



9-Month Report 2007/08  
1 April – 31 December 2007

## IKB Key Figures

	<b>1 Apr to 31 Dec 2007 in € million</b>	Change vs. previous year in %
<b>Income Statement Figures</b>		
Net interest income	410.3	-16.6
Provision for possible loan losses	206.9	7.5
Net interest income (after provision for possible loan losses)	203.4	-32.1
Net commission income	44.3	-0.4
Net income from financial instruments at fair value	-1 965.8	-
Net income from investment securities	-1 035.1	-
General administrative expenses	270.7	22.0
Operating result	-819.2	-
Net income for the period	-955.6	-
<b>Balance Sheet Figures</b>		
	<b>31 Dec 2007 in € million</b>	Change vs. 31 March 2007 in %
Total assets	52 704	-17.1
Loans and advances to customers	30 143	1.5
Liabilities to banks	16 201	16.4
Securitised liabilities	22 075	-44.2
Total equity	190	-84.0
<b>Selected Ratios</b>		
	<b>1 Apr to 31 Dec 2007</b>	1 Apr to 31 Dec 2006
Return on equity	<0	22.9%
Cost-income ratio	<0	35.6%
Earnings per share	-10.87 €	1.61 €
<b>Selected Ratios</b>		
	<b>31 Dec 2007</b>	31 March 2007
Capital ratio (Principle I)	10.7%	12.2%
Tier 1 capital ratio	5.9%	7.1%
Number of employees	1 927	1 838

<b>IKB Rating</b>	<b>Long-Term</b>	<b>Short-Term</b>	<b>Outlook</b>
Moody's	Baa3	P-3	negative
Fitch IBCA	A+	F1	stable

4	<b>Letter to shareholders</b>
6	<b>Consolidated interim management report</b>
7	1. Important events in the reporting period
9	2. Events after 31 December 2007 (supplementary report)
10	3. Earnings, financial and asset position as at 31 December 2007
17	4. Report on essential transactions with affiliated organisations and persons
18	5. Outlook
21	<b>Consolidated interim report</b>
22	Consolidated income statement
23	Consolidated income statement (quarterly)
24	Consolidated balance sheet
25	Statement of recognised income and expense
25	Condensed cash flow statement
26	Notes
58	Disclaimer

## Letter to shareholders

Dear Shareholders,

The preparation of the IKB figures for the 2007/08 financial year is progressing nicely. Shortly after the publication of our half-yearly financial report, we present our nine-month figures for the 2007/08 financial year. The financial statements of the parent company and the group as at 31 March 2008 should follow in late June 2008 so that we then return to a normal, prompt financial reporting.

The nine-month figures (1 April 2007 to 31 December 2007) again show deep traces of the critical developments at IKB since the end of July 2007, triggered by the high value adjustments for portfolio investments. The operating result as at the reporting date totalled € -0.8 billion. The most important components of the income statement are negative net income from financial instruments at fair value of around € -2.0 billion and negative net income from investment securities of around € -1.0 billion. These figures stand in contrast to the positive result from the assumption of risks by the banking pool amounting to € 2.2 billion.

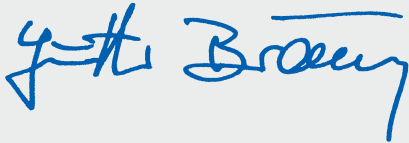
In view of the enormity of these figures, the traditional income and expense components, such as net interest income, net commission income, provisions and administrative expenses, are of hardly any consequence for the results.

We finished the third quarter with results after taxes of € 10 million. Moreover, € 109 million of fair-value gains on liabilities and a positive result of € 32 million from operating business were offset by a further € 70 million of losses on portfolios and financial instruments and tax expense of € 61 million.

In the core business, we have had to curtail our new disbursements overall after the start of the crisis, but at the same time we were able to assert ourselves in the competition. All three segments were able to achieve positive operating results in the third quarter.

Starting from this basis, we want to take the Bank forwards once again and raise the potential in the core business. To this end, we are working at full speed on the capital increase that the Annual General Meeting resolved on 27 March 2008, and that will provide the Bank's business model with a more solid foundation once again.

In addition, the sale process with which KfW and Stiftung Industrieforschung aim to divest their stakes in IKB is also particularly significant for the future of IKB – a process that is now entering the decisive phase.



Dr. Günther Bräunig  
Chairman of the Board of Managing Directors  
IKB Deutsche Industriebank AG

# Consolidated interim management report

- 1. Important events in the reporting period
- 2. Events after 31 December 2007 (supplementary report)
- 3. Earnings, financial and asset position  
as at 31 December 2007
- 4. Report on essential transactions  
with affiliated organisations and persons
- 5. Outlook

## 1. Important events in the reporting period

On 27 July 2007, IKB faced a crisis that threatened its very existence. In order to avoid a moratorium on the IKB, on the weekend of 27 to 29 July 2007, a rescue concept (risk shield) was put together by the KfW Banking group (KfW) together with BaFin, the Bundesbank, the Federal Finance Ministry and three German banking associations (BdB, BVR and DSGV), which was expanded in subsequent months.

### Rescue Package

By the end of May 2008, the overall rescue package included the following elements:

**Rhineland Funding and Havenrock.** KfW and the banking pool took over the liquidity lines of € 8.1 billion which IKB had granted to the conduit Rhineland Funding as well as a portion of the credit default risks of the special-purpose vehicles (Havenrock I Ltd. and Havenrock II Ltd.) as of the end of July 2007. In November 2007, signs emerged that the shield covering the threat of losses from Havenrock was probably insufficient. Consequently, KfW and the banking pool approved a shield covering all risks related to Havenrock totalling nominal € 1.2 billion except for an amount of around € 50 million. The corresponding agreements were concluded in January and will subsequently be accounted for in the Annual Report as of 31 March 2008.

**Portfolio Investments.** At the start of the crisis, IKB AG and IKB International S.A., Luxembourg, had investments with a nominal amount of € 6.3 billion in structured securities (hereinafter referred to as "Portfolio Investments"). These portfolios were divided into two subportfolios.

One of them, the "higher-risk subportfolio", contains securities with higher default risks, notably CDOs and ABS with subprime shares and so-called first-loss pieces, and as at the end of July 2007 had a nominal volume of € 3.3 billion. For this subportfolio, KfW, with the support of the three banking associations, committed itself to covering initial losses of up to € 1 billion.

The other one, the "unshielded subportfolio", with a nominal volume of € 3.0 billion as at the end of July 2007, contains corporate loans and ABS

in particular. The nominal volumes of both subportfolios changed over time, depending on amortisation and the €/US \$ exchange rate, and tended to decrease over the course of the crisis. The Board of Managing Directors of IKB assumes valuation losses of around € 1.6 billion for the portfolio investments.

**Rhinebridge.** The special-purpose vehicle Rhinebridge plc, with an original nominal investment volume of € 1.8 billion (end of July 2007) is currently being restructured under the supervision of a receiver. IKB holds Capital Notes and Commercial Papers of the Structured Investment Vehicle (SIV) Rhinebridge. The impairments in the accounts of the SIV Rhinebridge led, due to the full consolidation, to a reduction in IKBs consolidated results of € 211 million.

### Findings of the PwC agreed upon procedures

On 1 August 2007, auditors PricewaterhouseCoopers (PwC) was commissioned with the task of carrying out to conduct a comprehensive agreed upon procedures. The findings of the agreed upon procedures were submitted on 15 October 2007.

As a consequence of the findings of the auditors, the Board of Managing Directors adopted an immediate package of measures which has already been largely implemented. This package comprises, in particular, the following key points:

- No further new business in portfolio investments
- Implementation of a comprehensive evaluation of existing assets and implementation of a significantly improved asset management (including an update of valuation models)
- Re-integration of the CAM subsidiary: Transfer of functions and human resources to IKB AG
- Strengthening the function of the Chief Risk Officer (CRO), specifically by merging responsibility for risk controlling and credit risk management
- Establishing a risk committee to be headed by the CRO, for the overall valuation and control of all risk items

- Improving reporting to the Supervisory Board, particularly with respect to the still-existing portfolio investments
- Reviewing the conception of risk-bearing capacity
- Restatement of the Annual Report as well as Financial Statements and Management Report of IKB AG as at 31 March 2007.

### Personnel changes

In the third quarter 2008 (1 October – 31 December 2007), the Supervisory Board of IKB AG enforced further personnel changes: The Board of Managing Directors mandates of Dr. Markus Guthoff and Frank Braunsfeld were terminated with effect from 15 October 2007.

Dr. Reinhard Grzesik was appointed as the new CFO of IKB AG with effect from 15 October 2007.

## 2. Events after 31 December 2007 (supplementary report)

In November 2007, signs emerged that the shield covering the threat of losses from Havenrock was probably insufficient. Consequently, KfW and the banking pool approved a shield covering all risks related to Havenrock totalling nominal € 1.2 billion up to an amount of around € 50 million. The corresponding agreements were concluded in January and will subsequently be accounted for in the Annual Report as of 31 March 2008.

On 7 January 2008 a convertible bond was issued with mandatory conversion (volume: € 54.3 million) by IKB AG, which was fully accepted by the KfW banking group, apart from the subscription right. The bond was converted in February 2008. As a result, from 28 February 2008 the subscribed capital of IKB AG increased to € 247.8 million (previously: € 225.3 million) and the number of shares without a par value increased to 96.8 million (88.0 million). The KfW banking group's proportion of the share capital in IKB AG increased to 43.4% (37.8%). By the end of March 2008, KfW's stake had increased to 45.5%.

On 19 February 2008, KfW also strengthened the regulatory core capital of IKB AG by € 600 million and on 19 March 2008 by a further € 450 million. In both instances, this was achieved by granting a new loan with immediate write-off (debt waiver), to be treated as an additional contribution (under German Commercial Code Section 272 para. 2 no. 4) to capital reserves. The contractual detail of these capital injections contains agreements on compensation out of future profits, with the following key elements:

- The compensation payments out of future profits on both of these measures total € 1,050 million (plus expenses and interest payments). In a busi-

ness year, claims only accrue if and in so far as IKB AG – in the HGB (German GAAP) individual financial statement – does not incur an annual loss as a result of the compensation payments, and provided its regulatory equity rate stays above 9%.

- Interest payments will only be made in years when IKB AG does not incur an annual loss in its HGB individual financial statement as a result of the compensation payments.
- The claims to the compensation payments take commercial precedence over the claims of bonus-share holders and silent participations of IKB AG.

On 27 March 2008, the AGM of IKB AG resolved an increase in cash capital of up to nominal € 1.49 billion (exchange ratio of 1 to 6), while granting options to shareholders. KfW has promised BaFin that as many new shares in IKB AG will be subscribed or taken over out of the capital increase that at least € 1.25 billion (before costs) will flow into IKB AG as a result of the increase. Despite the existing shareholder actions, the Board of Managing Directors assumes that the capital increase can still be implemented in August.

The AGM on 27 March 2008 elected Ulrich Grillo, Werner Oerter, Dieter Pfundt and Dr. Alfred Tacke as new members of the Supervisory Board. The Supervisory Board mandates of Dr. Jürgen Behrend, Dr. Ulrich Hartmann, Dr. Mathias Kammüller and Dr. Alexander v. Tippelskirch ended on 27 March 2008. The new Chairman of the Supervisory Board of IKB AG since 29 March 2008 is Werner Oerter.

The Supervisory Board appointed Dr. Andreas Leimbach as member of the Board of Managing Directors on 1 April 2008.

## 3. Earnings, financial and asset position as at 31 December 2007

### General conditions

A significant factor for business performance in the first nine months of the 2007/08 financial year was the developments on international capital and credit markets, in particular the effects of the problems on the housing market in the USA, the collapse in the asset-backed commercial paper market and the consequences on market values of securities.

Economic conditions for the domestic and foreign lending business continued to look positive in the first nine months of the 2007/08 financial year. The economic upturn in Germany continued, with GDP growth of around 2.5%. This positive development was attributable primarily to the investments in capital goods on the part of companies, which are of special importance to IKB. The German economy achieved further significant growth in export activity as well, despite the persistent appreciation of the Euro.

### Business performance

The volume of new business increased in the first nine months of the year to € 10.4 billion, a growth rate of 2.9 % compared with the same period in the previous year. Since the crisis, volumes of new loans have fallen considerably for reasons of liquidity and equity capital utilisation. Because of the existing commitments, this only affected new disbursements after a delay.

### Consolidated income statement

Net profit after taxes (1 October – 31 December 2007) was € 10 million. In the first nine months of the 2007/08 financial year, the IKB Group shows an operating result of € –819 million compared to € 209 million for the corresponding period in the previous year. The net income for the period after taxes totals € 956 million compared to € 142 million for the same period in the previous year.

The following table shows the main extraordinary influencing factors on the Bank's operating results in the first nine months, broken down into the individual items on the income statement:

	Net trading result and other FV results	Fair Value Option	Net income from investment securities	Result as of risk assumption	Total (1 Apr – 31 Dec 2007)	Q3 (1 Oct – 31 Dec 2007)
Rhineland Funding	647	-1 260		547	-66	0
Havenrock	-988			747	-241	10
Higher-risk subportfolio <sup>1)</sup>	-85	-380	-871	922	-413	-3
Unshielded subportfolio <sup>1)</sup>	-22	-108	-147		-277	-28
Rhinebridge	-2	-210			-211	-12
Market value losses on long-term investments and derivatives	-172	-28			-200	-22
Amortisation from dissolved hedging relationships	-82				-82	-14
Liabilities valuation		718			718	109
<b>Sub-total</b>	<b>-704</b>	<b>-1 267</b>	<b>-1 018</b>	<b>2 217</b>	<b>-772</b>	<b>39</b>
Others	5	0	-17	-10	-23	-1
<b>Total</b>	<b>-699</b>	<b>-1 267</b>	<b>-1 035</b>	<b>2 207</b>	<b>-794</b>	<b>38</b>
Net interest income					410	142
Provision for possible loan losses					-207	-41
Net fee and commission income					44	10
Net other operating income					-2	8
General administrative expenses					-271	-88
Subtotal					<b>-25</b>	<b>32</b>
<b>Operating result</b>					<b>-819</b>	<b>70</b>
Tax Expense					-136	-61
<b>Total</b>					<b>-956</b>	<b>10</b>

<sup>1)</sup> As at 31 December 2007, attributable market value losses on CDS were reported in the higher-risk subportfolio and the unshielded subportfolio. On 30 September 2007 (higher-risk subportfolio: € 48 million, unshielded subportfolio: € 12 million), these had been included in the market value losses on long-term investments and derivatives.

**Rhineland Funding.** The fair value loss of € 1,260 million on the assets of the Rhineland Funding Companies compares with valuation gains among the liquidity hedges concluded for these assets by the special-purpose vehicles of Rhineland Funding, amounting to € 647 million. The companies of Rhineland Funding were deconsolidated at the end of July 2007 after the takeover of the liquidity lines by KfW and the extensive relinquishment of influencing options by IKB. The resulting earnings of € 547 million are shown in the results from risk assumption. Since the deconsolidation occurred before 30 September 2007, there have not been any changes in these items of the income statement since the half-yearly report.

**Havenrock.** The assumption of credit risks for investments of the special-purpose vehicles of Rhineland Funding against two liquidity providers resulted in valuation losses of € 3,618 million compared with valuation gains from hedges concluded with two credit insurers amounting to € 2,630 billion. The net result is a valuation loss in the trading result of € 988 million. At the balance sheet date, this loss was covered by a shield provided by KfW of € 747 million, shown in the results as a risk assumption, which led to a net valuation loss of € 241 million. The smaller loss compared to 30 September 2007 is due to the fall in the €/US \$ exchange rate in the third quarter. We continue to expect a loss of around € 50 million by the end of the year owing to a further sub-participation in the risks by KfW after financial statement date.

**Higher-risk subportfolio.** The portfolio protected by the risk shield of nominal € 1 billion breaks down into two IFRS categories:

- Securities for which the fair value option has been exercised are valued at current market value as at 31 December 2007, resulting in a loss of € 380 million. Given the knowledge of market trends after the reporting date, valuation parameters as of the reporting date were applied when calculating the market values with valuation models, but based on a stress scenario.
- For those securities that are valued at amortised costs, and taking adjusting events up to the financial statement closing date into consideration, values were applied that resulted in a loss of € 871 million.

The negative trend in value during the long statement period means that the risk shield, with its present value of € 922 million at 31 December 2007, does not cover the total posted loss from the portfolio, leaving a net loss of € 413 million after shielding, which increased only by € 3 million since 30 September.

**Unshielded subportfolio.** This subportfolio, representing mainly corporate risks, incurred a valuation expense totalling € 277 million at 31 December 2007 owing to the weak market environment.

**Rhinebridge.** The loss from Rhinebridge of € –211 million corresponds to the reduction in the value of Rhinebridge assets unless carried by other capital providers to Rhinebridge. In the third quarter, there was a further deterioration in value of € 12 million.

**Market value losses on long-term investments and derivatives.** IKB's equity is invested in long-term investments, with a significant proportion in structured form, including derivatives, so market changes in valuation has to be reported in the net trading result.

**Amortisation from discontinued hedging relationships.** The scheduled and unscheduled amortisation of hedge adjustments to be amortised according to IFRS 1 IG 60A and IG 60B had a net impact on the result of € –82 million, € 14 million more than as at 30 September 2007.

**Liabilities valuation.** In the past, i.e. prior to the crisis, IKB opted for the fair value measurement under IFRS on a substantial part of its liabilities. The liabilities of IKB have lost significant market value as a result of the crisis and are therefore to be shown at a lower market value in the balance sheet in accordance with IFRS. The resulting gain in valuation of € 718 million (€ 109 million more than as at 30 September 2007) is shown in the fair value result in the consolidated interim financial statement. Of this, € 504 million falls on profit-participation certificates (Genussrechte) and silent participations. In so far as this valuation gain does not apply to ultimate interest and capital losses on hybrid liabilities, it will have dissipated by the time liabilities are repaid and result in a commensurate expense.

The other income statement items can be explained as follows:

Net interest income of € 410 million in the first nine months of 2007/08 was down 16.6% on the same period of the previous year (€ 492 million). The drop is due mainly to the lower income from interest rate management. A flatter yield curve and a more conservative investment strategy have had an impact here. The deconsolidation of Rhineland Funding after four out of nine months of the reporting period, and the considerably increased refinancing costs since 29 July 2007, have also been a factor.

The provisions for possible loan losses of € 207 million are higher than in the same period of the previous year (€ 192 million). In the third quarter, the risk provisions were below average at € 41 million since above-average, risk provisions were formed just a few weeks ago with the finalised balance sheet as at 30 September 2007 and taking into account all value-relevant information. Overall, the favourable economic trend at home and abroad had a positive effect on the credit quality structure of our loan exposure.

Compared with the same period of the previous year, net interest income after provision for possible loan losses fell in the first nine months of the 2007/08 financial year by 32.1% to € 203 million.

At € 44 million, net commission income is at the same level as in the comparable period in the previous year.

General administrative expenses rose by 22.0% to € 271 million. While the rise in personnel expenses – due mainly to higher staffing levels – was 6.0%, other administrative expenses were up by 45.6%, which can be attributed primarily to increased consultancy costs related to resolving the critical developments at IKB. The average number of employees in the reporting period stood at 1,854 (1,728).

With regard to the tax position, deferred tax assets on losses carried forward from previous years were written down since they will cease to apply as a result of the anticipated change of ownership. Deferred tax liabilities on the positive result effects were also created out of the valuation of the liabilities, in so far as these valuation effects contain no immediately tax-effective earnings. The consolidated loss after allowing for the tax expense € 136 million stands at € –956 million.

The result per share in the first nine months of the 2007/08 financial year represents a value of € –10.87 (€ 1.61). No measures were taken during the reporting period that resulted in a dilution effect on the share. Please refer to the supplementary report regarding issue and conversion of the convertible bond.

## Segment reporting

Segment reporting was adjusted in line with the restated consolidated financial statement as at 31 March 2007. This relates in particular to the former “Securitisation” segment, which has been renamed “Portfolio Investments”, and the „Head Office / Consolidation“ segment. The comparative values have been adjusted accordingly.

In the first nine months of the 2007/08 financial year, the **Corporate Clients** segment, which comprises domestic corporate financing, private equity activities and equipment leasing, realised an operating result of € –7 million (€ 64 million). The operating results in the third quarter (1 October – 31 December) showed a positive value of € 11 million.

This nine-month result is determined by negative valuation results in the private equity segment and the clear increase in provision for possible loan losses. The provision for possible loan losses for the same period of the previous year was reduced by the release of portfolio impairments. The net interest income in the operating business was in line with the previous year. The margin on new business fell to 1.01% (previous year: 1.11 %) due to the strong competition, notably before the crisis on the financial markets, and to the increased refinancing costs since the start of the crisis. The volume of new business increased to € 3.9 billion (€ 3.5 billion). It was possible to reduce costs further. General administrative expenses in the reporting period stood at € 103 million (previous year: € 108 million).

The net loss from financial instruments at fair value was due to the valuation result with a failed investment by our private equity activities. The provision for possible loan losses more than doubled in the Corporate Clients segment.

As a result of these extraordinary factors, the return on equity was <0% (13.0%); the cost-income ratio was 63.7% (54.8%).

The **Real Estate Clients** segment, which comprises national and international property financing, realised an operating result of € 3 million (previous year: € 20 million). The operating results in the third quarter (1 October – 31 December) showed a positive value of € 0.2 million.

At € 47 million, net interest income was slightly higher than the comparable previous year’s value (€ 46 million). It was possible to expand the volume of new business by over 60% to € 1.2 billion, due above all to the establishment of the European financing platform in the previous year. The margin on new business fell – due to the higher refinancing costs – to 1.14 % (1.27%).

The dynamic new business was offset by the higher administrative expenses for foreign activities. There was also a significant rise in provision for possible loan losses.

Return on equity in the Real Estate Clients segment was 2.2% (13.1%), while the cost-income ratio was 57.4% (51.5%).

The **Structured Finance** segment, which comprises national and international project and acquisition financing, realised a negative operating result in the first nine months of 2007/08 of € –4 million (€ 68 million). The operating result for the third quarter 2007/08 was positive at € 6 million.

New business was down in the first nine months of the 2007/08 financial year compared to the same period of the previous year, at € 3.4 billion (€ 4.8 billion). The margin on new business rose to 2.07% (2.02%). Net interest income fell by 12.1% and net commission income by 6.5%. In financial assets, and following the general market trend, value adjustments amounting to € 35 million were formed on the first-loss pieces from the structuring of our own credits. The provision for possible loan losses increased to € 42 million (€ 25 million). Additional personnel and asset investments at the European IKB foreign locations led to a rise in general administrative expenses to € 52 million (€ 48 million).

Return on equity in this segment was <0% (26.9%), the cost-income ratio stood at 57.5% (34.0%).

The former segment Securitisations for our own assets were spun off to the head office/consolidation division and the segment was therefore renamed **Portfolio Investments**. The segment shows an operating result of € –1.117 million (previous year: € 166 million) and reflects, in particular, IKB's losses due to the credit crisis. The operating result amounted to € –35 million in the third quarter (1 October – 31 December), which is attributable primarily to market value losses on CDS in portfolio investments. These losses will be now – different to the 6-Month Report – shown in the segment Portfolio Investments instead of head office/consolidation before. The corresponding half-year figures had been adjusted.

Specifically, net income from financial instruments at fair value fell to € –2,405 million, and net income from investment securities to € –979 million. This stood in contrast to the positive result from risk assumption by the KfW/banking pool of € 2,207 million. The fall of € 32 million compared to 30 September results from exchange rate effects, which also have a roughly corresponding effect on the fair-value result. General administrative expenses rose to € 42 million (€ 18 million) as a result of project costs and the costs of risk shielding.

## Consolidated balance sheet

At € 52.7 billion, the balance sheet total at 31 December 2007 was € 10.8 billion, or 17.1% less than that as at the balance sheet date 31 March 2007. This is in essence due to Rhineland Funding, with a balance sheet volume of € 11.6 billion (31 March 2007), being deconsolidated after KfW had entered into the liquidity lines granted by IKB to Rhineland Funding on 30 July 2007.

Loans and advances to banks fell by € 1.1 billion to € 3.3 billion, due mainly to the fall in short-term interbank business. While loans and advances that are due daily rose by € 1.1 billion as at the reporting date, loans and advances with terms of up to four years fell significantly by € 2.4 billion.

Loans and advances to customers rose compared with 31 March 2007 by € 0.5 billion to € 30.1 billion. The increase concentrated on loans with terms of up to four years.

The level of provision for possible loan losses fell by € 0.1 billion to € 1.0 billion and thus reflects the further reduction in non-performing loans (NPLs) in the traditional core business from € 1,832 million to € 1,704 million. The coverage of the non-performing loans in the traditional credit business through individual write-downs totals 56% (56% as at 31 March 2007).

Core segment <sup>1)</sup>		31 Dec 2007	31 Mar 2007	Changes
NPLs <sup>2)</sup>	€ million	1 704	1 832	-128
Credit volume	€ million	34 782	32 937	1 845
NPL ratio	%	4.9	5.6	-0.7
Provision for possible loan losses (portfolio)	€ million	1 046	1 123	-75
including EWB/provisions	€ million	954	1 019	-63
including portfolio write-downs	€ million	91	104	-13

<sup>1)</sup> without portfolio investments

<sup>2)</sup> without written-down investment securities

The level of assets held for trading rose by € 1.1 billion to € 3.3 billion. On the one hand, the positive market values from derivative financial instruments rose by € 2.6 billion; this was due mainly to the increase in value of the credit derivatives of the Havenrock companies closed as security. On the other hand, the assets held for trading fell because bonds and other fixed-interest securities with a volume of € 1.2 billion are shown in the investment securities after completion of the build-up of the Rhinebridge portfolios (end of June 2007).

Investment securities fell by € 12.7 billion to € 14.5 billion, due, in particular, to the deconsolidation of Rhineland Funding as previously explained, and depreciation on portfolio investments.

Of the other assets, receivables from hedging of € 1.7 billion were capitalised and were therefore largely responsible for the increase in other assets to € 2.1 billion.

The refinancing of IKB business activities through borrowing from banks (up € 2.3 billion to € 16.2 billion) and customers (up € 2.0 billion to € 6.3 billion) increased, especially within the short-term range.

Securitised liabilities, on the other hand, fell sharply (down € 17.5 billion to € 22.1 billion). This reduction was due primarily to the deconsolidation of Rhineland Funding, the take-back of issues as part of market management and the decreases in value of the fair-valued financial instruments related to default risk.

Liabilities held for trading rose significantly by € 4.0 billion to € 5.2 billion. This was due, in particular, to the negative market values of security provider items with the Havenrock companies.

Subordinated capital was down by a total of € 0.7 billion to € 2.3 billion as a result of reductions in value related to default risk among fair-valued subordinated liabilities, profit-participation certificates and silent partnership contributions. Shareholders' equity fell by € 1.0 billion to € 0.2 billion, which includes the adjustments contained in the income statement up until the time of statement preparation. As explained in the supplementary report, further capital reorganisation measures were implemented post-balance sheet date in order to strengthen shareholders' equity.

As at 31 December 2007, IKB held 0.02% of treasury shares. The approved limit was 10%.

### Regulatory equity capital

The core capital ratio and the total ratio fell, due both to the rise in risk assets on the basis of the increase in new business and to the deterioration in the ratings of securities in the portfolio investments, as well as due to the reduction in equity capital following the nine-month loss below the levels at the end of the 2006/07 business year. At 5.9%, the reported core capital ratio is above the regulatory minimum core capital ratio of 4.0%. The reported total capital ratio of

10.3% is above the regulatory minimum total capital ratio of 8.0%. Further down-ratings of the portfolio investments as well as the reduction in the liable equity capital as a result of the HGB losses anticipated for the year as a whole resulted in a further fall in both the core capital ratio and total capital ratio. Given the capital injections made by KfW and the

approved capital increase, the Board of Managing Directors anticipates that minimum regulatory requirements will continue to be achieved in the future.

The following table provides an overview of the regulatory risk items, equity base and equity ratios:

	31 Dec 2007 <sup>1)</sup> in € million	31 Mar 2007 in € million	Change	
			in € million	in %
Regulatory Risk capital				
Risk-weighted assets	33 385	32 747	638	1.9
Market risk equivalent	513	750	-237	-31.6
<b>Risk position</b>	<b>33 898</b>	<b>33 497</b>	<b>401</b>	<b>1.2</b>
Tier I capital	2 108	2 434	-326	-13.4
Tier II capital	1 529	1 726	-197	-11.4
Tier III capital	29	9	20	222.2
Deductions	-188	-88	-100	113.6
<b>Equity capital</b>	<b>3 478</b>	<b>4 081</b>	<b>-523</b>	<b>-14.8</b>
Tier I ratio in %	5.9	7.1	-1.2	
Capital ratio (Principle I) in %	10.3	12.2	-1.9	

<sup>1)</sup> The figures as at 30 September 2007 are based on the "Grundsatz-I-Meldung" [Principle I Report] by the IKB Group to the Deutsche Bundesbank at 30 September 2007.

#### Financial position

IKB's liquidity position at 31 December 2007 was tight. Borrowing on the money and capital markets was virtually possible only short term and in collateralised form. Please refer to the remarks made in the "risk situation" section for further details.

#### Overall view

Overall, the Bank's business performance and its position as at 31 December 2007 were strongly impacted by the crisis that it faced at the end of July 2007. Ultimately, IKB's survival could only be ensured by the comprehensive rescue measures put together by KfW, with support from the banking pool, and reinforced in the third quarter and thereafter.

## 4. Report on essential transactions with affiliated organisations and persons

Transactions with affiliated organisations and persons refer primarily to the support measures from the large shareholder, the KfW banking group.

They are explained in the chapter "Supplementary report", as well as in Note (33).

## 5. Outlook

### Segment performance

In the **Corporate Clients** segment, Germany will remain the core market. However, the Bank's acquisition potential is to be increased. This will be done by offering long-term investment credits to companies with an annual turnover of € 7.5 million and more. The reliable partnership between IKB and its long-standing corporate clients will remain the basis for this effort. The Equipment Leasing unit proposes to improve its market position not only in Germany, but also in Central Eastern Europe. In so doing, the Bank is responding to the fact that many German and West European companies have now opened branches in these countries where they are financing parts of their production capacities on a leasing basis.

IKB's favourable positioning in the Corporate Clients segment is illustrated by the fact that it succeeded in increasing the disbursements for the full-year 2007/08 (1 April 2007 to 31 March 2008) to € 4.7 billion (previous year: € 4.6 billion), although IKB has cut back on new commitments in recent months.

In the **Real Estate Clients** segment, the volume of new business is set to grow organically over the next three years for shorter terms so that credit volumes will develop on a stable basis. The European real estate platform established in 2006/07 will not only focus on syndicated financings, but also arrange loans. In the 2007/08 financial year, new disbursements in the Real Estate Clients segment were increased to € 1.4 billion (previous year: € 1.3 billion).

In the **Structured Finance** segment, IKB intends to continue its successful internationalisation strategy, with a specific focus on the European markets. This applies to the mid-cap-LBO area as well as to selected project financing fields. The LBO market, however, has also shrunk considerably over the last few months in the mid-cap segment as a result of the crisis on the financial markets. The Bank assumes that the Structured Finance segment will continue to earn around 70% of its income in foreign markets in the coming two years.

After the extraordinarily strong 2006/07 financial year in which € 5.3 billion was disbursed, disbursements in the 2007/08 financial year amount to roughly € 3.8 billion, which thus exceeds the level recorded in 2005/06 (€ 3.5 billion).

Overall, IKB disbursed a total of € 9.9 billion (previous year: € 11.2 billion) in the 2007/08 financial year in the three core business segments of Corporate Clients, Real Estate Clients and Structured Finance.

### Sale process

On 18 January 2008, KfW launched the process whereby its shares in IKB will be sold. The Stiftung Industrieforschung, as the second-largest shareholder in IKB, also intends to sell its stake as part of this sale process.

IKB has given selected bidders an opportunity to conduct a due diligence exercise. In May 2008, IKB held management discussions with nine bidders which are to be expanded through discussions with experts. KfW has now received a series of interesting, solid offers and intends to shortlist the number of bidders and thereafter start a decisive negotiation and due diligence round.

IKB welcomes the sale process and its continuation into Phase 2. A strong partner will provide IKB with added impetus and enable the Bank to open up new potential with its business model, which comprises the Corporate Clients, Real Estate Clients and Structured Finance segments. IKB's refinancing opportunities can also be improved by a strategic buyer. Consequently, the Board of Managing Directors has decided to support the sale process. The Supervisory Board of IKB is monitoring the process and has set up its own committee for this purpose.

### Risk situation

Even though the situation on the financial markets has calmed in the last two months, uncertainty remains with regard to further performance of securitised credit risk structures. Hence, it cannot be ruled out that the continuing financial crisis will lead to further value losses among structured securities and thus to additional burdens on the income statement.

Against this background, the Bank's risk-bearing capacity can still only be assured on the basis of the approved and guaranteed capital increase.

IKB's survival will depend on whether an extended access to the capital market can again be achieved in the 2008/09 financial year, also for unsecured, longer-term refinancing. For this to happen, the following factors are particularly important:

- The approved capital increase of € 1.5 billion is registered and carry out at least the amount of € 1.25 billion
- The proposed measures for liquidity procurement are implemented, especially the addition and renewal of the secured money-market refinancing that will be necessary in the short term
- The sale of a significant portion of the portfolio investments at adequate prices is undertaken
- No legal reservations, specifically EU proceedings, are brought against the above measures and the whole risk shield
- No significant risks arise from the legal dispute with a credit insurer.

The Board of Managing Directors anticipates that in the medium term the proposed measures for capital and liquidity procurement will be implemented as expected, and that the Bank will again be able to achieve extensive access to the capital market even for unsecured, longer-term refinancing. The Board of Managing Directors also believes that the EU state aid enquiry will be resolved in IKB's favour in the coming months, and that the lawsuit brought by the US bond insurer FGIC is unfounded and illegitimate.

In May 2008, we were informed about six lawsuits regarding the Annual General Meeting of 27 March 2008, opposing the capital increase decided at the AGM, among other things. According to the information, the lawsuits were submitted to the courts, but not yet forwarded to IKB. In our opinion, the suits are unfounded and, according to current assessments, will have no effect on the timetable for the capital increase.

For further details regarding the risk situation of IKB please refer to the 6-Month Report, published 29 April 2008.

### Expected performance

The necessary restructuring measures and, in particular, the negative market performance of the portfolio investments will burden the results for the current financial year as at 31 March 2008 considerably. However, this stands in contrast to a positive valuation effect – based on the current market situation – of roughly € 1.5 billion after deferred tax expenses, which is only sustainable to some extent. The background to this is that IKB has opted for fair-value valuation according to IFRS for a considerable proportion of its liabilities. Since IKB's liabilities have lost significant market value as a result of the crisis, they are reported at a lower market value in the balance sheet. This valuation gain affects the income statement in the IFRS consolidated financial statements. In so far as this valuation gain does not apply to future interest and capital losses on hybrid liabilities, it will have dissipated by the time liabilities are repaid at their nominal value and result in a corresponding expense. If the market values of the liabilities increase as a result of an improvement in IKB's capital market standing, this expense may be incurred considerably earlier.

Overall, the Board of Managing Directors predicts an IFRS loss for the 2007/08 financial year of € 0.2 billion. In IKB AG's individual financial statement (according

to HGB), the Board of Managing Directors expects a balance sheet loss after carrying forward losses for profit-participation certificates and silent participations of around € 1.2 billion. These results estimates are still subject to some uncertainty, however.

Once restructuring is complete, the Bank will presumably have a substantially different earnings structure and an altogether lower earnings level, since the income from portfolio investments up until the 2006/07 financial year will decline considerably. The 2008/09 financial year will still be substantially affected by the knock-on effects of the crisis, especially the restriction in new business since August 2007 and the big increase in refinancing costs. The medium-term objective is to achieve a reasonable return from operating business on the capital deployed.

However, this will depend on the financial market crisis not impacting on the real economy and hence the business sector.

The Bank's future performance will also depend on its ability to refinance itself adequately, and this, in turn, will require a normalising of the capital markets and the restoration of confidence in the banks generally, in addition to the capital increase.

The need to service the agreements on compensation out of future profits – coupled with the provision of € 1,050 million of regulatory core capital by KfW Banking Group and value recovery rights of the hybrid investors – is likely to result in the Group and IKB AG not showing any profit or only minimal profit for several years to come.

IKB Deutsche Industriebank AG  
The Board of Managing Directors

Düsseldorf, 26 May 2008

# Consolidated interim report in accordance with International Financial Reporting Standards as at 31 December 2007

—	Consolidated income statement
—	Consolidated income statement (quarterly)
—	Consolidated balance sheet
—	Statement of recognised income and expense
—	Condensed cash flow statement
—	Notes

## Consolidated income statement of IKB Deutsche Industriebank AG for the period from 1 April to 31 December 2007

	Notes	1 April 2007 to 31 Dec 2007 in € million	1 April 2006 to 31 Dec 2006 in € million	Change in %
<b>Net interest income</b>	(1)	<b>410.3</b>	<b>491.8</b>	<b>-16.6</b>
Interest income		2 611.0	2 651.9	-1.5
Interest expenses		2 200.7	2 160.1	1.9
<b>Provision for possible loan losses</b>	(2)	<b>206.9</b>	<b>192.4</b>	<b>7.5</b>
<b>Net interest income after provision for possible loan losses</b>		<b>203.4</b>	<b>299.4</b>	<b>-32.1</b>
<b>Net fee and commission income</b>	(3)	<b>44.3</b>	<b>44.5</b>	<b>-0.4</b>
Fee and commission income		56.5	51.9	8.9
Fee and commission expense		12.2	7.4	64.9
<b>Net income from financial instruments at fair value</b>	(4)	<b>-1 965.8</b>	<b>87.5</b>	
<b>Net income from investment securities</b>	(5)	<b>-1 035.1</b>	<b>6.6</b>	
<b>General administrative expenses</b>	(6)	<b>270.7</b>	<b>221.9</b>	<b>22.0</b>
Personnel expenses		140.2	132.3	6.0
Other administrative expenses		130.5	89.6	45.6
<b>Net other operating income</b>	(7)	<b>-1.8</b>	<b>-7.0</b>	<b>74.3</b>
<b>Result as of risk assumption</b>	(8)	<b>2 206.5</b>	<b>-</b>	<b>-</b>
<b>Operating result</b>		<b>-819.2</b>	<b>209.1</b>	
Income taxes	(9)	133.5	65.9	>100.0
Other taxes		2.9	1.3	>100.0
<b>Net income for the period</b>		<b>-955.6</b>	<b>141.9</b>	
Minority interests		-0.1	-0.1	0.0
<b>Net income for the period after minority interests</b>		<b>-955.7</b>	<b>141.8</b>	

## Earnings per share

	1 April 2007 to 31 Dec 2007	1 April 2006 to 31 Dec 2006 after restatements	Change in %
Net income/loss after minority interests (€ million)	-955.7	141.8	
Average number of shares outstanding (million)	87.9	87.9	-
<b>Earnings per share (€)</b>	<b>-10.87</b>	<b>1.61</b>	

There was no dilution, since there were no conversion or option rights outstanding as at the relevant balance sheet dates.

## Consolidated income statement (quarterly)

in € million	Q3 2007/08	Q2 2007/08	Q1 2007/08 after restatements	Q3 2006/07 after restatements	Q2 2006/07 after restatements	Q1 2006/07 after restatements
<b>Net interest income</b>	<b>141.9</b>	<b>117.6</b>	<b>150.8</b>	<b>170.5</b>	<b>171.5</b>	<b>149.8</b>
Interest income	783.2	902.1	925.7	930.2	945.2	776.5
Interest expenses	641.3	784.5	774.9	759.7	773.7	626.7
<b>Provision for possible loan losses</b>	<b>40.8</b>	<b>142.6</b>	<b>23.5</b>	<b>53.9</b>	<b>92.5</b>	<b>46.0</b>
<b>Net interest income after provision for possible loan losses</b>	<b>101.1</b>	<b>-25.0</b>	<b>127.3</b>	<b>116.6</b>	<b>79.0</b>	<b>103.8</b>
<b>Net fee and commission income</b>	<b>9.9</b>	<b>24.9</b>	<b>9.5</b>	<b>17.9</b>	<b>13.7</b>	<b>12.9</b>
Fee and commission income	15.5	25.7	15.3	19.3	17.1	15.5
Fee and commission expense	5.6	0.8	5.8	1.4	3.4	2.6
<b>Net income from financial instruments at fair value</b>	<b>61.3</b>	<b>-1 470.9</b>	<b>-556.2</b>	<b>19.3</b>	<b>137.8</b>	<b>-69.6</b>
<b>Net income from investment securities</b>	<b>9.0</b>	<b>-1 041.5</b>	<b>-2.6</b>	<b>-1.2</b>	<b>1.7</b>	<b>6.1</b>
<b>General administrative expenses</b>	<b>87.6</b>	<b>106.3</b>	<b>76.8</b>	<b>79.4</b>	<b>76.1</b>	<b>66.4</b>
Personnel expenses	48.2	47.5	44.5	47.7	43.1	41.5
Other administrative expenses	39.4	58.8	32.3	31.7	33.0	24.9
<b>Net other operating income</b>	<b>7.9</b>	<b>-7.8</b>	<b>-1.9</b>	<b>0.8</b>	<b>-4.9</b>	<b>-2.9</b>
<b>Result as of risk assumption</b>	<b>-31.6</b>	<b>2 238.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating result</b>	<b>70.0</b>	<b>-388.5</b>	<b>-500.7</b>	<b>74.0</b>	<b>151.2</b>	<b>-16.1</b>
Income taxes	58.1	74.8	0.6	20.8	28.0	17.1
Other taxes	2.4	0.2	0.3	0.6	0.3	0.4
<b>Net income for the period</b>	<b>9.5</b>	<b>-463.5</b>	<b>-501.6</b>	<b>52.6</b>	<b>122.9</b>	<b>-33.6</b>
Minority interests	-0.1	0.0	0.0	0.0	-0.1	0.0
<b>Net income for the period after minority interests</b>	<b>9.4</b>	<b>-463.5</b>	<b>-501.6</b>	<b>52.6</b>	<b>122.8</b>	<b>-33.6</b>

## Consolidated balance sheet of IKB Deutsche Industriebank AG as at 31 December 2007

	Notes	31 Dec 2007 in € million	31 March 2007 in € million after restatements	Change in %
<b>Assets</b>				
Cash reserve		0.5	28.7	-98.3
Loans and advances to banks	(10)	3 278.2	4 441.9	-26.2
Loans and advances to customers	(11)	30 143.3	29 685.0	1.5
Provision for possible loan losses	(12)	-1 013.0	-1 094.7	-7.5
Assets held for trading	(13)	3 296.9	2 208.5	49.3
Investment securities	(14)	14 533.1	27 265.0	-46.7
Intangible assets		49.1	37.9	29.6
Property and equipment	(15)	221.2	212.1	4.3
Income tax assets	(16)	82.0	163.9	-50.0
Other assets	(17)	2 112.2	589.4	>100.0
<b>Total assets</b>		<b>52 703.5</b>	<b>63 537.7</b>	<b>-17.1</b>
<b>Shareholders' equity and liabilities</b>				
Liabilities to banks	(18)	16 201.0	13 912.5	16.4
Liabilities to customers	(19)	6 281.8	4 277.8	46.8
Securitised liabilities	(20)	22 074.8	39 555.5	-44.2
Liabilities held for trading	(21)	5 174.2	1 164.7	>100.0
Provisions	(22)	95.8	60.0	59.7
Income tax liabilities	(23)	123.4	95.9	28.7
Other liabilities	(24)	246.4	254.3	-3.1
Subordinated capital	(25)	2 315.8	3 026.4	-23.5
Shareholders' equity	(26)	190.3	1 190.6	-84.0
Subscribed capital		225.3	225.3	-
Capital reserve		566.0	568.2	-0.4
Treasury shares		-0.1	-	-
Retained earnings		326.9	323.7	1.0
Currency translation reserve		-4.5	-15.2	-70.4
Revaluation reserve		32.1	88.4	-63.7
Minority interests		0.3	0.2	50.0
Consolidated profit/loss		-955.7	-	-
<b>Total shareholders' equity and liabilities</b>		<b>52 703.5</b>	<b>63 537.7</b>	<b>-17.1</b>

## Statement of recognised income and expense (SORIE<sup>1)</sup>)

	1 April 2007 to 31 Dec 2007 in € million	1 April 2006 to 31 Dec 2006 in € million after restatements	Change in %
Gains/losses on remeasurement of securities	-37.5	-22.2	68.9
Unrealised gains/losses from investment securities available for sale	-41.9	-15.2	>100.0
Reclassification into income statement due to investment securities available for sale	4.4	-7.0	
Changes from hedging relationships recognised in profit or loss (Cash flow hedges)	-56.1	-56.1	-
Exchange differences	10.7	-9.6	
Changes due to actuarial gains/losses (IAS 19)	8.4	0.3	>100.0
Deferred taxes on changes recognised directly in equity	33.7	30.4	10.9
<b>Gains/losses recognised directly in equity (net)</b>	<b>-40.8</b>	<b>-57.2</b>	<b>-28.7</b>
<b>Net income for the period</b>	<b>-955.6</b>	<b>141.9</b>	
<b>Total recognised gains/losses</b>	<b>-996.4</b>	<b>84.7</b>	
Attributable to shareholders of IKB AG	-996.4	84.8	
Attributable to minority interests	0.0	-0.1	

<sup>1)</sup> Statement of Recognised Income and Expense

The changes in equity are presented in Note (26).

## Condensed cash flow statement from 1 April to 31 December 2007

	2007 in € million	2006 in € million	Change in %
<b>Cash and cash equivalents as at 1 April</b>	<b>28.7</b>	<b>47.6</b>	<b>-39.7</b>
Cash flow from operating activities	420.1	3 165.2	-86.7
Cash flow from investing activities	-105.9	-3 104.0	-96.6
Cash flow from financing activities	-342.3	-82.3	>100.0
Effects from exchange rate differences	-0.1	0.6	-
<b>Cash and cash equivalents as at 31 December</b>	<b>0.5</b>	<b>27.1</b>	<b>-98.2</b>

# Notes

## Table of contents

General information	28
Accounting policies	28
a. General	28
b. Risk transfer	28
Consolidated group	31
Amendments to the financial statements made in accordance with IAS 8	31
a. Corrections	31
b. Changes in accounting policies	32
Notes to the income statement	38
(1) Net interest income	38
(2) Provision for possible loan losses	38
(3) Net fee and commission income	39
(4) Net income from financial instruments at fair value	39
(5) Net income from investment securities	40
(6) General administrative expenses	40
(7) Net other operating income	40
(8) Result as of risk assumption	41
(9) Income taxes	41
Notes to assets	42
(10) Loans and advances to banks	42
(11) Loans and advances to customers	42
(12) Provision for possible loan losses	42
(13) Assets held for trading	43
(14) Investment securities	43
(15) Property and equipment	43
(16) Income tax assets	44
(17) Other assets	44

Notes to equity and liabilities	45
(18) Liabilities to banks	45
(19) Liabilities to customers	45
(20) Securitised liabilities	46
(21) Liabilities held for trading	46
(22) Provisions	47
(23) Income tax liabilities	47
(24) Other liabilities	47
(25) Subordinated capital	48
(26) Statement of changes in equity	49
Segment reporting	50
(27) Segment reporting	50
Notes to financial instruments	52
(28) Derivatives	52
(29) Market price risk in trading activities	52
(30) Fair value of financial assets and liabilities	53
Other disclosures	54
(31) Contingent liabilities and other commitments	54
(32) Average number of employee	54
(33) Related party disclosure	54
(34) Events after 31 December 2007	54
(35) Executive bodies	55
(36) List of consolidated entities, 31 December 2007	56

# Notes to the condensed consolidated interim financial statements

## General information

The Consolidated Interim Report of IKB as at 31 December 2007 has been prepared in accordance with the International Financial Reporting Standards (IFRS), insofar as these have been incorporated into EU law as at the reporting date on the basis of the European Parliament and Regulation No. 1606/2002 dated 19 July 2002 and the supplementary subsequent directives. Furthermore, all currently applicable interpretations issued by the Standing

Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) are applied. The condensed Consolidated Interim Report is prepared in accordance with IAS 34, Interim Financial Reporting. The national requirements of Section 315a (1) of the German Commercial Code (HGB) were applied to the extent that they were required to be applied at the balance sheet date.

## Accounting policies

### a. General

With the exception of the restatements made described below under "Restatements made to the financial statements made in accordance with IAS 8" the consolidated interim financial statements were prepared using the same accounting policies as were applied in preparing the Bank's (restated) consolidated financial statements for the year ended 31 March 2007.

In the light of the sub-prime crisis, IKB has made restatements to its valuation procedures; these restatements are in accordance with the position paper of the German Institute of Public Accountants (IDW) dated 10 December 2007. In accordance with these procedures the following approaches were applied in determining fair values:

**Valuation of ABS-Securities:** For most ABS securities, quotations from market data providers were used. In exceptional cases securities with low levels of market liquidity were valued using a Discounted-Cash-Flow-Model applying spreads identified for securities with a comparable risk profile.

**Valuation of CDOs, the value of which is indexed to ABS-Securities with sub-prime content:** Due to a lack of liquidity, discounted cash flow model based valuations were used. For this purpose, cash flow estimates were generated for ABS-Portfolios, taking account of various factors, in particular expected default rates and the potential effect of early repayments. These were based on empirical time series data and on published data provided by respected market players and taking into consideration the current difficult market conditions. For each expected payment in respect of a specific CDO Tranche the assumption is made that the payment should be assigned to the highest ranking ABS security respec-

tively. Thereafter the cash flows of individual CDO's were considered on a total basis. Simplifying assumptions in respect of the ranking levels within the CDO contracts ("Waterfalls") were made. In determining net present values for the resulting summary cash flows additional discounts for lack of liquidity were made.

**Valuation of other CDOs, the value of which is indexed to corporate risks:** These CDO's were primarily based on methods generally accepted by market participants. To the extent that CDOs were indexed to other CDOs (known as CDO2) these instruments were first converted to a primary level CDO. Special features applicable were used in determining the lower and higher loss participation ranges at primary CDO level. The significant valuation variables – CDS-Spreads and correlations for the underlying corporate risks – were obtained or derived from market data and where necessary restated for the specific characteristics of the relevant portfolio. Discounts were applied to reflect the limited liquidity of these securities.

The procedures described above were used to determine the fair value of securities classified as *Financial assets at fair value through profit or loss*. Based on the values calculated under this method, the requirement for impairment charges against securities classified as *Loans and receivables* were reviewed, and where appropriate, impairment losses were recorded. The effects of adjusting events occurring after the balance sheet date were considered.

The values of derivative financial instruments of the Havenrock entities were valued using methods generally accepted by market participants for Options and Credit Default Swaps. The market values of the basic instruments were firstly valued using a discounted cash flow model and on the basis of spreads applicable to instruments with a similar risk profile. In a second stage these values were calibrated using values determined from comparable portfolios valued using the approach described above.

In valuing senior level emissions of IKB a valuation curve was used which is based on the spreads of so-called "re-purchases" (re-purchase of own issues) for maturities under 4 years and for maturities exceeding 4 years comparable CDS's were used. For junior issues a valuation curve based on liquid CDS spread quotations was created. The Bank's own hybrid equity instruments were valued on the basis of observed market prices.

#### b. Risk transfer

KfW Banking Group, together with three German Banking Associations, has undertaken a rescue package, as the continued existence of IKB is otherwise under threat as a consequence of the sub-prime crisis. Due to the specific nature of the rescue measures, their effects are reported separately in the income statement in consistent with IAS 1; the effect is presented as an additional line item entitled *Result as of a risk assumption* (Note 8). Financial amounts receivable from KfW Banking Group arising as a result of the risk transfer are reported within *Other assets* and are explained in further detail in the Notes (Note 17). The rescue measures are as follows:

Late July, 2007, KfW Banking Group acceded to the IKB's liquidity line provided to Conduits Rhineland Funding Capital Corporation (RFCC), Delaware, an fund established to acquire financial assets. As a consequence of this liquidity arrangement and further pursuant to a supplementary agreement in late September 2007 the IKB's rights of influence over this entity had been significantly diminished. The RFCC entities were deconsolidated in the financial statements as the SIC-12 criteria were no longer fulfilled as of late July 2007. This resulted in the balance sheet total being reduced by approximately € 13 billion, and to a profit on deconsolidation, which is reported in the line *Result from risk transfer*.

KfW Banking Group, supported by the Banking Associations, provided IKB with a risk cover of € 1 billion for a total nominal value of € 3.3 billion. Risk coverage totalling € 1 billion was utilised. Under agreement with KfW, KfW makes payment when default occurs or on sale, if earlier, which is subject to the KfW's prior agreement. To the extent that the risk coverage extends to financial instruments in the category *Loans and receivables*, the risk coverage is provided in the form of a financial guarantee. For financial instruments categorised as *Financial Instruments at Fair value through profit or loss* the risk cover was made available in the form of a credit derivative.

The loss cover provided to IKB in the form of financial guarantees and credit derivatives is valued in the balance sheet as using methods appropriate to a CDO, as a result of the close relationship to the underlying covered asset risk, whereby initial losses of up to € 1.0 billion are covered by KfW. The valuation takes account of the premium paid by IKB and the values determined by IKB for the covered financial instruments, assumptions regarding the correlation of the default risk of these financial instruments and market data regarding historical losses on comparable financial instruments.

At 31 December 2007, impairment losses amounting to € 870.6 million have been recorded in respect of financial instruments categorised as *Loans and receivables* and amounting to € 379.5 million for *Financial instruments at fair value through profit or loss*. Under consideration of the maximum liability sum, the premium payable to KfW and the effect of discounting, the value of the risk cover amounted to € 922.2 million.

As there is interdependence between the two elements of the risk cover and the nominal maximum amount was already reached at the balance sheet date, the receivable amount under both risk cover instruments were combined under *Other assets* and the effect on the income statement recorded in the position *Result as of risk assumption*. Accordingly amounts receivable from KfW under the risk guarantees are already recorded in the balance sheet as assets: in the light of events since the balance sheet date the realisation of the asset is effectively assured and therefore meets the IAS 37 criteria to warrant recognition as an asset in the balance sheet.

In addition under an agreement between KfW Banking Group and IKB, IKB's risks from its US \$ 1.6 billion liquidity commitments to Havenrock I Ltd. and Havenrock II Ltd. are partially covered. To effect this, KfW has agreed to participate in any resulting first risk up to an amount of US \$ 1.1 billion. Based on the market value movements of IKB's liquidity commitments, the realisation of € 747.1 million can be regarded as effectively assured. Accordingly a receivable, recorded according to IAS 37 at present value in the position *Other assets* has been recorded in the balance sheet at 31 December 2007, and recorded as income in the income statement within the position *Result as of risk assumption*.

## Consolidated group

In addition to the parent company, 26 German and 15 foreign entities are included in the IKB consolidated interim financial statements as of 31 December 2007 according to IAS 27 (compared with 27 and 25 German entities; 15 and 15 foreign entities as of 31 March 2007 and 31 December 2006, respectively). IKB controls the majority of voting rights of these consolidated entities, a list of which is shown in Note (36).

IKB Private Equity group has founded IKB Dritte Equity Suporta GmbH, mainly focussed on equity financing. IKB Dritte Equity Suporta GmbH will be full consolidated.

IKB Leasing group established a subsidiary in Russia in order to provide its business partners in Russia with an independent organisation as well. The main object of the business of the new Russian company is finance leasing.

The group of companies included in the consolidated financial statement has therefore been expanded to include ZAO IKB Leasing, Moscow.

IKB Financière France S.A., Paris, was merged with IKB Beteiligungen GmbH, Düsseldorf with effect from 1 October 2007 as a result of the merger agreement of 26 October 2007. As part of the merger (dissolution without settlement), the total assets and liabilities of IKB Financière France S.A. were transferred to IKB Beteiligungen GmbH. IKB Financière France S.A. is thus dissolved.

Furthermore, four special-purpose vehicles, ELAN Ltd., Jersey with three silos (30 September 2007: four silos), Havenrock I Ltd., Jersey and Havenrock II Ltd., Jersey, along with Rhinebridge plc, Dublin, were also included in the consolidated financial statement as at 31 December 2007.

## Restatements to the financial statements made in accordance with IAS 8

### a. Corrections

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), appointed to develop agreed upon procedures in view of the onset of the subprime crisis, issued its report mid-October 2007. The auditors concluded that, with respect to the scope of entities included in the consolidation and the allocation of interest on certain structured securities, the consolidated financial statements for the year ended 31 March 2007, as originally issued, were not correct. The Supervisory Board and the Board of Managing Directors agreed with the findings and concluded that the consolidated financial statements should be restated. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, as the Bank's auditors, issued an

unqualified audit report on the consolidated financial statements dated 4 June 2007 and 15 February 2008. To the extent that the changes made in those financial statements have an effect on these interim consolidated financial statements, restatements were made in these financial statements in accordance with IAS 8. These corrections were already contained in the restated consolidated financial statement as at 31 March 2007 and in the Consolidated Interim Report as at 30 September 2007. We refer to the respective financial statements for explanations of the effects on the comparable periods.

## b. Changes in accounting policies

The changes in provisions for losses on investment securities categorised as *Loans and receivables* previously reported in the income statement within *Provision for possible loan losses* have been reclassified and shown in the category *Net income from investment securities*. Accordingly – consistent with the balance sheet presentation – individual provisions and allowances against investment securities are reported within the category *Net income from investment securities*. An adjustment in the comparative figures presented in the income statement was not necessary, as no individual provisions against the value of investment securities was required in prior reporting periods.

Deferred tax assets and liabilities are no longer reported within *Other assets* and *Other liabilities*, but under the positions *Income tax assets* and *Income tax liabilities*. As at 31 March 2007 this reclassification resulted in an adjustment within assets amounting to € 150.2 million, and within liabilities of € 16.7 million. At 30 June 2007 reclassification adjustment were made within the asset (liabilities) balance sheet categories amounting to € 176.6 million (€ 16.7 million) and valuation changes amounted to € 15.0 million (€ –0.5 million).

In accordance with contractual arrangements, fair values are used to manage Rhinebridge Portfolios and to measure their performance. Fair values are also used for reporting purposes. Accordingly IKB exercises the fair value option set out in IAS 39 not only in cases of a so called “Accounting Mismatch” or for embedded derivatives, but also in cases where a portfolio is managed and performance is measured on the basis of fair values.

Due to the limited availability of financial statements for Rhinebridge plc, subject to administration due to a compulsory liquidation of the company since October 2007, it was necessary to make certain estimates and assumptions, in particular in order to estimate the value of assets. As a result of the limited information available it was not possible to differentiate between Assets held for trading which had been purchased by IKB prior to the commencement of business by Rhinebridge plc (of approximately € 1.8 billion at 30 June 2007) and assets subsequent purchased by Rhinebridge plc. Accordingly the assets (€ 0.8 billion after disposals and impairments at 30 September 2007) were recorded in total under Investment securities. The valuation was performed for all investment securities within the Rhinebridge portfolio at fair value with the resulting changes being recorded within the income statement. For the same reasons it was not possible to obtain or prepare a split between valuation gains and losses and gains and losses on disposal of financial instruments in Assets held for trading gains and losses and the application of the fair value option for notes disclosure purposes. We refer to Note (4).

We refer to Note (27) in respect of changes in segment reporting.

The following tables show, in summary form, the effect of the retrospective corrections and restatements made to the accounting policies of prior periods to the extent that these are not included in the restated consolidated financial statements for the year ended 31 March 2007, resp. In the consolidated interim report as of 30 September 2007.

Effect of changes in accordance with IAS 8 on the consolidated income statement  
for the period 1 April to 31 December 2006

in € million	1 April 2006 to 31 Dec 2006 before restatements	Restatements according IAS 8	1 April 2006 to 31 Dec 2006 after restatements
<b>Net interest income</b>	<b>467.6</b>	<b>24.2</b>	<b>491.8</b>
Interest income	2 265.6	386.3	2 651.9
Interest expenses	1 798.0	362.1	2 160.1
<b>Provision for possible loan losses</b>	<b>192.4</b>	<b>–</b>	<b>192.4</b>
<b>Net interest income after provision for possible loan losses</b>	<b>275.2</b>	<b>24.2</b>	<b>299.4</b>
<b>Net fee and commission income</b>	<b>86.6</b>	<b>–42.1</b>	<b>44.5</b>
Fee and commission income	95.4	–43.5	51.9
Fee and commission expense	8.8	–1.4	7.4
<b>Net income from financial instruments at fair value</b>	<b>62.1</b>	<b>25.4</b>	<b>87.5</b>
<b>Net income from investment securities</b>	<b>6.6</b>	<b>–</b>	<b>6.6</b>
<b>General administrative expenses</b>	<b>221.9</b>	<b>–</b>	<b>221.9</b>
Personnel expenses	132.3	–	132.3
Other administrative expenses	89.6	–	89.6
<b>Net other operating income</b>	<b>–4.0</b>	<b>–3.0</b>	<b>–7.0</b>
<b>Operating result</b>	<b>204.6</b>	<b>4.5</b>	<b>209.1</b>
Income taxes	71.1	–5.2	65.9
Other taxes	1.3	–	1.3
<b>Net income for the period</b>	<b>132.2</b>	<b>9.7</b>	<b>141.9</b>
Minority interests	–0.1	–	–0.1
<b>Net income for the period after minority interests</b>	<b>132.1</b>	<b>9.7</b>	<b>141.8</b>

### Effect of the changes in accordance with IAS 8 on the result per share:

#### before restatements

	1 April 2007 to 30 June 2007	1 April 2006 to 31 Dec 2006	1 April 2006 to 30 Sept 2006	1 April 2006 to 30 June 2006
Net income/loss after minority interests (€ million)	11.7	132.1	89.5	35.1
Average number of shares outstanding (million)	87.9	87.9	87.9	87.9
<b>Earnings per share (€)</b>	<b>0.13</b>	<b>1.50</b>	<b>1.02</b>	<b>0.40</b>

#### Restatements according IAS 8

	1 April 2007 to 30 June 2007	1 April 2006 to 31 Dec 2006	1 April 2006 to 30 Sept 2006	1 April 2006 to 30 June 2006
Net income/loss after minority interests (€ million)	-513.3	9.7	-0.3	-68.7
Average number of shares outstanding (million)	-	-	-	-
<b>Earnings per share (€)</b>	<b>-5.84</b>	<b>0.11</b>	<b>-0.01</b>	<b>-0.78</b>

#### after restatements

	1 April 2007 to 30 June 2007	1 April 2006 to 31 Dec 2006	1 April 2006 to 30 Sept 2006	1 April 2006 to 30 June 2006
Net income/loss after minority interests (€ million)	-501.6	141.8	89.2	-33.6
Average number of shares outstanding (million)	87.9	87.9	87.9	87.9
<b>Earnings per share (€)</b>	<b>-5.71</b>	<b>1.61</b>	<b>1.01</b>	<b>-0.38</b>

## Effect of the changes in accordance with IAS 8 on the consolidated income statement (quarterly)

## before restatements

in € million	Q1 2007/08	Q3 2006/07	Q2 2006/07	Q1 2006/07
<b>Net interest income</b>	<b>142.2</b>	<b>162.3</b>	<b>162.7</b>	<b>142.6</b>
Interest income	781.8	777.4	820.2	668.0
Interest expenses	639.6	615.1	657.5	525.4
<b>Provision for possible loan losses</b>	<b>23.5</b>	<b>53.9</b>	<b>92.5</b>	<b>46.0</b>
<b>Net interest income after provision for possible loan losses</b>	<b>118.7</b>	<b>108.4</b>	<b>70.2</b>	<b>96.6</b>
<b>Net fee and commission income</b>	<b>23.1</b>	<b>30.5</b>	<b>30.7</b>	<b>25.4</b>
Fee and commission income	27.1	33.4	33.5	28.5
Fee and commission expense	4.0	2.9	2.8	3.1
<b>Net income from financial instruments at fair value</b>	<b>-43.0</b>	<b>5.9</b>	<b>61.7</b>	<b>-5.5</b>
<b>Net income from investment securities</b>	<b>-2.6</b>	<b>-1.2</b>	<b>1.7</b>	<b>6.1</b>
<b>General administrative expenses</b>	<b>76.8</b>	<b>79.4</b>	<b>76.1</b>	<b>66.4</b>
Personnel expenses	44.5	47.4	43.1	41.5
Other administrative expenses	32.3	31.7	33.0	24.9
<b>Net other operating income</b>	<b>-1.0</b>	<b>1.8</b>	<b>-3.9</b>	<b>-1.9</b>
<b>Operating result</b>	<b>18.4</b>	<b>66.0</b>	<b>84.3</b>	<b>54.3</b>
Income taxes	6.4	22.8	29.5	18.8
Other taxes	0.3	0.6	0.3	0.4
<b>Net income for the period</b>	<b>11.7</b>	<b>42.6</b>	<b>54.5</b>	<b>35.1</b>
Minority interests	0.0	0.0	-0.1	0.0
<b>Net income for the period after minority interests</b>	<b>11.7</b>	<b>42.6</b>	<b>54.4</b>	<b>35.1</b>

## Restatements according IAS 8

in € million	Q1 2007/08	Q3 2006/07	Q2 2006/07	Q1 2006/07
<b>Net interest income</b>	<b>8.6</b>	<b>8.2</b>	<b>8.8</b>	<b>7.2</b>
Interest income	143.9	152.8	125.0	108.5
Interest expenses	135.3	144.6	116.2	101.3
<b>Provision for possible loan losses</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net interest income after provision for possible loan losses</b>	<b>8.6</b>	<b>8.2</b>	<b>8.8</b>	<b>7.2</b>
<b>Net fee and commission income</b>	<b>-13.6</b>	<b>-12.6</b>	<b>-17.0</b>	<b>-12.5</b>
Fee and commission income	-11.8	-14.1	-16.4	-13.0
Fee and commission expense	1.8	-1.5	0.6	-0.5
<b>Net income from financial instruments at fair value</b>	<b>-513.2</b>	<b>13.4</b>	<b>76.1</b>	<b>-64.1</b>
<b>Net income from investment securities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>General administrative expenses</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Personnel expenses	0.0	0.0	0.0	0.0
Other administrative expenses	0.0	0.0	0.0	0.0
<b>Net other operating income</b>	<b>-0.9</b>	<b>-1.0</b>	<b>-1.0</b>	<b>-1.0</b>
<b>Operating result</b>	<b>-519.1</b>	<b>8.0</b>	<b>66.9</b>	<b>-70.4</b>
Income taxes	-5.8	-2.0	-1.5	-1.7
Other taxes	0.0	0.0	0.0	0.0
<b>Net income for the period</b>	<b>-513.3</b>	<b>10.0</b>	<b>68.4</b>	<b>-68.7</b>
Minority interests	0.0	0.0	0.0	0.0
<b>Net income for the period after minority interests</b>	<b>-513.3</b>	<b>10.0</b>	<b>68.4</b>	<b>-68.7</b>

## after restatements

in € million	Q1 2007/08	Q3 2006/07	Q2 2006/07	Q1 2006/07
<b>Net interest income</b>	<b>150.8</b>	<b>170.5</b>	<b>171.5</b>	<b>149.8</b>
Interest income	925.7	930.2	945.2	776.5
Interest expenses	774.9	759.7	773.7	626.7
<b>Provision for possible loan losses</b>	<b>23.5</b>	<b>53.9</b>	<b>92.5</b>	<b>46.0</b>
<b>Net interest income after provision for possible loan losses</b>	<b>127.3</b>	<b>116.6</b>	<b>79.0</b>	<b>103.8</b>
<b>Net fee and commission income</b>	<b>9.5</b>	<b>17.9</b>	<b>13.7</b>	<b>12.9</b>
Fee and commission income	15.3	19.3	17.1	15.5
Fee and commission expense	5.8	1.4	3.4	2.6
<b>Net income from financial instruments at fair value</b>	<b>-556.2</b>	<b>19.3</b>	<b>137.8</b>	<b>-69.6</b>
<b>Net income from investment securities</b>	<b>-2.6</b>	<b>-1.2</b>	<b>1.7</b>	<b>6.1</b>
<b>General administrative expenses</b>	<b>76.8</b>	<b>79.4</b>	<b>76.1</b>	<b>66.4</b>
Personnel expenses	44.5	47.7	43.1	41.5
Other administrative expenses	32.3	31.7	33.0	24.9
<b>Net other operating income</b>	<b>-1.9</b>	<b>0.8</b>	<b>-4.9</b>	<b>-2.9</b>
<b>Operating result</b>	<b>-500.7</b>	<b>74.0</b>	<b>151.2</b>	<b>-16.1</b>
Income taxes	0.6	20.8	28.0	17.1
Other taxes	0.3	0.6	0.3	0.4
<b>Net income for the period</b>	<b>-501.6</b>	<b>52.6</b>	<b>122.9</b>	<b>-33.6</b>
Minority interests	0.0	0.0	-0.1	0.0
<b>Net income for the period after minority interests</b>	<b>-501.6</b>	<b>52.6</b>	<b>122.8</b>	<b>-33.6</b>

## Notes to the Income Statement

### (1) Net interest income

	1 April 2007 to 31 Dec 2007 in € million	1 April 2006 to 31 Dec 2006 in € million	Change in %
Interest income from lending and money market transactions as well as from securities and derivatives	2 397.1	2 478.3	-3.3
Current income from leasing transactions	206.4	167.3	23.4
Other interest income/Income from shares and associated companies	7.5	6.3	19.0
<b>Total interest income</b>	<b>2 611.0</b>	<b>2 651.9</b>	<b>-1.5</b>
Interest expenses for securitised liabilities, subordinated capital and other liabilities as well as for derivatives	2 081.5	2 060.3	1.0
Expenses for leasing transactions	119.2	99.8	19.4
<b>Total interest expense</b>	<b>2 200.7</b>	<b>2 160.1</b>	<b>1.9</b>
<b>Net interest income</b>	<b>410.3</b>	<b>491.8</b>	<b>-16.6</b>

### (2) Provision for possible loan losses

	1 April 2007 to 31 Dec 2007 in € million	1 April 2006 to 31 Dec 2006 in € million	Change in %
Additions to specific valuation allowances/provisions	293.0	311.1	-5.8
Additions to specific valuation allowances	269.7	295.6	-8.8
Additions to provisions	23.3	15.5	50.3
Direct write-offs	4.4	8.7	-49.4
Recoveries on loans and advances previously written off	4.4	2.5	76.0
Additions to/reversals of portfolio impairment	-11.7	-65.8	-82.2
Reversals of specific valuation allowances/provisions	74.4	59.1	25.9
Reversals of specific valuation allowances	58.2	53.9	8.0
Reversals of provisions	16.2	5.2	>100.0
<b>Provision for possible loan losses</b>	<b>206.9</b>	<b>192.4</b>	<b>7.5</b>

### (3) Net fee and commission income

	1 April 2007 to 31 Dec 2007 in € million	1 April 2006 to 31 Dec 2006 in € million	Change in %
Net fee and commission income from lending business	34.9	36.7	-4.9
Net fee and commission income from treasury business	5.5	2.7	>100.0
Other	3.9	5.1	-23.5
<b>Total</b>	<b>44.3</b>	<b>44.5</b>	<b>-0.4</b>

### (4) Net income from financial instruments at fair value

	1 April 2007 to 31 Dec 2007 in € million	1 April 2006 to 31 Dec 2006 in € million	Change in %
Net trading result	-609.1	67.3	
Net result from fair value option	-1 057.4	6.2	
Results from Rhinebridge	-209.8	-	
Amortisation of discontinued hedging relationships IFRS 1 IG 60A und 60B	-82.0	14.2	
Net result from hedging relationships	-7.5	-0.2	>100.0
<b>Total</b>	<b>-1 965.8</b>	<b>87.5</b>	

The negative effects in the trading results are mainly due to the valuation results of the special-purpose vehicles Havenrock I and Havenrock II and the ELAN cells.

Impairments on portfolio investments of the RFCC conduit (before deconsolidation) (€ -1,260.0 million) and on portfolio investments of IKB AG and IKB International S.A., Luxemburg (€ -487.7 million), as well as fair-value gains from liabilities related to default risk (€ 718.1 million), are taken into account in the results from the application of the fair-value option.

IKB's own issues were traded on the capital market as at 31 December 2007 at a discount reflecting the default risk. Since the fair-value option is exercised for a proportion of these issues, this resulted in default risk-related income within the fair value result of € 718.1 million. Since the first adoption of IFRS in the 2005/06 financial year, there has been a cumulative default risk-related change in the fair value of the liabilities of € 718.7 million. Until the scheduled redemption of these financial instruments, these effects could to some extent have an impact on the fair value results in future periods again.

The results from Rhinebridge of € -209.8 million include losses from disposals (€ -40.3 million) and valuation losses (€ -290.3 million) from investments assessed at fair value, as well as valuation gains (€ 120.8 million) from capital notes and commercial paper assessed at fair value, which have been issued by Rhinebridge to external third parties. Valuation losses of € 1.5 million are also included in the trading results from the derivative positions held by Rhinebridge.

The result from fair value hedging activities include the result from underlying transactions (€ 49.6 million) and from hedging derivatives (€ -57.2 million).

**(5) Net income from investment securities**

	1 April 2007 to 31 Dec 2007 in € million	1 April 2006 to 31 Dec 2006 in € million	Change in %
Net result from equity investments	-4.0	0.2	
Net result from securities	-1 031.1	6.4	
<b>Total</b>	<b>-1 035.1</b>	<b>6.6</b>	

The income from securities includes € -1,017.8 million from the risk provisions for securities of IAS 39 category *Loans and receivables*.

**(6) General administrative expenses**

	1 April 2007 to 31 Dec 2007 in € million	1 April 2006 to 31 Dec 2006 in € million	Change in %
Personnel expenses	140.2	132.3	6.0
Other administrative expenses	113.8	77.4	47.0
Depreciation and write-downs of operating and office equipment and property, and amortisation and write-downs of intangible assets	16.7	12.2	36.9
<b>Total</b>	<b>270.7</b>	<b>221.9</b>	<b>22.0</b>

The increase in other administrative expenses is due to the costs for consultancy and services (€ 27.4 million) in conjunction with overcoming the crisis.

**(7) Net other operating income**

	1 April 2007 to 31 Dec 2007 in € million	1 April 2006 to 31 Dec 2006 in € million	Change in %
Other operating income	36.7	13.1	>100.0
Other operating expenses	38.5	20.1	91.5
<b>Net other operating income</b>	<b>-1.8</b>	<b>-7.0</b>	<b>-74.3</b>

Other operating income is characterised by income from the buyback of company issues (€ 14.0 million) and by allocations to provisions for legal risks (€ 18.6 million).

**(8) Result as of risk assumption**

	1 April 2007 to 31 Dec 2007 in € million	1 April 2006 to 31 Dec 2006 in € million	Change in %
Result from risk coverage of IKB Portfolio Investments	912.2	–	–
Result from risk coverage of Havenrock	747.1	–	–
Effects from deconsolidation of Rhineland Funding	547.2	–	–
<b>Total</b>	<b>2 206.5</b>	<b>–</b>	<b>–</b>

**(9) Income taxes**

	1 April 2007 to 31 Dec 2007 in € million	1 April 2006 to 31 Dec 2006 in € million	Change in %
Current income taxes	7.4	32.4	–77.2
Deferred taxes	126.1	33.5	>100.0
<b>Total</b>	<b>133.5</b>	<b>65.9</b>	<b>&gt;100.0</b>

The deferred tax expense results from the depreciation on deferred tax assets recognised in prior periods as well as from new deferred tax liabilities on fair-value gains from liabilities related to default risk. See also note (16).

## Notes to assets

### (10) Loans and advances to banks

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Loans and advances to banks payable on demand	1 806.0	692.2	>100.0
Loans and advances to banks (initial maturity < 4 years)	1 132.6	3 568.5	-68.3
Loans and advances to banks (initial maturity ≥ 4 years)	339.6	181.2	87.4
<b>Total</b>	<b>3 278.2</b>	<b>4 441.9</b>	<b>-26.2</b>

### (11) Loans and advances to customers

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Loans and advances to customers (initial maturity < 4 years)	4 325.8	4 107.8	5.3
Loans and advances to customers (initial maturity ≥ 4 years)	24 065.2	24 038.8	0.1
Receivables from finance leases	1 752.3	1 538.4	13.9
<b>Total</b>	<b>30 143.3</b>	<b>29 685.0</b>	<b>1.5</b>

The *Loans and advances to customers* take into account changes in value of € -3.1 million from hedged underlying transactions in hedge accounting.

### (12) Provision for possible loan losses

in € million	Specific valuation allowances	Provisions	Portfolio impairment	Total
Opening balance at 1 April 2007	<b>991.1</b>	<b>28.2</b>	<b>103.6</b>	<b>1 122.9</b>
Utilisations	255.3	1.8	0.0	257.1
Reversals	58.2	16.2	15.2	89.6
Unwinding	24.7	0.7	0.0	25.4
Additions	269.7	23.3	3.5	296.5
Reclassification	-0.6	0.0	0.0	-0.6
Currency translation adjustments	-0.4	0.0	-0.5	-0.9
Closing balance at 31 December 2007	<b>921.6</b>	<b>32.8</b>	<b>91.4</b>	<b>1 045.8</b>
Less provisions				32.8
<b>Recognised provision for possible loan losses as at 31 December 2007</b>				<b>1 013.0</b>

**(13) Assets held for trading**

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Bonds and other fixed-income securities	34.1	1 201.4	-97.2
Equities and other non-fixed-income securities	1.4	1.9	-26.3
Promissory notes carried as trading assets	71.8	419.2	-82.9
Positive fair values of derivative financial instruments	3 122.6	586.0	>100.0
Positive fair values from hedging derivatives	67.0	-	-
<b>Total</b>	<b>3 296.9</b>	<b>2 208.5</b>	<b>49.3</b>

The reduction in bonds and other fixed-income securities is due to the transfer of securities held for trading to the special-purpose vehicle Rhinebridge (€ 1.2 billion as at 31 March 2007), which are now classified as investment securities and whose valuation is still reported at fair value (see explanations in the section "Changes to accounting policies in the consolidated interim report as of 30 September 2007"). The increase in the positive market values from derivative financial instruments is due to the inclusion of the Havenrock special-purpose vehicles (€ 2.6 billion).

**(14) Investment securities**

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Bonds and other fixed-income securities	14 269.0	26 975.3	-47.1
Equities and other non-fixed-income securities	12.3	18.5	-33.5
Equity investments	244.7	264.7	-7.6
Investments in associates	7.0	6.4	9.4
Shares in affiliated companies	0.1	0.1	0.0
<b>Total</b>	<b>14 533.1</b>	<b>27 265.0</b>	<b>-46.7</b>

The change in bonds and other fixed-income securities mainly results from the deconsolidation of Rhineland Funding Capital Corporation (RFCC) of € 11.5 billion (as at 31 March 2007).

**(15) Property and equipment**

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Operating leases	108.6	104.0	4.4
Land and buildings	90.3	84.5	6.9
Operating and office equipment	22.3	21.4	4.2
Investment Properties	-	2.2	-100.0
<b>Total</b>	<b>221.2</b>	<b>212.1</b>	<b>4.3</b>

**(16) Income tax assets**

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Current income tax assets	23.9	13.7	74.5
Deferred income tax assets	58.1	150.2	-61.3
<b>Total</b>	<b>82.0</b>	<b>163.9</b>	<b>-50.0</b>

Because of the expected shareholder change of more than 50% (KfW and Stiftung Industrieforschung), the domestic tax losses carried forward according to Section 8c KStG (Corporate Income Tax Law) and Section 10a GewStG (Business Income Tax Law) will be lost. The deferred tax assets on carried forward losses in Germany (€ 119.7 million) are therefore fully amortised.

As a result of the 2008 corporate tax reform, tax rates have been cut from around 39.8% to 31.5% starting in 2008. This has been taken into account when calculating the taxes in Germany. Accordingly, the deferred tax assets and liabilities calculated with the old tax rate have to be revised due to the new tax rate. As a result, there is an additional tax expense of € 10.2 million (reduction of the surplus deferred tax assets in Germany) and a neutral reduction in deferred tax liabilities of € 7.5 million.

In the current year, the Bank expects high tax losses in Germany which – as described above – cannot be applied. On the other hand, high positive valuation income from the change in the fair value of the assets towards the end of the financial year will mostly offset these losses according to IFRS. Because of the non-application of deferred tax assets for current tax losses, considerable tax expenses are expected overall. Due to the extraordinary situation, IKB has calculated the deferred taxes using the actual results differences and has derived deferred tax liabilities in Germany of € 7.3 million and deferred tax assets of € 11.1 million abroad.

**(17) Other assets**

The position *Other assets* includes € 2,112.2 million (31 March 2007: € 589.4 million). This position mainly contains receivables of € 1,669.3 million due from the KfW Banking group of banks (see also the explanations in “Notes on risk transfer”).

## Notes to equity and liabilities

### (18) Liabilities to banks

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Liabilities to banks payable on demand	486.5	1 278.2	-61.9
Liabilities to banks (initial maturity < 4 years)	6 445.0	4 499.9	43.2
Liabilities to banks (initial maturity ≥ 4 years)	9 269.5	8 134.4	14.0
<b>Total</b>	<b>16 201.0</b>	<b>13 912.5</b>	<b>16.4</b>

Of the liabilities to banks, € 2,174.3 million (31 March 2007: € 660.7 million) is reported using the fair value option for the category *Financial liabilities at fair value through the income statement*.

### (19) Liabilities to customers

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Liabilities to customers payable on demand	129.4	204.8	-36.8
Liabilities to customers (initial maturity < 4 years)	2 551.4	978.0	>100.0
Liabilities to customers (initial maturity ≥ 4 years)	3 601.0	3 095.0	16.3
<b>Total</b>	<b>6 281.8</b>	<b>4 277.8</b>	<b>46.8</b>

Of the liabilities to customers, € 1,759.1 million (31 March 2007: € 1,872.4 million) is reported by exercising the fair value option for the category *Financial liabilities at fair value through the income statement*.

**(20) Securitised liabilities**

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Bonds issued (initial maturity < 4 years)	15 116.9	30 713.3	-50.8
less own bonds (initial maturity < 4 years)	896.4	18.1	>100.0
Subtotal (initial maturity < 4 years)	14 220.5	30 695.2	-53.7
Bonds issued (initial maturity ≥ 4 years)	8 158.6	8 887.7	-8.2
less own bonds (initial maturity ≥ 4 years)	304.3	27.4	>100.0
Subtotal (initial maturity ≥ 4 years)	7 854.3	8 860.3	-11.4
<b>Total</b>	<b>22 074.8</b>	<b>39 555.5</b>	<b>-44.2</b>

New issues of € 2.0 billion were raised, compared with redemptions of € 8.0 billion (book values).

The change in the value of *Securitised liabilities* mainly results from the deconsolidation of Rhineland Funding Capital Corporation (RFCC) amounting to € 11.5 billion (as at 31 March 2007).

Of the securitised liabilities, € 2,967.9 billion (31 March 2007: € 3,652.8 million) is reported through the exercise of the fair value option for the category *Financial liabilities at fair value through the income statement*.

**(21) Liabilities held for trading**

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Negative fair values from derivative financial instruments	5 107.0	1 164.7	>100.0
Negative fair values from hedging derivatives	67.2	-	-
<b>Total</b>	<b>5 174.2</b>	<b>1 164.7</b>	<b>&gt;100.0</b>

The increase in the negative market values from derivative financial instruments is due to the inclusion of the Havenrock special-purpose vehicles (€ 3.7 billion).

**(22) Provisions**

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Provisions for pensions and similar obligations	5.0	2.7	85.2
Other provisions	90.8	57.3	58.5
<b>Total</b>	<b>95.8</b>	<b>60.0</b>	<b>59.7</b>

**(23) Income tax liabilities**

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Current income tax liabilities	107.3	79.2	35.5
Deferred income tax liabilities	16.1	16.7	-3.6
<b>Total</b>	<b>123.4</b>	<b>95.9</b>	<b>28.7</b>

**(24) Other liabilities**

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Trade payables	111.5	107.2	4.0
Interest payable from subordinated capital	66.7	81.6	-18.3
Deferred income	12.0	12.2	-1.6
Remaining liabilities	56.2	53.3	5.4
<b>Total</b>	<b>246.4</b>	<b>254.3</b>	<b>-3.1</b>

## (25) Subordinated capital

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Subordinated liabilities	1 278.9	1 444.9	-11.5
Profit-participation certificates	436.0	590.4	-26.2
Silent partnership contributions / preferred shares	600.9	991.1	-39.4
<b>Total</b>	<b>2 315.8</b>	<b>3 026.4</b>	<b>-23.5</b>

### Subordinated liabilities

Start of term	Nominal amount in € million	Currency	Interest rate in %	Maturity
2000/2001	150.0	EUR	6.00	27 Feb 2009
2003/2004	310.0	EUR	4.50	9 Jul 2013
2006/2007	160.0	EUR	4.48	23 Jan 2017

The subordinated liabilities of € 414.0 million (31 March 2007: € 580.2 million) are reported by exercising the fair value option for the category *Financial liabilities at fair value through the income statement*.

### Profit-participation certificates

Year of issue	Nominal amount in € million	Currency	Interest rate in %	Maturity
1997/1998	102.3	DM	7.05	31 Mar 2009
1999/2000	20.0	EUR	7.23	31 Mar 2010
2001/2002	100.0	EUR	6.50	31 Mar 2012
2001/2002	74.5	EUR	6.55	31 Mar 2012
2004/2005	30.0	EUR	4.50	31 Mar 2015
2005/2006	150.0	EUR	3.86	31 Mar 2015
2006/2007	50.0	EUR	4.70	31 Mar 2017
2007/2008	70.0	EUR	5.63	31 Mar 2017

The profit-participation certificates totalling € 214.3 million (31 March 2007: € 286.9 million) are reported by exercising the fair value option for the category *Financial liabilities at fair value through the income statement*.

### Silent partnership contributions / preferred shares

The book value of the silent partnership contributions / preferred shares as at 31 December 2007 totalled € 600.9 million (31 March 2007: € 991.1 million), which includes preferred shares with a book value of € 228.1 million (31 March 2007: € 433.4 million).

The silent partnership contributions / preferred shares of € 355.8 million (31 March 2007: € 746.0 million) are reported by exercising the fair value option for the category *Financial liabilities at fair value through the income statement*.

## (26) Statement of changes in equity

in € million	Subscribed capital	Capital reserve	Treasury shares	Retained earnings	Currency translation reserve	Revaluation reserve	Minority interests	Consolidated profit/loss	Total
<b>Shareholders' equity as at 1 Apr 2006 after restatements</b>	<b>225.3</b>	<b>568.2</b>	<b>–</b>	<b>273.0</b>	<b>–7.5</b>	<b>159.1</b>	<b>0.2</b>	<b>74.8</b>	<b>1 293.1</b>
Issue/redemption of shares		0.2	–1.7						–1.5
Dividends paid								–74.8	–74.8
Changes in the scope of consolidation/ Others				0.4					0.4
Net income/loss for the period 1 April 2006 to 31 Dec 2006								141.8	141.8
Currency translation differences					–9.6				–9.6
Gains/losses recognised directly in equity (SORIE)				0.3		–47.8	–0.1		–47.6
<b>Shareholders' equity as at 31 Dec 2006</b>	<b>225.3</b>	<b>568.4</b>	<b>–1.7</b>	<b>273.7</b>	<b>–17.1</b>	<b>111.3</b>	<b>0.1</b>	<b>141.8</b>	<b>1 301.8</b>
Issue/redemption of shares		–0.2	1.7						1.5
Dividends paid									0.0
Changes in the scope of consolidation/ Others				0.6					0.6
Net income/loss for the period 1 Jan 2007 to 31 March 2007				37.8				–141.8	–104.0
Currency translation differences					1.9				1.9
Gains/losses recognised directly in equity (SORIE)				11.6		–22.9	0.1		–11.2
<b>Shareholders' equity as at 31 March 2007</b>	<b>225.3</b>	<b>568.2</b>	<b>–</b>	<b>323.7</b>	<b>–15.2</b>	<b>88.4</b>	<b>0.2</b>	<b>–</b>	<b>1 190.6</b>
Issue/redemption of shares		–2.2	–0.1						–2.3
Dividends paid									0.0
Changes in the scope of consolidation/ Others				–1.5					–1.5
Net income/loss for the period 1 April 2007 to 31 Dec 2007								–955.7	–955.7
Currency translation differences					10.7				10.7
Gains/losses recognised directly in equity (SORIE)				4.7		–56.3	0.1		–51.5
<b>Shareholders' equity as at 31 Dec 2007</b>	<b>225.3</b>	<b>566.0</b>	<b>–0.1</b>	<b>326.9</b>	<b>–4.5</b>	<b>32.1</b>	<b>0.3</b>	<b>–955.7</b>	<b>190,3</b>

## Segment reporting

### (27) Segment reporting

#### Nine months

in € million	Corporate Clients		Real Estate Clients		Structured Finance		Portfolio Investments		Head Office/ Consolidation		Total	
	9 months 2007/08	9 months 2006/07	9 months 2007/08	9 months 2006/07	9 months 2007/08	9 months 2006/07	9 months 2007/08	9 months 2006/07	9 months 2007/08	9 months 2006/07	9 months 2007/08	9 months 2006/07
Net interest income	176.1	173.4	47.1	46.1	96.6	109.9	97.5	115.6	-7.0	46.8	410.3	491.8
Provision for possible loan losses	65.6	25.3	20.2	6.5	42.3	24.9	0.0	0.0	78.8	135.7	206.9	192.4
<b>Net interest income after provision for possible loan losses</b>	<b>110.5</b>	<b>148.1</b>	<b>26.9</b>	<b>39.6</b>	<b>54.3</b>	<b>85.0</b>	<b>97.5</b>	<b>115.6</b>	<b>-85.8</b>	<b>-88.9</b>	<b>203.4</b>	<b>299.4</b>
Net fee and commission income	6.4	10.1	5.9	6.4	27.2	29.1	5.5	0.5	-0.7	-1.6	44.3	44.5
Net income from financial instruments at fair value	-18.5	5.3	2.6	2.3	1.6	1.3	-2 404.7	71.2	453.2	7.4	-1 965.8	87.5
Net income from investment securities	-4.4	4.8	-1.6	0.0	-35.5	0.0	-978.8	-0.2	-14.8	2.0	-1 035.1	6.6
General administrative expenses	103.3	108.2	31.8	28.2	51.8	47.8	42.1	17.9	41.7	19.8	270.7	221.9
Net other operating income	2.5	4.0	1.4	0.0	0.2	0.1	-1.2	-3.4	-4.7	-7.7	-1.8	-7.0
Results from risk assumption	0.0	0.0	0.0	0.0	0.0	0.0	2 206.5	0.0	0.0	0.0	2 206.5	0.0
<b>Operating result</b>	<b>-6.8</b>	<b>64.1</b>	<b>3.4</b>	<b>20.1</b>	<b>-4.0</b>	<b>67.7</b>	<b>-1 117.3</b>	<b>165.8</b>	<b>305.5</b>	<b>-108.6</b>	<b>-819.2</b>	<b>209.1</b>
Cost/income ratio in %	63.7	54.8	57.4	51.5	57.5	34.0	<0	9.7			<0	35.6
Return on equity in %	<0	13.0	2.2	13.1	<0	26.9	<0	78.4			<0	22.9
Average allocated equity	701	656	208	205	381	336	285	282	-384	-261	1 191	1 218
Total loan volume	17 211	15 785	4 930	4 624	7 868	8 167	5 655	18 240	4 773	3 926	40 437	50 742
Volume of new business	3 850	3 517	1 166	721	3 446	4 781	283	811	1 667	289	10 412	10 119

## Third quarter

in € million	Corporate Clients		Real Estate Clients		Structured Finance		Portfolio Investments		Head Office/ Consolidation		Total	
	Q3 2007/08	Q3 2006/07	Q3 2007/08	Q3 2006/07	Q3 2007/08	Q3 2006/07	Q3 2007/08	Q3 2006/07	Q3 2007/08	Q3 2006/07	Q3 2007/08	Q3 2006/07
Net interest income	59.7	56.6	15.0	15.1	32.6	41.0	23.1	37.9	11.5	19.9	141.9	170.5
Provision for possible loan losses	17.5	7.3	6.2	0.6	16.0	14.8	0.0	0.0	1.1	31.2	40.8	53.9
<b>Net interest income after provision for possible loan losses</b>	<b>42.2</b>	<b>49.3</b>	<b>8.8</b>	<b>14.5</b>	<b>16.6</b>	<b>26.2</b>	<b>23.1</b>	<b>37.9</b>	<b>10.4</b>	<b>-11.3</b>	<b>101.1</b>	<b>116.6</b>
Net fee and commission income	2.2	3.9	1.9	2.7	4.3	12.0	2.5	1.3	-1.0	-2.0	9.9	17.9
Net income from financial instruments at fair value	2.4	2.1	1.3	0.7	3.7	0.7	-20.4	44.9	74.3	-29.1	61.3	19.3
Net income from investment securities	0.0	2.0	-1.6	0.0	-0.4	0.0	12.9	-0.2	-1.9	-3.0	9.0	-1.2
General administrative expenses	35.4	36.8	10.7	9.5	17.9	18.3	21.8	5.8	1.8	9.0	87.6	79.4
Net other operating income	-0.2	1.6	0.5	0.0	0.0	-0.1	0.0	-1.0	7.6	0.3	7.9	0.8
Results from risk assumption	0.0	0.0	0.0	0.0	0.0	0.0	-31.6	0.0	0.0	0.0	-31.6	0.0
<b>Operating result</b>	<b>11.2</b>	<b>22.1</b>	<b>0.2</b>	<b>8.4</b>	<b>6.3</b>	<b>20.5</b>	<b>-35.3</b>	<b>77.1</b>	<b>87.6</b>	<b>-54.1</b>	<b>70.0</b>	<b>74.0</b>
Cost/income ratio in %	55.2	55.6	62.6	51.4	44.5	34.1	< 0	7.0			44.2	38.3
Return on equity in %	6.1	13.8	0.4	17.7	6.4	25.0	< 0	37.1			23.5	24.3
Average allocated equity	732	639	209	190	391	328	313	277	-454	-216	1 191	1 218
Total loan volume	17 211	15 785	4 930	4 624	7 868	8 167	5 655	18 240	4 773	3 926	40 437	50 742
Volume of new business	1 212	1 390	461	310	380	1 400	0	317	-1	137	2 052	3 554

As at 31 December 2007, attributable market value losses on CDS in portfolio investments accounted in net income from financial instruments at fair value were reported in the segment Portfolio Investments. On 30 September 2007 the losses in net income from financial instruments at fair value was accounted in the segment Head Office/Consolidation. The quarterly figures had been adjusted.

Further information about the segments is contained in the Consolidated Interim Report as at 30 September 2007.

## Notes to financial instruments

### (28) Derivatives

	Nominal amount			Fair value						
			Change in %	Positive		Negative		Total		
	31 Dec 2007 in € million	31 Mar 2007 in € million after re-statements		31 Dec 2007 in € million	31 Mar 2007 in € million	31 Dec 2007 in € million	31 Mar 2007 in € million	31 Dec 2007 in € million	31 Mar 2007 in € million	Change in %
Interest rate derivatives	46 325.1	42 311.4	9.5	349.3	305.7	1 158.8	894.9	-809.5	-589.2	37.4
Credit derivatives	10 511.8	10 167.1	3.4	2 652.8	125.3	3 821.7	124.8	-1 168.9	0.5	
Currency derivatives	8 987.1	8 200.4	9.6	187.2	155.0	193.7	145.0	-6.5	10.0	
Equity derivatives	0.5	0.0		0.2	0.0	0.0	0.0	0.2	0.0	
<b>Total</b>	<b>65 824.5</b>	<b>60 678.9</b>	<b>8.5</b>	<b>3 189.5</b>	<b>586.0</b>	<b>5 174.2</b>	<b>1 164.7</b>	<b>-1 984.7</b>	<b>-578.7</b>	<b>&gt;100.0</b>

The credit derivative arising from the risk transfer agreement with KfW Banking Group is not included in this table.

### (29) Market price risk in trading activities

Portfolio	Risk potential at confidence level of 99.8%	
	31 Dec 2007 in € million	31 March 2007 in € million after restatements
Trading book	-0.3	-5.1
Banking book	-166.3	-229.8
<b>Group</b>	<b>-166.6</b>	<b>-234.9</b>

The previous representation of the value-at-risk values assumed a confidence level of 95% with a holding period of 10 days with a risk-reducing securitisation of the expanded equity with term and interest assumptions. In view of the further development of the risk capacity calculation, the previous method has been adjusted. The value-at-risk information represented here is based on a confidence level of 99.8% and a holding period of 10 days. It therefore represents the view of a non-subordinated lender.

## (30) Fair value of financial assets and liabilities

in € million	Fair value		Book value		Difference	
	31 Dec 2007	31 March 2007	31 Dec 2007	31 March 2007	31 Dec 2007	31 March 2007
<b>Assets</b>						
Loans and advances to banks	3 280.1	4 441.7	3 278.2	4 441.9	1.9	-0.2
Loans and advances to customers	29 568.1	29 293.7	30 143.3	29 685.0	-575.2	-391.3
Assets held for trading	3 296.9	2 208.5	3 296.9	2 208.5	-	-
Investment securities	14 479.9	27 113.5	14 533.1	27 265.0	-53.2	-151.5
<b>Shareholders' equity and liabilities</b>						
Liabilities to banks	15 913.1	13 810.6	16 201.0	13 912.5	-287.9	-101.9
Liabilities to customers	6 190.7	4 275.6	6 281.8	4 277.8	-91.1	-2.2
Securitised liabilities	21 806.2	39 484.2	22 074.8	39 555.5	-268.6	-71.3
Liabilities held for trading	5 174.2	1 164.7	5 174.2	1 164.7	-	-
Subordinated capital	2 044.6	3 048.8	2 315.8	3 026.4	-271.2	22.4

The fair values of financial assets and liabilities are determined based on market data as of 30 December 2007 and 31 March 2007. However, for the determination of the book values of assets included in the category *Loans and receivables*, information available after the balance sheet date relevant for valuation purposes, which is available until the date of issue of the relevant financial statements, is taken into consideration in the valuation exercise. In particular, the positive difference between the fair values and the book values, less impairment charges, at 31 December 2007 is a result of the effect of different points in time relevant for the determination of the values reported. The difference in values therefore does not represent off-balance-sheet reserves available to the Bank. The provisions for losses against loans and advances to banks and loans to customers are recorded separately from the book values of those loans.

## Other disclosures

### (31) Contingent liabilities and other commitments

	31 Dec 2007 in € million	31 March 2007 in € million	Change in %
Contingent liabilities	1 673.8	1 012.5	65.3
Guarantees, warranties, other	1 511.4	842.9	79.3
Assumptions of liability	162.4	169.6	-4.2
Other commitments	4 809.5	5 776.8	-16.7
Commitments for up to one year	2 382.6	3 201.8	-25.6
Commitments for more than one year	2 426.9	2 575.0	-5.8
<b>Total</b>	<b>6 483.3</b>	<b>6 789.3</b>	<b>-4.5</b>

The reported amounts represent amounts, adjusted for provisions made, which would be payable in the case that the relevant facilities are fully utilised.

### (32) Average number of employees

	31 Dec 2007	31 March 2007	Change in %
Men	1 142	1 056	8.1
Women	712	672	6.0
<b>Total</b>	<b>1 854</b>	<b>1 728</b>	<b>7.3</b>

### (33) Related Party disclosure

The transactions with related parties refers to liabilities especially refinancing transactions of IKB as well as its subsidiaries with KfW Banking group, totalling of € 7.3 billion. In addition the assets includes receivables of € 1.7 billion as part of the support measures of its main shareholder KfW.

Compared to 30 September 2007 there are no substantial changes in the Earnings, financial and asset position by transactions with related parties..

### (34) Events after 31 December 2007

We refer to the interim management report in which we report on events since 31 December 2007 (Supplemental report).

## (35) Executive bodies

### Board of Managing Directors

Dr. Günther Bräunig  
 (Chairman of the Board of Managing Directors  
 since 29 July 2007)  
 Frank Braunsfeld (until 15 October 2007)  
 Dr. Volker Doberanzke (until 7 August 2007)  
 Dr. Dieter Glüder (since 29 July 2007)  
 Dr. Reinhard Grzesik (since 15 October 2007)  
 Dr. Markus Guthoff (until 15 October 2007)  
 Dr. Andreas Leimbach (since 1 April 2008)  
 Claus Momburg  
 Stefan Ortseifen (Spokesman until 29 July 2007)

### Supervisory Board

Dr. h. c. Ulrich Hartmann (Chairman until 27 March 2008)  
 Werner Oerter (since 27 March 2008  
 and Chairman since 29 March 2008)  
 Detlef Leinberger (Deputy Chairman)  
 Dieter Pfundt (since 27 March 2008  
 and Deputy Chairman since 29 March 2008)  
 Dr. Alexander v. Tippelskirch  
 (Deputy Chairman until 27 March 2008)  
 Dieter Ammer  
 Jörg Asmussen  
 Dr. Jens Baganz  
 Dr. Jürgen Behrend (until 27 March 2008)  
 Wolfgang Bouché\*  
 Hermann Franzen  
 Ulrich Grillo (since 27 March 2008)  
 Dr.-Ing. Mathias Kammüller (until 27 March 2008)  
 Jürgen Metzger\*  
 Roland Oetker  
 Dr.-Ing. E. h. Eberhard Reuther  
 Randolph Rodenstock  
 Rita Röbel\*  
 Dr. Michael Rogowski  
 Jochen Schametat\*  
 Dr. Carola Steingräber\*  
 Dr. Alfred Tacke (since 27 March 2008)  
 Dr. Martin Viessmann  
 Ulrich Wernecke\*  
 Andreas Wittmann\*

\*Employee representatives

## (36) List of consolidated entities, 31 December 2007


	Equity interest in %
<b>A. Consolidated subsidiaries</b>	
<b>1. Foreign banks</b>	
IKB International S.A., Luxemburg	100 <sup>1)</sup>
<b>2. Other German companies</b>	
AIVG Allgemeine Verwaltungsgesellschaft mbH, Düsseldorf	100
ICCO Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf	100 <sup>1)</sup>
ICCO Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	100 <sup>1)</sup>
IKB Autoleasing GmbH, Hamburg	100 <sup>1)</sup>
IKB Beteiligungen GmbH, Düsseldorf	100
IKB Credit Asset Management GmbH, Düsseldorf	100
IKB Data GmbH, Düsseldorf	100
IKB Dritte Equity Suporta GmbH, Düsseldorf	100 <sup>1)</sup>
IKB Equity Capital Fund I GmbH & Co. KG, Düsseldorf	100 <sup>1)</sup>
IKB Equity Finance GmbH, Düsseldorf	100 <sup>1)</sup>
IKB Erste Equity Suporta GmbH, Düsseldorf	100 <sup>1)</sup>
IKB Grundstücks GmbH & Co. Objekt Degerloch KG, Düsseldorf	100
IKB Grundstücks GmbH & Co. Objekt Hamburg KG, Düsseldorf	100
IKB Grundstücks GmbH & Co. Objekt Holzhausen KG, Düsseldorf	100
IKB Grundstücks GmbH & Co. Objekt Uerdinger Straße KG, Düsseldorf	100
IKB Grundstücks GmbH, Düsseldorf	100
IKB Immobilien Management GmbH, Düsseldorf	75
IKB Leasing Berlin GmbH, Erkner	100 <sup>1)</sup>
IKB Leasing GmbH, Hamburg	100 <sup>1)</sup>
IKB Private Equity GmbH, Düsseldorf	100 <sup>1)</sup>
IKB Projektentwicklung GmbH & Co. KG, Düsseldorf	100
IKB Projektentwicklungsverwaltungs-ges. mbH, Düsseldorf	100
IMAS Grundstücks-Vermietungsges. mbH, Düsseldorf	100
ISOS Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf	100 <sup>1)</sup>
ISOS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	100 <sup>1)</sup>
ISTOS Beteiligungsverwaltungs- und Grundstücksvermietungs-ges. mbH, Düsseldorf	100
ISTOS Erste Beteiligungsverwaltungs- und Grundstücksvermietungs-ges. mbH & Co. KG, Düsseldorf	100
<b>3. Other foreign companies</b>	
IKB Capital Corporation, New York	100
IKB Finance B. V., Amsterdam	100
IKB Funding LLC I, Wilmington, Delaware	100
IKB Funding LLC II, Wilmington, Delaware	100
IKB Leasing Austria GmbH, Salzburg	100 <sup>1)</sup>
IKB Leasing ČR s.r.o., Prag	100 <sup>1)</sup>
IKB Leasing France S.A.R.L., Marne	100 <sup>1)</sup>
IKB Leasing Hungária Kft., Budapest	100 <sup>1)</sup>
IKB Leasing Polska Sp.z o.o., Posen	100 <sup>1)</sup>
IKB Leasing SR s.r.o., Bratislava	100 <sup>1)</sup>
IKB Lux Beteiligungen S. á.r.l., Luxemburg	100
IKB Penzüdyi Lizing Hungária Rt., Budapest	100 <sup>1)</sup>
Still Location S.A.R.L., Marne	100 <sup>1)</sup>
ZAO IKB Leasing, Moskau	100 <sup>1)</sup>

<sup>1)</sup> Indirect holding

	Equity interest in %
<b>B. Joint ventures/associates</b>	
Linde Leasing GmbH, Wiesbaden	30 <sup>1)</sup>
Movesta Lease and Finance GmbH, Düsseldorf	50 <sup>1)</sup>
<b>C. Special Purpose Vehicles according to SIC-12</b>	
ELAN Ltd., Jersey (three cells)	
Havenrock I Ltd., Jersey	
Havenrock II Ltd., Jersey	
Rhinebridge plc, Dublin	

<sup>1)</sup> Indirect holding

Düsseldorf, 26 May 2008  
 IKB Deutsche Industriebank AG  
 The Board of Managing Directors



Dr. Günther Bräunig



Dr. Dieter Glüder



Dr. Reinhard Grzesik



Dr. Andreas Leimbach



Claus Momburg

## Disclaimer

This interim report contains forward-looking statements that are based on the development of macro-economic indicators, and on IKB Deutsche Industriebank's financial position and performance. At the time of preparing this report, these forward-looking statements were based on the current assessments of renowned economic research institutes and of IKB. Owing to the risks and elements of uncertainty that are contained in the forward-looking statements, actual results may deviate significantly from the forecasts. IKB assumes no responsibility with regard to providing updates to the statements in response to the emergence of new information or the occurrence of unexpected events.

## Financial Calendar

Preliminary figures for the financial year 2007/08	June 2008
3-month figures for the financial year 2008/09	14 August 2008
General Meeting for the financial year 2007/08	28 August 2008
6-month figures for the financial year 2008/09	13 November 2008
9-month figures for the financial year 2008/09	February 2009



If you have questions please contact:

IKB Deutsche Industriebank AG  
VKR1 – Investor Relations and Communications  
Wilhelm-Boetzkes-Straße 1 · 40474 Düsseldorf · Germany  
Telephone +49 (0)211 8221-4511  
Telefax +49 (0)211 8221-2511  
E-mail: [investor.relations@ikb.de](mailto:investor.relations@ikb.de)