

EU Commission authorises state aid for IKB subject to strict conditions

Today the EU Commission has announced that the state aid measures IKB has been receiving since the beginning of the crisis in July 2007 have been authorised subject to conditions imposed. These conditions include a considerable reduction in the business operations of IKB, the discontinuance of the business segment real estate finance and the closure of several foreign offices. It is intended to reduce the balance sheet total to €33.5 billion (from currently €47.7 billion as per 30 June 2008 or €63.5 billion as per 31 March 2007, prior to the beginning of the IKB crisis, respectively) till September 2011.

As a consequence of this authorisation, the condition precedent (*aufschiebende Bedingung*) for carrying out a capital increase in the amount of €1.25 billion is no longer applicable. Thus the closing of the sale to Lone Star of the IKB shares held by KfW can be effected in the short term.

Düsseldorf, 20 October 2008

The Board of Managing Directors

Explanations with regard to the Ad-hoc announcement to Sec. 15 of the German Securities Trading Act:

A focussed strategy

Dr Günther Bräunig, Chairman of the Management Board of IKB, comments on this as follows: “The authorisation of the aid measures for IKB allows for the bank’s continued existence, thus providing legal certainty, for our clients, and for us as well. The compensation measures imposed are severe, but, as regards the bank’s future strategy, they mean that IKB will be preserved in its core as a *Mittelstand* bank for medium-sized enterprises in Germany and in Europe.”

The conditions imposed by the EU, which must be implemented until September 2011, stipulate a reduction of the balance sheet total of IKB to €3.5 billion. In detail, they include the following elements:

The closure or winding up or, as the case may be, sale of:

- Domestic and international real estate finance (60 % until 2011), affected companies: IMG, IKB Projektentwicklungs GmbH & Co KG, IKB Projektentwicklungsverwaltungs GmbH, vol. March 2008: €4.9 billion
- IKB share (50 %) in Movesta, a sale is planned
- IKB Capital Corporation, New York; vol. March 2008: € 0.8 billion
- IKB International SA., Luxemburg, vol. March 2008: €7.5 billion, the derivatives business and credit holdings will be relocated to Düsseldorf

- Portfolio investments currently still in a nominal amount of € 3 billion (winding up after expiry of term to maturity in Special Purpose Company)

The units that will be directly affected by the conditions imposed by the EU contain about 300 employees. Moreover, as a consequence of the imminent restructuring further jobs in the IKB Group can be affected. However, due to the restructuring projects there will be new duties and responsibilities urgently requiring a large number of employees as well. As far as personnel reductions are required, it is intended to render the adjustment measures socially acceptable in consideration of the regulatory framework.

The closing of the sale to Lone Star of the IKB shares held by KfW is imminent

Once the capital increase has been carried out, the final acquisition of 90.8 % of the IKB shares by Lone Star can be effected.

The agreement on the sale of the IKB shares held by KfW to LSF6 Europe Financial Holdings L.P., a company of the US-American financial investor Lone Star, was signed on 21 August 2008. Accordingly, the new shares from the capital increase subscribed by KfW as well as the claims of KfW under its waivers of claims for repayment once the financial situation of IKB has improved (*Besserungsansprüche*) were included in the sale. The administrative board of KfW consented on 18 September 2008.

The management board of IKB welcomes the successful completion of the sales process. As regards IKB, its employees and clients, a long period of uncertainty has come to an end. The bank's independence will be preserved, and also the name "IKB" will be maintained.

The management board of IKB regards the participation of Lone Star as a clear commitment to the business model of IKB, which is further emphasised by the contribution of more own funds.