Six-month figures for financial year 2009/10

[Düsseldorf, 26 November 2009] The consolidated net loss (after taxes) of IKB Deutsche Industriebank AG in the first half of FY 2009/10 (1 April 2009 to 30 September 2009) amounted to € -398 million (H1 2008/09: consolidated net profit of € 240 million). The loss is mainly due to the negative fair value result as the fair value gains on the assets side of the balance sheet were significantly exceeded by the fair value losses on the equity and liabilities side. Loan loss provisions also increased as anticipated. Significant gains were generated on the remeasurement of compensation agreements, some profit-participation certificates and silent partnership contributions. These were reported under other operating income.

The income statement for the first half of FY 2009/10 is as follows.

in Mio. €	**1 April - 30 Sept. 2009**	**1 April - 30 Sept. 2008**	**Difference**
Net interest income	102	190	-88
Provision for possible loan losses	210	107	103
Net interest income (after provision for possible loan losses)	**-108**	**84**	**-192**
Net fee and commission income	-13	24	-37
Net income from financial instruments at fair value	-279	163	-442
Net income from investment securities	13	-234	247
Result of investments accounted for at equity	-1	-8	7
Administrative expenses	146	180	-34
Other operating income	140	423	-283
Operating result	**-394**	**272**	**-666**
Taxes	5	32	-27
Consolidated net income	**-398**	**240**	**-638**

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

Net interest income declined by € 88 million to € 102 million. The Treasury result was down by € 70 million as a result of volume declines in business, while net interest income in the Portfolio Investments segment fell by € 23 million.As anticipated, the provision for possible loan losses increased significantly by € 103 million year-on-year to € 210 million on account of the continuing poor economic situation. Net interest income after provision for possible loan losses declined accordingly by € 192 million to a negative value of € 108 million.

Net fee and commission income amounted to € -13 million. The € 37 million decrease as against the same period of the previous year predominantly resulted from the increase in costs of liquidity procurement. There was no commission expense for SoFFin guarantees in the same period of the previous year.

The fair value result of € -279 million (€ 163 million) includes opposing effects. On the assets side there were high remeasurement gains on portfolio investments and long-term investments and derivatives totalling € 359 million. However, these were more than offset by losses of € 629 million arising from the higher measurement of liabilities on account of the improving perception of IKB's credit rating (measured in terms of capital market premiums). Thus, as anticipated, the strong fair value gains that arose from the measurement of liabilities in the past are now reversing.

The other operating income amounted to € 140 million (€ 423 million). In particular, this current figure is due to the remeasurement of compensation agreements, some profit-participation certificates and silent partnership contributions.

Administrative expenses were reduced by € 34 million to € 146 million as part of the cost cutting measures. € 26 million of this decline related to other administrative expenses, where the cost of external consultancy in particular was reduced. Staff costs were down € 8 million year-on-year to € 81 million. The average number of employees declined by 79 in the financial half-year to 1,670.

Overall, an operating result (before taxes) of € -394 million was generated (€ 272 million). After taxes of € 5 million, the consolidated net loss amounted to € -398 million (consolidated net profit in first half of FY 2008/09: € 240 million).

Taking into account the rise in the average number of shares outstanding from 97 million to 609 million, earnings per share amounted to € -0.65 in the first half of FY 2009/10 (€ 2.48).

Total assets amounted to € 42.0 billion as of 30 September 2009, a decline of € 2.7 billion in the first half of the financial year. This drop is essentially due to the reduction of loans and advances to customers, mainly on account of the EU requirements, and the reduction of financial instruments and trading assets. The main reduction on the equity and liabilities side of the balance sheet was in liabilities to banks and trading liabilities.

The Tier 1 capital ratio of IKB Group was 10.4% on 30 September 2009. The total capital ratio was 14.7%.

Outlook

In a market still characterised by high levels of uncertainty and volatility and in a deep recession, IKB is still exposed to considerable default, market price, liquidity and legal risks. The financial and economic crisis will continue to impair IKB's business development and cause a high level of earnings volatility. This applies to the positions carried at fair value and to core business.

Further on, it is necessary for IKB to meet the requirements of SoFFin, EU Commission and the Deposit Protection Fund of private banks. The approval of the extended SoFFin guarantees by the EU Commission is pending, after checking the modified restructuring plan.

In order to maintain a Tier 1 capital ratio of at least 8%, IKB will in particular continue to reduce risk items.

The Board of Managing Directors is assuming that the requirements will be implemented on time and that the economic specifications will be complied with at the same time. There has been considerable progress with regard to satisfying EU requirements.

Once restructuring is complete, IKB is expected to have a substantially different earnings structure and a lower overall income level than in the financial years prior to 2007/08 as its total assets will be considerably less. Income from the Portfolio Investments segment will be replaced by fee and commission income from SME consulting business. The results for FY 2009/10 and FY 2010/11 are expected to be greatly squeezed by the consequences of the financial crisis, defaults in the corporate sector and the costs of compliance with the EU's requirements.

In particular, earnings will be reduced by the limitations on interest-bearing new business and the costs of reducing total assets. Other factors include the increased provision for possible loan losses and the sharp rise in refinancing costs. The Group's costs will also be significantly reduced by cutting operating expenses by 30% year-on-year and the headcount reduction of provisionally 370 jobs.

The medium-term goal of achieving an appropriate return on operating business will then depend on additional fee and commission income being generated by the planned expansion of consulting business and on lending business gradually achieving reasonable margins on a significantly reduced administrative and risk cost basis.

IKB Deutsche Industriebank is a specialist bank for corporate financing in Germany and Europe. Its target groups are small and medium-sized enterprises as well as international enterprises and private-equity funds.

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