to the 37% reduction in additions to specific valuation allowances and loan loss provisions. Additions to specific valuation allowances for significant individual cases, which accounted for € 49 million of the addition to loan loss provisions in the previous year, were not recognised in the year under review. The higher level of reversals of specific valuation allowances and recoveries on loans previously written off compared with the previous year was also achieved through the reduction in older non-performing assets.

€ 49 million was added to global valuation allowances in the previous year after a reversal of € 31 million in the previous year. The addition was attributable to the increase in latent default risks in the areas of acquisition financing and PFI financing in connection with public-private partnerships, the impact of the EU sanctions against Russia and the more stringent legislation in the renewable energies segment in Southern Europe.

Risk reporting

All relevant information from lending transactions is prepared in detail by the Risk Controlling central division in quarterly Group credit risk reports and presented and explained to the Board of Managing Directors. In addition, the Supervisory Board and the supervisory authorities receive an extensive risk report (dashboard) every quarter containing all key information on the overall risk position in the Group.

Structured credit products

The risks of the remaining structured credit products relate to items that mostly reference corporate and state risks and the retention of IKB's own securitisation. IKB now has economic risks from investments with sub-prime content only for the assets transferred to the special-purpose entity Rio Debt Holdings.

The portfolio investments sub-segment included the following elements as at 31 March 2015:

- Securitisation positions with a nominal amount of € 81 million (31 March 2014: € 161 million) and a carrying amount of € 49 million (31 March 2014: € 114 million) assigned to the strategic core business of the Bank and primarily deriving from the securitisation of own loans. These assets largely have a sub-investment grade rating.
- Two synthetic transactions with six tranches and corporate and state reference assets with a total nominal volume of € 200 million (31 March 2014: € 200 million) and a carrying amount of € 200 million (31 March 2014: € 200 million). The transactions have an external rating of Baa.
- Securities with a nominal volume of € 179 million (31 March 2014: € 244 million) and a carrying amount of € 75 million (31 March 2014: € 80 million) that were transferred to Rio Debt Holdings. IKB's sub-prime risks have a carrying amount of € 30 million (31 March 2014: € 36 million). The residual income from the portfolio is now attributable to IKB in full, as the mezzanine loan previously held by LSF Aggregated Lendings S.à.r.l. was transferred to IKB Lux Beteiligungen S.à.r.l. at fair value in December 2014.

In terms of asset classes, the focus is on investments with corporate underlyings (CDOs of corporates and CLOs) in the amount of € 239 million (31 March 2014: € 305 million). The risk of assets with ABS underlyings (ABS and CDO of ABS) amounted to € 84 million (31 March 2014: € 74 million).

Liquidity risk

At IKB, liquidity risk encompasses insolvency risk, liquidity maturity transformation risk and economic liquidity risk.

Insolvency risk (also described as operational liquidity risk) represents the risk that IKB will be unable to meet its current or future payment obligations in full or in good time. The identification and analysis of liquidity risk is based on the expected cash flows for transactions that have already been contracted, supplemented by modelling, the planning of measures and new business and the liquidity reserve (options for borrowing with the ECB and cash on hand). The planning of measures relates in particular to the extension and establishment of customer deposits secured via the Deposit Protection Fund. The future liquidity balances thus calculated are reduced further via additional stress components (market disruptions, credit disruptions, changes in conditions, etc.) in order to establish a limit for the minimum liquidity balance over a one-year period. Furthermore, liquidity balances in the long-term funding matrix can lead to insolvency risk if appropriate controlling measures are not taken. This structural liquidity risk is made transparent via the reporting of long-term liquidity balances and is controlled by Treasury in the same way as for insolvency risk. At the same time, the liquidity limit for controlling purposes in liquidity reporting is based on a one-year horizon.

Maturity transformation risk describes the risk of increased refinancing costs (refinancing risk) and the risk that it will only be possible to close out transactions at a discount due to market disruptions (market liquidity risk). These two components are included in the calculation of the Bank's risk-bearing capacity in the form of a cost risk and are taken into account within the limit concept.

Economic risk describes the risk that IKB will find itself in a crisis situation as a result of market disruptions or changes in conditions. This risk is taken into account through the regular updating of stress tests and stress scenarios. The most negative consequences of the combined stress scenarios are applied in the limited scenario. The aim is to ensure that IKB can continue to operate under planning measures in certain stress scenarios for a defined period of time. Stress tests are also conducted as required.

In addition to the calculation of individual stress tests and combined stress scenarios on a regular basis and as required, IKB has implemented an early warning system for changes in the liquidity situation. The early warning indicators and the potential consequences are discussed with Treasury at regular intervals.

Liquidity risk controlling

Treasury is responsible for the operational controlling of the liquidity risks discussed above and reported in the liquidity risk report. Treasury and Risk Controlling discuss the liquidity situation and all of the liquidity measures currently available at least once a week. The liquidity situation is also presented to the Asset Liability Committee (ALCo) of the Bank on a weekly basis and measures are discussed and resolved as required.

Refinancing situation

In addition to secured financing on the interbank market (including Eurex Repo transactions) and refinancing via the ECB, business involving deposits and promissory note loans with corporate clients, retail customers and institutional investors secured via the Deposit Protection Fund forms a key element of IKB's refinancing.

The secured refinancing volume on the interbank market including refinancing via the ECB amounted to around € 3.0 billion as at 31 March 2015 (previous year: € 3.4 billion).

The volume of customer deposits secured via the Deposit Protection Fund declined in the period under review, amounting to just under € 5.7 billion as at 31 March 2015 (previous year: € 6.5 billion).

In addition to these customer deposits, IKB has promissory note loans secured via the Deposit Protection Fund with a total volume of € 2.1 billion (previous year: € 2.7 billion). IKB AG also expanded the issue of unsecured bearer bonds in the retail customer segment to a total volume of just under € 0.5 billion as at 31 March 2015 (previous year: € 0.3 billion).

IKB will continue to actively utilise programme loans and global loans from government development banks for its customers.

Liquidity situation

Depending on the development of its new business and taking into account credit facilities and liquidity commitments not yet utilised by customers, the Bank expects its liquidity requirements to amount to between € 7 billion and € 8 billion over the next twelve months. This figure is derived from the legal maturities of the Bank's asset and liability positions and its planned new lending business.

As previously, the main options currently available for refinancing these requirements are accepting secured customer deposits and promissory note loans, secured borrowing on the interbank market (cash and term deposits), participating in ECB tenders, bearer bonds and selling balance sheet assets. A further option for the Bank lies in collateralised refinancing structures.

Liquidity planning is based on a range of assumptions as to the above and other factors which can determine liquidity, both on the assets side and the liabilities side. In the event that a number of these assumptions do not come to fruition, this may result in liquidity bottlenecks. For example, this may include market developments that prevent the Bank from extending liabilities guaranteed by the Deposit Protection Fund or selling balance sheet assets to a sufficient extent or at all. IKB has a liquidity contingency plan for this eventuality that has been jointly developed by Treasury and Risk Controlling. It describes a package of measures and a defined procedure for responding to a liquidity bottleneck.

IKB had secured its liquidity situation for the longer term as at 31 March 2015. The limited minimal liquidity balance is around € 1.0 billion higher than the liquidity limit. This comfortable liquidity situation is also underlined by the fact that, taking into account the legal maturities of the Bank's asset and liability positions and its options for borrowing with the ECB and on the secured interbank market and excluding its planned new lending business ceteris paribus (i.e. in particular assuming unchanged market values), IKB is financed for an extended period. Changes in the value of securities in the liquidity reserve and derivatives could lead to changes in the liquidity situation via changes in collateral values/holdings.

The maturity transformation risk included in the calculation of the Bank's risk-bearing capacity amounts to € 28 million (see table in the notes).

In accordance with the German Liquidity Regulation (LiqV), the Bank will ensure that its liquidity ratio remains within a corridor of between 1.25 and 2.0. In the period under review, the average liquidity ratio was 2.0, thereby comfortably exceeding the regulatory minimum of 1.00.

A minimum liquidity coverage ratio (LCR) of 60% will come into force on 1 October 2015 in accordance with Article 460 (2) of Regulation (EU) No. 575/2013 in conjunction with Article 38 (2) of Delegated Regulation 2015/61/EU. The Bank also intends to comfortably exceed this minimum requirement. Its target is in excess of 100%.

Market price risk

Market price risk is defined as the risk of economic and accounting losses as a result of changes in market prices.

Market price risk is broken down into the risk factors of interest rates, credit spreads, FX (foreign exchange) rates, stock market and inflation indexes and their volatilities.

- Interest rate risks relate to potential changes in the value of transactions due to shifts in the risk-free yield curve.
- Credit spread risks result from changes in the default and liquidity premiums over the risk-free interest rate that are priced into securities and derivatives.
- FX rate risks result from fluctuations in the respective exchange rate with the euro.
- Stock market and inflation index risks relate to potential changes in the value of the affected stock market and inflation indices.

- Volatility risks relate to potential changes in the value of direct or indirect option positions as a result of fluctuations in the implicit volatility observable on the market or in option prices.

Market price risk profile and business segments

IKB distinguishes between the following portfolios:

- Proprietary and customer trading,
- Investment portfolio including liquidity reserve,
- Loan refinancing.

For proprietary trading transactions, the Bank largely restricts itself to highly liquid products denominated in euro and US dollar. In its customer trading, the Bank focuses on providing interest and currency derivatives to support the interest and currency management of its customers with regard to possible market price risks. This is supplemented by the fact that securities issued by customers with the aim of promptly reselling them to third-party investors are accepted in the trading book. The maximum risk positions this entails are kept low.

IKB enters into interest rate risk in the form of refinancing and structural risk.

The relevant credit spread risk for IKB results in particular from securities and promissory note loans, the credit derivatives in its investment portfolio and the remaining portfolio investments. The specific management/hedging of credit spread risk is performed selectively depending on the respective market environment. The fundamental holding intention in the Bank's lending business means that credit spread risks are not considered to be relevant to the management of market price risk and are not actively managed.

IKB largely holds only currency positions in USD, GBP and CHF.

In response to the European Central Bank's monetary policy, the Swiss National Bank (SNB) discontinued the minimum exchange rate between the Swiss franc and the euro in early January 2015. This resulted in an economic gain of around € 3.4 million.

Accordingly, the majority of market price risks result from the investment portfolio and credit refinancing. The key risk drivers are credit spread and interest rate risks.

Quantification and evaluation of market price risk

Risk identification takes the form of the calculation of value at risk (VaR), supplemented by stress tests and scenario analyses. All portfolios are valued on a daily basis. To measure market price risk, the Bank applies a VaR approach using historical simulations taking into account all relevant risk factors, i.e. interest rates, credit spreads, FX rates, stock market and inflation indexes and their volatilities. This is based on the aggregate holdings to which all material units of the Bank contribute.

For the purposes of daily operational risk monitoring, economic VaR is calculated at a 99% confidence level assuming a holding period of one day. In order to determine the Bank's risk-bearing capacity, VaR is also calculated on a daily basis at a confidence level of 99.76% (economic liquidation perspective) and 95% (accounting-based going-concern perspective) assuming a holding period of one year.

Internal VaR reporting is broken down not only by portfolio, but also by risk type in order to enable a comprehensive assessment of the risk situation: the overall VaR, interest rate/volatility VaR, FX/volatility VaR, credit spread VaR and inflation VaR is calculated for each portfolio.

To support market risk management, risk factor sensitivities are calculated and reported regularly at the level of the individual transactions as well as on an aggregated portfolio basis.

As VaR-based market price risk measurement can only provide information on the development of the respective risk under “normal” conditions and historical simulation is limited to conditions over the last 250 trading days, VaR-based risk measurement is supplemented by stress testing. Depending on the scenario applied, stress tests also provide information on the development of a portfolio under “abnormal” conditions. Generally speaking, stress testing at IKB involves the application of various extreme historical and hypothetical changes in the market for all risk factors as prescribed by BaFin, Deutsche Bundesbank and IKB itself, and the calculation of the present value gain/loss resulting from these scenarios.

Regular backtesting is carried out in order to test the ability of the models used to make predictions. The Board of Managing Directors is informed of the results of backtesting as part of monthly risk reporting.

Market price risk management and hedging

The main task of market price risk management is the management of the market price-sensitive positions entered into by the individual segments. Risks may only be entered into within the assigned limits. Risk measurement and monitoring is performed on an end-of-day basis.

IKB uses a combination of risk indicators, earnings indicators and other indicators to manage market price risk. Market price risk is derived from the daily measurement of all transactions. The extent to which market data still enables adequate measurement is examined regularly. Accordingly, market values derived from measurement models are applied for clearly defined portfolios.

Daily risk reporting to the Board of Managing Directors and Treasury comprises the evaluation of all positions, market price risk, net interest income and limit utilisation.

Moreover, the Board of Managing Directors is provided with detailed information once a month on relevant market developments, changes in the portfolio, measurement of the portfolio, earnings development and the market risk profile. This monthly report also supplements market risk observation on the basis of VaR by adding the present value risk assuming stress conditions and comments on particular developments. The Supervisory Board is informed of market price risks every quarter in the context of overall risk reporting.

Limitation of market price risk at Group level

At IKB, market price risk is managed at the level of the risk consolidation group. Market risk is limited within the Bank’s agreed portfolio structure using a system that contains the following elements:

- VaR limits,
- Accounting limits on currency positions,
- Position limits on the nominal volume, rating and holding period.

Limits are monitored on a daily basis as part of the preparation of the daily market price risk report. The management is informed as soon as any limits are exceeded.

VaR limits are derived from risk-bearing capacity. This concerns the limits for the accounting-based going-concern perspective and the economic liquidation perspective. The detailed controlling resulting from the economic liquidation perspective consists of a VaR limit based on a 99% confidence level and assuming a holding period of one day.

Equity requirements for market risk

IKB applies standard methods for calculating the equity requirements for market risk in the trading book.

Year-on-year comparison of the market price risk profile

The following table shows the year-on-year development of the market risk profile at the level of the risk consolidation group in terms of the interest rate and credit spread basis point value and value at risk at a 99% confidence level and applying a holding period of one day.

Table: Market price risk profile

in € million	**Value at 31 Mar. 2015**	**Value at 31 Mar. 2014**
Interest rate basis point value (BPV)	**-1.5**	**-0.2**
Credit spread BPV	**-7.3**	**-5.8**
VaR – interest rate and volatility	-29.2	-21.9
VaR – credit spread	-58.8	-31.8
VaR – FX and volatility	-1.5	-1.4
VaR – inflation and volatility	-1.4	-1.2
Correlation effect	39.0	15.6
VaR (total)	**-51.9**	**-40.7**
thereof proprietary and customer trading	**-0.2**	**-0.4**

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

Operational risk

Operational risk describes the risk of a loss resulting from a lack of or failed internal processes, people or systems, or as a result of external events outside the sphere of influence of the Bank.

Operational Risk Management (ORM), located in the Risk Controlling division, coordinates and monitors the management of operational risks. ORM is also responsible for analysing potential damages across the Group and developing Group-wide OpRisk management and training concepts. Operating risk management is the responsibility of individual segments, central divisions and subsidiaries. In addition to the regular analysis and identification of weaknesses and potential areas for optimisation in all business processes, ORM’s activities also focus on expanding the security organisation and adapting the underlying processes. Annual business impact analyses are carried out for this purpose. They analyse the specific risk profiles for the individual segments and central divisions and derive impetus for risk management.

Group-wide business continuity management is also the responsibility of ORM. All contingency plans are stored in comprehensive format on the IKB intranet and in hardcopy format in business continuity management manuals. The quality of the contingency plans is ensured by means of regular emergency drills and user exercises.

All significant loss events that occur or almost occur are compiled in a central loss database and examined for how they were caused and the impact they had (e.g. impact on the Bank’s reputation). The Board of Managing Directors is informed about operational risks as well as individual losses and how they were distributed amongst the individual business units on a quarterly basis. In the event of significant risks or losses which have occurred, an immediate report is submitted to the Chief Risk Officer and, if necessary, to the members of the Board of Managing Directors responsible for the departments which were also affected.

The gross loss volume identified in the financial year amounted to a total of € 5.0 million at Group level (prior-year figure restated to reflect more recent information: € 3.9 million). Around € 3.3 million of this figure related to IKB AG (previous year: € 0.9 million). Loss reductions (e.g. insurance, settlement or goodwill payments) mean that the loss recognised in the income statement may be lower. If individual loss amounts cannot (yet) be determined exactly, the values are based on estimates; it may not be possible to obtain accurate figures until considerably later in some cases. This may also lead to adjusting events for prior periods.

Despite the resolution of major legal disputes, the Bank still believes that the greatest operational risks lie in its legal risks (see the “Legal risk” subsection) and the strain on resources resulting from extensive parallel regulatory information requirements and audits.

Legal risk

Legal risk is also included in operational risk. This constitutes the risk of losses incurred by breaching general statutory conditions, new statutory conditions or changes to or interpretations of existing statutory regulations (e.g. high court decisions) which are unfavourable for the Bank. Liability risk resulting from contractual agreements also forms part of legal risk.

The management of legal risk is the responsibility of the Legal central division. The management of tax legal risk is the responsibility of the Taxes department.

Legal situations and legal developments that are relevant to the Bank are identified and communicated within the organisation in the form of information, advice, standard texts and direct support for individual transactions.

This task is generally performed by internal employees. If necessary, external law firms are brought in for support.

A sample contract system based on text modules is used in the lending business and related business. Standard texts exist for other transactions in some cases. Deviations from these samples or individually worded agreements and transactions are examined and approved by the Legal central division. All sample contracts are continually reviewed to determine whether adjustments are required as a result of legislative changes or adjudications.

Legal developments which are of direct significance to the business of the Bank are monitored, in particular, by means of collaboration in the internal and external executive bodies and committees of the supervisory authorities and the Association of German Banks. At the same time, the numerous legislative proposals to change regulatory law are particularly monitored in the same manner.

As an additional measure, the Legal central division has established the Legal Development working group to identify current regulatory and banking supervisory developments in good time and in a coordinated manner and to synchronise their impact and the resulting implementation requirements for the Bank.

In legal proceedings, the Legal central division ensures that the legal positions of the company and the Group are maintained and that general legal conditions are observed by deploying specialised employees with particular access to the information available in the Company and the Group.

With regard to tax law issues, the Taxes department also ensures legally compliant declaration and the defence of the Group’s tax positions in respect of the tax authorities by deploying specialised employees with particular access to the information available in the Company and at the Group companies. External tax advisors are brought in as required. At the level of IKB AG or its subsidiaries, additional tax expenses may arise from assessment periods that have not yet been audited. The last, as yet incomplete tax audit for the domestic consolidated group relates to the assessment periods up to and including 2006 (VAT up to and including 2005). IKB is subject to permanent and consecutive external tax audits.

In managing its legal positions, IKB enters into agreements on the suspension of the statute of limitations and composition agreements with potential claimants and defendants. Corresponding provisions are recognised for identified risks.

IKB and Group companies are involved in legal proceedings. The following section contains a summary of the pending proceedings against IKB and/or Group companies that have a value in dispute of more than € 15 million or that are material for IKB for other reasons:

Legal proceedings due to alleged incorrect capital market information

More than 140 claims were originally made against the Bank by investors in IKB securities following the start of the crisis in summer 2007. These claims related 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.

The legal proceedings detailed above had a (provisional) total value in dispute of around € 14.6 million. In addition, further shareholders and investors in other IKB securities have approached the company out of court with claims for damages.

With the exception of one case that is pending with the court of second instance with a low five-digit value in dispute, all the proceedings have been concluded. IKB still considers the outstanding claim, any potential new claims by investors and the aforementioned out-of-court claims for damages to be unfounded.

Nonetheless, even more than seven years since the crisis broke out, the possibility that additional investors will claim for damages against the Bank cannot be completely ruled out. The success of these claims could increase the overall risk to which the Bank is exposed.

Other legal proceedings

There is a possibility that claims for damages could be brought against IKB as a result of its activities or the activities of IKB Credit Asset Management GmbH in relation to Rhineland Funding Capital Corporation LLC (RFCC), Delaware, and/or Rhinebridge by parties involved in these transactions. 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 court costs) in connection with the RFCC, Rhinebridge, or Havenrock entities for events that occurred before 29 October 2008.

Although the indemnification amount is limited, IKB assumes that the identifiable legal risks from the transactions covered by the declaration of indemnity are covered by the indemnification. In this connection, IKB has extensive duties to KfW in respect of information, disclosure, participation and action. Claims from IKB shareholders of investors in financial instruments linked to the development of IKB shares are not covered by the indemnification.

If IKB culpably violates a specific obligation in the indemnification agreement in connection with a specific claim covered by the indemnification agreement, under certain circumstances, the indemnification claim 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 behaviour in line with the agreement were specified in detail and documented in writing following 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., Delaware, Dallas/USA (LSF6 Europe), are null and void or one of the parties exercises a right to terminate a legal relationship by unilateral declaration which results in the reversal of the performance rendered in the transaction covering the obligation. Furthermore, the claims from 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.

Special audit under German stock corporation law

In August 2009, the Düsseldorf Regional Court resolved at the request of shareholders to appoint a special auditor to examine whether members of the Board of Managing Directors or the Supervisory Board of IKB committed breaches of duty in connection with certain transactions relating to the crisis at IKB. The District 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, Germany.

Appeals by IKB against the court appointment of the special auditor were unsuccessful on the basis of legal rulings of December 2009 and March 2010. Subsequent to these legal rulings, Dr Ring resumed his duties as special auditor.

Dr Harald Ring submitted his 1,836-page final report to IKB in late February 2014.

On 17 April 2014, IKB petitioned the Düsseldorf Regional Court for protective proceedings in accordance with section 145 (4) of the German Stock Corporation Act (AktG). The Bank only became aware that the court had rejected this application on 12 August 2014. IKB did not appeal this verdict. The final report by the special auditor was subsequently submitted to the commercial register. IKB has also made the report available for viewing on its website.

The special audit report will be included on the agenda of the 2015 Annual General Meeting.

The report comes to the conclusion that the former members of the Supervisory Board were not responsible for breaches of duty in connection with the events that triggered the crisis. This finding is confirmed by the examination conducted by the Board of Managing Directors. Accordingly, no claims for damages are to be asserted against members of the Supervisory Board who were in office during the period covered by the special audit under German stock corporation law.

Although the special audit report identifies individual breaches of duty for the former members of the Board of Managing Directors, these breaches of duty did not lead to the subsequent crisis at IKB or there is insufficient certainty that this was the case. The Supervisory Board discussed the reported comprehensively and following a thorough analysis, adopted a resolution to assert claims for damages against former members of the Board of Managing Directors for the failure to publish an ad-hoc announcement in July 2007. Beyond this, no further claims for damages against members of the Board of Managing Directors in office in during the period covered by the special audit under German stock corporation law will be asserted based on the findings of the special audit according to the German Stock Corporation Act.

All in all, the possibility that the facts and assessments included in the report by the special auditor will lead to the initiation of legal proceedings against the company by third parties cannot be ruled out. IKB expects any such legal proceedings to be unsuccessful.

Recessionary actions against resolutions by Annual General Meetings

Recessionary and revocation claims against resolutions made by the Annual General Meeting on 25 March 2009 (including agenda items 3 and 4: cancellation of the special audit with regard to the Board of Managing Directors and the Supervisory Board) are currently still pending.

Corresponding proceedings concerning resolutions made by the Annual General Meeting on 28 August 2008 were finally concluded in favour of the Company during the past financial year. Compulsory information proceedings in accordance with section 132 AktG are also pending with regard to the Annual General Meetings in 2008 and 2009; however, these proceedings have not been effectively pursued for a number of years.

Derivatives trading

In individual cases, customers criticised the advisory services provided by the Bank in connection with certain swap products. Six claims are currently pending, three of which have reached the court of second instance. In another case, a customer is seeking to resolve the dispute in an out-of-court settlement. The values in dispute and the application for conciliation total just under € 20 million.

Dissenting view of the tax authorities

Towards the end of the financial year 2014/15, the tax authorities informed IKB that they had a dissenting view on the application of section 8c of the German Corporate Income Tax Act (KStG)/section 10a of the German Trade Tax Act (GewStG) in connection with the capital increase implemented by IKB AG during the course of the year and the subsequent sale of KfW's shares in IKB to Lone Star in the financial year 2008/09, and that they intended to issue tax assessment notices to this extent. The dispute currently involves a total amount of € 291 million, which was recognised in the income statement as at 31 March 2015 in the amount of € 145 million through the recognition of a provision and the write-down of an existing tax receivable. The total amount is composed of a potential tax burden of € 235 million (roughly equally attributable to corporation tax/solidarity surcharge and trade tax) and interest on these taxes at a rate of 0.5% per month (assuming an assessment notice by 30 June 2015: € 56 million). The basis for the announced assessment notices is the procedure in accordance with sections 8c KStG/10a GewStG, about which the tax authorities have informed the Company for the first time. This relates to the methodology applied in offsetting the proportionate taxable losses of IKB AG against the taxable gains of IKB Beteiligungen GmbH, a participating tax entity of IKB AG, in the financial year 2008/09. A detrimental acquisition within the meaning of sections 8c KStG/10a GewStG may exist in the event of a capital increase or the disposal of shares, resulting in a restriction on offsetting losses. IKB AG implemented a capital increase during the course of the financial year 2008/09; this was followed by the sale of KfW's shares in IKB to Lone Star.

The relevant gains/income for the offsetting of taxable losses relate in particular to IVG Kavernen GmbH, which was acquired in 2008. The acquired company was merged into IKB Beteiligungen GmbH in the financial year 2008/09. IKB had supported IVG in structuring a sales transaction and reorganising its Caverns division. The tax authorities currently hold the view that the gains reported by the participating tax entities prior to the detrimental acquisitions may not be used by IKB AG for offsetting losses in accordance with sections 8c KStG/10a GewStG.

IKB has conducted a comprehensive tax risk assessment of the view held by the tax authorities with the assistance of internal and external experts. IKB believes that it would have a good chance of success with regard to corporation tax and the solidarity surcharge and a very good chance of success with regard to trade tax if judicial appeal proceedings were to reach the court of last instance.

Despite this positive assessment of the situation, IKB has opted to apply the prudence principle set out in the German Commercial Code (HGB) and has recognised a tax provision for corporation tax, the solidarity surcharge and the interest attributable to the corporation tax in the total amount of € 140 million, as well as writing down an existing tax receivable in the amount of € 5 million. Further information on the tax provision can be found in section 5. "Report on opportunities" and the disclosures on "Income taxes" in the notes.

No provision was recognised for trade tax or the corresponding interest on account of IKB's extremely good chance of success in the court of last instance, and hence the extremely positive assessment of the corresponding risk. At the same time, there is a possibility that this risk will need to be reassessed as proceedings continue. The risk for trade tax currently amounts to around € 117 million plus interest of 0.5%

per month (assuming an assessment notice by 30 June 2015: € 29 million). If this risk were to occur, this would have the following impact on the key financial performance indicators as at 31 March 2015:

- The regulatory tier 1 ratio or common equity tier 1 ratio calculated as at 31 March 2015 would deteriorate by 1.1 percentage points at the level of the IKB Group and by 1.2 percentage points at the level of IKB AG.
- The leverage ratio calculated as at 31 March 2015 would decline by 0.7 percentage points for the regulatory Group and IKB AG alike.
- Net income after taxes and before additions to/reversals of the fund for general banking risk (section 340g HGB) as at 31 March 2015 would decline by € 146 million.

There would be no impact on the liquidity coverage ratio or the liquidity ratio in accordance with section 2 (1) of the German Liquidity Regulation.

Information security risk

In the past financial year, IKB fundamentally redefined and optimised its information security processes. In response to the heightened requirements in terms of data, system and process security, the Board of Managing Directors resolved to establish the position of Chief Information Security Officer (CISO) as a staff position reporting directly to the Board of Managing Directors in March 2014 and made an appointment to this position with effect from 1 April 2014. The CISO was tasked with adjusting the existing, ISO 27001-based information security management system (ISMS) to reflect the heightened requirements. The risk management performed in the ISMS addresses all relevant information security risks. The creation of the CISO position outside the IT department has established an additional, neutral supervisory body for all information security processes.

IT risk

Activities in the area of IT risk are focused on IT security management. This includes the continuous improvement of the IT security management system as part of IKB's ISO 27001-based ISMS (see also "Information security risk").

System and network security are updated on an ongoing basis to reflect changing external threats. Infrastructure availability risks are minimised by dividing the data centres between two separate locations. The ISMS also takes account of the risk involved in outsourcing key IT services. Measures for addressing this risk are verified through regular checks and emergency drills. Operational risk is further reduced by applying standardised processes (including ITIL – IT Infrastructure Library) and through staff training.

Compliance risk

As a bank, IKB is subject to a wide range of regulatory requirements. Compliance with these requirements is ensured by way of the measures conducted by the compliance functions established for this purpose.

In particular, this includes the legal standards of the German Banking Act (KWG), the German Securities Trading Act (WpHG) and the German Money Laundering Act (GwG), which result in obligations concerning the prevention of market manipulation and conflicts of interest, the proper performance of investment services and ancillary investment services, and the prevention of money laundering, the financing of terrorism and other illegal acts. The regulatory requirements contained in BaFin circulars, such as the

“Minimum Requirements for the Compliance Function and the Other Conduct, Organisational and Transparency Duties arising from sections 31 et seq. of the WpHG” (MaComp), must also be implemented. The compliance function in accordance with MaRisk focuses on the material provisions where non-compliance could endanger the Bank’s assets.

Regulatory requirements are complied with in the form of a three-level organisational structure. In the first line of defence, the employees in the front office and supporting back office departments observe documentation requirements and rules of conduct. The second line of defence, i.e. the compliance function, provides technical advice and support on compliance requirements for front office, performs monitoring activities and manages central directories and registers in a preventive and process-related capacity. The independent monitoring of the Group’s business activities with respect to money laundering provisions is ensured by the anti-money laundering officers of IKB AG in Germany, the local anti-money laundering officers at the foreign branches and the officers appointed by the subsidiaries. The tasks of the compliance officer in accordance with WpHG/MaComp and MaRisk are performed by the Chief Compliance Officer of IKB AG. The compliance officers and anti-money laundering officers report to the Board of Managing Directors and, for the compliance function, to the Supervisory Board on an annual basis and as required. Group Audit then performs a process-independent audit of the propriety and economic efficiency of the principles, tools and procedures as the third line of defence.

IKB’s business activities give rise to legal obligations for trading with financial instruments, rendering investment services and ancillary investment services and providing investment advice to customers. With the Bank’s predominantly professional customers, a large amount of sensitive information is exchanged in connection with the lending and advisory business. Due to the associated high number of insiders in the Bank, varied compliance measures are required to protect this information against use that could cause conflicts of interest. The establishment of confidentiality areas, the management of the directory of insiders and the controlling of employee transactions are performed to this end. To ensure that first-line employees are fully aware of the relevant requirements and regulatory developments, regular training is provided and the necessary individual measures and workflows are documented in organisational instructions/manuals. Furthermore, the compliance function manages the registers of conflicts of interests, inducements, financial analyses/securities bulletins and the directory of insiders. The central office administers the fraud register and the internal whistle-blower system. The central complaints register is held in the Legal central division.

The compliance function performs a regular, Group-wide risk analysis (at least once a year) to identify the risks in terms of compliance with the relevant regulatory provisions and to determine the focal points for its ongoing advisory and monitoring activities. The compliance function performs monitoring activities in line with a risk-based monitoring plan. These activities and measures are aimed at aiding the implementation of effective procedures for ensuring compliance with the material legal provisions and regulations and corresponding supervision by the departments.

The compliance function also permanently monitors the relevant legislation and regulatory developments, evaluates specialist literature and cooperates in associations and committees in order to allow it to identify and address areas requiring action at an early stage.

In addition, the compliance function regularly participates in the Bank’s Legal Development working group. The Legal Development working group was established with the aim of identifying current regulatory and banking supervisory developments in good time and in a coordinated manner and synchronising their impact and the resulting implementation requirements for IKB. The Bank has also acquired the “BV Compliance Cockpit MaRisk” offered by Bank-Verlag in cooperation with the Association of German Banks (BdB). This provides a comprehensive and permanently updated overview of the current statutory and regulatory requirements.

IKB has also implemented compliance regulations that specify conduct requirements with regard to securities compliance as binding for all employees (compliance concept) and that describe process instructions for the key areas of the investment services and ancillary investment services rendered (organisational instructions). IKB also describes the moral concepts and beliefs of the Bank in a Code of Conduct. The principles set out in the IKB Code of Conduct include requirements for the conduct of all employees at all locations of the Group. These provide a binding frame of reference for day-to-day business.

As part of the annual risk inventory and the resulting update to the threat analysis for money laundering and fraud prevention, the business activities of IKB indicate slightly elevated risks of money laundering or terrorist financing compared to previous years. In particular, business activities with partners outside the EU require a more stringent duty of care. The economic sanctions against Russia that have been resolved will also result in increased investigative efforts to ensure compliance with the relevant sanction provisions.

IKB has taken and implemented appropriate protective measures overall based on its business activities. Deposit and custody business with retail customers is monitored on a daily basis. Overall, on account of its specific operations, IKB is exposed to less risk of money laundering than banks that perform over-the-counter business and payment transactions on behalf of customers.

The focus of business policy on advisory products is also connected with a reduced money-laundering risk.

The risks arising from fraudulent and other illegal acts to the detriment of the Bank are also analysed and evaluated in the threat analysis by the central office in accordance with section 25c KWG. All in all, there is considered to be a low to medium risk in this area. IKB is therefore not facing any non-standard or excessive risk of fraud.

Personnel risk

The management of personnel risks is the responsibility of the individual central divisions and front office units in collaboration with the Human Resources central division. This includes not only the need for an adequate workforce to implement operating and strategic requirements, but also maintaining the level of knowledge and experience employees need to carry out their duties and responsibilities. IKB applies extensive and ongoing training and further training management for this purpose in order to maintain the high qualification level of its employees. In order to accommodate the risk that the absence or leaving of employees may lead to ongoing disruption to operations, clear deputisation regulations and procedural requirements are in place at IKB. These are regularly checked and adjusted if necessary.

In the financial year 2014/15, the number of people leaving the Bank was roughly the same as the number of new appointments. The people leaving the Bank were spread equally across all segments. Making appointments to existing and new positions is becoming increasingly difficult and is already leading to increased costs for personnel consultants.

Under the provisions of the new version of the German Remuneration Ordinance for Institutions (InstitutsVergV) dated 16 December 2013, IKB was classified as a major institution. Following consultation with BaFin, it was agreed that the necessary regulatory adjustments were only required to be implemented from the start of the past financial year on 1 April 2014. In accordance with the corresponding regulatory technical standards (RTS) of the EBA, which came into force in June 2014, a risk analysis to identify risk-takers was performed on the basis of the prescribed qualitative and quantitative criteria.

The provisions on variable remuneration for all employees were adjusted in accordance with the new provisions of the InstitutsVergV. Among other things, this means that variable remuneration may only be paid under the conditions set out in section 7 InstitutsVergV. Special regulations on deferred payment have also been established for risk-takers. Among other things, this includes the introduction of deferred payment regulations as well as the introduction of phantom stocks to reflect the long-term development of the Bank's value. The payment of variable remuneration for risk-takers was also made subject to a penalty and sustainability assessment. In addition, a remuneration officer and a deputy remuneration officer were appointed, a Remuneration Control Committee was set up, the derivation of targets in the context of staff appraisals from the business and risk strategy was specified and the new control units were defined and set out in writing.

Strategic risk and reputation risk

Strategic risks refer to the threat to the long-term successful position of the Bank. These can arise as a result of changes in the legal or social environment and as a result of changes in market, competition and refinancing conditions.

Due to the fact that there are no regularities as regards strategic risks, it is difficult to capture these quantitatively as special risks in an integrated system and they are therefore assessed qualitatively. Accordingly, they are subject to the close and continuous observation of the Board of Managing Directors and the central division Strategic Planning and Management of Participations. This includes the regular examination of the business strategy by the Board of Managing Directors, taking into account the implications for the strategic and operational planning process. Business policy objectives, measures and risks are also continuously reviewed by the Strategy and Risk Committee and at the Board of Managing Directors conferences and meetings. This gives rise to strategic initiatives and optimisation measures.

Reputation risk is the risk of negative perception by IKB's stakeholders (e.g. customers, counterparties, shareholders, investors, depositors, market analysts, rating agencies, employees, other relevant stakeholders or regulatory authorities) that could result in losses, falling income, rising costs, reduced equity or falling liquidity by, for example, adversely affecting the Bank's ability to conduct existing or new business, maintain customer relationships or make use of sources of refinancing (e.g. the interbank or securitisation market), either now or in the future.

Reputation risks frequently result from other types of risk and compound these as a result of their public impact.

It is generally not possible to quantify the probability and the consequences of the occurrence of a reputation risk.

Reputation risks at IKB are managed by the Board of Managing Directors. The methodology is largely the same as for operational risk management. In particular, responsible communications with all stakeholders is a high priority when it comes to managing reputation risks.

Business risk

The Bank defines business risk as unexpected negative deviations from planning for interest and fee/commission income and for operating expenses as a consequence of worsened market conditions, changes in the competitive position or customer behaviour, or as a result of changes in economic or statutory conditions.

The operating management of business risk – i.e. reducing the risk of a negative change in earnings performance within the business strategy agreed with the Board of Managing Directors – is the responsibility of each individual segment, central division and subsidiary. The Finance division prepares monthly performance analyses for existing and new business in the context of performance controlling and presents management reports to the Board of Managing Directors on a weekly basis, in which deviations from planning in income and assets are identified and analysed. This provides a basis for ensuring that business risk is continually monitored and reported. The Board of Managing Directors is therefore able to react to negative developments even at short notice.

Business risk is quantified for risk-bearing capacity by means of a model based on statistically calculated cost and proceeds volatilities, which calculates historical deviations in actual fee/commission and interest income and operating expenses based on the projected figures. The associated economic capital is incorporated in the regular calculation of the Bank's risk-bearing capacity.

Risk reporting

Deviations from planning and target figures in terms of risk are reported to the Board of Managing Directors as well as the relevant central division and front office managers on a monthly basis in order to be able to take countermeasures in good time. In so doing, all front office and central divisions are provided with the information they require in good time and in full.

Participation risk

As the material individual counterparty default, market price, liquidity, business and operational risks in the investment portfolio are already taken into account for the individual risk types, participation risk (in the sense of dividend suspension, write-downs of carrying amounts, losses on disposal and reductions in hidden reserves) is not classified as a material risk type in its own right.

IKB pursues the fundamental objective of minimising the number of subsidiaries and investments.

The Bank makes a distinction between credit substitution and strategic investments. In particular, credit substitution investments are investments in the Bank's product range. The Bank enters into strategic investments to generate sustainable (strategic) value added. The Bank distinguishes between primary strategic investments that are intended to increase customer and market potential and that form part of its business model and strategic investments in joint ventures and other companies that may be entered into with the aim of supplementing the product range, tapping synergies and reaching new target customers (cooperation/joint ventures). These are supplemented by investments in companies that perform services for the Bank (outsourcing) or that represent joint investments or shelf companies. The strategic investments are examined for materiality once a year. The resulting material investments are included in the quarterly investment report.

The central division Strategic Planning and Management of Participations handles and coordinates the operative investment processes. The Legal central division is responsible for examining and designing all matters relating to company and regulatory law and consults on the legal aspects of strategic decisions and on the performance of shareholder functions. The Finance central division is responsible for investment controlling and the evaluation of the strategic investments. Authority for decisions on strategic investments lies with the Board of Managing Directors as a whole; in a few defined cases (such as investment decisions relating to less than € 500,000 or mandate decisions), the authority resides solely with the relevant responsible member of the Board of Managing Directors. The Executive Committee must approve the acquisition, disposal or formation of companies if the subject of the respective transaction accounts for more than 5% of the liable equity of IKB or this is required by the regulatory standards.

In terms of disciplinary and technical matters, the key subsidiaries and investment companies of IKB are assigned to individual members of the Board of Managing Directors in the executive organisation chart. Accordingly, Dr Wiedmann was responsible for the IKB Leasing subgroup, IKB Finance B.V., IKB Lux Beteiligungen S.a.r.l and IKB Capital Corporation i.L., Dr Glüder was responsible for MD Capital Beteiligungsgesellschaft mbH i.L., IKB International S.A. in liquidation, IKB Invest GmbH and the real estate subsidiaries being wound up or sold, and Mr Momburg was responsible for IKB Data GmbH at the reporting date.

The investment companies are integrated into the implementation of the Group-wide business and risk strategy by way of regular investment workshops for each significant strategic investment, at which performance targets and risk limits are defined and analyses and discussions are held on the early identification of undesirable trends and the initiation of adequate countermeasures.

An annual Group-wide risk inventory is carried out to determine the key risks faced by the investment companies. All risks to investment companies classified as significant are included in Risk Controlling at Group level.

Overall assessment of the risk situation

Despite recording only slightly positive net income for the year, IKB’s regulatory ratios at the end of the financial year had improved once again compared with the figures with which it successfully passed the ECB’s comprehensive assessment. Even assuming that all of the Basel III transitory provisions are eliminated (fully phased in), IKB’s CET 1 ratio is in excess of the 10% that is consistently cited as the consensus target for banks. The tier 1 capital ratio results in a leverage ratio of over 8%, which is considerably above the liquidity ratio of 3% previously established by the banking supervisory authorities. The liquidity ratios are comfortably in excess of the minimum requirements imposed by the supervisory authorities. IKB’s risk-bearing capacity, i.e. its ability to absorb unexpected losses without jeopardising the minimum regulatory capitalisation, improved slightly in terms of the utilisation of the risk coverage potential – which was already low in the previous financial year – and is expected to remain stable.

The strengthening of the Bank’s resistance that this represents should be seen not only in the context of rising regulatory requirements, but also against the backdrop of the ongoing uncertainties affecting the euro zone and the world economy. The phase of low interest rates heralded by the ECB, which has gone as far as negative interest rates for part of the yield curve, means that market participants including IKB are exposed to a higher degree of market risk that cannot be assessed solely on the basis of past experience, e.g. using the value-at-risk model. IKB is exposed to increased market price risk largely as a result of the higher measurement of positions at fair value due to the Bank’s chosen early, precautionary positioning in anticipation of the ECB’s programme of quantitative easing. With this, the Bank is reducing the potentially heightened earnings risk that could result from a sustained period of low interest rates, which could encompass the flattening of the yield curve, negative interest rates and deflationary trends in general.

IKB sees the development of credit risk and the extremely low level of new risk provisions as a sign of the extremely positive sentiment among German companies at present, a situation that has yet to be adversely affected by the sanctions involving Russia. This almost low-risk scenario will not remain in place in the long term, which is why there needs to be an examination of the potential build-up of latent risk for which global valuation allowances should be recognised. The Bank currently considers there to be a slightly heightened latent risk with regard to development in Russia and various financing arrangements in the southern EU member states in particular.

IKB ultimately considers the potential “Grexit” to be a temporary disruption that could result in fluctuations in the market price risk calculated for the positions held by the Bank, but that is unlikely to result in any immediate counterparty default risk. For the euro zone as a whole, the Bank believes that a renewed euro crisis is a far-flung possibility and the fears of default on the part of major euro zone countries has largely disappeared.

Taking the Bank’s forecasts into account, risk-bearing capacity from a going-concern perspective remains secure without restriction for the next twelve months and a further two years after that. This means that the Bank continues to enjoy sufficient scope in terms of free risk coverage potential. The Bank’s risk-bearing capacity in the liquidation perspective remains in place despite the chosen precautionary positioning in anticipation of QE, which resulted in increased market price risk. With regard to the further development of market price risk, the Bank considers the potential for a sustained low interest rate environment and the substantially opposing nature of interest rate and price effects at present – and not only in historical scenarios – to be the key factors in its risk assessment.

IKB spreads the euro securities it holds primarily for liquidity purposes among the counterparty states in Europe. In addition, it focuses almost exclusively on good-quality covered debt securities (mortgage bonds, covered bonds, etc.). IKB’s securities portfolio increased in value during the first half of the financial year due to the easing of the tension on the capital markets, and enjoyed further substantial value growth starting from the announcement of the ECB’s QE programme and on the back of portfolio expansion measures. The interest receivables that the Bank is guaranteed to receive from these market risk positions will help to stabilise net interest income in an extremely low-interest environment in the immediate future. The impact of the ECB’s QE programme will need to be closely observed with regard to the development of the Bank’s position, as this could be reflected in the level of interest rates and/or in an upturn in the yield curve depending on the rapidly changing assessment of the markets. It remains uncertain as to whether any such movements would be long-term in nature.

In IKB’s lending business with corporate customers, there remains a stable situation with regard to German companies. Despite the recession in many European countries, they enjoyed good to very good sentiment in the past calendar year. However, due to the strong attraction of companies as a target group for banks, a high level of competitive intensity can be observed on the banking market at inappropriately low margins. In its lending activity, IKB is maintaining its standards in respect to appropriate conditions and acceptable risks. At the same time, however, the level of lending activity increased as against the previous year.

The NPL ratio for the credit portfolio fell once again, and there has been a decrease in the level of expected losses. The risks for corporate financing in Italy, Spain and France are higher than in Germany. IKB has recognised sufficient loan loss provisions with high coverage ratios for the risks it has already identified. Furthermore, these countries now account for only a small proportion of IKB’s overall corporate loan portfolio. IKB did not record any defaults on its exposure with the Austrian HETA Asset Resolution AG. This exposure was sold in 2014.

In an environment characterised by substantial potential event risks (Ukraine, Greece, euro development, falling oil prices), IKB has secured its liquidity situation for the long term and is remaining cautious in its liquidity management.

The Bank considers potential legal risks from the special auditor report to be manageable. Other significant legal risks are not currently evident. The Bank believes that it has a good chance of success in the potential legal proceedings with the tax authorities concerning the latter’s dissenting view on the application of sections 8c KStG/10a GewStG (see also the “Legal risk” subsection).

The process of creating the banking union and the accompanying banking supervisory measures are entering the next phase. For example, BaFin is currently conducting a short-term “low-interest stress test” for the banks not directly supervised by the ECB and, on behalf of the ECB, a survey on leveraged finance. Reporting is being expanded considerably and there will be substantial intervention in the procedural and structural organisation and overall bank management. The planned and potential regulatory measures for banks (such as the “Basel IV” package) will present IKB with significant challenges. The cost of fulfilment, including the bank levy, will be a major cost driver. The wave of regulation is therefore becoming a risk and competitive factor as a result of the considerable impact it could have on the alignment of business models and the above-average burden it poses for smaller banks.

Although there are some early signs of an easing of the tension affecting the euro zone, the banking world will continue to be accompanied by the high level of market volatility and the large number of new regulatory measures over the next few months. The possibility of further new crises resulting in unexpected default, market price and liquidity risks for the banking system – and hence also for IKB – cannot be ruled out in the near future, but have become less likely. At the same time, the ECB's QE programme will increasingly raise the issue of unexpected interest rate movements and the timing and procedure for withdrawing from QE. Potential tension on the markets could also result in the restriction of the business opportunities available to the Bank and have a corresponding impact on the fulfilment of regulatory requirements, the development of risk-bearing capacity and the development of risk provisioning.

5. Report on opportunities

IKB has focussed its business model on services for SMEs and private equity investors with extensive advisory and financing requirements, and has systematically established the corresponding personnel capacities in recent years. The desired conditions have now been achieved. Since the start of this expansion, there was a basic assumption that the reorientation would take some time to generate the expected income, particularly in the area of the advisory services that were not offered in the past. With the anticipated economic upturn in Europe and Germany, growing new business opportunities will become available to the Bank on this basis. Signs of this development already began to emerge in the past financial year in number of cases and in terms of the customers newly acquired.

The Bank will enjoy particular opportunities if

- as anticipated, German companies seek to increase their investment volume and/or generate external growth once again. This heightened demand on the market could also reduce the intensity of competition between providers, which currently often also involves inappropriate conditions; this could improve the earnings prospects for IKB in its lending business with larger companies as well as in its leasing activities with SMEs;
- demand for credit picks up again in the neighbouring euro zone countries, resulting in a return to increased utilisation at IKB's foreign locations;
- access to the capital markets and the use of fund solutions continue to become more important for companies, as the regulation of bank financing is becoming increasingly oppressive and this is becoming particularly evident from the growth in demand for credit;
- companies are increasingly offered services such as asset-based finance, export finance, commodity trade finance, etc., as is already being implemented at IKB;
- there is a tangible improvement in sentiment on the securitisation issuance markets, which would lead to increased issuance activity on the back of a substantial rise in demand. Building on its many years of experience (Promise, Mobility, Bacchus), IKB could harness this development efficiently for its target customers and its own balance sheet and capital management.

IKB has responded to the dissenting view of the tax authorities concerning the offsetting of losses within the tax entity in connection with detrimental acquisitions within the meaning of section 8c KStG by recognising a tax provision totalling € 140 million and writing down an existing tax receivable in the amount of € 5 million. Based on the risk assessment by internal and external experts, IKB believes that it has a good chance of success if any judicial appeal proceedings were to reach the court of last instance. In this case, the reversal of the aforementioned provision and the reversal of the write-down of the tax receivable could have a positive effect on earnings.

Further information on the tax provision can be found in the "Legal risk" subsection of section 4. "Risk report" and in the disclosures on "Income taxes" in the notes.

With regard to the banking supervisory requirements for capital and liquidity, IKB believes that its current ratios provide scope for growth in new "on-balance-sheet" business in the next year and in subsequent periods. It is also offering its customers various capital market and fund solutions. An SME fund for mezzanine loans and an additional fund for senior debt loans have already been launched.

In this context, IKB believes that leasing business will provide particular opportunities. IKB has decades of experience on this market and is well positioned. The downturn in growth in the past years was attributable to the crisis at the Bank and the subsequent restructuring. By contrast, IKB believes that it currently enjoys positive growth opportunities once again.

On the refinancing side, IKB will have the opportunity to further reduce its refinancing volume. In particular, the ECB's QE programme will lead to a high level of liquidity in the economy, thereby allowing for refinancing volumes to be successively reduced through revolving deposits.

All in all, IKB believes that it has the opportunity to generate net income from its business model even without extraordinary income thanks to the growth in its profitable new business and reduced refinancing costs on the liability side. Together with the associated opportunity of a further improvement in the external perception of its creditworthiness, this could have a positive impact on IKB's business activities as a whole.

The burden posed by extensive regulation offers little in the way of opportunity. Unlike at the major systemically important banks, implementation does not involve the potential for leveraging significant economies of scale at IKB. In recent years, however, IKB has developed an efficient approach to dealing with rising regulatory requirements, as it demonstrated in the successful completion of the ECB's comprehensive assessment. In addition to handling new developments efficiently, foresight will remain important in future. This approach will also be vital when it comes to limiting the substantial costs that will also arise as a result.

The potential sale of IKB by Lone Star could have a positive impact on the Bank's future economic development. IKB's Board of Managing Directors remains open to supporting these plans.

6. Outlook

Future general economic conditions

The global economy is likely to enjoy stronger growth in 2015 and 2016 than in recent years. The industrialised nations in particular are expected to see higher growth rates over the next two years. The sustained highly expansionary monetary policy is increasingly having a positive impact in terms of the ongoing process of deleveraging in the private sector, while impetus is also being provided by the development of oil prices. Furthermore, the negative influences of financial policy are increasingly falling by the wayside. The US economy is likely to benefit from increased growth in private consumption in particular. According to forecasts by the European Commission, GDP in the USA is set to rise by 3.1% this year and 3.0% next year. Although the growth rate in China is set to slow, the country remains a key driver of the global economy together with the USA.

The euro zone economy is also gradually picking up pace, with the European Commission forecasting growth of 1.5% and 1.9% in the next two years respectively. Structural problems in parts of the euro zone are continuing to pose a barrier to a more dynamic recovery.

The varied development of the countries that are relevant to IKB is likely to continue. Growth in economic activity in France and Italy is set to remain below-average in terms of the euro zone as a whole, with structural problems continuing to prevent a more substantial expansion. GDP in these countries is expected to rise by an average of just 1.1% and 0.6% respectively in 2015. By contrast, Germany and, in particular, Spain are likely to enjoy stronger performance, with the European Commission forecasting GDP growth of 1.9% and 2.8% respectively for 2015. The growth trend in the United Kingdom remains intact, although momentum has slowed slightly of late. The country is seeing a sustained upturn, with the European Commission forecasting GDP growth of 2.6% in 2015.

In Germany, the positive economic factors that were at play in late 2014 have taken hold once again. The European Commission is anticipating German GDP growth of 1.9% in the current year, followed by a slight acceleration to 2.0% next year. Economic development in 2015 has been boosted by consumer spending and private construction investment in particular. Next year, the more pronounced confidence among companies is likely to make corporate investment into the second pillar of this upturn, thereby also providing impetus in terms of demand for credit. Exports are also on the rise, although the net impact on growth is expected to be only moderate.

Inflation in the industrialised nations in the current year will remain extremely low as a result of the fall in oil prices. In the first half of the year, consumer prices in many countries will actually fall below the prior-year levels. With commodity prices set to recover slightly, however, a return to substantially positive rates of inflation is expected in 2016.

Monetary policy in the advanced economies began to diverge slightly in the past year, but remains extremely expansionary on the whole. While the additional bond purchase programme in the USA expired last autumn, the ECB and the Bank of Japan have adopted an even more expansionary approach. With inflation declining from an already undesirably low level, the ECB began to purchase large volumes of securities, and sovereign bonds in particular, in March 2015 with the aim of increasing liquidity and ultimately improving financing conditions while also weakening the euro exchange rate. In the euro zone and Japan, the extremely low key lending rates at present are unlikely to be raised either this year or next year. By contrast, the markets have been prepared for rises in interest rates in the USA and the United Kingdom from mid-2015. The economic upturn in both countries currently appears to be robust. At present, interest rates are so far removed from their neutral level – where they have neither an expansionary nor a restrictive effect on the economy – that monetary policy can be expected to continue to have an expansionary effect over the forecast period.

The results of the bank stress tests conducted by the ECB have shown that the majority of European banks are on a relatively stable footing and are well equipped to deal with new stress scenarios. However, banks continue to be faced with considerable challenges. Extensive regulatory requirements and the sustained low-interest environment are likely to limit earnings opportunities in the euro zone. Low interest rates for the foreseeable future could intensify the pressure on earnings: As higher-interest loans expire, they are being replaced by lower-interest loans. This is having an adverse effect on net interest income. This situation is exacerbated by the fact that banks are unable to pass on the reduction in interest rates for loans by cutting their deposit rates even further, as these are already close to 0% at many banks. Banks are also increasingly having to prepare themselves for a general shift in corporate financing, with corporations and large midmarket companies at least favouring capital market finance over traditional bank lending to an ever greater extent. As such, the adaptation of their business models remains on the agenda.

Forecast risk arises from a range of uncertainties concerning monetary policy decisions, the impact of the downturn in oil prices, and geopolitical factors. For example, the imminent return to interest rates in excess of zero in the USA could lead to tension on the financial markets and renewed turbulence on the currency markets. The exchange rate corrections to date have already been so substantial that their effects are hard to assess. However, it is also conceivable that the normalisation of monetary policy could take too long precisely because of fears of turbulence on the financial markets. This could lead to market distortion and asset price bubbles – with a corresponding risk in terms of future financial market stability. As previously, another risk factor is the possibility of growing doubt concerning the current structure of the euro zone – e.g. in connection with the negotiations with Greece – and the risk that the budding recovery in the crisis-hit countries could be jeopardised by renewed stress on the financial markets.

There is uncertainty with regard to the impact of falling oil prices. The effects of this development could be overstated or understated, i.e. in terms of the positive impact on oil-importing nations or the negative impact on oil-exporting nations. Generally speaking, however, low oil prices and the depreciation of the euro should be beneficial to the euro zone member states, and the forecast very much contains upside potential as well as downside risks as a result. Geopolitical uncertainties, such as the conflict between Ukraine and Russia or the crisis situation in the Middle East, will remain risk factors.

Net assets

IKB will maintain its common equity tier 1 ratio at a high level. This will be achieved by transferring net income to the reserves in accordance with section 340g HGB as well as by continuing to reduce risk-weighted assets in the form of non-strategic loans in particular. IKB also intends to use funds in which third parties can also invest in order to enable it to reduce its risk-weighted assets and lend to its customers.

For the financial year 2015/16, the Bank expects to see a slight reduction in receivables from customers, as the growth in new lending business is likely to be more than offset by repayments in the lending business and asset-side reductions. The Bank will continue to be selective when it comes to new lending business in the financial year 2015/16 in order to generate appropriate income for the risks entered into and to take into account the growing requirements imposed by the banking authorities at an early stage. If the economic upturn in Germany proves to be sustainable, this could lead to a catch-up effect in terms of demand for credit, and hence an improvement in the lending opportunities available to IKB. The development of the securities portfolio will depend to a large extent on the liquidity requirements, while investment opportunities are also an important factor. The equity and liabilities side of the balance sheet will continue to be characterised by a diverse funding mix for asset refinancing in the forecast period, with deposit-taking business remaining an important component. The funding mix will take into account any new requirements arising from the European Single Resolution Mechanism (SRM).

The Bank's business planning and all of the associated measures depend on the market environment. IKB's situation could be impacted by significant unexpected losses, market disruptions with the characteristics of a stress scenario, additional regulatory requirements or other forms of state intervention.

Liquidity situation

Business involving deposits and promissory note loans with retail customers, corporate clients and institutional investors and secured financing form key elements of IKB's refinancing. IKB will also continue to actively utilise programme loans and global loans from government development banks for its customers. The Bank also issues bearer bonds.

The funds generated will be used to repay refinancing as it matures and for new business. The future liquidity situation is also dependent on the development of new business, the extent to which customers draw on existing loan commitments, the investment behaviour of deposit customers, further developments in European deposit protection, agreements with the Deposit Protection Fund of the Association of German Banks, the options for secured refinancing on the interbank market and with the ECB, and the market value development of collateral and derivatives. IKB has sufficient liquidity even applying the defined stress scenarios. According to planning, liquidity is ensured with a sufficient buffer.

The Bank expects its liquidity ratio in accordance with the German Liquidity Regulation (LiqV) to remain within a corridor of between 1.25 and 2.00 in the financial year 2015/16. After collecting initial data from application within the supervisory monitoring period that began on 1 January 2014, IKB will convert its liquidity controlling to the new indicators – the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) – going forward. The LCR amounted to 273% at Group level as at 31 March 2015 (IKB AG: 253%), thereby significantly exceeding the level of 60% that is required to be observed from 1 October 2015. The Bank is anticipating an LCR of at least 100% during the forecast period.

Leverage ratio

The basis of calculation for the leverage ratio changed as a result of Delegated Regulation (EU) 2015/62 of the European Commission dated 17 January 2015 and is expected to apply for the first time to notifications from 31 December 2015 at the earliest. Accordingly, IKB expects its leverage ratio, which amounted to 8.5% at Group level as at 31 March 2015 (IKB AG: 8.1%), to decrease slightly in the financial year 2015/16.

Results of operations

In the past financial year, new lending business increased as against the previous year thanks to the growth in demand for credit in Germany. IKB maintained its standards with regard to risk and margins and entered into lending business on this basis. Despite the positive economic development at present, IKB expects the level of demand for credit in Germany to remain low and the level of competitive intensity to remain high. With low interest rates and an improved assessment of IKB's credit rating by market participants, the decline in refinancing costs that was observed in the year under review is expected to continue to a limited extent. All in all, IKB is forecasting a slight increase in net interest income in the financial year 2015/16.

If there is a sustainable increase in demand for credit in Germany, the Bank’s net interest income may enjoy better development than anticipated.

The Bank is forecasting a slight overall increase in net commission income in the coming financial year on account of its positioning. This development could be increasingly driven by the expected upturn in financing activity, planned growth measures among companies and the improvement in IKB’s market position.

The expenses resulting from the heightened regulatory requirements, the introduction of the substantial new European bank levy and expenses for the Deposit Protection Fund will make it more difficult for IKB to achieve its target of reducing administrative expenses within the Group. The Bank will continue to take efforts to compensate for these burdens on its administrative expenses and is planning to make further savings. Accordingly, IKB expects its total administrative expenses to decline slightly in the financial year 2015/16.

IKB is expecting to generate a slightly higher level of net income in the financial year 2015/16, which can be used to strengthen common equity tier 1 capital by recognising section 340g HGB reserves.

Overall assessment

IKB is forecasting positive net income after taxes and before additions to the fund for general banking risk (section 340g HGB) for the coming financial year 2015/16. Net income is expected to be slightly higher than in the financial year 2014/15. IKB intends to transfer any net income generated by IKB AG to the fund for general banking risk in accordance with section 340g HGB as at the end of the financial year.

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

7. Disclosures in accordance with section 312 AktG

IKB has prepared a dependent company report in accordance with section 312 AktG. The dependent company report will not be made public. The closing statement of the Board of Managing Directors of the Bank in the dependent companies report is as follows: “With respect to the transactions and measures listed in the report on relationships with affiliated companies, according to the circumstances known to use at the time in which the transactions were carried out or measures performed or omitted, our company received appropriate compensation for every transaction and has therefore not been disadvantaged by any measures performed or omitted.”

Focus on the midmarket: Financing growth – an analysis by IKB and Creditreform Rating

Corporate financing in Germany is changing. Many companies, and SMEs in particular, are feeling compelled to rethink their financing strategies. The extent to which this change process has already progressed and the direction it will take in future are the subjects of a joint analysis by IKB Deutsche Industriebank AG and Creditreform Rating, covering a total of around 6,400 companies with annual sales of between € 25 million and € 5 billion.

Changes in financing patterns in the German corporate landscape affect SMEs in particular. These firms are at the heart of the German midmarket and are viewed as a vital engine of economic development in Germany. Adjustments to financing concepts may be triggered by developments in the available financing as well as shifts in corporate financing requirements.

On the supply side, companies are confronted with changes whose long-term consequences are not yet entirely foreseeable. The financial markets are still in a state of flux even more than half a decade after the financial crisis. The players – banks, insurance companies, funds etc. – are currently dealing not only with the immediate effects of the euro zone debt crisis and low interest rates, but banks in particular are also faced with the substantial burden of increasingly stringent regulation and the installation of new supervisory structures. This is necessitating changes in business models and shifts in market structures – with a corresponding impact on the available financing.

But developments in terms of corporate financing requirements are also leading towards a gradual reorientation of the financing environment. Increased market volatility means companies are seeking out greater financial security for their business activities. In addition, many companies' investment structures are changing, meaning that they have different requirements with regard to the quality and maturity of the financing tools they employ.

All in all, there is every sign that the trend towards increased capitalisation will continue, as will the upturn in capital market financing that has been observed in recent years. Many high-growth companies from the upper end of the German midmarket in particular will increasingly cover their basic financing requirements via the capital markets. The development of new products, the digitalisation of production, the expansion of their international presence, the strengthening of their international competitive position – these are important tasks for the future that will require not only a broader equity base, but also financial scope with a long-term perspective. And this kind of scope can often be achieved more readily through large-scale bond or promissory note financing than borrowing.

The number of companies that are "fit for the capital markets" in terms of their size and credit rating is continuously increasing as a result of the strong growth among SMEs. Companies are also benefiting from the fact that they are increasingly attracting the interest of foreign investors, not least thanks to their growing international presence, meaning that they are gaining access to the international capital markets.

Despite this, bank loans will remain important as a key, flexible financing instrument for SMEs, particularly since major investment projects were postponed in recent years and investment activity is therefore likely to see particularly strong growth over the coming years. In these circumstances, access to the broadest possible range of financing options will be essential. In the longer term, many SMEs will consider the core approach of their financing strategy to be a combination of credit and capital market financing.

(This page is not part of the Management Report.)

Combined Annual Financial Statements of the Group and IKB Deutsche Industriebank AG for the Financial Year 2014/15

Consolidated balance sheet of IKB Deutsche Industriebank AG as at 31 March 2015

in € million	31 Mar. 2015	31 Mar. 2014
Assets		
Cash reserve	**34.6**	**22.2**
a) Cash on hand	-	-
b) Balances with central banks	34.6	22.2
thereof: with Deutsche Bundesbank	34.6	22.2
c) Balances in postal giro accounts	-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing of central banks	**-**	**-**
Receivables from banks	**2,300.0**	**2,235.4**
a) Repayable on demand	2,195.4	2,128.9
b) Other receivables	104.6	106.5
Receivables from customers	**11,089.8**	**12,263.2**
thereof: mortgage loans	1,164.3	1,465.2
thereof: public sector loans	717.9	1,010.9
Bonds and other fixed-income securities	**6,529.4**	**7,506.6**
a) Money market securities	-	-
b) Bonds and notes	5,764.2	6,820.3
ba) Public sector issuers	3,345.7	3,609.8
thereof: eligible as collateral for Deutsche Bundesbank	3,345.7	3,479.7
bb) Other issuers	2,418.5	3,210.5
thereof: eligible as collateral for Deutsche Bundesbank	2,042.8	2,783.1
c) Own bonds	765.2	686.3
Nominal amount	765,6	695.3
Equities and other non-fixed-income securities	**483.2**	**567.8**
Assets held for trading	**270.5**	**318.1**
Equity investments	**22.7**	**25.4**
thereof: banks	0.2	0.2
thereof: financial services institutions	-	-
Investments in associates	**13.6**	**45.0**
thereof: banks	-	-
thereof: financial services institutions	13.6	12.2
Investments in affiliated companies	**2.3**	**2.3**
thereof: banks	-	-
thereof: financial services institutions	-	-
Assets held in trust	**-**	**-**
Equalisation claims on the public sector including debt securities arising from their exchange	**-**	**-**
Lease assets	**1,029.9**	**1,170.1**
Intangible assets	**10.9**	**15.2**
a) Internally generated industrial and similar rights and assets	-	-
b) Purchased concessions, industrial and similar rights and assets and licences in such rights and assets	10.4	15.0
c) Goodwill	-	-
d) Advance payments made	0.5	0.2
Tangible assets	**25.7**	**26.0**
Called unpaid capital	**-**	**-**
Other assets	**235.1**	**130.5**
Prepaid expenses	**74.7**	**121.7**
Deferred tax assets	**243.1**	**248.8**
Excess of plan assets over post-employment benefit liability	**44.5**	**33.2**
Total assets	**22,410.0**	**24,731.5**

in € million	31 Mar. 2015	31 Mar. 2014
Equity and liabilities		
Liabilities to banks	**8,893.3**	**10,169.1**
a) Repayable on demand	924.8	1,247.8
b) With agreed lifetime or notice period	7,968.5	8,921.3
Liabilities to customers	**8,165.3**	**9,629.5**
a) Savings deposits	-	-
b) Other liabilities	8,165.3	9,629.5
ba) Repayable on demand	1,590.1	891.1
bb) With agreed lifetime or notice period	6,575.2	8,738.4
Securitised liabilities	**1,511.9**	**1,071.9**
a) Bonds issued	1,511.9	1,071.9
b) Other securitised liabilities	-	-
Liabilities held for trading	**279.7**	**333.9**
Liabilities held in trust	**-**	**-**
Other liabilities	**465.1**	**552.2**
Deferred income	**113.3**	**154.2**
Deferred tax liabilities	**-**	**-**
Provisions	**398.3**	**260.5**
a) Provisions for pensions and similar obligations	3.5	3.2
b) Tax provisions	220.0	69.3
c) Other provisions	174.8	188.0
Subordinated liabilities	**970.9**	**971.3**
Profit participation capital	**32.2**	**32.2**
thereof: due within two years	32.2	-
Fund for general banking risks	**579.7**	**574.0**
thereof: trading-related special reserve according to section 340e (4) HGB	1.8	0.9
Equity	**1,000.3**	**982.7**
a) Called-up capital	1,621.5	1,621.5
Subscribed capital	1,621.5	1,621.5
Less uncalled unpaid contributions	-	-
Contingent capital	810.7	191.7
b) Capital reserves	1,750.7	1,750.7
c) Revenue reserves	5.1	4.9
ca) Legal reserve	2.4	2.4
cb) Reserve for shares of a parent or majority investor	-	-
cc) Statutory reserves	-	-
cd) Other revenue reserves	2.7	2.5
d) Difference in equity from currency translation	-5.5	-18.2
e) Net accumulated losses	-2,371.5	-2,376.2
Total equity and liabilities	**22,410.0**	**24,731.5**
Contingent liabilities	**1,156.2**	**1,602.0**
a) Contingent liabilities from rediscounted and settled bills of exchange	-	-
b) Liabilities from guarantees and indemnity agreements	1,156.2	1,602.0
c) Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations	**1,079.7**	**822.0**
a) Repurchase obligations from non-genuine repurchase agreements	-	-
b) Placement and underwriting obligations	-	-
c) Irrevocable loan commitments	1,079.7	822.0

Balance sheet of IKB Deutsche Industriebank AG as at 31 March 2015

in € million	31 Mar. 2015	31 Mar. 2014
Assets		
Cash reserve	**34.5**	**22.2**
a) Cash on hand	-	-
b) Balances with central banks	34.5	22.2
thereof: with Deutsche Bundesbank	34.5	22.2
c) Balances in postal giro accounts	-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing of central banks	**-**	**-**
Receivables from banks	**2,158.1**	**2,108.6**
a) Repayable on demand	2,062.3	2,017.6
b) Other receivables	95.8	91.0
Receivables from customers	**12,864.6**	**14,232.2**
thereof: mortgage loans	1,164.3	1,465.2
thereof: public sector loans	717.9	1,010.9
Bonds and other fixed-income securities	**5,442.4**	**6,526.9**
a) Money market securities	-	-
b) Bonds and notes	5,432.7	6,524.3
ba) Public sector issuers	2,959.7	3,609.8
thereof: eligible as collateral for Deutsche Bundesbank	2,959.7	3,479.7
bb) Other issuers	2,473.0	2,914.5
thereof: eligible as collateral for Deutsche Bundesbank	1,928.7	2,304.8
c) Own bonds	9.7	2.6
Nominal amount	10.0	3.2
Equities and other non-fixed-income securities	**1.5**	**-**
Assets held for trading	**270.5**	**318.1**
Equity investments	**9.9**	**11.3**
thereof: banks	0.2	0.2
thereof: financial services institutions	-	-
Investments in affiliated companies	**160.2**	**137.0**
thereof: banks	-	-
thereof: financial services institutions	-	-
Assets held in trust	**-**	**-**
thereof: Trustee loans	-	-
Equalisation claims on the public sector including debt securities arising from their exchange	**-**	**-**
Intangible assets	**8.1**	**39.6**
a) Internally generated industrial and similar rights and assets	-	-
b) Purchased concessions, industrial and similar rights and assets and licences in such rights and assets	8.1	12.6
c) Goodwill	-	27.0
d) Advance payments made	-	-
Tangible assets	**5.5**	**6.2**
Called unpaid capital	**-**	**-**
Other assets	**368.7**	**112.1**
Prepaid expenses	**128.9**	**202.7**
Deferred tax assets	**238.1**	**251.7**
Excess of plan assets over post-employment benefit liability	**43.5**	**33.1**
Total assets	**21,734.5**	**24,001.7**

in € million	31 Mar. 2015	31 Mar. 2014
Equity and liabilities		
Liabilities to banks	**8,881.7**	**10,161.2**
a) Repayable on demand	924.5	1,247.4
b) With agreed lifetime or notice period	7,957.2	8,913.8
Liabilities to customers	**8,198.4**	**9,628.7**
a) Savings deposits	-	-
b) Other liabilities	8,198.4	9,628.7
ba) Repayable on demand	1,613.8	878.3
bb) With agreed lifetime or notice period	6,584.6	8,750.4
Securitised liabilities	**1,014.2**	**699.5**
a) Bonds issued	1,014.2	699.5
b) Other securitised liabilities	-	-
Liabilities held for trading	**279.7**	**333.9**
Liabilities held in trust	**-**	**-**
Other liabilities	**537.2**	**445.5**
Deferred income	**131.4**	**201.2**
Deferred tax liabilities	**-**	**-**
Provisions	**376.9**	**221.9**
a) Provisions for pensions and similar obligations	-	-
b) Tax provisions	218.8	65.4
c) Other provisions	158.1	156.5
Subordinated liabilities	**495.8**	**496.3**
Profit participation capital	**32.2**	**32.2**
thereof: due within two years	32,2	-
Fund for general banking risks	**579.7**	**574.0**
thereof: trading-related special reserve according to section 340e (4) HGB	1.8	0.9
Equity	**1,207.3**	**1,207.3**
a) Called-up capital	1,621.5	1,621.5
Subscribed capital	1,621.5	1,621.5
Less uncalled unpaid contributions	-	-
Contingent capital	810.7	191.7
b) Capital reserves	1,750.7	1,750.7
c) Revenue reserves	2.4	2.4
ca) Legal reserve	2.4	2.4
cb) Reserve for shares of a parent or majority investor	-	-
cc) Statutory reserves	-	-
cd) Other revenue reserves	-	-
d) Difference in equity from currency translation	-	-
e) Net accumulated losses	-2,167.3	-2,167.3
Total equity and liabilities	**21,734.5**	**24,001.7**
Contingent liabilities	**2,086.8**	**2,527.1**
a) Contingent liabilities from rediscounted and settled bills of exchange	-	-
b) Liabilities from guarantees and indemnity agreements	2,086.8	2,527.1
c) Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations	**968.6**	**766.8**
a) Repurchase obligations from non-genuine repurchase agreements	-	-
b) Placement and underwriting obligations	-	-
c) Irrevocable loan commitments	968.6	766.8

Consolidated income statement of IKB Deutsche Industriebank AG for the period from 1 April 2014 to 31 March 2015

in € million	2014/15	2013/14
Expenses		
Lease expenses	**-207.5**	**-205.0**
Interest expenses	**-936.5**	**-1,073.9**
Commission expenses	**-13.4**	**-13.0**
Net trading results	**-**	**-**
General administrative expenses	**-302.6**	**-274.7**
a) Personnel expenses	-183.4	-161.3
aa) Wages and salaries	-152.7	-138.5
ab) Social security, post-employment and other employee benefit costs	-30.7	-22.8
thereof: for pensions	-12.6	-5.5
b) Other administrative expenses	-119.2	-113.4
Depreciation and write-downs of intangible and tangible fixed assets	**-359.1**	**-402.5**
a) On lease assets	-349.4	-392.2
b) On intangible and tangible assets	-9.7	-10.3
Other operating expenses	**-1,097.5**	**-302.1**
Expenses for the addition to the fund for general banking risks	**-4.8**	**-402.5**
Depreciation and write-downs of receivables,specific securities and additions to loan loss provisions	**-64.8**	**-87.5**
Depreciation and write-downs of equity investments, investments in affiliated companies and long-term investments	**-15.8**	**-40.3**
Expenses of assumption of losses	**-0.1**	**-**
Extraordinary expenses	**-4.6**	**-4.8**
Income taxes	**-118.7**	**134.7**
Other taxes not reported under “Other operating expenses”	**-1.4**	**-2.1**
Profit transfer on the basis of profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Net income for the financial year	**-4.7**	**-32.2**
Total expenses	**-3,131.5**	**-2,705.9**

in € million	2014/15	2013/14
Income		
Lease income	**627.9**	**679.9**
Interest income from	**1,103.6**	**1,279.5**
a) Lending and money market transactions	944.5	1,104.4
b) Fixed-income securities and government-inscribed debts	159.1	175.1
Current income from	**51.9**	**21.5**
a) Equities and other non-fixed-income securities	46.2	17.8
b) Equity investments	1.8	1.9
c) Investments in associates	1.9	1.8
d) Investments in affiliated companies	2.0	-
Income from profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Commission income	**55.8**	**42.0**
Net trading results	**8.2**	**5.9**
thereof: addition to trading-related special reserve according to section 340e (4) HGB	0.9	0.7
Income from reversals of write-downs on receivables and certain securities and from the reversal of loan loss provisions	**-**	**-**
Income from reversals of write-downs of equity investments, investments in affiliated companies and long-term investment securities	**416.1**	**187.6**
Other operating income	**866.1**	**487.7**
Income from the reversal of the fund for general banking risks	**-**	**-**
Extraordinary income	**1.9**	**1.8**
Income from assumption of losses	**-**	**-**
Net loss for the financial year	**-**	**-**
Total income	**3,131.5**	**2,705.9**
Net income for the financial year	**4.7**	**32.2**
Loss carryforward from the previous year	**-2,376.2**	**-2,408.4**
Withdrawals from capital reserves	**-**	**-**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net accumulated losses	**-2,371.5**	**-2,376.2**

Income statement of IKB Deutsche Industriebank AG for the period from 1 April 2014 to 31 March 2015

in € million	2014/15	2013/14
Expenses		
Interest expenses	**-962.4**	**-1,106.5**
Commission expenses	**-6.6**	**-5.4**
Net trading results	**-**	**-**
General administrative expenses	**-257.7**	**-231.8**
a) Personnel expenses	-147.7	-126.6
aa) Wages and salaries	-122.8	-109.0
ab) Social security, post-employment and other employee benefit costs	-24.9	-17.6
thereof: for pensions	-11.5	-5.0
b) Other administrative expenses	-110.0	-105.2
Depreciation and write-downs of intangible fixed assets and tangible fixed assets	**-32.5**	**-9.9**
Other operating expenses	**-1,021.0**	**-259.7**
Expenses for the addition to the fund for general banking risks	**-4.8**	**-402.5**
Depreciation and write-downs of receivables, specific securities and additions to loan loss provisions	**-71.1**	**-82.7**
Depreciation and write-downs of equity investments, investments in affiliated companies and long-term investments	**-10.2**	**-23.8**
Expenses of assumption of losses	**-0.1**	**-**
Extraordinary expenses	**-4.1**	**-4.2**
Income taxes	**-124.9**	**136.2**
Other taxes not reported under “Other operating expenses”	**-0.1**	**-0.2**
Profit transfer on the basis of profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Net income for the financial year	**-**	**-**
Total expenses	**-2,495.5**	**-1,990.5**

in € million	2014/15	2013/14
Income		
Interest income from	**1,129.3**	**1,320.7**
a) Lending and money market transactions	987.2	1,166.5
b) Fixed-income securities and government-inscribed debts	142.1	154.2
Current income from	**2.6**	**0.4**
a) Equities and other non-fixed-income securities	-	-
b) Equity investments	0.6	0.4
c) Investments in affiliated companies	2.0	-
Income from profit-pooling, profit transfer and partial profit transfer agreements	**179.2**	**18.4**
Commission income	**52.7**	**43.5**
Net trading results	**8.2**	**5.9**
thereof: addition to trading-related special reserve according to section 340e (4) HGB	0.9	0.7
Income from reversals of write-downs on receivables and certain securities and from the reversal of loan loss provisions	**-**	**-**
Income from reversals of write-downs of equity investments, investments in affiliated companies and long-term investment securities	**354.6**	**176.8**
Other operating income	**765.6**	**421.7**
Income from the reversal of the fund for general banking risks	**-**	**-**
Extraordinary income	**3.3**	**3.1**
Income from assumption of losses	**-**	**-**
Net loss for the financial year	**-**	**-**
Total income	**2,495.5**	**1,990.5**
Net income for the financial year	**-**	**-**
Loss carryforward from the previous year	**-2,167.3**	**-2,167.3**
Withdrawals from capital reserves	**-**	**-**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net accumulated losses	**-2,167.3**	**-2,167.3**

Consolidated cash flow statement

	in € million	2014/15	2013/14
Net income for the period (including minority interest in net income)		**4.7**	**32.2**
Non-cash items included in net income for the year and reconciliation to cash flow from operating activities			
+/-	Depreciation and amortisation, impairment and reversals of write-downs on receivables, tangible and financial assets	423.0	500.7
+/-	Increase/decrease in provisions	-8.8	-152.6
+/-	Other non-cash expenses/income	20.3	405.9
-/+	Gain/loss on the disposal of financial and tangible assets	-28.9	-146.2
+/-	Other adjustments (net)	-505.5	-832.7
Subtotal		**-95.2**	**-192.7**
Changes in assets and liabilities from operating activities			
	Receivables		
+/-	from banks	-64.7	-15.9
+/-	from customers	1,091.5	2,309.0
+/-	Securities (unless financial assets)	-128.3	19.8
	Lease assets		
+	Receipts from disposal	235.3	240.5
-	Payments for acquisition	-289.2	-279.8
+/-	Other assets from operating activities	42.5	86.2
	Liabilities		
+/-	to banks	-1,272.1	-1,689.9
+/-	to customers	-1,492.0	-1,219.3
+/-	Securitised liabilities	437.8	83.3
+/-	Other liabilities from operating activities	-248.7	174.7
+	Interest and dividends received	1,496.2	1,841.6
-	Interest paid	-1,037.5	-1,318.3
+	Extraordinary receipts	1.8	-
-	Extraordinary payments	-	-0.1
+/-	Income tax	-4.7	-4.6
Cash flow from operating activities		**-1,327.3**	**34.5**
	Proceeds from the disposal of		
+	financial assets	4,254.7	3,661.3
+	tangible assets	0.3	0.8
	Payments for the acquisition of		
-	financial assets	-2,900.2	-3,350.2
-	tangible assets	-3.7	-6.8
+/-	Change in cash funds from other investing activities (net)	-1.4	-2.0
Cash flow from investing activities		**1,349.7**	**303.1**
+	Cash receipts from issue of capital	-	-
+/-	Change in cash funds from other capital (net)	-10.0	-402.3
Cash flow from financing activities		**-10.0**	**-402.3**
	Net change in cash funds	12.4	-64.7
+/-	Effect on cash funds of exchange rate movements, changes in reporting entity structure and remeasurement	-	-
+	**Cash funds at beginning of period**	**22.2**	**86.9**
Cash funds at end of period		**34.6**	**22.2**

Notes on the consolidated cash flow statement

The cash funds of the IKB Group match the reported balance sheet item “Cash reserve” and “Debt instruments of public sector entities and bills of exchange eligible for refinancing of central banks”. In the cash flow statement, this item changes from the figure at the beginning of the year by showing the cash flows from

- operating activities,
- investing activities and
- financing activities

to cash funds at the end of the financial year.

The cash flow from operating activities is defined by a bank’s operating activities. It is determined using the indirect method by adjusting net income for all non-cash income and expenses. In accordance with German Accounting Standard (DRS) 2-10, interest, dividend and tax payments are listed separately so that the net income is adjusted for the net interest result and taxes recognised in income in the item “Other adjustments”.

The cash flow from investing activities shows incoming and outgoing payments from positions whose general purpose is a long-term investment or use. For banks, this includes payments from the disposal and acquisition of financial and tangible assets in particular.

The cash flow from financing activities shows cash flows from transactions with shareholders and minority interests of consolidated subsidiaries in addition to other capital.

Notes to the combined annual financial statements of the Group and IKB Deutsche Industriebank AG

Applied accounting principles

In accordance with section 340i (1) HGB in conjunction with section 290 et seq. of the Handelsgesetzbuch (HGB – German Commercial Code), IKB AG is required to prepare consolidated financial statements and a Group management report.

The consolidated financial statements (Group) and the annual financial statements (IKB AG) of IKB Deutsche Industriebank AG for the financial year 2014/15 are prepared in line with the provisions of the HGB 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 consolidated financial statements also take into account the standards (DRS) promulgated by the German Standardisation Council (DSR) and endorsed by the Federal Ministry of Justice in accordance with section 342 (2) HGB.

The comparative figures for the previous year were determined in line with German Commercial Code and disclosed in accordance with section 298 (1) in conjunction with section 265 (2) HGB.

The balance sheet and the income statement are structured in line with the formats for banks in accordance with section 2 RechKredV. The consolidated balance sheet and the consolidated income statement have been supplemented by items specific to the leasing industry. The income statement is structured in account format (format 2 RechKredV).

Disclosures that can be either provided in the balance sheet/income statement or the notes have mostly been shown in the notes. Amounts are disclosed in millions of euro. Minor deviations can occur in the figures in the notes due to the rounding of totals. Amounts under € 50 thousand and zero values are shown in the consolidated and annual financial statements of IKB AG as "-".

The notes to the consolidated financial statements and the notes to the annual financial statements of IKB AG have been compiled in accordance with section 298 (3) HGB. Unless noted otherwise, comments apply to both the consolidated financial statements and the annual financial statements of IKB AG.

The financial year of IKB begins on 1 April and ends on 31 March.

Changes in presentation and measurement

There was a change in the presentation of the prior-period portion of reimbursements from the Deposit Protection Fund (ESF) in the amount of € 1.5 million. Since 31 December 2014, this item is no longer recognised in other operating income, but instead serves to reduce administrative expenses.

IKB AG is recognising the income from and impairment and write-downs of long-term investments transferred synthetically to the special-purpose entity Rio Debt Holdings Ltd. by means of total return swaps as a net amount for the first time in the current financial year in order to present the economic substance of the transaction in its results of operations.

In accordance with IDW RS HFA 34, provisions for interest on taxes have been reported in tax provisions rather than other provisions since 31 March 2015. This means that the settlement amount necessary in line with prudent business judgement is recognised uniformly in a single balance sheet item. This change served to increase tax provisions and reduce other provisions by € 43.6 million respectively (previous year: € 15.9 million).

There was a change in the presentation of deferred interest on interest rate and interest rate currency swaps in the non-trading book in connection with the system harmonisation in the past financial year to one portfolio management system. The net deferred interest previously reported in the balance sheet under other assets or other liabilities was replaced by a gross presentation with effect from 31 December 2014. Since this date, netting has taken place in other assets or other liabilities at the level of the individual transactions. This change in presentation increased total assets by € 105.4 million as at 31 March 2015.

With effect from 31 March 2015, IKB applied the revised IDW standard on the accounting treatment of credit derivatives in the non-trading portfolio (IDW RS BFA 1 n.F.), which was published on 4 May 2015. The implementation of the changes compared with the previous version of the standard (IDW RS BFA 1 a.F.) led to the recognition of provisions for expected losses in the amount of € 5.9 million at the reporting date, with the corresponding increase reported in other operating expenses. The application of IDW RS BFA 1 n.F. in the current financial year also gives rise to the following changes in presentation: Interest income at the level of the IKB Group is reduced by € 22.0 million (IKB AG: € 20.4 million), while other operating income increases by € 13.4 million (IKB AG: € 11.8 million) and fee and commission income increases by € 8.6 million. In addition, interest expense is reduced by € 7.8 million, while other operating expenses increase by € 6.2 million and fee and commission expense increases by € 1.6 million. As a result of the application of IDW RS BFA 1 n.F., credit derivatives recognised as guarantees with a nominal volume of € 961.4 million are no longer included in the note on “financial instruments not carried at fair value”. In addition, credit derivatives recognised as executory contracts with a nominal volume of € 1,291.8 million (IKB AG: € 1,277.1 million) are no longer reported as contingent liabilities.

(1) Consolidated group

In addition to IKB AG, 47 (previous year: 43) subsidiaries have been included in consolidation in the consolidated financial statements as at 31 March 2015.

European Liquid Bond S.A. SICAV-FIS was included in the consolidated financial statements as an associate for the first time as at 31 March 2014. IKB AG obtained an indirect control over the investment fund in June 2014, which resulted in the inclusion of European Liquid Bond S.A. SICAV-FIS in the consolidated financial statements as an affiliated company by way of consolidation for the first time in the quarterly financial statements for the period ended 30 June 2014. Inclusion in the consolidated financial statements ended in November 2014 with the liquidation of the company and its deconsolidation. The deconsolidation has not had any material effects.

IKB Beteiligungsgesellschaft 2 mbH was included in the consolidated financial statements by way of consolidation as a subsidiary as at 30 September 2014. IKB Beteiligungsgesellschaft 1 mbH, IKB Beteiligungsgesellschaft 3 mbH, IKB Beteiligungsgesellschaft 4 mbH and IKB Beteiligungsgesellschaft 5 mbH were included in the consolidated financial statements by way of consolidation as subsidiaries as at 30 November 2014. Their business purpose is the acquisition, holding and disposal of equity investments in companies and the management of their own assets.

The special-purpose entity German Mittelstand Equipment Finance S.A. was included in the consolidated financial statements by way of consolidation for the first time as at 30 September 2014. The object of the company is the acquisition of lease receivables of IKB Group companies.

The special-purpose entity Bacchus 2008-1 Plc was included in the consolidated financial statements as a consolidated special-purpose entity by way of consolidation for the first time in the financial year 2008/09. Following the repayment in full of the securities issued, the special-purpose entity was liquidated and deconsolidated with effect from 31 March 2015. The deconsolidation has not had any material effects.

IKB Capital Corporation i. L. was included in the consolidated financial statements by way of consolidation for the first time in the financial year 2000/01. Following the liquidation proceedings and the end of the extended liability phase, the subsidiary was deconsolidated with effect from 31 March 2015. The deconsolidation resulted in the reversal of the cumulative currency translation differences from the consolidated equity item “Difference in equity from currency translation” in the amount of € 16.7 million to other operating expenses. All in all, the deconsolidation did not result in any changes in equity.

One associated company is included in the consolidated financial statements using the equity method (previous year: two).

47 subsidiaries (previous year: 56) and 17 associates (previous year: 19) were not included in the consolidated financial statements by way of consolidation or using the equity method on account of their immateriality to the net assets, financial position and results of operations of the Group, and instead were recognised as other equity investments at amortised cost.

The capital shares in the associates are in general the same as the voting shares. IKB has one deviating share of voting rights in HABITO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt EINS KG, Pullach im Isartal (capital share: 6.00%; share of voting rights: 16.00%).

IKB AG has founded a fund company in Luxembourg named Valin Mittelstand Senior Debt Fund S.A., SICAV-SIF. It was recorded in the commercial register on 16 June 2014. The consolidation of the fund company was waived in accordance with section 296 (2) HGB as no investor funds have been drawn upon to date, meaning that the volume of the fund is limited to the initial capital of € 31 thousand.

(2) Consolidation methods

The consolidated financial statements were prepared in accordance with the uniform accounting policies of IKB AG. The annual financial statements of the subsidiaries included that are neither credit nor financial services institutions have been reconciled to the structure of the RechKredV formats. If a Group company has a reporting date other than 31 March, the material transactions that occur between the balance sheet date and 31 March 2015 are taken into account. Selected companies are included using financial statements updated to the reporting date of the Group.

Since the entry into effect of the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Act to Modernise Accounting Law), capital consolidation for companies included in consolidation for the first time has been in line with the revaluation method in accordance with section 301 HGB.

Before the BilMoG came into effect, the book value method was used for companies included in consolidation for the first time. The book value method is still used in accordance with the retention option of section 66 (3) of the Einführungsgesetz zum Handelsgesetzbuch (EGHGB – Introductory Act to the German Commercial Code). In the last HGB consolidated financial statements before the transition to IFRS Group accounting (31 March 2005), the carrying amounts of the subsidiary as at the date of acquisition or first-time inclusion in consolidation were used. Companies acquired after 31 March 2005 have been included at carrying amount as at the date of acquisition in accordance with section 301 (2) HGB. Prior to 31 March 2005, positive and negative consolidation differences were offset. The resulting difference is reported in revenue reserves. This netting has been retained in accordance with section 66 EGHGB.

Assets, liabilities, deferred income and expenses as well as revenue and expenses between the Group companies included are consolidated, provided that there are no industry-specific accounting regulations preventing this. Intercompany profits from internal transactions are eliminated if not immaterial.

Investments in associated companies are measured using the equity method in accordance with section 312 HGB (book value method). Uniform accounting policies are disregarded when using the equity method in the Group, as their impact in terms of the presentation of a true and fair view of the net assets, financial position and results of operations is immaterial.

Accounting policies

(3) Receivables

Receivables from customers and banks are recognised at nominal value less specific and general allowances. Differences between the nominal and payment amount are taken to deferred income and prepaid expenses and allocated if the difference is of an interest nature. Purchased receivables are recognised at acquisition cost less specific and general valuation allowances.

The hire-purchase agreements of the leasing companies in the Group are reported in the consolidated balance sheet item “Receivables from customers” at the present value of future hire-purchase instalments. Interest income is recognised on an annuity basis and reported in the item “Interest income”.

(4) Securities

Purchased securities are carried at acquisition cost in accordance with section 253 (1) sentence 1 HGB. The differences between the cost and repayment amount (premiums/discounts) are recognised as an adjustment in interest income/expenses pro rata temporis over the remaining term.

Subsequent measurement of long-term investments is in line with the moderate principle of lower of cost or market value under section 340e (1) sentence 1 HGB in conjunction with section 253 (3) sentence 3 HGB. If impairment is expected to be permanent, assets are written down to the lower fair value as at the reporting date.

Securities classified as current assets are measured at the lower of quoted or market price in line with the strict principle of lower of cost or market value in accordance with section 340e (1) sentence 2 HGB in conjunction with 253 (4) HGB. If there are no closing rates, the fair value is calculated on the basis of price information from market data providers and tested for plausibility using suitable methods. If there are no quoted prices or price information from contractual providers for securities, their value is determined on the basis of valuation models by discounting forecast cash flows. The discounting rate is calculated using the risk profile of similar securities. Parameters used are not exclusively observed on the market.

Impairment requirements for securities from securitisation transactions are calculated on the basis of a fundamental value method. This method allows detailed loss allocation of the underlying credit portfolio. The default pattern for the reference portfolio is typically estimated in a standard Monte Carlo simulation including rating-based probabilities of default and correlation parameters specific to the asset class. On the basis of the default scenarios, the cash flows of the invested tranche are calculated taking into account the transaction structure (“cash flow waterfall”). The fundamental value is calculated by discounting these cash flows with the effective interest rate of the respective tranche.

Write-downs are reversed in accordance with section 253 (5) sentence 1 HGB if the reasons for the lower carrying amount no longer apply.

Structured financial instruments are recognised in accordance with the principles of IDW RS HFA 22. The principle of uniform accounting is only deviated from if the structured financial instrument has significantly elevated or additional risks or opportunities compared to the underlying on account of embedded derivatives.

Structured financial instruments are accounted for separately for securities from synthetic securitisation transactions in which the credit risk of the reference portfolio was transferred to the issuer of the securities with a credit default swap (CDS). The embedded derivatives in synthetic securitised instruments are reported at nominal amount as contingent liabilities under the below-the-line items if the embedded derivatives are recognised as guarantees. In the event 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 embedded derivatives are recognised as executory contracts in accordance with IDW RS BFA 1 n.F., provisions for expected losses are recognised in the amount of the negative fair values of the embedded derivatives.

(5) Provisions for possible loan losses

Provisions for possible loan losses comprise valuation allowances and provisions for all discernible credit and sovereign risks and for latent default risks.

General valuation allowances and generally calculated 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 from customer receivables and contingent liabilities from guarantees are taken as a basis and multiplied by a cyclical factor in order to accommodate the general economic situation.

The economic factor used to calculate general valuation allowances remained unchanged in the reporting year. As a result of the decline in customer receivables and contingent liabilities from guarantees, the general valuation allowance recognised for lending business decreased by around € 15 million at the reporting date.

To reflect latent risks of default on long-term investments, receivables from banks, irrevocable loan commitments and contingent liabilities from protection seller credit default swaps, the Bank also calculated general valuation allowances and generally calculated loan loss provisions for these risks on the basis of the expected loss.

To cover sovereign risk, a general valuation allowance was recognised for the credit volume in high-risk countries with internal ratings from class 8 for which the risk has not been placed with third parties. The general valuation allowance for country risk is recognised in the amount of at least the one-year expected loss. Above and beyond this, the Bank examines whether additional country risk provisioning appears to be necessary on a case-by-case basis. Accordingly, as in the previous year, country risk provisioning within the published tax ranges was recognised for risk classes 13-15 as at 31 March 2015. The resulting general valuation allowances for country risk amounted to € 4.4 million. Of the € 4.2 million increase compared with the previous year (€ 0.2 million), € 1.4 million was due to the inclusion of countries in rating classes 8-12 in the calculation.

In addition, general valuation allowances totalling € 58 million were recognised for latent counterparty default risk in connection with the following items:

- Above-average risk of loss in the area of acquisition financing in the amount of € 28 million
- Losses in connection with the planned sale of PFI financing in connection with public-private partnerships in the amount of € 15 million
- Impact of the EU sanctions against Russia on borrowers in the amount of € 12 million
- Impact of more stringent legislation on borrowers in the renewable energies segment in Southern Europe in the amount of € 3 million.

Total general valuation allowances including country risk provisioning for customer receivables, receivables from banks, contingent liabilities and irrevocable loan commitments in the Group amounted to € 159.2 million (previous year € 109.9 million), while the figure for IKB AG amounted to € 158.8 million (previous year € 109.6 million). There were general valuation allowances for securities of € 3.1 million (previous year: € 5.8 million) in the Group and € 2.9 million (previous year: € 5.4 million) at IKB AG.

(6) Liabilities held for trading

The Bank has assigned all financial instruments with which it intends to generate a short-term trading gain to this portfolio in accordance with IDW RS BFA 2. The criteria for this intention are taken from the banking authorities regulatory requirements for allocation to the trading book. These criteria have not been changed. Assets and liabilities held for trading are reported separately.

In accordance with section 340e (3) sentence 1 HGB, trading portfolio financial instruments are measured at fair value less a risk deduction. Their fair value is calculated in line with the measurement hierarchy of section 255 (4) HGB. The fair values of financial instruments not traded on exchanges are determined on the basis of financial and mathematical valuation 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 and exchange rates, contractual regulations on payment dates for the respective financial instrument and the credit standing of the respective counterparty.

The Bank charges the risk deduction in the amount of the value-at-risk calculated in accordance with regulatory criteria. 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 which has a 99% probability of not being exceeded. The observation period is 250 bank working days. The risk deduction calculated for the entire trading portfolio is deducted from the asset trading portfolio.

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 risk” in line with section 340g HGB and reported there separately each financial year. This item may only be reversed under the conditions set out in section 340e (4) sentence 2 HGB.

(7) Equity investments and investments in affiliated companies/tangible assets/intangible assets

Investments in affiliated companies and investees and investors are carried at the lower of acquisition cost or fair value. They are measured in line with the moderate principle of lower of cost or market value under section 340e (1) sentence 1 HGB in conjunction with section 253 (3) sentence 3 HGB.

Finite-lived tangible and intangible assets are measured at acquisition/production cost less depreciation and amortisation respectively and impairment. 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 reduced to the market value if the impairment is expected to be permanent.

The option to capitalise self-developed intangible fixed assets in accordance with section 248 (2) sentence 1 HGB has not been exercised. Intangible fixed assets purchased from third parties are capitalised at cost and written down pro rata temporis on a straight-line basis over their standard useful life.

On 31 March 2015, IKB AG recognised a write-down on purchased goodwill in the amount of € 22.7 million. The write-down is reported in depreciation and write-downs of intangible and tangible assets. The goodwill was recognised as part of an asset deal under which IKB AG acquired new customer derivative business from IKB International S.A. i.L. in the financial year 2010/11. New business is now only being conducted with a small number of existing customers, not least due to the change in the regulatory environment and the level of interest rates, resulting in a permanent reduction in the original income expectations. In addition, the migration of existing derivatives to a new front-to-back system in November 2014 means that the previous business processes have now been replaced in full. As the overall picture indicates the goodwill is deemed to be impaired.

(8) Lease assets

Assets of lease companies of the Group intended for leasing are reported in the consolidated balance sheet as lease assets if the IKB Group is the beneficial owner. The associated income is reported in the consolidated income statement under “Lease income”. The cost of disposals of lease assets and other associated expenses in the Group are contained in the item “Lease expenses”.

Depreciation on lease assets in the Group is reported in “Depreciation on lease assets”.

(9) Securities repurchase and lending transactions

Securities repurchase transactions are accounted for in accordance with section 340b HGB.

In securities repurchase transactions in which it is the repo seller, IKB still reports the transferred assets in its balance sheet and recognises a corresponding liability to the repo purchaser. If IKB is the repo purchaser, a receivable from the repo seller is recognised

Securities lending transactions are accounted for in the same way as securities repurchase transactions.

(10) Excess of plan assets over post-employment benefit liability

In accordance with section 246 (2) sentence 2 HGB, assets that are inaccessible to all other creditors and that are used solely to satisfy pension or similar long-term liabilities are offset against these liabilities. The procedure is the same for the associated expenses and income from discounting of obligations and from related assets.

Assets transferred in contractual trust arrangements (CTAs) are measured at fair value. If the fair value of the assets exceeds the amount of the liabilities, this amount is reported under “Excess of plan assets over pension liability”. The corresponding net expenses and income are reported in other operating income or other operating expenses as appropriate.

Accounting for pension liabilities is shown in the accounting policies for provisions (note 12).

(11) Liabilities

With the exception of liabilities held for trading, liabilities are measured at their settlement amount. The difference between this and the amount paid in is deferred and allocated in profit or loss as planned.

For assets that are transferred but not derecognised, a liability is reported under other liabilities at the amount received for the asset.

(12) Provisions

Provisions for pensions and similar obligations

Pension liabilities are measured at the necessary settlement amount. The 2005 G Heubeck mortality tables are used to calculate the necessary settlement amount. The calculation is performed using the projected unit credit method with the following measurement assumptions:

Measurement factor	31 Mar. 2015 Assumption	31 Mar. 2014 Assumption
Interest rate	4.37%	4.83%
Wage and salary increase	2.0% / 3.0%	2.0% / 3.0%
Pension trend	2.0%	2.0%
Fluctuation rate in line with grading by age and sex		
Age up to 35 m/f	6.5% / 4.5%	6.5% / 4.5%
Age from 36 to 45 m/f	4.5% / 5.5%	4.5% / 5.5%
Age over 45 m/f	1.5% / 1.0%	1.5% / 1.0%

Pension provisions are usually discounted at a determined interest rate using the average market interest rate for an assumed remaining term of 15 years. The determined interest rate was announced by the Bundesbank in line with the Rückstellungsabzinsungsverordnung (RückAbzinsV – German Ordinance on the Discounting of Provisions). For securities-linked commitments, provisions are carried in the amount of the fair value of the plan assets if a guaranteed minimum amount is exceeded.

In accordance with section 67 (1) sentence 1 EGHGB, the option is exercised to allocate annually a minimum amount of one fifteenth of the additional provision required on account of the change in the measurement of pension obligations due to BilMoG each financial year (see note 34).

To hedge the obligations from pension fund plans and similar regulations, in contractual trust arrangements, the assets necessary to meet pension claims were separated from other company assets and transferred to a trustee. If the fair value of the assets transferred is less than the associated obligations, a provision for pensions and similar obligations is reported in the corresponding amount.

Please see note 10 for information on the offsetting requirement for transferred assets against pension obligations and the recognition of assets.

Tax provisions and other provisions

Provisions for taxes and other provisions are recognised in the settlement amount necessary in line with prudent business judgement. The necessary settlement amount includes future increases in prices and costs. Provisions for expected losses from executory contracts are recognised in the amount of the obligation surplus. Provisions with a remaining term of more than twelve months are discounted in line with section 253 (2) HGB using the term-related determined interest rates of the RückAbzinsV. The effect of interest on nonbanking items in subsequent periods is reported under other operating expenses. The interest effect on provisions in connection with banking related transactions is reported in interest expenses.

Due to changes in the Restructuring Fund Act (RStruktFG) and the bank levy regulations and the transition from the national to the European bank levy, it is assumed that IKB AG will be required to pay a significantly higher bank levy in the calendar year 2015 than in the past. As the method of calculation for the EU bank levy was still open to interpretation at the reporting date and key parameters can only be estimated, a provision of € 8 million was recognised on the basis of a preliminary calculation.

(13) Contingent liabilities

Contingent liabilities are shown as off-balance-sheet items at nominal amount less any recognised provisions.

(14) Derivatives

Non-trading derivatives are accounted for in line with the provisions for executory contracts. Premium payments made and received from contingent forwards are reported in other assets/liabilities respectively. For non-contingent forwards, upfront fees paid or received are reported in prepaid expenses and deferred income respectively and amortised on a straight-line basis over their remaining term in net interest income. On the balance sheet date it is verified whether provisions for expected losses from executory contracts need to be recognised.

For derivative financial instruments included in a valuation unit in accordance with section 254 HGB, a provision for expected losses resulting from the hedged risk is not recognised if these losses are offset by an unrealised gain in the same amount (see notes 16 and 20).

Non-trading interest derivatives are measured loss-free at present value together with all other non-trading interest-bearing financial instruments in accordance with the principles of IDW RS BFA 3. Thereby the difference between the present value of the interest-bearing positions and the corresponding carrying amounts is calculated, taking into account administrative costs, risk costs and anticipated refinancing costs. IKB takes the refinancing effect of equity into account. The specific situation at IKB means that distributions to shareholders are not possible for a long time. As a result, zero interest is assumed for the portion of the anticipated refinancing costs of net assets through equity. Loss-free measurement in accordance with IDW RS BFA 3 did not give rise to any provision requirements.

Non-trading credit derivatives are measured in accordance with IDW RS BFA 1 n.F. Accordingly, credit derivatives for which IKB is the protection buyer are recognised as guarantees if the respective credit derivative hedges default risks, IKB intends to hold the derivative on maturity, and the derivative is objectively suitable as a hedging instrument. Credit derivatives recognised as guarantees are taken into account in the valuation of the hedged transactions. All other credit derivatives for which IKB is the protection buyer are recognised as executory contracts. Provisions for expected losses are recognised in the amount of the respective negative fair values.

Credit derivatives for which IKB is the protection seller are recognised as guarantees if the respective derivative only hedges default risk and IKB intends to hold the derivative until maturity or occurrence of the credit event. Provisions are recognised for credit derivatives recognised as guarantees in the amount of the expected utilisation. All other credit derivatives for which IKB is the protection seller are recognised as executory contracts. Provisions for expected losses are recognised in the amount of the respective negative fair values.

Please see note 6 for information on the measurement of derivative financial instruments held for trading.

(15) Currency translation

The modified closing rate method in accordance with section 308a HGB is used to translate foreign-currency financial statements in the Group. The asset and liability items, not including equity, of a balance sheet in foreign currency are translated to euro at the middle spot exchange rate on the balance sheet date. Equity is translated into euro at the historic rate. Income statement items are translated into euro at the average rate. Any translation difference is reported in consolidated equity as the “Difference in equity from currency translation”.

In the single-entity financial statements of IKB AG and other banks in the Group, assets and liabilities in foreign currency outside the trading portfolio are translated in line with the principles of section 340h in conjunction with section 256a HGB if there is special cover. Thus, foreign currency assets and liabilities are translated at the middle spot exchange rate (ECB reference rate) as at the balance sheet date. If the requirements of special cover are not satisfied, currency translation is performed using the regulations that apply to all merchants (section 256a HGB). For a remaining term of one year or less, the unrealised gains on currency translation are recognised in income. If the remaining term exceeds one year, the general measurement provisions apply.

This special cover in accordance with section 340h HGB is considered provided in line with IDW RS BFA 4 if the currency risk is controlled by a currency position and the individual items are aggregated in a currency position. IKB AG allocates non-trading foreign currency transactions to the currency position of the respective currency and manages them using approved limits.

In the income statement, income and expenses from currency translation (translation differences) are reported under “Other operating income” and “Other operating expenses”.

If IKB AG uses currency forwards to hedge interest-bearing assets and liabilities, 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. For the above transactions, it is determined whether closing the positions with matched terms would result in losses and whether provisions should be recognised for these (measurement of remaining items).

In line with section 340c (1) HGB in conjunction with section 340e (3) HGB, trading portfolio financial instruments in foreign currency 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 at the balance sheet date and unrealised gains and losses are recognised in net trading results.

(16) Valuation units

Under section 254 HGB, valuation units exist if assets, liabilities, executory contracts or highly probable transactions – underlying items – can be combined to offset opposing changes in value or cash flows from similar risks – hedged risks – with primary or derivative financial instruments – protection instruments. At the first level, under IDW RS HFA 35, the enterprise must decide for itself whether a specific risk should be hedged by creating an economic valuation unit with one or more underlyings. It is then decided at a second level with a hedge entered into in risk management should also be shown in accounting as a valuation unit (option). If there is an economic hedge, the Bank decides on a case-by-case basis whether to apply valuation units.

In accounting of valuation units according to the rules of section 254 HGB, unrealised losses resulting from hedged risks are not recognised for the individual transactions within the valuation unit if these losses are offset by unrealised gains from other protected transactions 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 underlying item and the protection instrument offset each other in relation to the hedged risk.

The net presentation method (“Einfrierungsmethode”) is generally used to present valuation units at IKB. Exceptions to this are micro valuation units for avoiding currency risks in the Group, which are accounted for using the gross presentation method (“Durchbuchungsmethode”).

In the net presentation method, the offsetting changes in value of the hedged risk (effective portion) are not recognised. Any net unrealised gain resulting within the hedge is not taken into account. However, if the ineffective portion of changes in the value is a loss, a corresponding provision is recognised. By contrast, 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 accounts and P&L by adjusting the respective carrying amounts.

In cases in which the contract conditions of the underlying item and the protection instrument oppose each other exactly, both the prospective effectiveness test and the retrospective effectiveness test of the valuation unit are performed by way of a critical terms match. In other cases, effectiveness is ensured by regular monitoring of the opposing measurement effects of hedged risks and underlyings. Valuation units are recognised for the remaining term of the underlying items.

There are no valuation units for highly probable transactions.

Please see the reporting in the management report for information on the risk management of financial risks.

(17) Deferred taxes

If there are differences between the accounting carrying amounts of assets, liabilities, prepaid expenses and deferred income and their tax carrying amounts that will reverse in subsequent financial years (temporary differences), 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 carry forwards that are expected to be available for offsetting in the next five years have to be taken into account in loss offsetting. The option to report deferred tax assets in line with section 274 (1) sentence 2 HGB is exercised. However, the option to report deferred tax assets and liabilities without netting in line with section 274 (1) sentence 3 HGB (gross reporting) is no longer exercised.

The deferred taxes were measured using individual tax rates for each tax entity 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 in line with the applicable rates of assessment are assumed. Deferred taxes for foreign operations and subsidiaries are measured using the applicable tax rates of its jurisdiction.

Owing to the tax group structures, the deferred tax assets and liabilities resulting from temporary differences at companies within these entities are taken into account in the calculation of the deferred taxes of the parent entity. For tax group parents that are also participating tax entities, temporary differences are taken into account at the level of the top tax group parent.

If consolidation adjustments result in temporary differences in the consolidated financial statements, additional deferred tax assets and liabilities are reported for the future tax income or expenses resulting from these differences respectively. The deferred taxes resulting from consolidation adjustments in accordance with section 306 HGB are offset against the deferred taxes in accordance with section 274 HGB.

Notes on the balance sheet

(18) Structure of maturities of selected balance sheet items by remaining term

	Group		IKB AG	
in € million	**31 Mar. 2015**	**31 Mar. 2014**	**31 Mar. 2015**	**31 Mar. 2014**
Receivables from banks[1)]	**104.6**	**106.5**	**95.8**	**91.0**
remaining term				
up to 3 months	66.5	74.0	59.3	58.5
between 3 months and 1 year	4.4	6.3	2.8	6.3
between 1 and 5 years	17.4	14.2	17.4	14.2
more than 5 years	16.3	12.0	16.3	12.0
Receivables from customers	**11,089.8**	**12,263.2**	**12,864.6**	**14,232.2**
remaining term				
up to 3 months	1,680.9	1,703.6	1,712.7	1,763.9
between 3 months and 1 year	1,687.1	1,869.9	1,861.0	2,044.5
between 1 and 5 years	5,487.5	6,371.1	6,776.3	7,818.7
more than 5 years	2,234.3	2,318.6	2,514.6	2,605.1
Liabilities to banks[1)]	**7,968.5**	**8,921.3**	**7,957.2**	**8,913.8**
remaining term				
up to 3 months	1,905.6	1,481.5	1,905.1	1,480.6
between 3 months and 1 year	1,358.0	1,770.7	1,352.2	1,770.2
between 1 and 5 years	3,518.5	4,428.3	3,513.5	4,422.2
more than 5 years	1,186.4	1,240.8	1,186.4	1,240.8
Liabilities to customers[1)]	**6,575.2**	**8,738.4**	**6,584.6**	**8,750.4**
remaining term				
up to 3 months	1,181.9	1,212.2	1,191.2	1,224.2
between 3 months and 1 year	2,185.5	3,068.2	2,185.5	3,068.2
between 1 and 5 years	2,278.1	3,222.9	2,278.2	3,222.9
more than 5 years	929.7	1,235.1	929.7	1,235.1

1) not including receivables or liabilities repayable on demand

€ 712.7 million (previous year: € 500.1 million) of bonds and other fixed-income securities are payable in the following year in the Group and € 445.4 million (previous year: € 293.7 million) are payable in the following year at IKB AG. € 769.9 million (previous year: € 149.9 million) of the bonds issued and reported under securitised liabilities are payable in the following year in the Group and € 658.6 million (previous year: € 100.3 million) are payable in the following year at IKB AG.

(19) Financial instruments held for trading

Assets held for trading break down as follows:

	Group		IKB AG	
in € million	**31 Mar. 2015**	**31 Mar. 2014**	**31 Mar. 2015**	**31 Mar. 2014**
Derivative financial instruments	254.0	253.9	254.0	253.9
Receivables	4.9	48.2	4.9	48.2
Bonds and other fixed-income securities	12.1	17.2	12.1	17.2
Risk deduction	-0.5	-1.2	-0.5	-1.2
Total	**270.5**	**318.1**	**270.5**	**318.1**

The trading book derivatives are interest swaps, spot transactions, CDS/caps/floors/collars, FX swaps, FX options, FX forwards, cross-currency swaps and swaptions.

Liabilities held for trading include the following items:

	Group		IKB AG	
in € million	**31 Mar. 2015**	**31 Mar. 2014**	**31 Mar. 2015**	**31 Mar. 2014**
Derivative financial instruments	263.6	266.5	263.6	266.5
Liabilities	16.1	67.4	16.1	67.4
Total	**279.7**	**333.9**	**279.7**	**333.9**

The nominal amounts of the derivatives reported as assets and liabilities held for trading are:

31 Mar. 2015	**Nominal amount**	
in € million	**Group**	**IKB AG**
Interest-related derivatives	5,219.9	5,219.9
Currency-related derivatives	1,287.3	1,287.3
Derivatives assigned to several categories	168.1	168.1
Total	**6,675.3**	**6,675.3**

After taking into account a risk deduction, trading activities generated net income of € 9.1 million for the financial year 2014/15 (previous year: € 6.6 million). This resulted in an addition to a special reserve in accordance with section 340e (4) HGB of € 0.9 million (previous year: € 0.7 million), thereby leaving net income of € 8.2 million (previous year: € 5.9 million).

(20) Valuation units

Valuation units are essentially used at IKB to show hedges of interest and currency risks.

At the reporting date, there were valuation units with assets with a carrying amount of € 241.8 million (previous year: € 456.4 million) and derivatives with a negative market value of € 3.2 million (previous year: € 112.7 million) as underlying items in the Group. At IKB AG, there were derivatives with a negative market value of € 0.8 million (previous year: € 112.6 million) as underlying items as at the reporting date. The year-on-year decline is primarily due to the derecognition of underlying items at IKB AG, which allowed the reversal of the corresponding valuation unit for hedging USD currency risk.

At the reporting date, hedged risks amounted to € 25.3 million (previous year: € 4.4 million) for the assets and € 2.6 million (previous year: € 107.4 million) for the derivatives in the Group, and € 0.8 million (previous year: € 107.3 million) for the derivatives at IKB AG. The hedged risk is equal to the value of the changes in the value or cash flows of the underlying item compensated by the valuation units.

(21) Fixed assets

Group:

in € million	Intangible assets	Tangible assets	Lease assets	Equity investments	Investments in associates	Investments in affiliated companies	Bonds and other fixed-income securities	Equities and other non-fixed-income securities	Total
Acquisition costs as at 31 Mar. 2014	**62.7**	**77.0**	**2,328.2**	**57.7**	**43.8**	**12.0**	**7,529.4**	**569.0**	**10,679.8**
Additions	1.4	3.8	289.2	0.5	-	0.4	2,958.0	0.5	3,253.8
Reclassifications	-	-	-0.8	-5.2	-32.7	-0.2	101.1	5.2	67.4
Effects of currency translation	-	-0.2	-2.6	-	-	-	66.9	-	64.1
Disposals	-2.8	-2.8	-522.8	-22.3	-	-0.1	-4,282.2	-86.8	-4,919.8
Acquisition costs as at 31 Mar. 2015	**61.3**	**77.8**	**2,091.2**	**30.7**	**11.1**	**12.1**	**6,373.2**	**487.9**	**9,145.3**
Cumulative depreciation/ amortisation, write-downs and reversals thereof by 31 Mar. 2014	**-47.5**	**-51.0**	**-1,158.1**	**-32.3**	**1.2**	**-9.7**	**-177.0**	**-1.1**	**-1,475.5**
Reversals of write-downs	-	0.3	0.6	7.5	1.3	-	22.5	0.1	32.3
Depreciation, amortisation and write-downs	-5.7	-4.0	-349.8	-0.2	-	-0.1	-9.3	-0.3	-369.4
Reclassifications	-	-	-	3.3	-	-	-	-3.3	-
Effects of currency translation	-	0.1	1.2	-	-	-	-35.5	-	-34.2
Disposals	2.8	2.5	444.8	13.7	-	-	121.8	-	585.6
Cumulative depreciation/ amortisation, write-downs and reversals thereof by 31 Mar. 2015	**-50.4**	**-52.1**	**-1,061.3**	**-8.0**	**2.5**	**-9.8**	**-77.5**	**-4.6**	**-1,261.2**
Residual book value as at 31 Mar. 2015	**10.9**	**25.7**	**1,029.9**	**22.7**	**13.6**	**2.3**	**6,295.7**	**483.3**	**7,884.1**
Residual book value as at 31 Mar. 2014	**15.2**	**26.0**	**1,170.1**	**25.4**	**45.0**	**2.3**	**7,352.4**	**567.9**	**9,204.3**

Deferred interest for the financial year and the previous year is shown in additions and disposals.

IKB AG:

in € million	Intangible assets	Tangible assets	Equity investments	Investments in affiliated companies	Bonds and other fixed-income securities	Equities and other non-fixed-income securities	Total
Acquisition costs as at 31 Mar. 2014	**85.4**	**26.2**	**11.3**	**1,331.7**	**6,535.1**	**-**	**7,989.7**
Additions	0.3	0.1	0.5	10.4	3,459.6	0.5	3,471.4
Reclassifications	-	-	-1.0	-	101.1	1.0	101.1
Effects of currency translation	-	-	-	-	41.4	-	41.4
Disposals	-	-0.1	-0.7	-166.5	-4,672.0	-	-4,839.3
Acquisition costs as at 31 Mar. 2015	**85.7**	**26.2**	**10.1**	**1,175.6**	**5,465.2**	**1.5**	**6,764.3**
Cumulative depreciation/ amortisation, write-downs and reversals thereof by 31 Mar. 2014	**-45.8**	**-20.0**	**-**	**-1,194.7**	**-114.0**	**-**	**-1,374.5**
Reversals of write-downs	-	-	-	14.8	2.8	-	17.6
Depreciation/amortisation and write-downs	-31.8	-0.8	-0.2	-	-2.2	-	-35.0
Reclassifications	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-21.3	-	-21.3
Disposals	-	0.1	-	164.5	102.2	-	266.8
Cumulative depreciation/ amortisation, write-downs and reversals thereof by 31 Mar. 2015	**-77.6**	**-20.7**	**-0.2**	**-1,015.4**	**-32.5**	**-**	**-1,146.4**
Residual book value as at 31 Mar. 2015	**8.1**	**5.5**	**9.9**	**160.2**	**5,432.7**	**1.5**	**5,617.9**
Residual book value as at 31 Mar. 2014	**39.6**	**6.2**	**11.3**	**137.0**	**6,421.1**	**-**	**6,615.2**

Deferred interest for the financial year and the previous year is shown in additions and disposals.

The purchased goodwill from the acquisition of new customer business from a Luxembourg subsidiary that was reported in intangible assets at IKB AG was written down in full in the amount of € 22.7 million (see note 7).

Amortisation of intangible lease assets in the Group amounted to € 0.6 million (previous year: € 0.6 million).

Operating and office equipment was included in tangible assets in the amount of € 14.1 million (previous year: € 14.4 million) in the Group and € 5.5 million (previous year: € 6.2 million) at IKB AG. One land and building partially used for banking operations was included in the portfolio at Group level with a carrying amount of € 10.0 million (previous year: € 9.0 million).

The Group's "Investments in associates" were reduced by a reclassification of € 32.7 million. This is due to the company European Liquid Bond S.A. SICAV-FIS, which was no longer accounted for using the equity method as at 30 June 2014 and was instead consolidated. The liquidation of the company was resolved in November 2014, resulting in its deconsolidation.

The disposals in "Investments in affiliated companies" at IKB AG primarily related to the deconsolidation of IKB Capital Corporation i.L.

The item "Bonds and other fixed-income securities" predominantly includes European government bonds, bank bonds, issues by European industrial companies and structured products in the form of CDO and ABS bonds. The transfer related to the reclassification of securities from the liquidity reserve to long-term investments.

Shares in special funds are also assigned to fixed assets in the item “Equities and other non-fixed-income securities” in the Group.

In total, there were unrealised losses at the balance sheet date from long-term securities of € 49.7 million (previous year: € 110.1 million) based on the carrying amounts of € 588.8 million (previous year: € 993.0 million) and the fair values of € 539.1 million (previous year: € 882.9 million). At IKB AG, unrealised losses for long-term investments amounted to a total of € 42.0 million (previous year: € 77.0 million) based on carrying amounts of € 542.6 million (previous year: € 926.0 million) and fair values of € 500.6 million (previous year: € 849.0 million).

No write-downs have been recognised for these unrealised losses in the Group or at IKB AG as the differences are not considered to be permanent impairment.

In the current financial year, write-downs on fixed assets of € 12.5 million (previous year: € 23.1 million) were recognised in the Group and of € 25.1 million (previous year: € 9.7 million) at IKB AG on account of impairment expected to be permanent.

The reported amounts do not include deferred interest.

(22) Negotiable securities

The negotiable securities included in the balance sheet items below break down as follows in terms of stock exchange listing:

	Group			IKB AG		
31 Mar. 2015 **in € million**	**Total negotiable**	**Listed**	**Not listed**	**Total negotiable**	**Listed**	**Not listed**
Bonds and other fixed-income securities	6,529.4	5,923.2	606.2	5,442.3	5,418.2	24.1
Equities and other non-fixed-income securities	478.0	1.5	476.5	1.5	1.5	-
Equity investments	4.1	-	4.1	-	-	-

	Group			IKB AG		
31 Mar. 2014 **in € million**	**Total negotiable**	**Listed**	**Not listed**	**Total negotiable**	**Listed**	**Not listed**
Bonds and other fixed-income securities	7,462.6	7,078.1	384.5	6,526.9	6,526.9	-
Equities and other non-fixed-income securities	561.5	-	561.5	-	-	-
Equity investments	10.8	-	10.8	-	-	-

The item “Bonds and other fixed-income securities” includes the negotiable securities assigned to fixed assets of € 6,295.8 million (previous year: € 7,308.5 million) in the Group and € 5,424.5 million (previous year: € 6,421.1 million) at IKB AG. The item “Equities and other non-fixed-income securities” exclusively contains the negotiable securities assigned to fixed assets in the Group of € 478.0 million (previous year: € 561.5 million).

(23) Disclosures on investment assets

Investment assets in which consolidated Group companies or IKB AG hold a share of more than 10% break down by investment goal as follows:

	Group				IKB AG			
in € million	Carrying amount 31 Mar. 2015	Fair value 31 Mar. 2015	Difference to carrying amount 31 Mar. 2015	Distri-bution 2014/15	Carrying amount 31 Mar. 2015	Fair value 31 Mar. 2015	Difference to carrying amount 31 Mar. 2015	Distri-bution 2014/15
Mixed funds	302.0	302.0	-	6.0	270.6	270.6	-	5.2
Other special funds	478.1	485.4	7.3	45.0	-	-	-	-
Total	**780.1**	**787.4**	**7.3**	**51.0**	**270.6**	**270.6**	**-**	**5.2**

	Group				IKB AG			
in € million	Carrying amount 31 Mar. 2014	Fair value 31 Mar. 2014	Difference to carrying amount 31 Mar. 2014	Distri-bution 2013/14	Carrying amount 31 Mar. 2014	Fair value 31 Mar. 2014	Difference to carrying amount 31 Mar. 2014	Distri-bution 2013/14
Mixed funds	260.4	260.4	-	1.2	233.6	233.6	-	1.2
Other special funds	561.5	565.4	3.9	17.0	-	-	-	-
Total	**821.9**	**825.8**	**3.9**	**18.2**	**233.6**	**233.6**	**-**	**1.2**

Other special funds in the Group contain shares in foreign special funds that predominantly invest in European mortgage bonds.

Furthermore, CTA assets were invested in a German special fund. The amount remaining after offsetting against pension obligations is reported under “Excess of plan assets over pension liability” (see note 27). The fund predominantly invests in fixed-income securities and to a minor extent in investment funds and equities.

All fund units can be returned on each trading day. The management company can suspend the redemption of shares if there are extraordinary circumstances that make it appear necessary to do so in the interests of the investors. The management companies have not exercised this right to date.

(24) Investments accounted for using the equity method

The companies shown in the table are accounted for in the Group using the equity method.

Carrying amounts of investments accounted for using the equity method:

in € million	31 Mar. 2015	31 Mar. 2014
Linde Leasing GmbH, Wiesbaden	13.6	12.2
European Liquid Bond S.A. SiCAV-FIS, Luxembourg, Luxembourg	-	32.8
Total	**13.6**	**45.0**

Key figures for companies accounted for using the equity method:

31 Mar. 2015 in € million	Assets	Liabilities	Net income/loss for the financial year	Income
Linde Leasing GmbH, Wiesbaden	487.5	442.1	6.4	209.5

(25) Receivables from and liabilities to affiliated companies and other investees and investors

	Group			
	31 Mar. 2015		31 Mar. 2014	
in € million	Affiliated companies[1)]	Investees and investors	Affiliated companies[1)]	Investees and investors
Receivables from banks	-	-	-	-
Receivables from customers	9.5	20.2	17.6	30.3
Other assets	-	-	0.2	-
Liabilities to banks	-	-	-	-
Liabilities to customers	3.0	0.3	4.6	-
Securitised liabilities	0.9	-	1.2	-
Other liabilities	46.2	-	239.6	-

1) For affiliated companies not included in consolidation only

The prior-period figure for other liabilities to affiliated companies was increased to include amounts due to an unconsolidated special-purpose entity.

	IKB AG			
	31 Mar. 2015		31 Mar. 2014	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from banks	-	-	-	-
Receivables from customers	2,730.6	20.0	3,035.0	30.0
Other assets	184.7	-	27.8	-
Liabilities to banks	-	-	-	-
Liabilities to customers	68.8	0.3	38.4	0.5
Securitised liabilities	508.6	-	391.2	-
Other liabilities	15.6	-	36.3	-

(26) Subordinated assets

	Group		IKB AG	
in € million	31 Mar. 2015	31 Mar. 2014	31 Mar. 2015	31 Mar. 2014
Receivables from customers	548.0	787.4	547.9	772.4
Bonds and other fixed-income securities	0.7	0.7	0.7	0.7
Assets held for trading	3.8	1.0	3.8	1.0
Total	**552.5**	**789.1**	**552.4**	**774.1**

The subordinated assets reported in “Bonds and other fixed-income securities” are own bonds.

(27) Excess of plan assets over post-employment benefit liability

31 Mar. 2015 in € million	Group	IKB AG
Offset assets		
Acquisition costs	287.6	257.8
Fair value	333.1	298.7
Offset liabilities		
Settlement amount	-290.5	-255.1
Excess of plan assets over post-employment benefit liability	**44.5**	**43.5**
Expenses and income offset in the reporting year	**2014/15**	**2014/15**
Expenses and income from pension obligations		
Expenses for pension obligations	-34.5	-30.2
Expenses and income from plan assets		
Income from plan assets	45.1	40.3
Expenses of plan assets	-0.4	-0.4
Net income/expense	**10.2**	**9.7**

31 Mar. 2014 in € million	Group	IKB AG
Offset assets		
Acquisition costs	277.1	248.8
Fair value	284.1	255.2
Offset liabilities		
Settlement amount	-252.5	-222.1
Excess of plan assets over post-employment benefit liability	**33.2**	**33.1**
Expenses and income offset in the reporting year	**2013/14**	**2013/14**
Expenses and income from pension obligations		
Expenses for pension obligations	-21.8	-19.5
Expenses and income from plan assets		
Income from plan assets	8.6	8.0
Expenses of plan assets	-0.5	-0.5
Net income/expense	**-13.7**	**-12.0**

The fair value of assets transferred in CTAs results from their asset value, which was determined by the investment company as at the balance sheet date.

(28) Leases

Assets intended for lease (equipment leasing) are reported in the consolidated balance sheet as leasing assets. These are essentially partial-pay-out agreements in which the leased assets are accounted for by the lessor.

(29) Repurchase agreements

The carrying amount of assets reported in the balance sheet as at the reporting date and transferred in repurchase agreements is € 2,134.2 million (previous year: € 3,617.9 million) in the Group and € 1,460.7 million (previous year: € 3,164.9 million) at IKB AG.

(30) Foreign-currency assets and liabilities

The currency volumes translated into euro are shown in the table below:

	Group		IKB AG	
in € million	**31 Mar. 2015**	**31 Mar. 2014**	**31 Mar. 2015**	**31 Mar. 2014**
Assets	1,612.3	1,484.1	1,430.0	1,364.3
Liabilities	286.0	324.5	423.7	473.8

The differences between the assets and the liabilities are largely hedged by currency valuation units.

(31) Other assets and other liabilities

Other assets include the following:

	Group		IKB AG	
in € million	**31 Mar. 2015**	**31 Mar. 2014**	**31 Mar. 2015**	**31 Mar. 2014**
Foreign currency adjustment item[1)]	-	18.1	-	18.1
Receivables from leasing business	26.3	17.6	-	-
Receivables from tax authorities	41.9	42.9	36.7	36.2
Hire-purchase properties not yet realised	7.5	12.1	-	-
Receivables from derivatives[2)]	7.8	7.5	9.8	9.5
Deferred interest on derivatives[2)]	123.1	1.7	123.6	2.2
Trade receivables	2.4	2.1	1.2	0.4
Receivables from affiliated companies	-	-	184.7	27.8
Miscellaneous assets	26.1	28.5	12.7	17.9
Total	**235.1**	**130.5**	**368.7**	**112.1**

1) From spot exchange rate neutralisation

2) Restated prior-year figures for IKB AG and the Group owing to partial reclassification of miscellaneous assets, receivables from derivatives and deferred interest on derivatives

The foreign currency adjustment item from spot exchange rate neutralisation represents the balance sheet contra account to the foreign exchange gains on currency derivatives in the non-trading book, which is required to be applied in currency valuation in accordance with section 340h HGB.

The change in presentation of deferred interest on interest rate swaps and interest rate currency swaps in the non-trading book served to increase other assets and other liabilities by € 105.4 million at the reporting date (see “Applied accounting principles”).

Receivables from leasing business in the Group are essentially down-payments on hire purchase agreements not yet invoiced.

Other liabilities break down as follows:

	Group		IKB AG	
in € million	**31 Mar. 2015**	**31 Mar. 2014**	**31 Mar. 2015**	**31 Mar. 2014**
True sale securitisations	-	-	261.4	274.6
Synthetic securitisations	145.0	368.2	0.7	21.8
Foreign currency adjustment item[1)]	53.0	-	53.0	-
Obligations from derivatives[2)]	79.8	98.5	79.8	98.5
Deferred interest on derivatives[2)]	112.9	20.4	107.2	12.7
Liabilities to tax authorities	13.6	17.9	11.4	14.2
Deferred income for subordinated liabilities	2.6	2.8	2.6	2.8
Trade payables	4.5	3.5	2.4	4.7
Miscellaneous liabilities	53.7	40.9	18.7	16.2
Total	**465.1**	**552.2**	**537.2**	**445.5**

1) From spot exchange rate neutralisation
2) Restated prior-year figures for IKB AG and the Group owing to partial reclassification of miscellaneous liabilities, obligations from derivatives and prepaid expenses on derivatives

Under true sale securitisation transactions IKB AG reports liabilities from special-purpose entities offset by credit receivables not derecognised on account of the retention of credit risks in the same amount. Other liabilities and provisions for expected losses from executory contracts have been recognised at the carrying amount of these securities. Beside it lease receivables were sold to non-consolidated special-purpose entities in the Group. The transaction did not result in an accounting disposal, hence other liabilities are reported at the carrying amount of the leasing receivables.

(32) Deferred income and prepaid expenses

Prepaid expenses primarily include discounts on liabilities recognised at nominal amount of € 6.9 million (previous year: € 11.2 million) in the Group and € 6.9 million (previous year: € 11.2 million) at IKB AG and prepaid expenses for derivatives business of € 54.7 million (previous year: € 94.7 million) in the Group and € 113.3 million (previous year: € 179.0 million) at IKB AG.

Deferred income primarily includes discounts on receivables recognised at nominal amount of € 21.5 million (previous year: € 22.2 million) in the Group and € 21.5 million (previous year: € 22.2 million) at IKB AG and deferred income for derivatives business of € 33.4 million (previous year: € 69.8 million) in the Group and € 108.0 million (previous year: € 175.2 million) at IKB AG.

(33) Deferred tax assets

	Group		IKB AG	
in € million	**31 Mar. 2015**	**31 Mar. 2014**	**31 Mar. 2015**	**31 Mar. 2014**
Excess deferred tax assets	243.1	248.8	238.1	251.7

Loss carried forwards:

	Group		IKB AG	
in € million	**31 Mar. 2015**	**31 Mar. 2014**	**31 Mar. 2015**	**31 Mar. 2014**
Reported corporation tax loss carried forwards	50.7	60.9	8.9	12.7
Reported trade tax loss carried forwards	-	-	-	-

The carrying amount of deferred tax assets is essentially based on the differences between the financial accounts and the tax accounts that will reverse in subsequent years. In particular, the carrying amount 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 carried forwards are taken into account if the losses are sufficiently likely to be offset within the next five financial years from the next balance sheet date. Local tax rates were used in each case. The resulting tax burden and relief have been reported net.

(34) Pension provisions

The reported pension provisions amount to € 3.5 million in the Group (previous year: € 3.2 million). Obligation relating to pension commitments are offset by corresponding plan assets in the current financial year.

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. The outstanding addition as at 31 March 2015 amounted to € 46.4 million (previous year: € 51.0 million) in the Group and € 40.9 million (previous year: € 45.0 million) at IKB AG.

(35) Subordinated liabilities

This item contains liabilities whose contractual conditions stipulate that they can only be repaid in the event of insolvency or liquidation after all non-subordinated creditors have been repaid. An early repayment obligation or participation in the losses of operating activities is not intended. Interest is generally owed and paid regardless of the Bank's net income or loss for the year with the exception of the preferred shares issued in the financial year 2004/05. IKB Funding Trust pays interest on these preferred shares if distributable net income is reported by IKB AG. The deferred interest attributable to the subordinated liabilities is reported in other liabilities.

At the reporting date, subordinated liabilities amounted to € 970.9 million (previous year: € 971.3 million) in the Group and € 495.8 million (previous year: € 496.3 million) at IKB AG. The corresponding interest expenses amounted to € 11.6 million in the year under review (previous year: € 15.5 million) in the Group and € 11.6 million (previous year: € 15.5 million) at IKB AG. Interest expenses were not incurred for the 2004/05 issue (Group) in the year under review as payment is dependent on IKB AG reporting distributable net income.

Individual items that exceed 10% of the total amount in the Group and at IKB AG:

Group Year of issue	Carrying amount in € million	Currency	Interest rate in %	Maturity
2005/2006	100.8	JPY	2.76	21 Jul. 2035
2006/2007	120.0	EUR	0.96	23 Jan. 2017
2004/2005 (Group)	400.0	EUR	1)	Perpetual

IKB AG Year of issue	Carrying amount in € million	Currency	Interest rate in %	Maturity
2006/2007	50.0	EUR	0.99	20 Jan. 2016
2004/2005	73.0	EUR	1.10	13 Sep. 2016
2005/2006	100.8	JPY	2.76	21 Jul. 2035
2006/2007	120.0	EUR	0.96	23 Jan. 2017

1) 10Y EUR mid-swap rate + 5bp, cap 9%

(36) Profit participation capital

After loss allocation, profit participation capital in the Group and at IKB AG amounted to € 32.2 million as at the balance sheet date (previous year: € 32.2 million). The nominal value as at the balance sheet date was € 120.0 million (previous year: € 300.0 million). In line with the terms and conditions, profit participation capital participates fully in the net loss for the year or net accumulated losses of IKB AG. Depending on the issue, interest payments are only made if IKB AG reports distributable net income for the year. The claims of profit participation certificate bearers to capital repayment are subordinate to the claims of other creditors.

The loss participation of the profit participation certificate bearers or the replenishment of profit participation capital are calculated on the basis of the pro rata net loss for the year or net accumulated losses (not including the loss carried forward) 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, in one case, within a four-year recovery period.

The profit participation capital in the Group and at IKB AG breaks down as follows:

Year of issue	Original nominal value in € million	Currency	Interest rate in %	Maturity
2006/2007	50.0	EUR	4.70	31 Mar. 2017
2007/2008	70.0	EUR	5.63	31 Mar. 2017

No interest was incurred on profit participation certificates for the financial year 2014/15. Had the requirements for an interest payment been met, interest of € 13.4 million (previous year: € 13.4 million) would have been payable on profit participation certificates in the financial year 2014/15.

(37) Fund for general banking risks

Owing to the net income in the trading portfolio of € 9.1 million (previous year: € 6.6 million), there was an addition to the fund for general banking risks in accordance with section 340e (4) HGB of € 0.9 million (previous year: € 0.7 million) in the financial year 2014/15; see note 19.

This special reserve was recognised in the amount of € 1.8 million at the reporting date (previous year: € 0.9 million).

The fund for general banking risks in accordance with section 340g HGB, which is eligible as common equity tier 1 capital in accordance with the CRR, was increased from € 573.1 million to € 577.9 million by an addition of € 4.8 million in the financial year 2014/15.

(38) Development of capital

Treasury stock

By way of resolution of the Annual General Meeting on 5 September 2013, the company was authorised to acquire and sell treasury stock for the purpose of securities trading until 4 September 2018. The amount of shares acquired for this purpose must 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 et seq. AktG, the treasury shares acquired on the basis of this authorisation must not exceed 10% of the share capital at any time. This authorisation was not utilised in the financial year 2014/15. The authorisation to acquire treasury shares for trading purposes up to and including 25 August 2015 that was issued by the Annual General Meeting on 26 August 2010 was revoked by way of resolution of the Annual General Meeting on 5 September 2013 from the time at which the new authorisation comes into effect.

By way of resolution of the Annual General Meeting held on 5 September 2013, 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 4 September 2018. The shares can be acquired on the stock exchange (OTC) or by way of a public bid to all shareholders. The acquisition of shares can 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 5 September 2013. The options must mature by 4 September 2018 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 et seq. AktG, the treasury shares acquired on the basis of this authorisation must not exceed 10% of the share capital of the company at any time. The acquired shares can be sold on the stock exchange (OTC) or in some other way or, in full or in part, called in. This authorisation was not utilised in the financial year 2014/15. The authorisation to acquire and utilise treasury shares in accordance with section 71 (1) no. 8 AktG up to and including 25 August 2015 that was issued by the Annual General Meeting on 26 August 2010 was revoked by way of resolution of the Annual General Meeting on 5 September 2013 from the time at which the new authorisation comes into effect.

No treasury shares were held in the financial year 2014/15, nor were there any additions or disposals of the same.

Equity

By way of resolution of the Annual General Meeting on 5 September 2013, 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 € 560,000,000.00 against cash or non-cash contributions by issuing new no-par-value bearer shares until 4 September 2018. The number of shares must increase by the same proportion as the share capital. With the approval of the Supervisory Board, the statutory pre-emption rights of shareholders can be disapplied under this authorisation. This authorisation was not utilised in the financial year 2014/15. The authorised capital was entered in the commercial register on 14 October 2013.

By way of resolution of the Annual General Meeting on 4 September 2014, 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 € 250,732,700.16 against cash or non-cash contributions by issuing up to 97,942,461 new no-par-value bearer shares until 3 September 2019. The number of shares must increase by the same proportion as the share capital. With the approval of the Supervisory Board, the statutory pre-emption rights of shareholders can be disapplied under this authorisation. This authorisation was not utilised in the financial year 2014/15. The authorised capital was entered in the commercial register on 28 October 2014.

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 or option bonds or combinations of these instruments (referred to together as “bonds” hereafter) with a total nominal value of up to € 400,000,000.00 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 ordinary shares of the company with a proportionate interest in 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 financial year 2014/15. The resolution was entered in the commercial register on 8 November 2010.

By way of resolution of the Annual General Meeting on 4 September 2014, the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to issue bearer option or convertible bonds or combinations of these instruments (referred to together as “bonds” hereafter) with a total nominal value of up to € 2,500,000,000.00 with or without a limited term on one or several occasions, including in various tranches, until 3 September 2019, and to grant the bearers of the bonds option or conversion rights for a total of up to 241,818,039 new no-par value shares with a proportionate interest in the share capital of up to € 619,054,179.84 in accordance with the terms of issue of the respective bonds. This authorisation was not utilised in the financial year 2014/15. The resolution was entered in the commercial register on 28 October 2014.

Hybrid capital instruments

The term hybrid capital instruments includes preferred shares (trust preferred securities) or issues in the form of asset contributions by silent partners. Hybrid capital instruments are only repaid after all subordinated liability and profit participation certificate issues have been served.

In the Group, trust preferred securities were issued by two subsidiaries in the US created for this purpose. Unlike German preferred shares, these preferred shares grant no share to the liquidation result of the issuing companies. The asset contributions by silent partners, which are otherwise perpetual, can only be cancelled by the issuers, an option that has only been exercisable since 2013 or 2014 at the earliest. A further condition for cancellation is that the repayment value is replenished to the original nominal value of the contribution. Perpetual maturity is agreed for the investor for preferred shares.

As in the previous year, the carrying amounts of the preferred shares in the Group corresponded to the nominal amounts of € 475.1 million as at 31 March 2015.

IKB AG has received silent contributions from partners. The loss ratio is calculated by the ratio of the silent partner contribution to balance sheet equity including profit participation certificates. As a result of loss participation in previous years, the repayment claims of the silent partners and therefore their carrying amounts were unchanged at € 0.0 million (previous year: € 0.0 million) in the Group and at IKB AG at a nominal value of € 400.0 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 payments were made on hybrid capital instruments.

Statement of changes in equity

Group:

in € million	1. Apr. 2014	Changes in the consolidated group	Change in reserves	Other changes	Consolidated net loss	31 Mar. 2015
Called-up capital	**1,621.5**	**-**	**-**	**-**	**-**	**1,621.5**
Subscribed capital	1,621.5	-	-	-	-	1,621.5
Capital reserves	**1,750.7**	**-**	**-**	**-**	**-**	**1,750.7**
Revenue reserves	**4.9**	**-**	**-**	**0.2**	**-**	**5.1**
Legal reserve	2.4	-	-	-	-	2.4
Other revenue reserves	2.5	-	-	0.2	-	2.7
Difference in equity from currency translation	-18.2	16.7	-	-4.0	-	-5.5
Net accumulated losses	-2,376.2	-	-	-	4.7	-2,371.5
Equity	**982.7**	**16.7**	**-**	**-3.8**	**4.7**	**1,000.3**

IKB AG:

in € million	1. Apr. 2014	Withdrawals	Additions	Distribution of the result for the year	31 Mar. 2015
Called-up capital	**1,621.5**	**-**	**-**	**-**	**1,621.5**
Subscribed capital	1,621.5	-	-	-	1,621.5
Capital reserves	**1,750.7**	**-**	**-**	**-**	**1,750.7**
Revenue reserves	**2.4**	**-**	**-**	**-**	**2.4**
Legal reserve	2.4	-	-	-	2.4
Other revenue reserves	-	-	-	-	-
Net accumulated losses	**-2,167.3**	**-**	**-**	**-**	**-2,167.3**
Equity	**1,207.3**	**-**	**-**	**-**	**1,207.3**

The own funds of the Group in accordance with Article 72 CRR amount to a total of € 2.2 billion (previous year: € 2.3 billion). The common equity tier 1 capital in accordance with Article 50 CRR amounts to € 1.5 billion in the Group (previous year: € 1.5 billion).

The own funds of IKB AG in accordance with Article 72 CRR amount to a total of € 2.1 billion (previous year: € 2.1 billion). The common equity tier 1 capital in accordance with Article 50 CRR amounts to € 1.8 billion at IKB AG (previous year: € 1.7 billion).

The distributable amounts locked break down as follows:

Group:

31 Mar. 2015 in € million	Gross income	Deferred tax assets	Deferred tax liabilities	Restriction on distribution
Unrealised gains on plan assets	45.6	-	-12.8	32.8
Recognition of deferred taxes	-	339.5	-83.5	256.0
Total	**45.6**	**339.5**	**-96.3**	**288.8**

IKB AG:

31 Mar. 2015 in € million	Gross income	Deferred tax assets	Deferred tax liabilities	Restriction on distribution
Unrealised gains on plan assets	40.9	-	-12.8	28.1
Recognition of deferred taxes	-	268.0	-17.1	250.9
Total	**40.9**	**268.0**	**-29.9**	**279.0**

Notes on the income statement

(39) Income by geographical market

The total amount of interest income, lease income, current income from equities and other non-fixed-income securities, equity investments and investments in affiliated companies, commission income, net income from the trading portfolio and other operating income breaks down among the different geographical markets as follows:

	Group		IKB AG	
in € million	**2014/15**	**2013/14**	**2014/15**	**2013/14**
Germany	2,415.1	2,314.5	1,914.7	1,724.7
Europe not including Germany	298.3	201.8	43.7	67.6
USA	0.1	-	-	-
Total	**2,713.5**	**2,516.3**	**1,958.4**	**1,792.3**

Income is allocated to geographical regions on the basis of the domicile of the company in the Group and on the basis of the domicile of the branches at IKB AG.

(40) Administrative and brokerage services for third parties

IKB essentially performs administrative and brokerage services for credit and custody business. The income from these activities is included in net commission income.

(41) Other operating income

Other operating income essentially breaks down as follows:

	Group		IKB AG	
in € million	**2014/15**	**2013/14**	**2014/15**	**2013/14**
Income from the reversal of swap agreements	536.7	353.6	538.1	353.8
Income from derivatives in the non-trading book	192.4	13.0	190.7	13.0
Income from currency translation	76.1	29.1	3.8	0.6
Reversal of provisions	11.1	39.7	7.1	32.5
Rental income	3.2	7.9	5.2	4.1
Compensation payments[1)]	14.1	7.5	1.9	-
Income from discounting provisions	2.2	0.8	2.2	0.8

1) From out-of-court settlements

Early strategic close-outs of derivative transactions in the banking book are reported in income from the reversal of swap agreements. These are offset by expenses in the item “Other operating expenses”.

Income from derivatives in the non-trading book primarily relates to compensation payments for the reversal of derivative transactions and premium payments received.

(42) Other operating expenses

Other operating expenses essentially include:

	Group		IKB AG	
in € million	**2014/15**	**2013/14**	**2014/15**	**2013/14**
Expenses from the reversal of swap agreements	-793.3	-205.7	-793.4	-210.3
Expenses from derivatives in the non-trading book	-176.0	-12.9	-176.0	-12.9
Addition to provisions	-37.6	-12.2	-37.3	-13.5
Expenses from currency conversion	-55.1	-33.0	-0.2	-
Expenses from deconsolidation	-16.8	-	-	-
Rent/upkeep (not for operational purposes)	-5.9	-6.8	-7.7	-5.0
Expenses of interest on provisions	-3.9	-2.4	-4.0	-2.4

In the financial year 2014/15, other operating expenses in the Group and at IKB AG included interest of € 26.7 million on a tax provision recognised as a precautionary measure in connection with the application of section 8c of the German Corporate Income Tax Act (KStG) to the offsetting of gains within the tax group in the financial year 2008/09. This relates to prior-period expenses. Information on the creation of the tax provision can also be found in note 46.

Expenses from derivatives in the non-trading book primarily relate to compensation payments for the reversal of derivative transactions and premium payments made.

(43) Income from profit and loss transfer agreements

The income from profit and loss transfer agreements at IKB AG of € 179.2 million (previous year: € 18.4 million) primarily relates to the profit transfer from IKB Beteiligungen GmbH of € 177.4 million (previous year: € 16.9 million).

(44) Extraordinary income and expenses

Extraordinary income includes income from the reimbursement of legal costs to KfW in connection with the settlement of portfolio investments in the amount of € 1.8 million (previous year: € 1.8 million). Furthermore, income of € 1.5 million (previous year: € 1.4 million) from higher realisation proceeds on intragroup receivables transferred in restructuring activities is reported at IKB AG.

At € 4.1 million at IKB AG (previous year: € 4.1 million) and € 4.6 million in the Group (previous year: € 4.6 million), extraordinary expenses primarily relate to the distribution of the additional expenses from the remeasurement of pension provisions in accordance with BilMoG (see note 35).

(45) Income and expenses from leases

	Group	
in € million	**2014/15**	**2013/14**
Depreciation and impairment losses on leasing assets	-349.4	-392.2
Other operating income from leasing business	63.4	36.7

(46) Income taxes

The item “Income taxes” includes current taxes of € -112.8 million (previous year: € 34.0 million) in the Group and € -111.3 million (previous year: € 35.2 million) at IKB AG. In the financial year 2014/15, € -112.8 million of this figure (both in the Group and at IKB AG) related to a tax provision recognised as a precautionary measure in the amount of € 139.5 million and the write-down of an existing tax receivable in the amount of € 5.3 million. The tax provision also contains interest on income taxes in the amount of € 26.7 million that are reported in other operating expenses (see note 42). The tax provision was recognised as a precautionary measure on account of the dissenting view of the tax authorities concerning the application of section 8c KStG to the offsetting of gains within the tax group in the financial year 2008/09. This relates to prior-period expenses. This was offset by the reversal of existing tax provisions for other items.

Furthermore the change in the valuation of deferred tax assets of € -5.9 million (previous year: € 100.7 million) in the Group and € -13.6 million (previous year: € 101.0 million) at IKB AG is reported in this item.

(47) Contingent liabilities and other obligations

At the balance sheet date, the “Contingent liabilities” item included CDSs (Bank as pledgor) under guarantees and warranties of € 761.4 million (previous year: € 1,101.3 million) both in the Group and at IKB AG. Here, IKB has assumed the default risk for a pre-defined credit event for specific credit portfolios. In addition, guarantees and warranties also include derivative components of structured products (embedded CDS) of € 200.0 million (previous year: € 258.1 million) in the Group and € 200.0 million (previous year: € 245.9 million) at IKB AG.

By way of the liability transfer of the subordinated liabilities by MATRONA GmbH, Düsseldorf (MATRONA), in the financial year 2011/12, IKB AG issued a warrant for MATRONA, whereby it assumes liability for MATRONA’s payment obligations in connection with the transfer of subordinated liabilities by MATRONA.

As part of the sale of the 50% interest in Movesta Lease and Finance GmbH, Pullach i. Isartal (formerly Düsseldorf), IKB AG jointly and severally assumed warranties and indemnification obligations with IKB Beteiligungen GmbH. These include, for example, the transferred GmbH shares and the proper settlement of and compliance with obligations from the past (including issuing tax returns).

The item “Other obligations” includes irrevocable loan commitments from unutilised loans and revolving credit facilities.

The risk of the utilisation of contingent liabilities and other obligations 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. Details on the process within credit risk management are explained in the risk report of the management report.

(48) Other financial obligations

As at 31 March 2015, other financial obligations totalled € 1,366.3 million (previous year: € 1,395.6 million) in the Group and € 1,351.1 million (previous year: € 1,375.5 million) at IKB AG.

The majority of this relates to obligations from accounting for debt waivers by shareholders against debtor warrants of € 1,151.5 million (previous year: € 1,151.5 million) in the Group and at IKB AG.

In addition, there are payment obligations from long-term rental agreements over their term of € 190.6 million (previous year: € 221.3 million) in the Group and € 179.1 million (previous year: € 209.3 million) at

IKB AG. 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. Provisions for expected losses from executory contracts have been recognised for 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.

Furthermore, there are payment obligations from future leasing instalments in connection with leasing for assets in the area of operating and office equipment. In leases, the right to use an asset is transferred from the lessor to the lessee against regular payments.

Further payment obligations result from purchase commitments in connection with service agreements. 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.

As at the balance sheet date, the Group and IKB AG had no payment obligations from shares, GmbH shares and shares in non-consolidated subsidiaries not fully paid in, shareholdings held by IKB Invest GmbH or subordinated loans.

Of the total financial obligations of IKB AG, € 1.0 million (previous year: € 0.7 million) relates to affiliated companies.

Bank levy

In the event that IKB AG generates net income in future, it is possible that the bank levy will 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 cash at IKB AG in future. The possible subsequent assessment contribution for the 2013 to 2015 periods amounts to € 4.1 million in total.

Dissenting view of the tax authorities

If, contrary to expectations, IKB would be unsuccessful in the court of last instance in any judicial appeal proceedings against the application of section 8c of the German Corporate Income Tax act (KStG)/section 10a of the German Trade Tax Act (GewStG) to the offsetting of trade tax losses within the tax group, this could result in a payment obligation of around € 145.9 million in addition to the aforementioned total amount assuming a trade tax assessment notice by 30 June 2015 plus the related interest. A provision totalling € 139.5 million has already been made for potential payment obligations in connection with corporate income tax, the solidary surcharge and the related interest and a write-down has been made on an existing tax receivable of € 5.3 million (see note 46).

(49) Off-balance sheet transactions

Section 285 no. 3 HGB 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. 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

The Bank has entered into various contractual positions in connection with the establishment of special-purpose entities. The purpose of the SPEs was to synthetically transfer risks or to transfer assets to generate liquidity.

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.

Valin funds

In 2011, IKB launched Valin Funds S.A, SICAV-SIF, its first fund platform in Luxembourg. The fund company includes the sub-fund Mittelstand Mezzanine 1, which seeks to provide SMEs with mezzanine capital. The target volume of this sub-fund is € 300 million. A second Luxembourg-based fund, Valin Mittelstand Senior Debt Fund S.A., SICAV-SIF, was launched in the financial year 2014/15. The sub-fund Valin MSD has a target volume of € 475 million and seeks to invest in long-term, first-class corporate loans to German SMEs.

IKB performs various services for these fund platforms and originates loans that are sold to the sub-funds. In the case of Valin MSD, IKB also performs the role of investment manager. The Bank’s interest in each sub-fund is limited to a maximum of 5%. The opportunities lie in the receipt of management and service fees. The costs of rendering services lead to an outflow of funds. Violations of contractual obligations can also lead to compensation obligations. Due to the lack of a controlling influence, neither of the fund platforms nor sub-funds were consolidated.

Forward transactions

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 information on forwards (see note 57).

Other disclosures

(50) Consolidated group as at 31 March 2015

			Equity interest in %
A.	**Consolidated subsidiaries**		
1.	**German subsidiaries**		
	Aleanta GmbH, Düsseldorf		100
	Equity Fund GmbH, Düsseldorf	1)	100
	IKB Leasing GmbH, Hamburg	1)	100
	IKB Leasing Beteiligungsgesellschaft mbH, Hamburg	1)	100
	IKB Beteiligungen GmbH, Düsseldorf		100
	IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf		100
	IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf		100
	IKB Beteiligungsgesellschaft 3 mbH, Düsseldorf		100
	IKB Beteiligungsgesellschaft 4 mbH, Düsseldorf		100
	IKB Beteiligungsgesellschaft 5 mbH, Düsseldorf		100
	IKB Data GmbH, Düsseldorf		100
	IKB Equity Capital Fund GmbH, Düsseldorf	1)	100
	IKB Grundstücks GmbH & Co. Objekt Holzhausen KG, Düsseldorf		100
	IKB Grundstücks GmbH, Düsseldorf		100
	IKB Invest GmbH, Düsseldorf	1)	100
	IKB Projektentwicklung GmbH & Co. KG i.L., Düsseldorf	3)	100
	Istop 1 GmbH, Düsseldorf	1)	100
	Istop 2 GmbH, Düsseldorf	1)	100
	Istop 4 GmbH, Düsseldorf	1)	100
	Istop 5 GmbH, Düsseldorf	1)	100
	Istop 6 GmbH, Düsseldorf	1)	100
	IKB Struktur GmbH, Düsseldorf	1)	100
	Projektbeteiligung TH GmbH & Co. KG, Düsseldorf	1)	89.8
	Tempelhofer Hafen GmbH & Co. KG, Düsseldorf	1)	94.9
	MATRONA GmbH, Düsseldorf	1)	100
	Zweite Equity Suporta GmbH, Düsseldorf	1)	100
2.	**Foreign subsidiaries**		
	IKB Finance B.V., Amsterdam, Netherlands	1)	100
	IKB Funding LLC II, Wilmington, United States of America	1)	100
	IKB Funding LLC I, Wilmington, United States of America	1)	100
	IKB International S.A. i.L., Munsbach, Luxembourg	2),3)	100
	IKB Leasing Austria GmbH, Vienna, Austria	1)	100
	IKB Leasing CR s.r.o., Prague, Czech Republic	1)	100
	IKB Leasing Finance IFN SA, Bucharest, Romania	1)	100
	IKB Leasing France S.A.R.L., Marne La Vallée, France	1)	100
	IKB Leasing Kft., Budapest, Hungary	1)	100
	IKB Leasing Polska Sp.z.o.o, Poznan (Posen), Poland	1)	100
	IKB Leasing SR, s.r.o., Bratislava, Slovakia	1)	100
	IKB Leasing S.R.L., Bucharest, Romania	1)	100
	IKB Lux Beteiligungen S.à.r.l, Munsbach, Luxembourg		100
	IKB Pénzügyi Lízing Zrt., Budapest, Hungary	1)	100
	STILL LOCATION S.à.r.l., Marne La Vallée, France	1)	100
	IKBL Renting and Service S.r.l., Lainate (MI), Italy	1)	100
	IKB Leasing geschlossene Aktiengesellschaft, Moscow, Russia	1)	100
3.	**Special-purpose entities in accordance with section 290 (2) no. 4 HGB**		
	Bacchus 2008-2 Plc, Dublin 2, Ireland		
	German Mittelstand Equipment Finance No. 1 S.A., Luxembourg, Luxembourg		
	German Mittelstand Equipment Finance S.A., Luxembourg, Luxembourg		
	RIO DEBT HOLDINGS (IRELAND) LIMITED, Dublin 2, Ireland		
B.	**Associates**		
	Linde Leasing GmbH, Wiesbaden	1)	30.0

1) Indirect investment 2) In liquidation (banking licence returned) 3) In liquidation

(51) List of shareholdings as at 31 March 2015

31 Mar. 2015		Financial year	Letter of comfort	Equity interest in %	Equity € thousand	Result € thousand
1. German subsidiaries (consolidated)						
Aleanta GmbH, Düsseldorf		1. Apr. - 31 Mar.		100.00	1,551	1
Equity Fund GmbH, Düsseldorf		1. Jan. - 31 Dec.		100.00	13,525	0
IKB Beteiligungen GmbH, Düsseldorf		1. Apr. - 31 Mar.		100.00	79,742	0
IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf		1. Jan. - 31 Dec.		100.00	55	0
IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf		1. Jan. - 31 Dec.		100.00	80	0
IKB Beteiligungsgesellschaft 3 mbH, Düsseldorf		1. Jan. - 31 Dec.		100.00	55	0
IKB Beteiligungsgesellschaft 4 mbH, Düsseldorf		1. Apr. - 31 Mar.		100.00	54	0
IKB Beteiligungsgesellschaft 5 mbH, Düsseldorf		1. Apr. - 31 Mar.		100.00	54	0
IKB Data GmbH, Düsseldorf		1. Apr. - 31 Mar.		100.00	13,000	0
IKB Equity Capital Fund GmbH, Düsseldorf		1. Apr. - 31 Mar.	X	100.00	11,732	9,208
IKB Grundstücks GmbH, Düsseldorf		1. Jan. - 31 Dec.	X	100.00	98	-9
IKB Grundstücks GmbH & Co.Objekt Holzhausen KG, Düsseldorf	[3)]	1. Jan. - 31 Dec.	X	100.00	7,872	1,029
IKB Invest GmbH, Düsseldorf		1. Apr. - 31 Mar.		100.00	298,408	0
IKB Leasing Beteiligungsgesellschaft mbH, Hamburg		1. Apr. - 31 Mar.		100.00	5,825	0
IKB Leasing GmbH, Hamburg		1. Apr. - 31 Mar.	X	100.00	178,223	0
IKB Projektentwicklung GmbH & Co. KG i.L., Düsseldorf	[3),4)]	1. Jan. - 31 Dec.	X	100.00	6,615	2,266
IKB Struktur GmbH, Düsseldorf		1. Apr. - 31 Mar.		100.00	103,750	0
Istop 1 GmbH, Düsseldorf		1. Jan. - 31 Dec.		100.00	115,975	0
Istop 2 GmbH, Düsseldorf		1. Jan. - 31 Dec.		100.00	155,025	0
Istop 4 GmbH, Düsseldorf		1. Jan. - 31 Dec.		100.00	93,525	0
Istop 5 GmbH, Düsseldorf		1. Apr. - 31 Mar.		100.00	525	0
Istop 6 GmbH, Düsseldorf		1. Jan. - 31 Dec.		100.00	114,445	0
MATRONA GmbH, Düsseldorf		1. Apr. - 31 Mar.		100.00	525	0
Projektbeteiligung TH GmbH & Co. KG, Düsseldorf		1. Jan. - 31 Dec.		89.80	4	-4
Tempelhofer Hafen GmbH & Co. KG, Düsseldorf		1. Jan. - 31 Dec.		94.90	0	721
Zweite Equity Suporta GmbH, Düsseldorf		1. Jan. - 31 Dec.		100.00	621	0
2. Foreign subsidiaries (consolidated)						
IKB Leasing France S.A.R.L., Marne La Vallée, France		1. Jan. - 31 Dec.		100.00	3,347	980
STILL LOCATION S.à.r.l., Marne La Vallée, France		1. Jan. - 31 Dec.		100.00	16,875	2,104
IKB International S.A. i.L., Munsbach, Luxembourg	[4)]	1. Apr. - 31 Mar.	X	100.00	39,782	11,969
IKB Lux Beteiligungen S.à.r.l., Munsbach, Luxembourg		1. Apr. - 31 Mar.	X	100.00	20,317	1,983
IKB Finance B.V., Amsterdam, Netherlands		1. Apr. - 31 Mar.	X	100.00	-2,546	1,438
IKB Leasing Austria GmbH, Vienna, Austria		1. Jan. - 31 Dec.		100.00	737	149
IKB Leasing Polska Sp. z o.o., Poznan (Posen), Poland		1. Jan. - 31 Dec.		100.00	10,828	144
IKB Leasing Finance IFN SA, Bucharest, Romania		1. Jan. - 31 Dec.		100.00	4,289	743
IKB Leasing S.R.L., Bucharest, Romania		1. Jan. - 31 Dec.		100.00	1,347	366
IKB Leasing geschlossene Aktiengesellschaft, Moscow, Russia		1. Jan. - 31 Dec.		100.00	2,784	-10,671
IKB Leasing SR, s.r.o., Bratislava, Slovakia		1. Jan. - 31 Dec.		100.00	1,850	736
IKB Leasing CR s.r.o., Prague, Czech Republic		1. Jan. - 31 Dec.		100.00	28,844	2,016
IKB Leasing Kft., Budapest, Hungary		1. Jan. - 31 Dec.		100.00	5,275	183
IKB Pénzügyi Lízing Zrt., Budapest, Hungary		1. Jan. - 31 Dec.		100.00	2,722	270
IKB Funding LLC I, Wilmington, United States of America	[2)]	1. Apr. - 31 Mar.	X	100.00	345	47
IKB Funding LLC II, Wilmington, United States of America	[2)]	1. Apr. - 31 Mar.	X	100.00	598	834
IKBL Renting and Service S.r.l., Lainate (MI), Italy		1. Jan. - 31 Dec.		100.00	1,020	19

31 Mar. 2015	Financial year	Letter of comfort	Equity interest in %	Equity € thousand	Result € thousand
3. Special-purpose entities (special-purpose entities included in the consolidated financial statements in line with section 290 (2) no. 4 HGB)					
Bacchus 2008-2 Plc, Dublin 2, Ireland					
RIO DEBT HOLDINGS (IRELAND) LIMITED, Dublin 2, Ireland					
German Mittelstand Equipment Finance No. 1 S.A., Luxembourg, Luxembourg					
German Mittelstand Equipment Finance S.A., Luxembourg, Luxembourg					

31 Mar. 2015		Financial year	Letter of comfort	Equity interest in %
4. German subsidiaries (not included in consolidation due to immateriality)	1)			
Brunnenstraße 105-109 Berlin Grundbesitz GmbH, Münster		1. Jan. - 31 Dec.		94.90
Büroprojekt vierte Verwaltungsgesellschaft mbH i.L., Düsseldorf	4)	1. Jan. - 31 Dec.		100.00
Einsteinufer 63-65 Berlin GmbH i.L., Düsseldorf	4)	1. Jan. - 31 Dec.		100.00
Erste Equity Suporta GmbH, Düsseldorf		1. Apr. - 31 Mar.		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
HAUSTUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Yachtzentrum Berlin KG, Düsseldorf		1. Jan. - 31 Dec.		94.67
IKB Beteiligungsgesellschaft 6 mbH, Düsseldorf		1. Apr. - 31 Mar.		100.00
IKB Beteiligungsgesellschaft 7 mbH, Düsseldorf		1. Jan. - 31 Dec.		100.00
IKB Beteiligungsgesellschaft 8 mbH, Düsseldorf		1. Jan. - 31 Dec.		100.00
IKB Beteiligungsgesellschaft 9 mbH, Düsseldorf		1. Jan. - 31 Dec.		100.00
IKB Beteiligungsgesellschaft 10 mbH, Düsseldorf		1. Jan. - 31 Dec.		100.00
IKB Projektentwicklungsverwaltungsgesellschaft mbH i.L., Düsseldorf	4)	1. Jan. - 30 Sep.	X	100.00
IKB NewCo 1 GmbH, Düsseldorf		1. Jan. - 31 Dec.		100.00
IKB NewCo 3 GmbH, Düsseldorf		1. Jan. - 31 Dec.		100.00
IKB NewCo 4 GmbH, Düsseldorf		1. Apr. - 31 Mar.		100.00
IKB NewCo 5 GmbH, Düsseldorf		1. Apr. - 31 Mar.		100.00
IKB Real Estate GmbH, Düsseldorf		1. Jan. - 31 Dec.		100.00
ILF Immobilien-Leasing-Fonds Verwaltung GmbH & Co. Objekt Boxdorf KG, Düsseldorf		1. Jan. - 31 Dec.		94.26
ilmenau center Verwaltungsgesellschaft mbH i.L., Düsseldorf	4)	1. Jan. - 31 Dec.		100.00
IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf		1. Apr. - 31 Mar.	X	100.00
INCO Ingenieur Consult Geschäftsführungsgesellschaft mbH i.L., Düsseldorf	4)	1. Jan. - 31 Dec.		100.00
Istop 3 GmbH, Düsseldorf		1. Jan. - 31 Dec.		100.00
ISTOS Beteiligungsverwaltungs- und Grundstücks- Vermietungsgesellschaft mbH, Düsseldorf		1. Jan. - 31 Dec.		100.00
ISTOS Dritte Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf		1. Jan. - 31 Dec.		100.00
ISTOS Erste Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf		1. Jan. - 31 Dec.		100.00
ISTOS Zweite Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf		1. Jan. - 31 Dec.		100.00

31 Mar. 2015		Financial year	Letter of comfort	Equity interest in %
Ligera GmbH, Düsseldorf		1. Jan. - 31 Dec.		100.00
MD Capital Solingen Verwaltungsgesellschaft mbH i.L., Düsseldorf	4)	1. Jan. - 31 Dec.		100.00
MD Capital Stromstrasse Verwaltungsgesellschaft mbH i. L., Düsseldorf	4)	1. Jan. - 31 Dec.		100.00
MD Capital Verwaltungs GmbH i.L., Düsseldorf	4)	1. Jan. - 31 Dec.		100.00
MD Objekt Lorsch Verwaltungs GmbH i.L., Düsseldorf	4)	1. Jan. - 31 Dec.		100.00
MD Objekt Solingen Verwaltungsgesellschaft mbH, Düsseldorf		1. Jan. - 31 Dec.		100.00
MD Objekt Stromstrasse Verwaltungsgesellschaft mbH i.L., Düsseldorf	4)	1. Jan. - 31 Dec.		100.00
MFRSI Beteiligungsholding Verwaltungsgesellschaft mbH, Düsseldorf		1. Jan. - 31 Dec.		100.00
RAVENNA Vermögensverwaltungs AG, Berlin		1. Jan. - 31 Dec.		100.00
Restruktur 2 GmbH i.L., Düsseldorf	4)	1. Apr. - 31 Mar.		100.00
Restruktur 3 GmbH, Düsseldorf		1. Apr. - 31 Mar.		100.00
Rhodana GmbH, Düsseldorf		1. Jan. - 31 Dec.		100.00
Robert Adams Str. 12 London GmbH i.L., Düsseldorf	4)	1. Jan. - 31 Dec.		100.00
SEQUANA GmbH, Düsseldorf		1. Apr. - 31 Mar.		100.00
5. Foreign subsidiaries (not included in consolidation due to section 296 HGB)	1)			
Valin Asset Management S.à.r.l., Luxembourg, Luxembourg		1. Apr. - 31 Mar.		100.00
Valin Mittelstand Senior Debt Fund S.A., Hesperange, Luxembourg		1. Jan. - 31 Dec.		100.00
IKB Funding Trust I, Wilmington, United States of America		1. Apr. - 31 Mar.		100.00
IKB Funding Trust II, Wilmington, United States of America		1. Apr. - 31 Mar.		100.00
6. Special-purpose entities (not included in consolidation due to section 296 HGB)				
ABS Weinberg, Dublin, Ireland				
Capital Raising GmbH, Norderfriedrichskoog, Germany				
Hybrid Raising GmbH, Norderfriedrichskoog, Germany				
ProPart Funding Limited Partnership, Jersey, Jersey				
Rosaria Grundstücks-Vermietungsgesellschaft mbH Objekt Heimstetten KG, Grünwald, Germany				
7. German associates	1)			
Linde Leasing GmbH, Wiesbaden		1. Jan. - 31 Dec.		30.00
8. German associates/joint ventures (not accounted for using the equity method due to immateriality)	1)			
Argantis GmbH i.L., Cologne	4)	1. Jan. - 31 Dec.		50.00
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
FUNDIS Projektentwicklungsholding GmbH & Co. KG, Düsseldorf		1. Jan. - 31 Dec.		50.00
FUNDIS Verwaltungsgesellschaft mbH, Düsseldorf		1. Jan. - 31 Dec.		50.00
HABITO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt EINS KG, Pullach i. Isartal		1. Jan. - 31 Dec.		6.00
Hafenspitze Verwaltungsgesellschaft mbH, Hamburg		1. Jan. - 31 Dec.		25.00
ISOG Technology Holding GmbH, Weilheim		1. Apr. - 31 Mar.		49.03
LOUDA SYSTEMS GmbH, Triptis		1. Jan. - 31 Dec.		45.00
MD Capital Beteiligungsgesellschaft mbH i.L., Düsseldorf	4)	1. Jan. - 31 Dec.		50.00
MFRSI Beteiligungsholding GmbH & Co. KG, Düsseldorf		1. Jan. - 31 Dec.		50.00
Mike's Sandwich GmbH, Hamburg		1. Jan. - 31 Dec.		35.59
MOTORRAD-ECKE GmbH, Villingen-Schwennigen		1. Jan. - 31 Dec.		38.86
ODS Business Services Group GmbH, Hamburg		1. Jan. - 31 Dec.		32.00
Vermögensverwaltungsgesellschaft DVD Dassow GmbH, Dassow		1. Jan. - 31 Dec.		30.00

31 Mar. 2015		Financial year	Letter of comfort	Equity interest in %
9. German equity investments in corporations and partnerships in which the interest exceeds 5% of voting rights	1)			
CellGenix GmbH, Freiburg		1. Jan. - 31 Dec.		17.05
CoBaLe Immobilien GmbH & Co. Objekt Stuttgart KG, Frankfurt/Main		1. Jan. - 31 Dec.		5.10
Global Safety Textiles HoldCo One GmbH i.L., Maulburg	4)	1. Jan. - 31 Dec.		8.80
Industriedruck Krefeld Kurt Janssen, GmbH & Co., Krefeld		1. Jan. - 31 Dec.		12.00
Janßen-Druck Gesellschaft mit beschränkter Haftung, Krefeld		1. Jan. - 31 Dec.		12.00
Könemann Verlagsgesellschaft mbH, Cologne		1. Jan. - 31 Dec.		12.50
10. Foreign equity investments in large corporations in which the interest exceeds 5% of voting rights	1)			
EPL Acquisitions (SUB) N.V. in liquidatie, Amsterdam, Netherlands	4)	1. Jan. - 31 Dec.		5.70
Hamsard 3362 Limited, Redditch, UK		1. Apr. - 31 Mar.		11.21
Ring International Holding AG, Vienna, Austria		1. Jan. - 31 Dec.		9.37

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 letter of comfort
3) Company exercised exemption under section 264b HGB and did not prepare notes
4) In liquidation

(52) Special investments

Following the change in stock market segment of all securities of IKB from the regulated market to the quality segments of the unregulated market on 7 November 2012, IKB is no longer listed on the stock market and therefore the disclosure requirements of sections 21 et seq. WpHG have not applied to it since this date.

As at 7 November 2012, the Bank had received the following notifications in accordance with section 21 WpHG:

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%

The Bank did not receive any notifications under stock corporation law in accordance with section 20 (1) or (4) AktG in the reporting period. In accordance with 20 AktG, an enterprise must notify a company in writing as soon as it holds more than 25% (section 20 (1) AktG) or 50% (section 20 (4) AktG) of the shares in a non-listed company based in Germany. The Bank also did not receive any notifications in accordance with section 20 (5) AktG that an investment of a reportable amount does no longer exist.

(53) Disclosure of auditor's fees

	Group		IKB AG	
in € million	**2014/15**	**2013/14**	**2014/15**	**2013/14**
Audit of financial statements	-2.5	-2.6	-2.0	-2.0
Other assurance services	-0.5	-0.8	-0.5	-0.7
Tax consultancy services	-	-0.1	-	-0.1
Other services	-1.0	-	-0.8	-
Total	**-4.0**	**-3.5**	**-3.3**	**-2.8**

“Other assurance services” primarily include assurance services in connection with the reviews of interim financial statements as at 30 June and 30 September 2014.

(54) Related party transactions

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 314 (1) no. 13 HGB for the IKB Group or section 285 no. 21 HGB for IKB AG.

(55) Letters of comfort

IKB AG ensures that its subsidiaries indicated in the list of shareholdings of IKB AG as protected by the letter of comfort are able to meet their contractual obligations with the exception of the event of political risk. There were no changes compared with the previous year.

IKB Invest GmbH, Düsseldorf, has issued a letter of comfort for IKB Equity Capital Fund GmbH, Düsseldorf, so that it can meet its obligations under loan and warranty agreements transferred to it under the spin-off and takeover agreement.

(56) Transfer of collateral for own liabilities and contingent liabilities

Assets were transferred in the amounts shown for the following liabilities:

31 Mar. 2015 in € million	Group	IKB AG
Liabilities to banks	9,420.1	8,938.1
Liabilities to customers	247.9	1,028.0
Securitised liabilities	249.7	-
Other liabilities	-	261.4
Contingent liabilities	24.6	24.6
Total	**9,942.3**	**10,252.1**

The assets serving as collateral are essentially receivables and securities transferred to third-party banks, special-purpose entities or clearing houses in open market, securitisation transactions as well as public programme loan business and as part of grant transactions.

(57) Forward transactions

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 uniformly 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.

Please see note 58 for the fair values of interest-related derivatives in the Group and at IKB AG.

(58) Derivative financial instruments not recognised at fair value

Group:

	Nominal	Fair value		Carrying amount	
31 Mar. 2015 in € million		**positive**	**negative**	**Assets**	**Liabilities**
Interest-related derivatives	28,260.4	1,907.2	3,601.5	151.1	194.1
Credit-related derivatives	1,388.6	14.0	57.8	12.7	74.5
Currency-related derivatives	1,479.3	8.0	53.6	7.8	62.9
Derivatives assigned to several categories	1,553.5	122.0	126.9	6.2	6.2
Total	**32,681.8**	**2,051.2**	**3,839.8**	**177.8**	**337.7**

	Carrying amount				
31 Mar. 2015 in € million	**Other assets**	**Prepaid expenses**	**Provisions[1)]**	**Other liabilities**	**Deferred income**
Interest-related derivatives	120.7	30.4	0.6	182.0	11.5
Credit-related derivatives	0.3	12.4	57.8	-	16.7
Currency-related derivatives	7.8	-	1.2	61.7	-
Derivatives assigned to several categories	1.9	4.3	-	1.9	4.3
Total	**130.7**	**47.1**	**59.6**	**245.6**	**32.5**

1) relates to embedded derivatives

IKB AG:

	Nominal	Fair value		Carrying amount	
31 Mar. 2015 in € million		**positive**	**negative**	**Assets**	**Liabilities**
Interest-related derivatives	28,882.0	1,929.6	3,598.4	210.3	261.8
Credit-related derivatives	1,388.6	14.0	58.5	12.7	74.5
Currency-related derivatives	1,485.7	8.0	53.6	7.8	62.9
Derivatives assigned to several categories	1,553.5	122.0	126.9	8.0	7.6
Total	**33,309.8**	**2,073.6**	**3,837.4**	**238.8**	**406.8**

	Carrying amount				
31 Mar. 2015 in € million	**Other assets**	**Prepaid expenses**	**Provisions[1)]**	**Other liabilities**	**Deferred income**
Interest-related derivatives	123.2	87.1	-	177.8	84.0
Credit-related derivatives	0.3	12.4	57.8	-	16.7
Currency-related derivatives	7.8	-	1.2	61.7	-
Derivatives assigned to several categories	1.9	6.1	-	1.2	6.4
Total	**133.2**	**105.6**	**59.0**	**240.7**	**107.1**

1) relates to embedded derivatives

(59) Unrealised gains and losses

The following table shows the unrealised gains and losses for the following material financial balance sheet items and off-balance-sheet derivatives of the IKB Group.

Group	31 Mar. 2015			31 Mar. 2014		
in € million	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference[1]
Receivables from banks	2,300.0	2,301.0	1.0	2,235.4	2,229.6	-5.8
Receivables from customers	11,089.8	11,595.6	505.8	12,263.2	12,625.7	362.5
Bonds and other fixed-income securities	6,529.4	7,436.6	907.2	7,506.6	7,698.5	191.9
Equities and other non-fixed-income securities	483.2	490.6	7.4	567.8	571.8	4.0
Derivative financial instruments not recognised at fair value	177.8	2,051.2	1,873.4	122.1	1,412.0	1,289.9
Subtotal	**20,580.2**	**23,875.0**	**3,294.8**	**22,695.1**	**24,537.6**	**1,842.5**
Liabilities to banks	8,893.3	9,076.5	-183.2	10,169.1	10,327.3	-158.2
Liabilities to customers	8,165.3	8,341.6	-176.3	9,629.5	9,842.7	-213.2
Securitised liabilities	1,511.9	1,485.9	26.0	1,071.9	1,006.7	65.2
Subordinated liabilities	970.9	561.7	409.2	971.3	573.3	398.0
Profit participation capital	32.2	27.2	5.0	32.2	25.5	6.7
Silent partnership contributions	0.0	53.5	-53.5	0.0	64.8	-64.8
Derivative financial instruments not recognised at fair value	337.7	3,839.8	-3,502.1	227.1	2,847.1	-2,620.0
Subtotal	**19,911.3**	**23,386.2**	**-3,474.9**	**22,101.1**	**24,687.4**	**-2,586.3**
Total			**-180.1**			**-743.8**

1) During the financial year IKB implemented changes in the calculation of fair values. Applying the current measurement methods to the portfolio as at 31 March 2014, unrealised losses would be around € 16.5 million lower.

In addition to its net asset surplus included in the consolidated financial statements, the IKB Leasing Group also has a net asset value (unrealised gains from leasing business) of € 145.4 million (31 March 2014: € 161.0 million). The net asset value is calculated using the model of Bundesverband Deutscher Leasingunternehmen.

The unrealised profit or loss is calculated by comparing the net book value and the fair value. The recognition of specific valuation allowances has no influence on unrealised gains or losses, as recognised specific valuation allowances are also taken into account in the calculation of fair value. The carrying amount is taken as being equal to fair value for receivables and liabilities repayable on demand and prepaid expenses/deferred income.

The fair values of receivables as determined for reporting in the notes are calculated on the basis of the discounted cash flow method. Fair value is calculated using assumptions that would arise between independent business partners using similar parameters for their purchase price calculation. Discounting is carried out using term-differentiated swap rates on the balance sheet date plus a credit spread derived using IKB's internal risk measurement methods. The credit spread for the loan fluctuates according to changes in the measured standard risk costs, which are determined by the customer's internal rating, the collateral situation and the remaining term of the loan on the measurement date. In addition, the pre-tax returns of third parties derived from accounting equity, the administrative expenses of IKB and the funding costs observed on the market of banks with a rating of A or AA are also taken into account.

Receivables from promotional loans offset by individual financing loans under equity and liabilities are measured without taking into account funding costs. The present value of individual financing loans under equity and liabilities is calculated by discounting the interest and principal repayment cash flows using matched-term, risk-free swap rates.

Securities (including securitised subordinated liabilities, securitised profit participation capital and securitised silent partnership contributions) are measured at the quoted or market price on the reporting date if a liquid price is available. A quoted or market price is considered to be liquid if the number of available price quotations exceeds a minimum number defined in accordance with an analysis based on statistical methods. This applies to both traded and non-traded observable prices. If there are no closing rates, the market value is calculated on the basis of price information from market data providers and tested for plausibility using suitable methods. If there are no quoted prices or price information from contractual providers for securities, their value is determined on the basis of measurement models by discounting forecast cash flows. The discounting rate is calculated using the risk profile of similar securities. Parameters not observed on the market are used for this. The fair values for fund units recognised in the IKB Group are the total net asset value relating to the units held.

The fair value of derivatives in the non-trading book is calculated in line with the measurement hierarchy set out in section 255 (4) HGB. The fair values of derivatives not traded on stock exchanges are determined on the basis of mathematical measurement models and market measurement parameters (including interest rates, interest rate volatilities, exchange rates). Future cash flows are discounted using currency-specific and tenor-specific swap curves. The amount, timing and certainty of cash flows are dependent on the development of interest and exchange rates, contractual regulations on payment dates for the respective derivative and the credit quality of the respective counterparty. Unlike derivatives in the non-trading book, the future cash flows of secured derivatives in the trading book are discounted using the overnight index swap curve.

To calculate the fair values for liabilities to customers and banks the contractual cash flows are discounted using a matched-term swap rate plus IKB's specific funding costs. The funding costs are derived from the costs of similar issues.

The method for calculating the fair values of promissory note loans, bonds and derivatives was changed in the financial year in the context of a system change to a new portfolio management system. This change in measurement method only affects unrealised gains and losses. Applying the amended measurement as at 31 March 2014 would have increased unrealised gains and losses by € 2.4 million.

In the context of regular model validation activities, adjustments were made to standard market methods for calculating the fair values of loans measured as fixed assets. The adjustments resulted in an increase in fair values of € 50.9 million as at 31 March 2015. The valuation changes would have resulted in an increase in the fair value of receivables of € 29.4 million as at 31 March 2014. The changes had no effect on the balance sheet or income statement.

IKB adjusted the method of calculation for its own credit risk as at 31 March 2015. This adjustment served to reduce the fair values of issued promissory note loans by € 8.3 million as at 31 March 2015. If it had been applied as at 31 March 2014, the adjustment would have increased the fair values of issued promissory note loans by € 15.2 million. There was no effect on the balance sheet or the income statement.

(60) Remuneration of the Board of Managing Directors

Total remuneration of € 4.1 million (previous year: € 5.1 million) was incurred for members of the Board of Managing Directors in the financial year 2014/15. This includes fixed salaries, variable performance-based remuneration, pension compensation for a pension not agreed and non-cash remuneration. The Supervisory Board regularly reviews the appropriateness of the respective total remuneration.

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: € 3.0 million). In the financial year 2014/15, € 42.7 million was recognised for pension obligations to former members of the Board of Managing Directors and their surviving dependents (previous year: € 40.7 million).

(61) Remuneration of the Supervisory Board

The total remuneration of the members of the Supervisory Board (including VAT) for the financial year 2014/15 amounted to € 217 thousand (previous year: € 208 thousand, including adjusted VAT). This includes reimbursed expenses of € 6 thousand (€ 6 thousand).

(62) Remuneration of the Advisory Board

The members of the Advisory Board received € 299 thousand (previous year: € 282 thousand), including VAT.

(63) 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 totalling € 14.7 thousand were extended to the members of the Supervisory Board (previous year: € 18.9 thousand).

(64) Average number of employees for the year (calculated on the basis of full-time employees)

	Group		IKB AG	
	31 Mar.2015	31 Mar. 2014	31 Mar. 2015	31 Mar. 2014
Men	920	905	666	655
Women	523	537	318	319
Total	**1,443**	**1,442**	**984**	**974**

(65) Executive bodies

Board of Managing Directors

Dr Michael H. Wiedmann (Chairman since 5 January 2015)

Dr Dieter Glüder

Claus Momburg

Hans Jörg Schüttler (member and Chairman until 4 January 2015)

Supervisory Board

Bruno Scherrer, London, UK (Chairman)
Senior Advisor of Lone Star Funds

Dr Karsten von Köller, Frankfurt (member and Deputy Chairman until 15 February 2015)
Chairman of Lone Star Germany Acquisitions GmbH

Dr Karl-Gerhard Eick, London, UK (Deputy Chairman since 16 February 2015)
Director of KGE Asset Management and Consulting Ltd.

Stefan A. Baustert, Krefeld
Member of the Management Board, QSC AG

Benjamin Dickgießer, London, UK (since 24 February 2015)
Director of Lone Star Europe Acquisitions LLP

Dr Lutz-Christian Funke, Oberursel
Head of Board of Managing Directors Support/Communications at KfW Bankengruppe

Arndt G. Kirchhoff, Attendorn
Managing Partner & CEO of KIRCHHOFF Holding GmbH & Co. KG

Bernd Klein, Mönchengladbach
Employee representative

Rainer Lenz, Bad Kreuznach
Employee representative

Dr Claus Nolting, Munich
Lawyer

Nicole Riggers, Düsseldorf
Employee representative

Carmen Teufel, Neustetten
Employee representative

Dr Andreas Tuczka, Vienna, Austria (until 27 October 2014)
Managing Director of Aldridge Capital Partners GmbH

William D. Young, London, UK (since 24 February 2015)
Senior Vice President of Hudson Advisors UK Ltd.

Offices held by employees

As at 31 March 2015, the following employees were represented in the statutory supervisory boards of large corporations:

Dr Reiner Dietrich
Tricor Packaging & Logistics AG

Dr Thomas Söhlke
ae group ag (until 28 April 2014)

Düsseldorf, 27 May 2015

IKB Deutsche Industriebank AG

The Board of Managing Directors

Dr. Michael H. Wiedmann	Dr. Dieter Glüder	Claus Momburg

Auditor's Reports

Auditor's Report of the auditor for the consolidated financial statements and the Group management report of IKB Deutsche Industriebank AG for the financial year from 1 April 2014 to 31 March 2015

We have audited the consolidated financial statements comprising the balance sheet, the income statement, cash flow statement, statement of changes in equity and the notes of the consolidated financial statements, which are combined with the notes of the annual financial statements of IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf, and the group management report, which is combined with the management report of IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf for the business year from 1 April 2014 to 31 March 2015. The preparation of the consolidated financial statements and the combined management report in accordance with German commercial law is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statement in accordance with § 317 HGB ("Handelsgesetzbuch": "German Commercial Code") 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 (German) principles of proper accounting and in the combined 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 combined management report are examined primarily on the test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimated made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined 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 in the findings of our audit, the consolidated 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 Group in accordance with (German) principles of proper accounting. The combined 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, 29 May 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Mark Maternus) Wirtschaftsprüfer (German Public Auditor)	(ppa. Michael Meteling) Wirtschaftsprüfer (German Public Auditor)

Auditor's Report of the auditor for the annual financial statements and the management report of IKB Deutsche Industriebank AG for the financial year from 1 April 2014 to 31 March 2015

We have audited the annual financial statements comprising the balance sheet, the income statement and the notes to the financial statements, which are combined with the notes of the consolidated financial statements together with the bookkeeping system and the management report which is combined with the group management report of IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf, for the business year from 1 April 2014 to 31 March 2015. The maintenance of the books and records and the preparation of the annual financial statements and the combined 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 combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ("Handelsgesetzbuch": "German Commercial Code") 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 annual financial statements in accordance with (German) principles of proper accounting and in the combined 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 combined 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 the combined 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 combined 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, 29 May 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Mark Maternus) Wirtschaftsprüfer (German Public Auditor)	(ppa. Michael Meteling) Wirtschaftsprüfer (German Public Auditor)

Note on forward-looking statements

This report contains forward-looking statements. Forward-looking statements are statements that do not describe past events; they also include statements on IKB's assumptions and expectations. These statements are based on the planning, estimates and forecasts currently available to the management of IKB. Forward-looking statements therefore apply only on the day on which they are made. IKB accepts no obligation to update such statements in light of new information or future events.

Forward-looking statements naturally include risks and uncertainty factors. A large number of important factors can contribute towards actual results deviating considerably from forward-looking statements. Such factors include economic developments, the condition and development of the finance markets in Germany, Europe, the US and other places where IKB generates income from securities trading, the possible default of borrowers or counterparties in trades, the implementation of our management agenda, the reliability of risk management policies, procedures and methods and the liquidity situation.

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(Only the German version of this report is legally binding.)